

# Independent Review of Commonwealth funding for strategic policy work

A report to the Australian Government  
By Peter N Varghese AO

31 July 2024

# Letter of Transmission

26 July 2024

Professor Glyn Davis AC  
Secretary  
Department of the Prime Minister and Cabinet

## **Independent Review of Commonwealth funding for strategic policy work**

Dear Professor Davis

On 5 February 2024, you commissioned me to lead an independent review into Commonwealth funding for strategic policy work.

In commissioning the Review you sought a stocktake of funding of third-party organisations by Commonwealth agencies within Australia's national security community, a performance evaluation of these activities and a series of recommendations to improve the conduct and outcomes of relevant activities with regards to individual national security agency objectives.

My Report is attached.

The Review concluded that, while the current system for funding think tanks and commissioned strategic policy analysis is not broken and delivers many benefits, there is considerable room for improvement.

The Review makes some observations on the performance of the major recipients of Government funding to the sector, but it has not sought to provide a detailed report card on individual grant recipients. Instead, the Review provides a set of principles to govern the Government's approach to funding. I have also sought to set out what good looks like in this area in the longer term.

My recommendations go to how to do better within the existing funding envelope. I have also however presented options for how funding could be increased if this or future Governments were so inclined.

I would like to acknowledge the cooperation and support I received from stakeholders throughout the course of my Review, including from the Government, Opposition, Australian Public Service, and the sector. Not surprisingly, their perspectives varied. But on one point there was broad consensus: think tanks and commissioned research can play an important role in subjecting policy development to external scrutiny, in raising public understanding of the strategic challenges facing Australia and in deepening the currently limited pool of experts on strategic policy in Australia.

I would also like to acknowledge and thank the secretariat to this Review, led by Colin McKenna, which provided essential support and whose research and analysis greatly assisted the conclusions and recommendations of the Review. Members of the secretariat are listed at **Attachment B**.

Finally, I would like to thank you for the opportunity to conduct this Review. Australia's strategic policy must wrestle with many large and complex challenges. I hope the recommendations in this Report will go some way to ensuring that we are better placed to meet those challenges.

Yours sincerely

A handwritten signature in blue ink, appearing to read "P. Varghese", is enclosed in a light grey rectangular box.

Peter N Varghese AO

# Executive Summary

1. The strategic policy ecosystem in Australia is thin. Unlike in the United States, think tanks and academic institutions do not yet play a strong role in policy formulation. Strategic policy tends to be made and adjusted largely within government. Australia does not have a strong tradition of subjecting policy development to rigorous external scrutiny, and external engagement tends to be more in the nature of stakeholder management than actively searching out new or different policy perspectives.
2. Contestability is a critical component of a liberal democracy. The real value of contestability is that it can improve policy by explaining where a policy is not working or where its analytical foundations are either weak or wrong. Good policy making rests on a contest of ideas and the testing of assumptions.
3. Policy making cannot be an endless debate. But unless different perspectives are rigorously sifted and weighed up, policy conclusions are more likely to be flawed. Governments must accept the sector will present some uncomfortable and at times even unhelpful contributions, but debate is both healthy and necessary.
4. Australia does not have the tradition of corporate and philanthropic support which sustain the think tank sector in many other countries. Philanthropy in Australia is changing for the better, but for the foreseeable future, and with rare exceptions, we must accept the ecosystem of think tanks and commissioned research simply cannot survive without substantial government funding.
5. As in other areas of public policy, we can learn from the experience of other countries. But ultimately, we must settle on a framework which suits our conditions and meets our distinctive needs.
6. The current system is not broken and delivers many benefits, but there is considerable room for improvement. To this end, the Review provides a set of principles to govern the Government's approach to funding.
7. The Review's recommendations focus on how to do better within the existing funding envelope. It also sets out what good looks like in the sector in the longer term, and presents options for how funding could be increased if this or future Governments are so inclined. I do not consider this an urgent matter, but one which should be kept under review.
8. My starting point is that think tanks and commissioned research can play an important role in subjecting policy development to external scrutiny, in raising public understanding of the strategic challenges facing Australia, and in deepening the currently limited pool of experts on strategic policy in Australia. As our strategic challenges grow in the face of a shifting geostrategic landscape, this contribution will become more important. So getting the framework and funding model right is important.
9. The Commonwealth provides approximately \$40 million per annum to the sector to undertake research, convene events and deliver professional development activities. Seven organisations receive almost two-thirds of Commonwealth funding for the sector, followed by a long tail of organisations receiving more modest amounts for bespoke projects.

10. Under this model the sector's overall performance is mixed. It has generally performed well at delivering policy-related events and professional development services. But the research outputs are variable, often lacking diverse views and at times straying from fact-based analysis into opinion-based commentary. This undermines quality and diminishes trust in the sector. Improvements are needed from both Government and the sector to raise the bar.
11. Currently, there are no whole-of-government objectives and priorities for the funding of national security strategic policy work. This must change. The Secretaries' Committee on National Security (SCNS) should take the lead on this by setting annual priorities.
12. The Review recommends that operating funding move to a five-year funding cycle to provide greater funding certainty. To avoid excessive disruption, existing funding arrangements should be rolled over for two years, with the first year used to conclude an open tender process and the second year providing current recipients time to adjust, if necessary, to the outcome of the open tender.
13. Aside from these processes, the Review recognises and upholds the benefits of a decentralised system. Departments and agencies should make their own decisions on what other work to fund, providing they align with the centrally determined priorities.
14. The current system is spread too thin and involves too much administration. Funding fewer organisations for longer would be better and would ease recruitment planning. Minimum burden should be a guiding principle for administration, and access to Commonwealth funding should be through single departmental gateways wherever practical.
15. Co-design should be a feature of Government's engagement with the sector. This should apply all the way through an arrangement's life-cycle, including designing the scope, fine-tuning the direction and making evaluation a dialogue rather than a tick the box on completion. Security clearances, secondments, and exchanges should be more prominent in the sector to enhance Government's ability to engage effectively.
16. The current system is not transparent. There is no central data base which outlines who is getting what funding for what purpose and from whom. Twenty nine per cent of funding to the sector came from non-competitive grants. Opaque arrangements only make sweetheart deals more likely.
17. Commissioned strategic policy work would benefit from a more multi-disciplinary perspective that is better able to weave together the geopolitical, economic, technological and social threads of policy. Also there would be value in more collaboration by think tanks and academic institutions, especially when tasked by Government to address specific but interconnected policy challenges.
18. Not only should strategic policy making be subject to more external scrutiny by experts in the field, but this contestability should also come earlier in the policy making process so that it can help shape policy. The sector can be a useful sounding board for testing current thinking on a given issue. In some cases, this is best conducted in private and on the condition of confidentiality, but there is also value in an open public debate about policy options.
19. Maintaining independence and apolitical perspectives is critical to the sector's work. This requires strong leadership and sound judgement from CEOs in the sector but it rests ultimately

with good governance. Clear guidelines on external funding, faithful adherence to the principle that a funder can have no influence on research conclusions, and a sensitivity to how the identity and business interests of funders sits with the subject matter of reports are all vital aspects of good governance. Where the Commonwealth provides significant operational funding to an organisation, the Government should be provided observer status on the Board.

20. These areas for improvement are directly addressed in the framework of principles recommended by the Review and detailed in **Attachment A**. Taken together these principles will help create more consistency, increase value for money, and sustain an effective sector into the future.

21. While the Review is not a detailed report card on major recipients, it does make recommendations on two existing grants. It recommends ending funding for the Australian Strategic Policy Institute's (ASPI's) Washington Office at the conclusion of the current contract, and making any further grants to the Australian American Leadership Dialogue (AALD) contingent on a matching co-contribution from the US Government as well as a substantial contribution from the private sector. The Review also recommends changes to ASPI's governance arrangements to strengthen its independence and to provide it with tax deductibility status.

22. Finally, the Review goes to what good would look like for the sector's future in the longer term. It addresses critical mass in an Australian context. Currently, there remain large gaps in coverage, especially in relation to Australia's major regional relationships. It is understandable that the predominance of effort in terms of strategic policy work in the sector has a US alliance focus. But that strategic policy focus should be extended to our strategic relationships with the major powers of the Indo-Pacific such as China, India, Japan, Indonesia and Korea which get far less attention than they warrant.

23. As future Australian Governments are inevitably required to invest more in defence and national security, they will face a rising social licence challenge. Already, according to Lowy Institute polling, public support for increased defence spending is falling in the face of other demands on the budget especially spending on social programs. Think tanks can help build social licence by contributing an independent voice on the rising strategic and security challenges facing Australia. For this reason, while the Review stops short of recommending an immediate increase in funding for the sector, it does outline options to grow the sector should governments in the future wish to do so.

# Summary of Recommendations

**Recommendation 1:** Government should use the principles-based framework set out in Attachment A to frame decisions on commissioning strategic policy work.

**Recommendation 2:** The Secretaries Committee on National Security (SCNS) should approve annual priorities for the sector, drafted by SCNS deputies in consultation with the sector.

**Recommendation 3:** Funding for the United States Studies Centre (USSC), Perth USAsia Centre (USAC), Australian Strategic Policy Institute (ASPI) and National Security College (NSC) should be extended until 30 June 2027 to align with the commencement in 2027-28 of the new five-year funding cycle at Recommendation 4.

**Recommendation 4:** Government should adopt a five-year cycle for providing operating funding to the sector, commencing in 2027-28. The new funding cycle should involve a performance evaluation in year three and an open tender process in year four. This Review should be drawn on for evaluation decisions by SCNS for the first five-year funding cycle (2027-28 to 2031-32).

**Recommendation 5:** Departments and agencies should retain the autonomy to commission strategic policy work in support of their priorities, provided these are consistent with the annual priorities approved by SCNS and the principles-based framework.

**Recommendation 6:** The Department of the Prime Minister and Cabinet (PM&C) should maintain and regularly update a central database, internal to Government, of all funding arrangements with the sector including the name of the recipient organisations, details of the project teams, level and duration of funding, funding agency, purpose of funding and evaluation outcomes.

**Recommendation 7:** Departments and agencies should commission, administer and coordinate their fee-for-service strategic policy activities through single departmental gateways where practical.

**Recommendation 8:** To facilitate deeper interaction between Government and the sector, Government should sponsor security clearances for key figures across a diverse range of organisations where sponsorship is not otherwise possible.

**Recommendation 9:** Government should increase secondments and two-way exchanges with organisations, prioritising high-achieving individuals. Government secondees should protect confidential information but not be otherwise constrained by their home agency on their research outputs.

**Recommendation 10:** Organisations should implement best-practice governance, including a skills matrix for Board positions, policies governing the transparency and appropriateness of corporate, philanthropic and foreign funding, and providing Government observer status on Boards where the Commonwealth provides operating funding. These should be a precondition of Commonwealth operating funding, but not fee-for-service funding.

**Recommendation 11:** Government should re-constitute ASPI's Council with up to eight members, comprising a chair and two members appointed by the Minister for Defence, two members appointed by the Leader of the Opposition, and up to three members appointed by the Council itself based on a skills matrix. The Council should have the authority to appoint the Executive Director.

**Recommendation 12:** Subject to a formal application being received from ASPI, and meeting relevant requirements, the Government should support Deductible Gift Recipient status for ASPI, either as an approved research institute or, if necessary, through a specific listing in the tax law. This should be subject to ASPI's Council developing guidelines, cleared by the Minister for Defence, that ensure potential donors understand that ASPI's Commonwealth Company status does not confer any special privileges or access to Government.

**Recommendation 13:** Government should cease funding for ASPI's Washington D.C. Office once existing contracts conclude at the end of the 2024-25 financial year.

**Recommendation 14:** At the conclusion of the existing grant to the Australian American Leadership Dialogue (AALD) in 2027-28, the Government review its funding and make any further funding contingent on a matching co-contribution from the US Government as well as a substantial contribution from the private sector.



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# List of Acronyms and Abbreviations

**AAA** - American Australian Association

**AALD** - Australian American Leadership Dialogue

**ANAO** - Australian National Audit Office

**ANU** - Australian National University

**APS** - Australian Public Service

**ASD** - Australian Signals Directorate

**ASPI** - Australian Strategic Policy Institute

**AusCSCAP** - Australian Member Committee of the Council for Security Cooperation in the Asia Pacific

**Defence** - Department of Defence

**DFAT** - Department of Foreign Affairs and Trade

**DGR** - Deductible Gift Recipient

**DSCNS** - Deputy Secretaries Committee on National Security

**Fee-for-service funding** - Funding provided to an individual researcher or organisation, either via a grant or procurement process, on the basis of receiving a service in return.

**Lowy** - Lowy Institute

**NPP** - New Policy Proposal

**NSC** - National Security College

**ONI** - Office of National Intelligence

**Operating funding** - Funding provided to an organisation to support their day-to-day operations, such as salaries, rent, and utilities.

**PM&C** - Department of the Prime Minister and Cabinet

**RAMSI** - Regional Assistance Mission to Solomon Islands

**SCNS** - Secretaries Committee on National Security

**SDSC** - Strategic and Defence Studies Centre

**The sector** - Australia's national security research sector (definition on page 2)

**ToRs** - Terms of Reference

**Track 1.5** - International dialogues involving government and non-government representatives

**Track 2** - International dialogues diplomacy exclusively involving non-government representatives

**USAC** - Perth USAsia Centre

**USSC** - United States Studies Centre

# Introduction

1. On 5 February 2024, the Secretary of the Department of the Prime Minister and Cabinet (PM&C) commissioned me to conduct an independent review of Commonwealth funding for national security strategic policy work.
2. The Terms of Reference (ToRs) directed me to make recommendations to assist agencies commissioning strategic policy work while achieving value-for-money, administrative efficiency, and appropriate levels of governance, accountability, probity and transparency. The ToRs are at **Attachment B**.
3. In conducting this Review, I noted previous relevant reviews as well as related developments in the Australian Public Service (APS), including:
  - In June 2021, the Senate’s Standing Committee on Foreign Affairs, Defence and Trade inquiry into funding for public research into foreign policy issues found the Commonwealth was ad hoc in its approach, did not provide sufficient funding, and did not leverage the sector’s capabilities effectively. In its recommendations, the inquiry called for a more deliberate whole-of-government approach to improve transparency and coordination.
  - In October 2022, the Australian Public Service Commissioner commenced significant reforms to build the capability and capacity of the APS.
  - In February 2023, the Treasurer commissioned the Productivity Commission to undertake an inquiry into philanthropy in Australia. The draft report recommends a suite of reforms aimed at making the Deductible Gift Recipient (DGR) system simpler and fairer, including by making DGR status more accessible.
  - In June 2023, the Joint Committee of Public Accounts and Audits conducted an inquiry into Commonwealth grants programs, drawing on the findings of recent audits conducted by the Australian National Audit Office (ANAO).<sup>1</sup> It found evidence of poor record-keeping practices of decision-making and a tendency for departments to preference non-competitive processes over competitive ones.
4. Following a brief overview of the sector and its importance, this Report focusses on three areas:
  - Recommendations to improve the current system within the current resourcing envelope, based on observations and findings relating to the sector from my consultations.
  - A high-level assessment of the most prominent organisations in the sector, namely those that received over \$5 million in total Commonwealth funding over the five year review term.
  - Options to increase funding for the sector should this or future governments wish to consider them, noting that I do not consider increased funding is urgently required.

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<sup>1</sup> Auditor-General Report No.47 (2020-21); Auditor-General Report No.16 (2021-22); Auditor-General Report No.21 (2021-22); and Auditor-General Report No.1 (2022-23)

## Scope and definitions

5. Consistent with its ToRs, the Review restricted its examination to strategic policy work commissioned by departments and agencies represented on the Secretaries Committee on National Security (SCNS).<sup>2</sup>
6. The Review defined 'national security' as including the following issues: Border Security, Counter Foreign Interference, Counter Terrorism, Critical Infrastructure, Cyber Security, Defence Capability, Defence Industry, Law Enforcement, Intelligence Policy, Irregular Migration, Strategic Policy, Energy Security, and Climate Security.
7. The Review defined 'strategic policy work' as national security-focused and policy-relevant research, events, and professional development activities. This excluded operational activities, such as capability uplift or training for international partners, as well as technical research and development.
8. 'Australia's national security research sector' (the sector) comprises the individual researchers and organisations delivering strategic policy work. These organisations tend to fall into one of the following three categories:
  - Traditional academic institutions, such as university schools, do not have a legal identity separate from their university. Teaching and research are the primary functions. These institutions focus on deep research papers published in peer-reviewed academic journals. The primary challenge with this model is bridging the gap between academic rigour and policy relevance. Academic papers are often too dense to inform policy development and lack forward leaning recommendations. However, deep research pieces tend to have a longer shelf life than the shorter policy-relevant pieces, providing more lasting benefits to the policy discourse, with more rigorous underlying data.
  - Free-standing think tanks have their own legal identity, generally as not-for-profit organisations. They conduct policy-relevant research, help shape the public debate, and connect government and non-government stakeholders through events such as seminars, public speeches and policy roundtables. They conduct some deep research, but tend to focus on shorter form briefs and reports with recommendations designed to influence contemporary policy debate. Independence allows these institutions to concentrate on policy relevance, but high overheads for staff and facilities means they are difficult to establish and maintain.
  - University-based think tanks are a hybrid between an academic institution and a free-standing think tank. Although on university premises, they are more independent than traditional academic institutions, often with their own legal identity. University-based think tanks have similar functions to free-standing think tanks, but they also conduct or draw from teaching programs. University affiliation enables them to leverage the significant financial and administrative infrastructure of a university. It is also the case however that the

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<sup>2</sup> SCNS agencies include: the Department of the Prime Minister and Cabinet; the Department of Defence; the Department of Foreign Affairs and Trade; the Attorney-General's Department; the Department of Home Affairs; the Department of Finance; the Treasury; the Department of Climate Change, Energy, the Environment and Water; the Office of National Intelligence; the Australian Security Intelligence Organisation; the Australian Signals Directorate; the Australian Secret Intelligence Service; and the Australian Federal Police.

incentive structures of universities and thinks tanks can sometimes be at odds and complicate a think tank's strategy and operations.

9. The Review examined agreements between 1 January 2019 and 31 December 2023. Agreements signed before 1 January 2019 but still active, as well as agreements signed by and active beyond 31 December 2023, were considered in scope.

10. While the Review necessarily focused on its ToRs, most of its observations about the performance of think tanks and research institutions, and especially their relationship to policy making, are relevant to policy development across other areas of Government.

11. An overview of the approach taken by the Review is at **Attachment C**.

## Stocktake

12. According to the data collected, the Commonwealth spent approximately \$200 million across 622 agreements between 1 January 2019 and 31 December 2023. The Review also found that 175<sup>3</sup> organisations received Commonwealth funding within this timeframe. Further high-level insights are at **Attachment D**. The full details of the 622 agreements have not been included in this Report as some details are classified or commercially sensitive.

13. The data revealed two categories of Commonwealth funding to the sector:

- **Operating funding:** Four agreements<sup>4</sup> account for 28 per cent of total funding (\$56 million across five years, approximately \$11 million annually).
- **Fee-for-service activities:** The remaining 618 agreements range from \$750 to \$10,047,274 and average around \$232,033 per agreement. These agreements account for the remaining 72 per cent of total funding (\$143 million across five years, approximately \$29 million annually).

14. The data also highlighted that Commonwealth funding across both operating funding and fee-for-service activities is heavily concentrated towards a few organisations, with a long tail of comparatively minor funding agreements to the remaining organisations.

- The top eight organisations<sup>5</sup> received a total of \$126,963,517 over the Review timeframe, which represents 63.8 per cent of total Commonwealth funding.
- The remaining 167 organisations received \$71,987,771 over the review timeframe, representing 36.2 per cent of government funding and an average of \$362,445 per organisation.

15. The Department of Defence (Defence) spent the most on strategic policy work, \$100 million over the five year timeframe (50 per cent of total funding). This dwarfs the Department of Foreign Affairs and Trade (DFAT), \$36 million (18 per cent), and the Office of National Intelligence (ONI), \$19 million (10 per cent), with most of ONI's expenditure supporting deep and quite technical

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3 For the purposes of this Review, specific centres and think tanks within universities (e.g. the National Security College and Strategic and Defence Studies Centre) were considered individual organisations. The American Australian Association provides funding to the United States Studies Centre and the Perth USAsia Centre (page 37 and footnote 10 refer).

4 Agreements were with the Australian Strategic Policy Institute, National Security College, the Australian American Leadership Dialogue, and the American Australian Association.

5 The National Security College, the Australian Strategic Policy Institute, the American Australian Association, the United States Studies Centre, the Perth USAsia Centre, RAND Australia, the Lowy Institute, and the Australian American Leadership Dialogue.

research on behalf of the intelligence community. These variations come as no surprise given Defence's budget compared to other SCNS agencies.

16. Despite a perception in some quarters that the Commonwealth prioritises funding international experts over Australians, agreements with foreign-based entities only represented 5 per cent of total funding.

## We need think tanks and commissioned research...

17. Think tanks and commissioned strategic policy analysis contribute to policy making by subjecting policy positions to critical scrutiny, promoting public understanding of the strategic policy challenges facing Australia, and building the cohort of strategic analysts in Australia.

18. The sector acts as a bridge between Government, the Academy, and the public. It creates analytical material to increase transparency, public understanding, and scrutiny of national security issues. Think tanks draw from the deep open-source research conducted by the academic sector, but provide more succinct, timely and policy-relevant products with forward looking recommendations. The sector's events provide a platform for engagement between Government, non-government experts, and the public on national security issues. Teaching and professional development activities build national security practitioners' expertise and create a talent pipeline.

19. At its best, the sector generates true policy contestability. Being unencumbered by the government's bureaucracy and direction allows think tanks to think innovatively, challenge existing ideas, produce new policy concepts, and identify emerging issues. The sector injects alternative perspectives into policy discussions, helping to mitigate groupthink.

20. This is a role that strengthens the public service, rather than diminishing it. Funding the sector however should not be used as a means to fill gaps in APS capability. There will be occasions where the sector has capabilities which cannot be found in the public service, but even a public service performing at full capacity gains from the perspective of external experts. In this sense, the value of the sector is complementary to the important reform agenda to build back APS capability.

## ...but the sector's business model is challenging

21. Unlike the United States, Australia lacks a philanthropic culture towards public policy institutes, particularly for national security. The Lowy family aside, there are few examples of individual or corporate philanthropy at a sufficient quantum to sustain think tanks financially. This significantly hampers the sector's business model.

22. Absent a dedicated and secure funding base, organisations will seek out additional funding from a variety of sources, often to the detriment of a clear strategy and focus. This can also raise questions about perceived conflicts or bias (conscious or unconscious) relating to an organisation's outputs. Chasing funding takes up a disproportionate amount of the time and resources of think tanks, including for those that are better funded.

23. It is unrealistic to expect Australian think tanks to survive without government support and it is also the case that the Government and the Australian public are the major beneficiaries of the sector's work. Previous attempts to provide seed funding with the expectation that philanthropic

and corporate funding would subsequently cover costs have failed. Even the Lowy Institute (Lowy) receives slightly more than 50 per cent of its funding from governments.<sup>6</sup>

24. For all these reasons the Australian Government should continue to support the sector in the medium term. In the longer term this may change, but we should be realistic about how soon this might happen. Philanthropy offers better prospects than corporate support which in Australia tends to be limited, short term and narrow in its approach to supporting a broader public good.

25. One potential source of funding is Australia's superannuation sector for whom understanding geopolitical risk and global economic trends are now crucial to their investment decisions. Here too the Government can play a role to encourage the superannuation sector to consider the benefits to their investment decision making of backing think tanks. And if we do see an increase in philanthropy on the back of the Productivity Commission inquiry, this too could benefit the sector.

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<sup>6</sup> Figure drawn from Lowy's 2023 Annual Information Statement to the Australian Charities and Not-for-profits Commission

# Chapter One: Improving the Current System

26. Australia's national security strategic research sector is not broken, but it could play a stronger role in informing policy development if the following improvements are made to the current system.

## Adopt a principles-based framework

27. The current approach to commissioning strategic policy work is haphazard. Having all strategic policy work funding decisions guided by a principles-based framework will create a more rigorous and strategically directed approach to commissioned strategic policy work.

28. The principles set out at **Attachment A** are designed to ensure greater consistency in how Government engages the sector and provide better value for money for Government, while maintaining an effective sector into the future.

### Recommendation 1

Government should use the principles-based framework set out in Attachment A to frame decisions on commissioning strategic policy work.

## Centrally set objectives and strategic priorities, and funding decisions will follow

29. A common critique during consultations was Government does not either know, or communicate, what it wants from the sector. Government has not presented agreed objectives, topics or current and emerging challenges to the sector to inform activities. Instead, officials generally provide guidance on a case-by-case basis to outline objectives for individual programs or activities.

30. Establishing whole-of-government objectives and priorities for the sector is the first step to introducing more rigour. This includes identifying specific national security policy topics, questions, and dilemmas that would benefit from greater debate and analysis. The sector should be encouraged to think creatively and provide constructive suggestions in areas where public understanding is limited, policy positions are evolving or untested, or policy implementation is difficult. Government's objectives for funding the sector should be to:

- Broaden the policy lens through policy-relevant research and options to address current and emerging national security challenges.
- Enhance the public understanding and debate about national security policies.
- Grow the cohort of skilled policy analysts, covering a range of disciplines relevant to national security.

31. SCNS, drawing on the work of the Deputy Secretaries Committee on National Security (DSCNS), should take the lead in shaping the Government's engagement with the sector by setting overarching strategic priorities on an annual basis. This includes being clear about the research,



engagement and professional development tasks the sector could deliver to support the Government's agenda. Setting the strategic direction should occur before the start of a new financial year so that the sector can incorporate Government's updated priorities into their forward planning.

## Recommendation 2

The Secretaries Committee on National Security (SCNS) should approve annual priorities for the sector, drafted by SCNS deputies in consultation with the sector.

## Establish a five-year cycle for operating funding

32. With the exception of the AALD, all the agreements with organisations which receive operating funding from the Government will expire at the end of the 2024-25 financial year. To avoid undermining these investments, Government should extend the agreements for a further two years (until 30 June 2027) while it establishes the proposed five year funding cycle. To cease funding abruptly would be excessively disruptive.

33. Currently, all operating funding agreements are non-competitive, which leads to perceptions of favouritism, an issue raised regularly during my consultations. SCNS should review the performance and skills base of organisations receiving operating funding to ensure the sector remains fit for purpose. Centralising decision-making on operating funding, while retaining a decentralised approach to fee-for-service funding, would help Government direct Commonwealth funding towards Australia's national security interests. This should be accompanied by greater transparency in the applications process and regular performance reviews.

34. To achieve this, Government should establish a five-year funding cycle, commencing in financial year 2027-28. This would involve establishing five year operating agreements, which are reviewed in year three by the funding department or agency, followed by an open and competitive process in year four to inform SCNS decisions on the next block of operating funding allocations. This could involve continuing the current funding to organisations, or changing the organisations and the funding amounts provided. Such an approach would reduce incumbency complacency and increase transparency.

35. Organisation receiving operating funding should direct the majority of their business-as-usual activities towards the annual priorities set by SCNS. How effectively they have delivered against these priorities should be part of the review process and inform future SCNS decisions. Government operating funding should not displace an organisation's requirement to consider operating expenses when receiving funding through non-government sources. It is common practice to include overheads of around 30 per cent of contracted work to cover operating expenses. This allows further Commonwealth operating funding to be directed towards SCNS priorities. Similarly, organisations should be encouraged to seek co-contributions from other sources such as state and territory governments, philanthropists and the corporate sector as part of their bids for operating funding.

36. In making these decisions SCNS should be mindful that building institutional capability can take decades. Sustaining investment will help ensure Australia's sector retains some organisations with sufficient heft to influence national debates on national security and sufficient depth of expertise to undertake larger, more complex research projects on behalf of Government.

### Recommendation 3

Funding for the USSC, USAC, ASPI and NSC should be extended until 30 June 2027 to align with the commencement in 2027-28 of the new five-year funding cycle at Recommendation 4.

### Recommendation 4

Government should adopt a five-year cycle for providing operating funding to the sector, commencing in 2027-28. The new funding cycle should involve a performance evaluation in year three and an open tender process in year four. This Review should be drawn on for evaluation decisions by SCNS for the first five-year funding cycle (2027-28 to 2031-32).

## Retain decentralised funding but improve transparency

37. The current funding system is mostly decentralised, which means taking decisions that best suit a department's or agency's interests and objectives. This remains a sound principle. I considered a completely centralised model, with a central entity commissioning and administering all strategic policy work. Some stakeholders held the view that centralisation would increase transparency, avoid duplication, and improve research dissemination across Government. Other stakeholders suggested this would create administrative overheads and reduce agency autonomy, leading to poorer outcomes, with which I am inclined to agree.

38. Although departments and agencies should retain the ability to commission strategic policy work, transparency of their activities needs to improve as they do not currently have visibility of each other's activities. This makes it difficult for Government to get an accurate picture of aggregate funding for organisations and the sector, and on any duplication or complementarity.

39. Greater coordination would also create more opportunities for Government to cross-pollinate. As one smaller contributing agency put it to me, greater visibility of what other agencies were funding may enable them to add a small amount to meet their objectives where 'going it alone' would not be viable.

40. The Review has created a database that captures all strategic policy work commissioned by SCNS departments and agencies over the past five years. It is a useful tool that Government should continue to leverage. PM&C would be the logical entity to maintain the database, with departments and agencies responsible for providing annual updates on their funding agreements to PM&C. This data would help inform SCNS decisions on priorities and funding allocations. The database should be internal to Government, given classification and commercial sensitivities.

### Recommendation 5

Departments and agencies should retain the ability to commission strategic policy work in support of their priorities, provided these are consistent with the annual priorities approved by SCNS and the principles-based framework.

### Recommendation 6

PM&C should maintain and regularly update a central database, internal to Government, of all funding arrangements with the sector including the name of the recipient organisations, details of the project teams, level and duration of funding, funding agency, purpose of funding and evaluation outcomes.

## Provide more funding certainty

41. The five-year funding cycle will provide greater certainty to the limited number of organisations that receive operating funding. But, I would also like to see departments and agencies provide greater funding certainty for fee-for-service agreements by increasing both the quantum and duration of funding agreements. The current long tail in Commonwealth funding, with the sector heavily driven by small and short-term bespoke activities, is problematic for two reasons:

- smaller funding amounts do not provide certainty to the recipient, making it more difficult to attract and retain quality researchers and to deliver deeper strategic analysis; and
- uncertain funding forces researchers and organisations to chase projects to remain viable, distracting from analysis, research and, in some cases, organisational strategies.

42. Larger and longer-term agreements may result in fewer, better funded recipients than currently, but this trade off-is worth pursuing because it will help lay the foundations for future sector growth. It will enable those organisations receiving funds to develop heft, giving them greater scope to recruit talent, develop expertise, and conduct deeper research.

43. Government should also become more consistent with timing for commissioning strategic policy work. A common criticism made by stakeholders was that Government can be sporadic with its funding opportunities, such as departmental grant programs, sometimes only allowing a short window for applications. More consistency and outreach on when funding opportunities are available will help prime the sector to prepare proposals.

## Simplify administration

44. Current administration of grants is unnecessarily burdensome for Government and the sector, both at the application stage and during the course of an agreement. Applicants are usually required to submit a full application that details the project's research question(s), methodology, deliverables measures of performance, and the research team's credentials. This requires significant effort to develop and for Government to review. Defence's Strategic Policy Grants Program, which is one of the main strategic policy work grant programs, only funded 6.7 per cent of applications in 2023 and 16.8 per cent in 2024, so there is a lot of wasted effort on both sides.

45. ONI has introduced a two-stage application process for its grants, with short pitches triaged and then select organisations invited to submit a full application. Shortlisted applicants then co-design a full application with Government. Stakeholders welcomed this approach. Government should replicate this model for other competitive fee-for-service agreements.

46. How departments and agencies administer their commissioned strategic policy work also matters. Stakeholders from the sector remarked that they often needed to shop their ideas around multiple line areas within a department to secure funding. This is not a strategic nor efficient way of commissioning, administering and coordinating strategic policy work. Defence and ONI have dedicated directorates responsible for administering their respective grant programs, which also act as a conduit connecting the funding recipient with relevant government stakeholders. This approach has been well received by stakeholders and should be replicated by departments and agencies where practical noting resourcing implications.

## Recommendation 7

Departments and agencies should commission, administer and coordinate their fee-for-service strategic policy activities through single departmental gateways where practical.

## Improve engagement between Government and the sector

47. Government does not engage the sector sufficiently. Briefing on the issues occupying its attention is limited, and often after policy is agreed. Stakeholders regularly raised the high-turnover of government staff as a major inhibitor to effective engagement. Just as relationships are built, government personnel change roles and a new relationship must be formed.

48. Government should convene a community of interest with influential, security-cleared figures from the sector to brief on government priorities and upcoming challenges. Currently, those in the sector with security-clearances are rarely engaged by Government on classified matters. Many of these clearances, however, are for researchers doing technical research. More security clearances are needed for researchers with social science and strategic studies expertise to support policy development.

49. Secondments and exchanges between the sector and Government are uncommon and should increase. When they do occur, these arrangements often involve obligations to the home agency that limit the researcher's ability to provide analysis or critique government policy, seemingly due to perceptions this would impact an agency's reputation or that the work of the secondee may be seen as representing the views of the home agency.

50. Agencies should not be so risk averse. Secondees should be able to apply a caveat that findings do not represent the views of Government, a common practice in places like the US. Government should also ensure they send high-achieving individuals as secondees and thereby shift the perception of secondments as career limiting.

51. Australia does not have the structures or political culture that sees frequent movement between think tanks and the political class. But that does not mean that the doors should be shut. Political staffers, for example, should be encouraged to work in a think tank provided they bring to the position an evidence-based approach to policy issues. Australia should not replicate the US system where think tanks are politically aligned, but nor should the presence of political staffers in a think tank be excluded if their work is consistent with the objective of expert non-ideological analysis.

## Recommendation 8

To facilitate deeper interaction between Government and the sector, Government should sponsor security clearances for key figures across a diverse range of organisations where sponsorship is not otherwise possible.

## Recommendation 9

Government should increase secondments and two-way exchanges with organisations, prioritising high-achieving individuals. Government secondees should protect confidential information but not be otherwise constrained by their home agency on their research outputs.

## Seek contestability earlier and more often

52. Australian policy making tends to allow only a limited space for contestability from external sources. In theory, Governments favour policy contestability but for the most part where this occurs it is an internal exercise and, to the extent that external contestability occurs, it tends to be after policy has been made. This undermines the sector's ability to provide alternative analysis or identify gaps in policy thinking, limiting it to an advocacy, educational, or critiquing role.

53. The real value of contestability is that it can improve policy by explaining where a policy is not working or where its analytical foundations are either weak or wrong. Good policy making rests on a contest of ideas and the testing of assumptions.

54. There is also a global trend for governments of all persuasions to exercise greater control of the policy narrative. This may be understandable from a political perspective, but it risks discouraging both internal contestability and external critiques. An overly controlled policy narrative tends to be dismissive of different approaches.

55. Policy making cannot of course be an endless debate. But unless different perspectives are rigorously sifted and weighed up, policy conclusions are more likely to be flawed. Contestability is a critical component of a liberal democracy. Governments must accept the sector will present some uncomfortable and at times even unhelpful contributions, but debate is both healthy and necessary.

56. Generally, ministers appear to have a larger appetite for policy contestability than officials who, in the strategic policy space, tend to the view that external analysis runs along narrow rails and suffers from not being across the full spectrum of information, especially intelligence. This view is reinforced by a perception that external analysis tends to be light on what should be done and heavy on opinion.

57. Government should involve the sector in policy development much earlier and more often. The sector can be a useful sounding board for testing current thinking on a given issue. In some cases, this is best conducted in private and on the condition of confidentiality, but there is also value in an open public debate about policy options.

58. Indeed, for major policy decisions, Government should actively seek out alternative policy approaches. Government could also commission multiple researchers and organisations to produce papers on a particular topic, which would provide alternative perspectives and highlight areas of commonality. By scrutinising Government's ideas and injecting their own ideas into the process, the sector can limit groupthink, enhance innovation, and help Government arrive at better policy solutions.

59. Where researchers are brought 'into the tent' on more sensitive issues, it should be on the basis that a public airing of confidential discussions would quickly lead to their exclusion from further such discussions. Respecting the ground rules of confidentiality is consistent with principles of independence and academic freedom. This would instil more trust with Government about the sector's ability to handle sensitive information appropriately.

## Increase collaboration and multi-disciplinary analysis

60. In the design of its grants programs, Government should better target Commonwealth funding to encourage multi-disciplinary solutions. National security policy issues are increasingly complex and involve a nexus among strategic, technological, economic, political, social and other issues. Government's siloed structure can inhibit or stifle multi-disciplinary views, whereas the sector can sometimes be better equipped to draw together disparate views and disciplines into coherent analysis.

61. To address this, funding may need to be larger to allow for a cross-section of disciplinary experts, and run longer to enable their effective collaboration. This approach would be particularly beneficial in the preliminary stages of major policy development that involves multiple departments and agencies with different priorities and views. The best way to achieve this is for Government to commission an activity that clearly identifies multi-disciplinary requirements, but then allow the necessary collaboration and engagement to occur organically. Government should not be in the business of directing specific organisations or individuals to collaborate.

## Introduce greater transparency

62. If we are to avoid a repeat of sweetheart deals, we need more transparency in funding arrangements. My recommendation on setting strategic priorities will help. But even more important is Government ensuring that more funding agreements are competitive, including for operating funds, thereby ensuring funding decisions are merit-based. These principles underpin my recommendations on a five-year funding cycle for operating funding and on providing more funding certainty.

63. Government also needs to be more transparent about its funding decisions. During consultations, stakeholders commonly observed Government does not provide useful feedback outlining the reasoning behind its decision-making, both for successful and unsuccessful applicants. This makes it difficult for the sector to understand exactly what Government is looking for and calibrate their proposals accordingly. Officials involved in commissioning strategic policy work should provide feedback specific to an individual application, an additional burden that should be offset by improved quality in applications.

## Streamline and standardise evaluation

64. Government should calibrate evaluation and reporting obligations to the activity's complexity and funding quantum. Reporting is important for assurance and a *Public Governance, Performance and Accountability Act 2013* requirement. But evaluation reports can be overly burdensome, tend to measure outputs rather than outcomes, and provide little value to government officials.

65. Government and the sector would gain more value from focusing on research outcomes, rather than outputs. Bringing together the researcher and relevant line areas from the sponsoring department or agency to discuss the research findings would help achieve this, with the quality of discussion acting as a metric for the project's evaluation. These discussions should be recorded for auditing purposes, while adhering to the principles of minimum burden and proportionality.



66. Government should also establish a standardised approach for evaluating organisations receiving operating funds from the Commonwealth. The USSC and USAC have been evaluated on four separate occasions, most recently in 2022, while ASPI has not undergone evaluation since 2007. In my view, there is clear improvement in the performance of organisations that have undergone major reviews, with the NSC and USSC exemplifying where changes in strategy and resulting successes are directly attributable to review recommendations.

## Strengthen governance arrangements

67. Leading and governing a think tank requires a diverse mix of skills. It requires leaders and systems which are effective in:

- securing financial support from external sources including government(s), corporate sponsors, and philanthropic donors;
- being custodians of an organisation's reputation, which can make or break the organisation's viability; and
- driving a culture of rigorous research, policy relevance and independence, using strong knowledge of academic principles, strategic policy, and current affairs.

68. The CEO of a think tank sets its tone and is the face of its public reputation. The most successful think tanks are led by CEOs who demonstrate good judgement, who base their interventions in the public square on evidence-based reports produced by their organisations and who are adept at building relationships inside and outside of government.

69. Identifying the sector's future leaders will also become more important and requires strategic planning. Many organisations in the sector have long-serving leaders that are well-known and respected within the national security community. But all organisations benefit from renewal and that needs to be carefully planned and managed.

70. Good governance is also at the heart of a think tank's success. Organisations should develop and maintain a Board skills matrix, have set term limits, and make Board appointments that ensure diverse skills and experiences.

71. Maintaining independence and apolitical perspectives are critical to the sector's work and this rests ultimately with the governing board. Clear guidelines on the transparency and appropriateness of external funding, faithful adherence to the principle that a funder can have no influence on research conclusions, and a sensitivity to how the identity and business interests of funders sits with the subject matter of reports are all vital aspects of good governance. Governing bodies should also be sensitive to the aggregate impact of external funding on perceptions of their independence. University-based think tanks generally have well developed policies in these areas honed by years of experience on how to manage corporate and philanthropic funding. The track record of free-standing think tanks is more mixed.

72. Even with substantial funding from Government, think tanks will inevitably look to secure additional funding from corporate and philanthropic sources. That is entirely appropriate if there are stringent guidelines around how those funds are used. The same applies to funding from foreign governments where an extra measure of caution is wise. A blanket ban on foreign government funding is not recommended but think tanks need to be completely transparent about this and able to explain how it is consistent with their external funding guidelines.

73. Commonwealth operating funding should be contingent on stringent and transparent external funding policies being in place and effectively implemented, with this also being a key area for assessment during external reviews.

74. My last governance observation relates to Commonwealth involvement on organisations' Boards. I consider organisations receiving operating funding from the Commonwealth should invite Commonwealth representation on their boards in an observer capacity. This would preclude Government involvement in the organisation's decision-making but provide another touchpoint through which Government could communicate its priorities, and provide visibility of an organisations' use of Commonwealth funds. In my consultations, most organisations with Government observer representation (for example the NSC, USSC and USAC) considered this arrangement to be beneficial. Current representatives on these boards are usually Secretary-level, which is not necessary and may not be practical in all instances. Commonwealth representation at the Senior Executive Service level is sufficient.

### **Recommendation 10**

Organisations should implement best-practice governance, including a skills matrix for Board positions, policies governing the transparency and appropriateness of corporate, philanthropic and foreign funding, and providing Government observer status on Boards where the Commonwealth provides operating funding. These should be a precondition of Commonwealth operating funding, but not fee-for-service funding.



## Chapter Two: Performance Evaluation

75. The sector's performance is mixed. Stakeholders largely agreed on the important role the sector could play but varied greatly on whether or not the sector was fulfilling its intended purpose.

76. The sector's events are generally well regarded. Stakeholders considered these events useful for providing a platform for public ventilation of defence and national security issues.

77. Similarly, stakeholders were positive about the sector's professional development offerings. Some considered current offerings to be too expensive and suggested other providers could provide the service more competitively. In my view, these activities have been crucial to building a larger cohort of policymakers capable of thinking and acting strategically, and the sector's professional development offerings are commensurate with international equivalents.

78. The sector's research, in contrast, is not always delivering what Government and the public needs, despite this category receiving the most Commonwealth funding. The quality of outputs is inconsistent and the sector could focus more on current Government challenges. Some stakeholders observed that they knew where an organisation would land on any given issue before even reading the research.

79. There are certainly many hard-working researchers across the sector producing high-quality, data-driven and policy-relevant research. However this capability is far too concentrated within a select few. The overall quality in the sector needs to rise, and increasing the expertise and research quality should be a focus of organisations in the near term. The sector would benefit from more focus on delivering creative solutions to national security dilemmas and less on critiquing current policies. That is not to say that the latter is not valuable, just that the current balance is skewed. The sector should think of itself more as problem solvers, and less as admirers of the problem.

80. Noting the long tail of the sector, I do not consider it helpful to provide a detailed report card on individual grant recipients. Instead, the following provides high-level observations on the performance and effectiveness of organisations that received over \$5 million in Government funding from 1 January 2019 to 31 December 2023.

### The Australian National University (ANU)

81. The Australian National University (ANU) is the largest aggregate recipient of Commonwealth funds within the Review timeframe. The level of funding to units within the ANU varies significantly.

82. Smaller recipients include the Australian Member Committee of the Council for Security Cooperation in the Asia Pacific (AusCSCAP), hosted by the Strategic and Defence Studies Centre (SDSC). It is responsible for representing Australian interests in South and South East Asia's Track 1.5 (a combination of government and non-government representatives) and Track 2 (exclusively non-government) initiatives aimed at enhancing regional security.

83. The already modest funding this organisation receives has eroded in recent years. This suggests the Government does not see great value in Track 1.5 and Track 2 diplomacy. This is unfortunate since both tracks can make an important contribution to policy development by

testing policy positions, floating new policy ideas and gauging the appetite for policy change and renewal. Government should engage Australian think tanks to ensure that both have a clear understanding of where policy is settled and where there may be room for dialogues to support policy adjustment.

84. The Australian Signals Directorate (ASD)-ANU Co-Lab is a novel partnership aimed at accelerating the transfer of knowledge and expertise through collaboration. Its work is multi-disciplinary covering areas such as cryptography, computational linguistics, secure communications, cyber security, psychology, and vulnerability research. Co-location builds familiarity between Government and the sector and offers the opportunity for ASD staff to identify talented students thereby creating a recruitment pipeline for the national intelligence community. This is a model that is working well for both parties and could be emulated across the national security community.

### **The Strategic and Defence Studies Centre (SDSC)**

85. Established in 1966, the SDSC undertakes research and teaching on Australia's defence and strategic policy. The SDSC has made a significant contribution to building cohorts of strategic analysts, educating both undergraduate and postgraduate students as well as providing professional development services for the APS. Scholars from the SDSC have also made important contributions to building public understanding, on topics such as the US alliance, deterrence, and self-reliance, as well as conducting Official History projects commissioned by the Government. The relationship between the SDSC and the NSC appears strong and collaborative, and this is of benefit to both organisations.

86. The SDSC however is less influential than in its heyday, when its influence in defence circles and on strategic policy was underpinned by researchers with a global reputation. It is seeking to rebuild its standing following the loss of key people with strong links into the policy community. The recent appointment of Professor Brendan Taylor will provide stability, however the SDSC should further enhance its research depth.

### **The National Security College (NSC)**

87. The NSC's professional development for the national security community is a significant activity, with agencies collectively funding between \$1,757,000 and \$2,350,000 per annum through a co-contribution arrangement known as the Participating Agencies Contribution contract. This professional development role was a foundational objective of the NSC and it remains an important service to the policy community.

88. From my consultations it was clear that agencies valued the experience and relationships the courses offered, and in particular, the smaller more operational agencies valued the broader perspective and understanding the courses provided their staff. These activities remain effective and fit for purpose, and the recent expansion to include states and territories, parliamentarians and the private sector is a positive development.

89. Since its establishment in 2010, the NSC has undergone three evaluations, most recently by Nous Group in October 2020. The Nous Review reforms, despite still in their infancy, are moving the NSC in the right direction. It is already a high performing organisation, and its leadership recognises that it would benefit from further strengthening its research outputs. The NSC's balanced and informed contributions to public debate of strategic policy issues is particularly

welcome. Having a secure funding base from the contract with PM&C has enabled a stronger focus on delivering outcomes and is consistent with my findings that funding certainty is necessary for organisations in the sector. Stakeholders were uniformly supportive of the NSC and its leadership.

## The Australian Strategic Policy Institute (ASPI)

90. Of all the institutions I reviewed, ASPI attracted the most comments, positive and negative. For that reason, the Review goes into more detail on ASPI's performance than it does in relation to other organisations. I also include more detailed recommendations on ASPI's governance since, unlike other think tanks, ASPI is constituted as a Commonwealth Company and its governance is entirely within Government's control.

91. The written submissions, many of which may well have been made with ASPI's encouragement, were very positive. During my consultations however a more nuanced picture emerged.

92. There is no doubt that since its establishment in 2001, ASPI has produced some ground-breaking analysis. Its report on Solomon Islands in June 2003 is widely recognised as the intellectual precursor to what became the Regional Assistance Mission to Solomon Islands (RAMSI). For many years, ASPI's analysis of the Defence budget was one of the few sources of detailed analysis of defence spending outside Government. More controversially, ASPI's work on Uyghurs in China rightly attracted international attention and was a textbook example of the sophisticated use of open sources to shed light on an otherwise opaque issue. Similarly, ASPI's work on cyber security and foreign interference has been influential and on the latter, while controversial, was ground breaking.

93. Some of these reports attracted criticism for being overly ideological, but the main criticism of ASPI put to me related to what I would characterise as 'op-ed overreach' by its previous Executive Director. The point here is not his right to criticise or to offer opinions but that in many cases the op-eds were based on personal opinions rather than deep ASPI research and, in too many instances, it veered into partisan commentary and even personal criticism.

94. Good judgement is what marks an effective head of a think tank. The cumulative effect of the Executive Director's op-ed overreach was ultimately to the detriment of ASPI's reputation as a think tank set up to provide research-based and non-partisan analysis of policy. ASPI was never meant to have an institutional view, as distinct from the individual conclusions of its various researchers. But few could argue that the public perception, right or wrong, was that this foundational principle was not consistently upheld by its previous Executive Director.

95. This was as much a failure of governance as it was overreach by an individual. The ASPI Council should not seek to vet the research conclusions of ASPI reports but it should have recognised that op-ed overreach, especially where it was not based on research conclusions, was doing damage to ASPI's reputation and taken steps to bring ASPI back into line with its non-partisan charter.

96. This suggests that there is room to improve the governance structure of ASPI to ensure that it remains genuinely independent and non-partisan. Leaving all appointments to the ASPI Council to the Minister for Defence, as is currently the case, is not the best way of achieving this.

97. ASPI should transition to a governance arrangement where the Minister for Defence appoints the Chair and two other members of Council, and the Leader of the Opposition appoints two members. It should then be open to the Council itself to appoint up to three additional members, taking into account a skills matrix which is standard good governance practice.

98. This would help ensure that there were some non-political perspectives on Council as well as providing an opportunity for those with experience in research and analysis to sit on Council. I also recommend that in order to strengthen the independent and non-partisan character of ASPI, the authority to appoint the Executive Director should rest with the ASPI Council and not the Minister for Defence.

99. In reviewing ASPI's governance, I have also examined its status as a Commonwealth Company. I acknowledge that this status, which was recommended by the Australian Government Solicitor at the time ASPI was established, imposes some additional audit and other administrative burdens on ASPI. But that should not in itself be a reason to change ASPI's status and I see no other compelling reason to do so. Nor should ASPI's status as a Commonwealth Company exempt it from having to compete with others in the open tender process recommended in this review.

100. I accept however that up to now ASPI's status as a Commonwealth Company has been seen as a barrier to it receiving DGR status. This should be rectified, and I recommend that DGR status, which is common for other think tanks, should be extended to ASPI to assist its fundraising efforts.

101. If this recommendation is accepted, ASPI should be required to clear with the Minister for Defence a set of guidelines to govern its tax-deductible fundraising so that there can be no perception that its Commonwealth Company status confers on potential donors any special privileges or access to Government.

### **Recommendation 11**

Government should re-constitute ASPI's Council with up to eight members, comprising a chair and two members appointed by the Minister for Defence, two members appointed by the Leader of the Opposition, and up to three members appointed by the Council itself based on a skills matrix. The Council should have the authority to appoint the Executive Director.

### **Recommendation 12**

Subject to a formal application being received from ASPI, and meeting relevant requirements, the Government should support Deductible Gift Recipient status for ASPI, either as an approved research institute or, if necessary, through a specific listing in the tax law. This should be subject to ASPI's Council developing guidelines, cleared by the Minister for Defence, that ensure potential donors understand that ASPI's Commonwealth Company status does not confer any special privileges or access to Government.

## **ASPI's Washington Office**

102. In May 2021, Defence varied its grant with ASPI to provide an additional \$5 million to open an ASPI office in Washington.

103. In my view, the case for a government funded office in Washington is not persuasive. The claim that it is necessary to give visiting ministers and senior officials an Australian venue to make speeches and hold roundtables ignores the reality that for decades ministers and officials have had

no difficulty finding a prestigious American think tank to host such occasions and that this worked perfectly well.

104. Of more concern is the function which has been formally ascribed to the ASPI Washington office to influence US policy debates. This is tricky territory. The task of influencing a foreign government's policy in Australia's interests is best done through a single voice representing the full authority of the Australian Government. It could reasonably be asked on what issues does the ASPI Washington office seek to influence US policy debates and, more importantly, what policy line does ASPI bring to such efforts. Influencing US policy should be left to the Australian Government and especially the Embassy in Washington. Having ASPI freelance in this area only muddies the waters.

105. I recommend that when the current funding agreement for the ASPI Washington office ceases in July 2025, it not be renewed. If ASPI wishes to retain a Washington office, funded through its corporate and philanthropic outreach, Government should make clear to ASPI that it has no mandate from Government to seek to influence US policy debates and nor should it use its status as a Commonwealth Company to convey the impression that it somehow reflects the views of the Australian Government.

106. With the exception of ending funding for the ASPI Washington office, I make no other recommendations on ASPI funding. The idea, which some in the media have canvassed, that this Review may withdraw funding from ASPI because it has been critical of government policy or is seen as anti-China, is not one I hold.

107. Regarding ASPI's past op-ed overreach, the current Executive Director and Council Chair are working to recalibrate ASPI's approach. But past overreach is not a sufficient reason to cut ASPI's funding. Indeed, the idea that a think tank should be shut down because the Government does not like its analysis or the opinions of its Executive Director is a dangerous one and contrary to the value of policy contestability in a liberal democracy. That is why the decision of the previous government to cease funding the China Matters think tank was so regrettable.

### Recommendation 13

Government should cease funding for ASPI's Washington D.C. Office once existing contracts conclude at the end of the 2024-25 financial year.

## The American Australian Association (AAA)

108. The American Australian Association (AAA) is a privately funded not-for-profit organisation dedicated to strengthening ties between Australia and the US. First established in New York in 1948, its Australian office opened in 2006. The AAA administers the Commonwealth's grant on behalf of the USSC and USAC, provides financial contributions to each centre, funds a scholarship at the USSC, and helps to secure co-investments from state governments and industry partners.

109. The most beneficial role the AAA plays is its governance role on the USSC and USAC boards alongside the host universities. The AAA has been proactive in seeking independent, external evaluations of its own performance as well as the USSC and USAC's performance, with regular independent evaluations, most recently in 2022.

110. It is unusual for organisations to receive their operating funding from the Commonwealth through an intermediary. The 2020 evaluation by Allan Gyngell and Dr Martin Parkinson considered

whether Government should instead provide funding directly to the Centres. They concluded Government should maintain the current arrangement because of the AAA's ability to bring together stakeholders with a vested interest in the success of the two Centres and reach into the US Government. I considered this closely and ultimately came to the same conclusion.

111. However, funding records indicate allocations from the AAA to both centres are often phased with an eye on investment returns to the AAA being maximised. As a matter of good practice, Government funding for the USSC and USAC should be promptly passed on in full by the AAA.

### **The United States Studies Centre (USSC)**

112. The USSC is a university-based think tank located at the University of Sydney dedicated to studying the US and its relationship with Australia. It describes itself as a solutions-oriented think tank, and this approach is evident in its recent work on breaking barriers to industrial cooperation between Australia and the US, encouraging private financing, and building social licence on AUKUS.

113. Overall, the USSC is operating well and has made many changes following successive reviews. There is now greater integration of the research and academic communities and more funding diversity. The USSC's academic program is fully subscribed and provides revenue that supports the USSC's research and outreach activities and reduces reliance on Commonwealth funding.

114. While these efforts are welcome, Commonwealth funding remains critical to the USSC's effective operation and allows it to pursue emerging activities and to be responsive to Government needs (such as recent work for Defence on private financing). It has pivoted away from cultural studies to focus on policy-relevant research, developed a strong data driven approach to performance and improved relationships with the University of Sydney as well as between its academic and research areas. Professor Mike Green has proven to be a significant driver of the USSC revival, ensuring an appropriate plan for eventual succession remains important.

### **The Perth USAsia Centre (USAC)**

115. USAC is a Perth-based think tank focussed on raising the level of understanding in the Western Australia community and industry, supporting the state government's defence portfolio, and feeding WA perspectives back into the policy discourse. It has carved out a niche by focusing on 'translational research' that enhances public understanding of defence and strategic issues. Both its Insights and Explainer products are testament to this function.

116. It is without a doubt that USAC has made improvements since 2017, including strengthening its capacity to conduct research by hiring a Research Director. However, its pursuit of translational research should not mean dispensing with deep, analytical research and, as previous reviews have concluded, its capacity in this area should be strengthened. Past research, such as on critical minerals, played a key role in informing policy development, and this type of policy relevant research based analysis should be a stronger feature of the Centre's work.

117. The external reviews of USAC, including my own in 2017, found effective leadership had been key to the organisation's success but noted the organisation should begin succession planning. This remains prudent bearing in mind that Professor Gordon Flake, who continues to provide strong leadership, has been in the CEO position for over a decade.



## RAND Australia

118. RAND Australia is an ASIC-registered company wholly owned by RAND in the US, which remains one of the world's most influential think tanks focused on defence and strategic issues. Despite its reputation, RAND Australia has been operating at a financial loss. Building on an initial investment to establish RAND Australia, RAND continues to invest in building the Australian entity to develop solutions to public policy challenges. A long-term goal for the Australian entity is to reach the ability to break even and remain viable, noting its global parent remains committed to its support. This highlights just how challenging the business model is for think tanks operating in Australia.

119. RAND Australia fills a niche in the sector with expertise in specific areas where Australian expertise is shallow. During my consultations, stakeholders recalled how much Government relied on RAND Australia's technical expertise. Most work has been in the Defence portfolio through fee-for-service activities via a Deed of Standing Offer. RAND Australia provided inputs into the Independent Analysis into Navy's Surface Combatant Fleet and the development of a strategic mobilisation concept. Notably, Government was able to leverage RAND Australia's expertise on these major bodies of work because almost all researchers hold security clearances.

120. RAND's US-based operations boast technical expertise as well as three social and economic policy research divisions, enabling RAND Australia to leverage vast networks of multi-disciplinary expertise when required. Its academic rigour, such as subjecting all evidence-based research to double-blind peer review, is also noteworthy and something that should be emulated in other organisations. Guardrails such as this are important for limiting the potential for any kinds of bias to inform conclusions.

## The Lowy Institute (Lowy)

121. Lowy is a free-standing think tank located in Sydney established in 2003 with philanthropic support from the Lowy family. Despite this financial base, as previously outlined, Lowy receives over half of its funding from government sources. Contrary to other major organisations in the sector however, this funding is through bespoke fee-for-service arrangements rather than operating funding.

122. Major products like the Lowy Institute Poll, the Pacific and Southeast Asia Aid Maps, and the Global Diplomacy Index and Asia Power Index are good examples of effective fact-based research and analysis that a well-resourced think tank can deliver. Lowy's focus on international affairs fills a prominent place in the national security discourse and it makes an important contribution to the public policy debate. Lowy has also become a regular host for lectures by prominent Australian and international figures and strategic policy experts.

123. Lowy's governance structure is a matter for its board. But the principles and challenges within the sector are equally relevant to Lowy and should guide Government's funding decisions. Government should not displace Lowy's strong philanthropic foundation, nor should it disadvantage Lowy from receiving operating or fee-for-service funding by assuming it is already well provided for by the Lowy family and corporate support.

## The Australian American Leadership Dialogue (AALD)

124. Established in 1992, the AALD was self-funded for the first 30 years of its operations. However, in January 2022, the AALD wrote to Government requesting \$25 million in Commonwealth funding for an endowment fund. Subsequently, in April 2022, Defence executed a non-competitive grant with the AALD, providing \$8 million over five years to deliver a series of Track 1.5 dialogues.

125. The sudden need for Government funding to support an endowment appears to reflect a reduction in the business and philanthropic funding that had previously underpinned the AALD's operations. The COVID-19 pandemic was a likely factor, although perceptions that the AALD needed to refresh its approach and the participants in its flagship dialogues may also have been a factor.

126. Regardless of the reasons behind the funding challenges, the business case for such a significant funding injection from the Commonwealth was not clear, and its timing, immediately before the last election, raises questions about its transparency. Some of the arguments in support of the funding decision, such as a role for the AALD in addressing the war against Ukraine, were hardly compelling.

127. The AALD delivers four dialogues. The primary AALD Forum alternates between Washington DC and Australia and is the premier forum for delegates. Agendas and speakers are organised by the AALD and topics are broad, ranging from AUKUS to cyber security and technology. There is also the Honolulu Leadership Dialogue, which reinforces the importance of INDOPACOM in the Alliance, the West Coast Leadership Dialogue, which focusses on innovation, science and technology with links to Silicone Valley and Stamford University, and the Youth Leadership Dialogue for delegates 27-37 years old.

128. All AALD events are completely off the record and the process to determine attendees and speakers is opaque. The AALD provides post-activity reports to Defence following each dialogue, but these reports do not contain any policy recommendations for Government to consider. Other than the relationships built during the dialogues, which have and will continue to benefit Australia's engagement with the United States for decades to come, the policy benefits gained from the Commonwealth's significant investment in the AALD need to be made clearer.

129. One step which would help give the AALD a sharper policy focus would be for the Commonwealth Government to have observer status on the AALD board for as long as it receives substantial government funding.

130. Those consulted who attended events, from both sides of politics, found them valuable. There is no shortage of positive testimonials from past attendees. That said, my consultations also pointed to the need to increase the diversity of participants and refresh attendee lists. Some thought attendance was difficult to break into.

131. Taking gender as an example, the AALD's flagship event – the AALD Forum – had around 40 per cent female representation overall in 2023. However, this number drops down to around 30 per cent when Youth Leadership Dialogue delegates are excluded. Likewise, female delegates only comprised 19 per cent and 23 per cent of delegates at the AALD's Honolulu Dialogue and West Coast Leadership Dialogue in 2023. This imbalance no doubt partly reflects the character of the pool of potential attendees. The AALD should be credited for the diversity it has achieved in the



Youth Leadership Dialogue, but more effort is needed to replicate this diversity across its other programs.

132. The underlying model of the AALD as a creative initiative in private diplomacy was ground breaking and is to be commended. Attempts to replicate it in other bilateral relationships have had limited success. Deepening personal networks, debates and discussion with our key ally can only be positive for our national security.

133. It is nevertheless curious that an initiative which for over thirty years has been rightly portrayed as a unique exercise in private diplomacy should now find itself dependent on Government funding. At the very least any continuation of public funding should be contingent on a matching contribution from the US Government and on stronger support from the private sector. This will help ensure the AALD remains an effective forum in both countries, with delegates representing a cross-section of influential government, business, and academic leaders, current and emerging.

#### **Recommendation 14**

At the conclusion of the existing grant to the AALD in 2027-28, the Government should review its funding and make any further funding contingent on a matching co-contribution from the US Government as well as a substantial contribution from the private sector.

# Chapter Three: Options to Build the Sector

## The social licence challenge

134. This Review does not recommend an urgent increase in funding to the sector, but I have set out options for increased funding should this or future governments wish to go down this path in the medium to long term. These options are relatively modest. They would take funding to the sector from the current \$40 million per annum to \$50 million.

135. The strongest arguments in favour of considering a bigger investment in the sector relate to current expertise gaps and, perhaps more important, how to build and then hold a social licence for greater expenditure on defence and national security.

136. A recent poll conducted by Lowy is quite telling in this regard. It found support for an increase in defence spending dropped by ten points to 41 per cent in 2023 compared to when Lowy last asked the question in 2022<sup>7</sup>, despite Australia facing its most uncertain strategic outlook since the Second World War.

137. Think tanks can help build social licence by contributing an independent voice on the rising strategic and security challenges facing Australia. The sector's critical role will only become more important as governments wrestle with raising public spending on defence and national security when other calls on the budget will also intensify. A sustainable consensus on national security expenditure demands a deeper understanding in the community about the security challenges facing Australia. Maintaining a relatively modest investment in think tanks and commissioned strategic policy analysis can help facilitate this.

138. A bigger, more capable sector would also strengthen Australia's policy credentials on the international stage. Given Australia's national security will increasingly be shaped by the actions of others, greater credibility in the eyes of our partners would boost Australia's international engagement efforts.

## What does good look like in the long term?

139. During my consultations, determining the long-term, optimal make-up of the sector was a consistent theme. The predominant view, and one that I share, was that Australia's sector is relatively small and has not yet reached critical mass. While growth is required, we must be pragmatic that the Australian sector will remain limited given our population, and it will take years, or even decades, to build to optimal levels.

140. In my view, the sector requires both greater depth in expertise, and especially greater breadth in geographic and topical coverage. Around 20-30 per cent growth over time would create a more effective and diverse sector, better serving government and community expectations and our national interests.

141. The sector is dominated by institutions located in Sydney, Canberra and to a lesser extent Melbourne. A broad national debate needs to be more evenly spread across Australian states.

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<sup>7</sup> <https://poll.lowyinstitute.org/charts/budget-priorities/>

USAC demonstrates that having a think tank located in a region can bring a different perspective and reach to public policy debates.

142. It is also the case that state and territory governments will have an increasing role to play in national security and strategic policy issues, especially Defence, critical infrastructure, countering foreign interference and cyber security. The view that national security is purely the remit of the federal government no longer holds and think tanks can help ensure the relationships and understanding among state, territory and federal governments is more effective.

143. Adelaide and Brisbane would be logical places for new or improved think tanks and Melbourne's capability could be bolstered given it currently has a relatively small national security policy footprint.

144. Our current policy discourse tends to be quite narrow. Defence capability and geo-strategic issues are, rightly, reasonably well represented in current discussions. In other areas however debate is either largely absent or is conducted by so few analysts that it lacks depth and diversity.

145. For a think tank to have appropriate heft to contribute to debates it would likely require more personnel, most are operating with less than 10. We need more voices from across the landscape, and the entire sector, big and small organisations, could be bolstered.

146. Economic security also came up regularly in my consultations and is a clear gap in the current system. The fusion of economic and national security issues will grow in the coming years and the ability for Government to gain multi-disciplinary perspectives on these challenges will be critical. A think tank modelled on the Peterson Institute for International Economics<sup>8</sup> would provide great benefit to Australian policy making.

147. The sector is under-servicing some of Australia's major international partnerships. Experts on the US Alliance are, rightly, well represented across the sector. This should continue. But we require a more informed and prominent debate across our major relationships, China, India, Japan, Korea and ASEAN nations, particularly Indonesia. Our Pacific knowledge has improved greatly in recent years but is still short of what we need as the major power in the South Pacific region.

148. Part of the challenge is the scattered nature of much of our country and regional expertise. If you add up all the areas across our universities working on some aspect of China, Japan, India, and Indonesia, for example, the list is not short. But universities struggle to bring together even their internal expertise, let alone consolidating expertise across the sector. The result is that these pockets of expertise do not have sufficient weight to influence debates or help shape policy.

149. Australia's falling China expertise is a systemic failure. Across our 40 universities we produce no more than five graduates in any one year with an Honours degree in Chinese studies with language. Yet, along with the US, China will be the country that most influences the world order and Australia's place in it. The more difficult China becomes the more important it is that we understand it. We must have greater depth and multi-disciplinary experts on China to inform the most consequential decisions Government will make on Australia's security and prosperity in the coming decades.

150. The Australia India Institute is building its capability on national security issues, and the recent funding from Defence is a positive development that should continue. Replicating this

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<sup>8</sup> <https://www.piie.com/>

approach for Indonesia, Japan, and Korea, including establishing strong Track 1.5 dialogues, would be beneficial. This could be through increased funding to existing institutes, establishing bespoke new institutions or a combination of both.

151. Government could also undertake a capability mapping exercise to inform future decisions to grow the sector. Mapping the breadth and depth of the sector's research capabilities will reveal where current capability is strong, where it is shallow, and help inform where Government should target future investments.

152. These are capability challenges which will be with us for some time. There are no quick pathways for Australia to acquire the deep expertise we will need to navigate our way in an increasingly multi-polar world.

## Potential options for increased funding

153. The Review sets out three options for Government to grow the sector in the long term, with two options taking annual expenditure from \$40 million to \$50 million. Each requires more investment from Government but offers different avenues from which to draw funds. Additional Commonwealth resourcing should be managed through the SCNS process for providing operating funding to the sector.

### Option 1: New Policy Proposal (NPP)

154. PM&C could submit a New Policy Proposal (NPP) seeking an additional \$10 million per annum ongoing in departmental funding to centrally administer funding to the sector based on SCNS decisions.

- **Pros:** It would provide funding certainty without needing to draw funds from existing portfolio budgets.
- **Cons:** It would rely on new money from Government, create a systemic spend in the Budget, and increase the burden on PM&C to administer the funding.

### Option 2: Co-contributions from existing budgets

155. Government could replicate the process used for the NSC's Participating Agencies Contribution contract, whereby departments and agencies provide a contribution to the additional funding required based on their relative size and the benefits they receive.

- **Pros:** It would be Budget neutral for Government, with departments and agencies funding from existing allocations.
- **Cons:** It would create additional pressure on already tight budgets, and would reduce departmental and agency autonomy. It would also add administrative burden.

### Option 3: Endowments

156. Government could boost funding to the sector by establishing endowments. For example, the Grattan Institute was established with a \$35 million endowment from the Australian and Victorian Governments, with minor corporate sector support, and now operates completely independently from Government.

157. An upfront investment of \$40 million would establish an endowment capable of providing a total of approximately \$3 million annually in operating and grant funding to the sector, to either bolster existing organisations or create new ones.<sup>9</sup> Government could look to further reduce the fiscal impact by entering a cost sharing arrangement:

- 50 per cent Commonwealth Government funding
- 25 per cent state/territory government funding; and
- 25 per cent university, corporate or other host funding.

158. SCNS would determine the organisation(s) to receive an endowment. The endowment should be subject to an agreed constitution/charter for the organisation with strong governance and oversight arrangements, as well as an investment strategy and principles. This would help mitigate risk in the government's investment, noting the ability to influence the organisation following the initial payment would be limited.

- **Pros:** Provides long-term funding certainty and any cost sharing arrangement would reduce the Government's funding contribution.
- **Cons:** Requires a significant initial outlay and the return on investment would be contingent on external factors such as market conditions.

## Attachments

- A. A principles-based framework
- B. Review Terms of Reference
- C. How the Review was conducted
- D. Insights from data collected
- E. Declaration of interests

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<sup>9</sup> Based on a gross return on investment of Consumer Price Index plus 5 per cent, the endowment would earn approximately \$3.16 million per annum covering operating funding and administrative overheads.

# Attachment A: A principles-based framework

1. A principles-based framework should accompany a more rigorous and strategically directed approach to commissioned strategic policy work. The principles set out below are designed to ensure greater consistency in how Government engages the sector and provide better value for money for the Government, while maintaining an effective sector into the future.

## **Principle 1: Minimal burden**

1.1. All activities should be commissioned and administered through the least burdensome process necessary, commensurate with the level of funding.

## **Principle 2: Funding certainty**

2.1 Commonwealth funding for the sector should include larger, longer-term arrangements to enable organisations to develop deeper expertise, deliver strategic research, secure leases and facilities, and attract and retain quality staff. This may mean fewer but better funded recipients than currently.

2.2 The majority of operating funding an organisation receives from the Commonwealth should support activities against the SCNS strategic priorities, with organisations retaining some autonomy to explore new and emerging issues.

## **Principle 3: Co-design and collaboration**

3.1 Initial proposals for strategic policy work should involve short pitches from applicants, enabling Government to shortlist as efficiently as possible. Shortlisted proposals should then be fine-tuned through a co-design process between the funding recipient and government experts to drive policy relevance in accordance with agreed priorities.

3.2 Government should brief the sector on the SCNS annual strategic priorities.

3.3 Government should be more directive in assigning specific tasks for the sector to deliver in collaboration with Government, such as priorities for Track 1.5 dialogues.

## **Principle 4: Contestability and collaboration**

4.1 Government should actively fund the sector to critically review identified government policy with the focus being on alternate policy options for Government to consider.

4.2 Contestability should occur earlier in the policy development cycle wherever possible, to encourage diversity and to identify and rectify policy gaps.

4.3 For major policies, several think tanks or academic institutions should be engaged on the same topic to provide a suite of perspectives and options.

4.4 Sufficient funding and timeframes should be allocated to research on major policy issues, to incentivise multi-disciplinary perspectives and encourage collaboration across institutes and individuals.

### **Principle 5: Transparency**

- 5.1 Departments and agencies should prioritise open and competitive grant and tender processes for commissioning strategic policy work.
- 5.2 Grant rounds should occur at regular intervals to allow the sector to plan proposals.

### **Principle 6: Review and evaluation**

- 6.1 Evaluations should be commensurate with the funding amount. Evaluation of smaller agreements should be streamlined, with written reporting on deliverables replaced by engagement between the commissioning department or agency and the funding recipient to discuss findings and final reports.
- 6.2 Organisations receiving operating funds from Government should undergo regular evaluation led by the funding department. If operating funding is provided on a five-year cycle, then the review should occur in the third year.

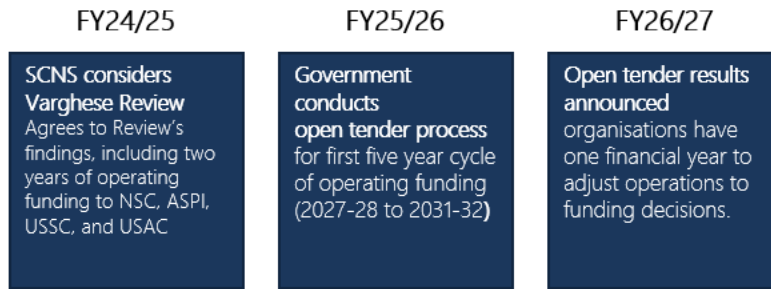
### **Principle 7: Governance**

- 7.1 Organisations receiving a significant proportion of Commonwealth funding should invite a government representative to sit as an observer on their governing body.
- 7.2 Organisations should have robust and transparent policies in place to determine the appropriateness of funding from the corporate sector, philanthropy and foreign governments, in order to preserve research independence and avoid perceived conflicts of interests. This should be a precondition of Government funding.
- 7.3 Organisations should maintain a Board skills matrix and make Board appointments to ensure diversity in knowledge and experience.

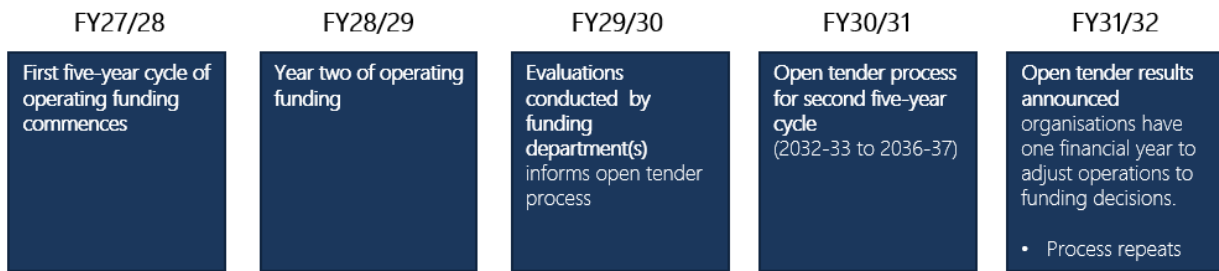
### **Proposed funding models for the sector**

2. For the provision of operating funds, Government should centralise decision-making on setting strategic priorities and allocations. Organisations receiving operating funding should be required to commit the majority of funds to research priorities set by SCNS. The performance of recipient organisations, including their skills base, would be kept under review by SCNS based on evaluations done by the funding department. Operating funding should become contestable through an open tender process, increasing competition and reducing the potential for 'incumbency complacency'. As establishing this model will take some time, a transition period from the existing arrangements until the first five cycle in 2027-28 would be required.

### Model 1: Proposed transition arrangements

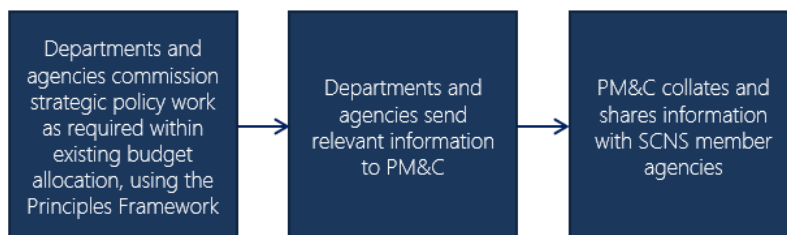


### Model 2: Proposed five-year funding cycle for operating funding to select organisations in the sector



3. For fee-for-service activities, Commonwealth departments and agencies would retain the ability to commission strategic policy work through existing grant and procurements processes so long as they are consistent with the principles at **Attachment A**. The key change under this model however is that departments and agencies would be required to provide details of their funded activities to PM&C at least once a year for inclusion in a database that tracks all strategic policy work commissioned by the Commonwealth. This database should include the name of the recipient organisations, details of the project team, level and duration of funding, funding agency, purpose of funding and evaluation outcomes.

### Model 3: Proposed decentralised model for fee-for-service activities





# Attachment B: Review Terms of Reference

## Context

1. Various Commonwealth agencies within Australia's national security community fund activities through third-party organisations to inform public debate, provide expert input to policy processes, and/or strengthen partnerships relevant to Australia's strategic circumstances.
2. Typically, these activities include publication of policy-relevant research, conduct of policy-relevant and research-based events such as conferences, dialogues and workshops and delivery of learning and development opportunities tailored to the national security community's requirements.
  - a. The types of third-party organisations engaged by the Commonwealth to deliver these activities include think tanks and universities based in Australia and overseas. Although Commonwealth agencies have often funded these engagements using competitive or non-competitive grants, they have also used a variety of other mechanisms, including scholarships, procurements, and secondments.

## Scope

3. The Independent Review of Commonwealth funding for strategic policy work will assess funding of third-party organisations by Commonwealth agencies within Australia's national security community aimed at informing public debate, providing expert input to policy processes, and/or strengthening partnerships relevant to Australia's strategic circumstances.
4. The review will consider activities undertaken by agencies represented at the Secretaries' Committee on National Security as well as other agencies, as these activities relate to national security outcomes.
5. Noting the distinct responsibilities different agencies have within Australia's national security community (including, for example, defence, home affairs, foreign and intelligence policy), the review will make recommendations to assist agencies conducting relevant activities while achieving value-for-money, administrative efficiency, and appropriate levels of governance, accountability, probity and transparency.
6. In making these recommendations, the review should consider the Commonwealth Grant Rules and Guidelines, the Public Governance, Performance and Accountability Act 2013 and associated Rule, Commonwealth Procurement Rules and relevant estimates memoranda.

## Relevant timeframes

7. The review should focus its assessment of current performance to no more than a five-year historical time frame. The review may take into account, as required, the original decision-making on key funding arrangements.
8. The review may also consider other historical information relevant to its terms of reference, including, for example, past reviews of relevance or legacy governance and funding models.

## Core outputs

9. The review should provide at a minimum the following outputs:

- a. A stocktake of relevant activities by each Commonwealth agency and each third-party organisation detailing, for example, the activity's objectives, funding model, governance, administration arrangements, and evaluation arrangements.
- b. A performance evaluation of these activities drawing on relevant qualitative and quantitative metrics, including but not limited to: impact, value-for-money, administrative efficiency and governance, accountability, probity and transparency.
- c. A series of recommendations to improve the conduct and outcomes of relevant activities with regards to individual national security agency objectives.

## Timeframes

10. At the completion of the review, the final report will be presented to the Secretary of the Department of the Prime Minister and Cabinet and the Secretaries Committee on National Security, for subsequent consideration by Cabinet or one of its committees.

- a. The review should commence in Quarter 1 2024, with the final review dates to be negotiated with the review's independent external lead.
- b. The review's independent external lead will develop a phased project plan to deliver the review in line with the above target dates.
- c. The independent external lead should aim to update the Secretary of the Department of the Prime Minister and Cabinet at the completion of the stocktake; and then as agreed.

# Attachment C: How the Review was conducted

## Secretariat

1. I had assistance from a secretariat based at the Department of the Prime Minister and Cabinet (PM&C). The secretariat comprised:

- Colin McKenna, Secretariat
- Dafydd Jones, Deputy Secretariat
- Tas Frilingos, Chief of Staff
- Riadh Al Daqqa, Senior Policy Officer

## Stocktake

2. The secretariat coordinated input from Commonwealth agencies and organisations from the sector. With my guidance, the secretariat reviewed each activity to determine its fit with the Review's scope. The stocktake then informed my consultation program and findings.

## Consultations

3. I undertook consultations with stakeholders from the sector, the public service, Government and Opposition. I sought to meet with organisations that received \$1 million in Commonwealth funding over the review timeframe, all SCNS agency heads, the Prime Minister and relevant ministers and shadow ministers, as well as prominent current and former members of the sector. See below the list organisations I consulted with directly, listed in alphabetical order:

- American Australian Association
- Asia Society Australia
- Asia-Pacific Development, Diplomacy & Defence Dialogue
- Australia India Institute
- Australian American Leadership Dialogue
- Australian Federal Police
- Australian Institute of International Affairs
- Australian Member Committee of the Council for the Security Co-operation in the Asia-Pacific
- Australian National University
- Australian Public Service Commission
- Australian Secret Intelligence Service
- Australian Security Intelligence Organisation
- Australian Signals Directorate
- Australian Strategic Policy Institute
- Deakin University
- Defence and Security Institute
- Department of Climate Change, Energy, the Environment and Water
- Department of Defence
- Department of Finance
- Department of Foreign Affairs and Trade
- Department of Home Affairs

- Department of the Prime Minister and Cabinet
- Griffith University
- La Trobe University
- Macquarie University
- Monash University
- National Security College
- Office of National Intelligence
- Perth USAsia Centre
- RAND Australia
- Royal Melbourne Institute of Technology University
- Strategic and Defence Studies Centre
- Strategic Analysis Australia
- The Lowy Institute
- The Treasury
- United States Studies Centre
- University of Adelaide
- University of Melbourne
- University of New South Wales
- University of Sydney
- University of Technology Sydney
- University of Western Australia
- University of Wollongong

4. See below the list of individuals I consulted directly with, listed in alphabetical order:

- Albanese, The Hon Anthony MP, Prime Minister of Australia
- Birmingham, Senator the Hon Simon, Shadow Minister for Foreign Affairs
- Beazley, The Hon Kim AC, Chair of the Board of the Perth USAsia Centre
- Dean, Professor Peter
- Dutton, The Hon Peter MP, Leader of the Opposition
- Falk, Ms Rachael
- Gillespie, Lieutenant General Kenneth AC, DSC, CSM (Retd)
- Hastie, The Hon Andrew MP, Shadow Minister for Defence
- Hellyer, Dr Marcus
- Houston, ACM Sir Angus, AK, AFC (Retd)
- Khalil, Mr Peter MP, Chair of Parliamentary Joint Committee on Intelligence and Security
- Lee, Dr John
- L'Estrange, Professor Michael AO
- Lewis, Major General Duncan AO, DSC, CSC (Retd)
- Marles, The Hon Richard MP, Deputy Prime Minister of Australia
- Maude, Mr Richard
- McCann, Mr Kevin AO
- O'Neil, The Hon Clare MP, Minister for Home Affairs and Cyber Security
- Paterson, Senator James, Shadow Minister for Home Affairs and Cyber Security
- Richardson, Mr Dennis AC
- Rudd, The Hon Kevin AC, Ambassador of Australia to the United States
- Stoltz, Dr William

- Wesley, Professor Michael
- West, Dr Levi
- White, Professor Hugh AO
- Wong, Senator the Hon Penny, Minister for Foreign Affairs

5. The secretariat also conducted supplementary consultations with the following individuals and organisations, listed in alphabetical order:

- Australian Civil-Military Centre
- Development Intelligence Lab
- Foundation for Australian Studies in China
- Grattan Institute
- Institute for Economics and Peace
- Institute for Regional Security
- McKinnon, Mr Robert
- Sir Roland Wilson Foundation

## Submissions

6. I sought written submissions on matters included in the Review's Terms of Reference. The secretariat's email address and PO Box were listed publicly on the PM&C website. Stakeholders interested in providing a submission were requested to complete a privacy notice consent form, in line with PM&C's privacy policy, and informed that submissions would be treated in confidence. See below the submissions I received, which are listed in alphabetical order:

- American Australian Association
- Anonymous submission
- Austin, Professor Greg
- Australian Member Committee of the Council for the Security Co-operation in the Asia Pacific
- Australian Strategic Policy Institute
- Buchanan, Dr Elizabeth and Stoltz, Dr William
- Carr, Dr Andrew
- Centre for Global Security Research
- Fitzgerald, Professor John AM
- Howard, The Hon John OM AC
- Leben, Mr William
- Lowy Institute
- Paterson, Senator James, Shadow Minister for Home Affairs and Cyber Security
- RAND Australia
- Select Committee on the Chinese Communist Party, House of Representatives, Congress of the United States
- Sklenka, Lieutenant General Stephen, Deputy Commander US Indo-Pacific Command
- Stuart, Mr Nicholas
- United States Studies Centre
- University of New South Wales
- University of Sydney



# Attachment D: Insights from data collected

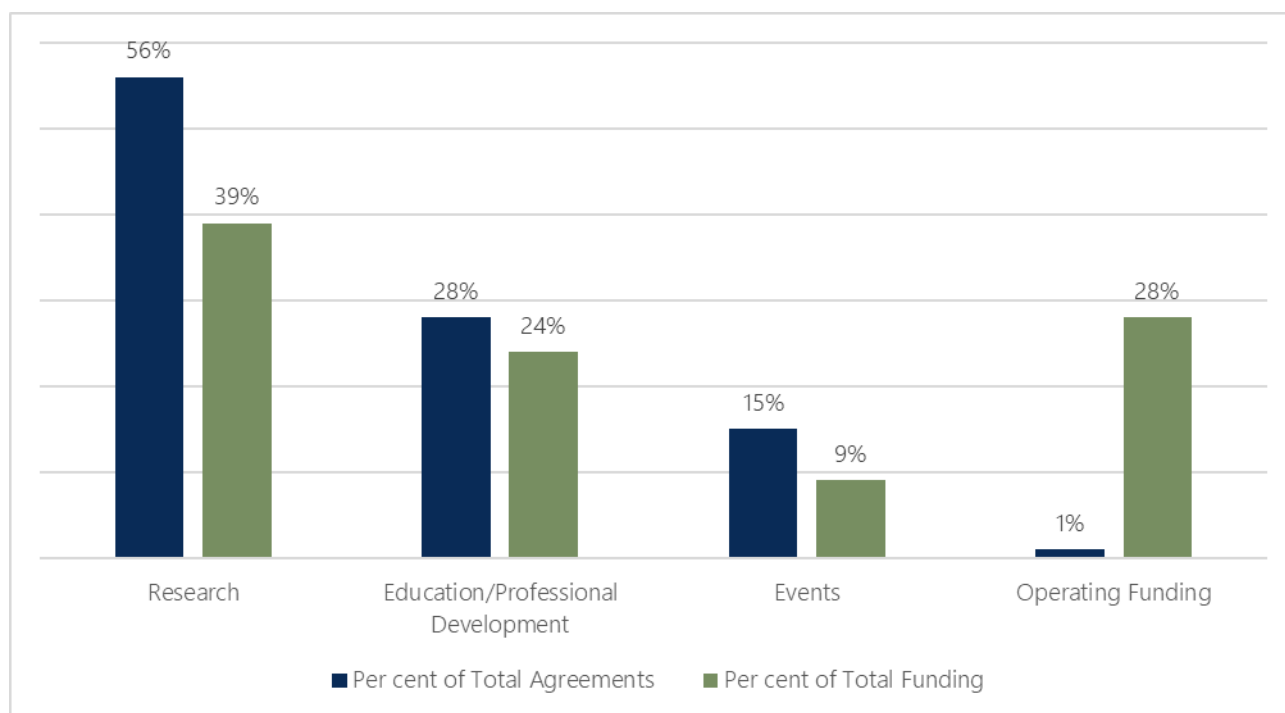
## Context

1. As part of my Review, I conducted a stocktake of all strategic policy work agreements funded by the agencies represented at the Secretaries Committee on National Security (SCNS). The stocktake found the Commonwealth spent approximately \$199 million across 622 separate agreements between 1 January 2019 and 31 December 2023. A total of 175 organisations received funding within this timeframe, disbursed by 26 separate departments and agencies, across 15 portfolios.

## Agreement type

2. The Review grouped agreements into four separate activity types, which covered: research, education and professional development, events, and operating funding. The stocktake data showed that most agreements and funding went to organisations to conduct research. Operating funding was provided for in only 1 per cent of agreements but accounted for 28 per cent of total funding.

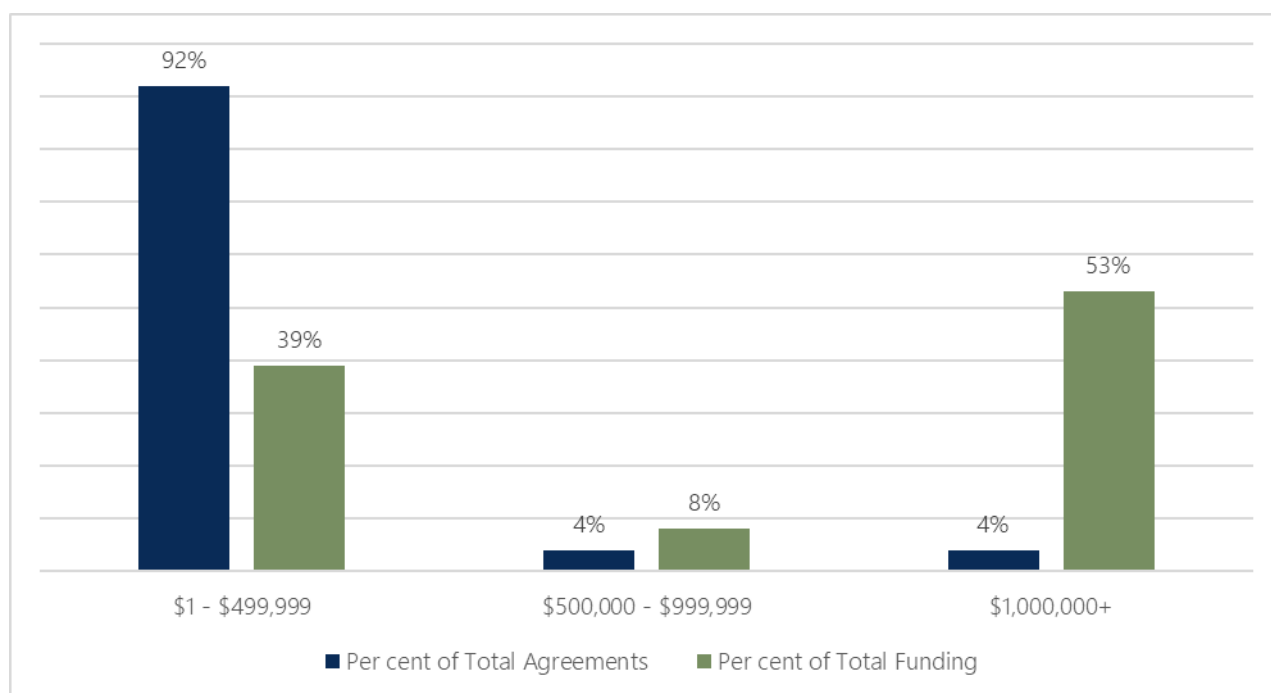
Figure 1: Percentage of agreements and funding by agreement type (2019-2023)



## Apportionment of funding

3. Agreements over \$1 million made up only 4 per cent of agreements, but around 53 per cent of the total funding, approximately \$105 million across five years. There was a long tail of funding of agreements below \$500,000, which accounted for 92 per cent of agreements but just 39 per cent of the total spend. The mid-range agreements between \$500,000 and \$1 million, made only a minor contribution in both number and funding amounts, representing just 4 per cent of agreements and 9 per cent of total funding.

Figure 2: Apportionment of funding (2019-2023)



### Top recipients of funding

4. The table below shows Australian organisations that received above \$5 million in funding from 1 January 2019 – 31 December 2023, with some organisations receiving their funding indirectly from the Commonwealth. These organisations accounted for a total of \$138 million over five years (\$27.6 million annually), or 69 per cent of total funding.

Figure 3: Organisations which received greater than \$5 million (2019-2023)

Organisation	Operating Funding	Grant/fee-for-service funding	Total Funding
Australian National University	\$7,305,000	\$41,462,793	\$48,767,793
- National Security College	- \$7,305,000	- \$30,728,385	- \$38,033,385
Australian Strategic Policy Institute	\$25,000,000	\$12,531,610	\$37,531,610
American Australian Association	\$15,250,000 <sup>10</sup>	Nil	\$15,250,000
- United States Studies Centre	- \$7,500,000	- \$1,758,500	- \$9,258,500
- Perth USAsia Centre	- \$7,500,000	- \$244,137	- \$7,744,137
RAND Australia	Nil	\$13,115,968	\$13,115,968
Lowy Institute	Nil	\$13,029,918	\$13,029,918
Australian American Leadership Dialogue	\$8,000,000	Nil	\$8,000,000

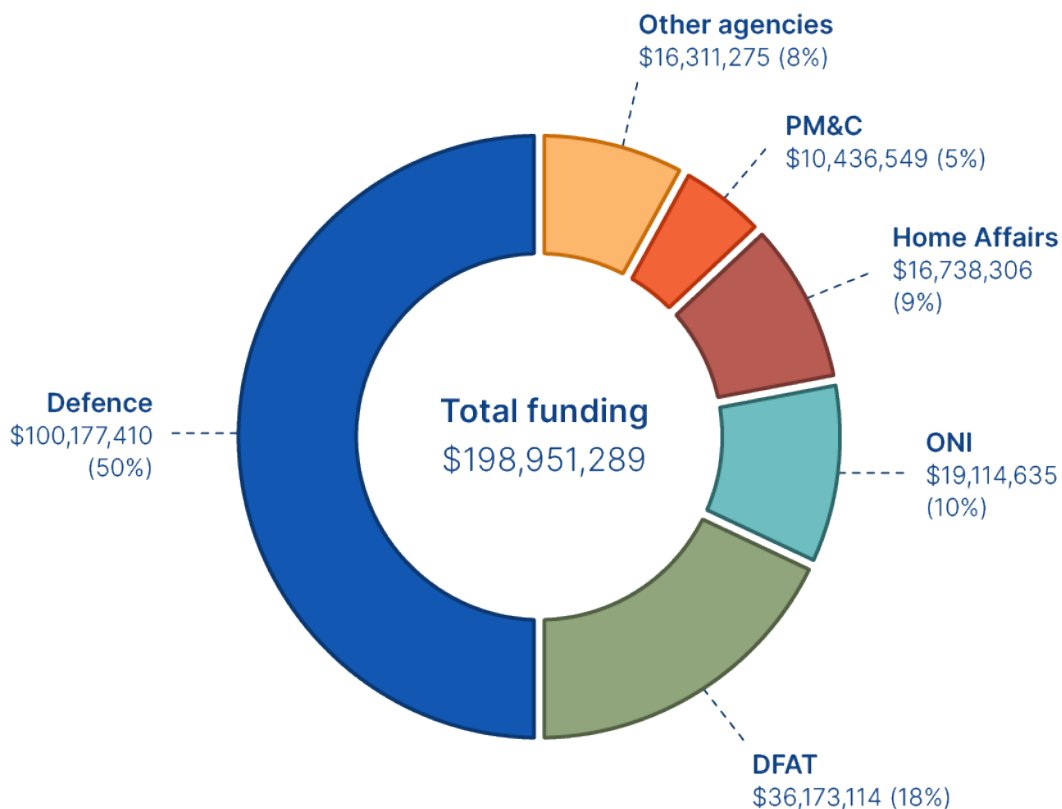
<sup>10</sup> Funding from the Commonwealth to the AAA is distributed evenly to the USSC and USAC.



## Funding by agency

5. According to our data, 50 per cent of the total funding for strategic policy work was disbursed from the Department of Defence, followed by the Department of Foreign Affairs and Trade at 18 per cent, the Office of National Intelligence at 10 per cent, the Department of Home Affairs at 8 per cent, and the Department of the Prime Minister and Cabinet at 5 per cent. Another 21 agencies provided the remaining 8 per cent of total funding. The stocktake captured some funding to the sector from agencies whose secretaries do not normally sit on SCNS. These agencies are included due to their contributions to the National Security College through the Participating Agency Contract and other fee for service professional development activities.<sup>11</sup>

Figure 4: Percentage of funding by agency (2019-2023)



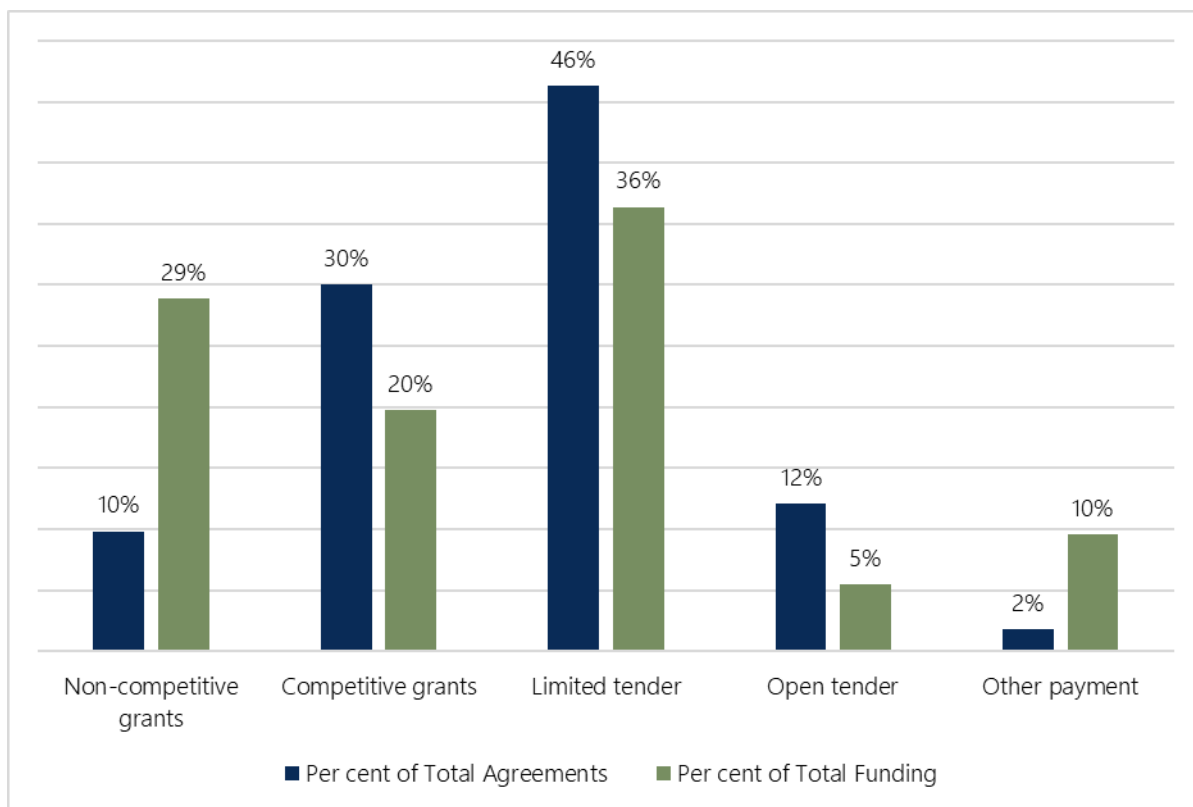
<sup>11</sup> The other agencies included in Figure 3 are (in alphabetical order): Australian Secret Intelligence Service, Australian Signals Directorate, Attorney General's Department, Australian Federal Police, Australian Security Intelligence Organisation, Australian Institute of Criminology, Department of Finance, Australian Criminal Intelligence Commission, Treasury, Department of Industry, Science and Resources, Department of Agriculture, Fisheries and Forestry, Australian Electoral Commission, Department of Climate Change, Energy, the Environment and Water, Department of Health and Aged Care, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Department of Education, Inspector-General of Intelligence and Security, Department of Employment and Workplace Relations, Australian Transaction Reports and Analysis Centre, National Indigenous Australians Agency, Australian Competition and Consumer Commission.

## Funding by financial arrangement

6. Commonwealth funding is primarily directed to organisations via grants (non-competitive and competitive) and procurements (limited and open tender). 46 per cent of agreements were limited tender procurements, representing 36 per cent of total funding. Only 10 per cent of agreements were non-competitive grants, but these accounted for 29 per cent total funding, mostly for operating funding.

7. Stocktake data also shows that other payments (i.e. deed of standing offer arrangements and overseas development assistance) were used by departments and agencies. Defence's Deed of Standing Offer with RAND Australia, worth approximately \$10 million within the Review's timeframe, accounted for 53% of funding from within the 'other payment' category.

Figure 5: Percentage of agreements and funding by process (2019-2023)



## Funding of foreign-based organisations

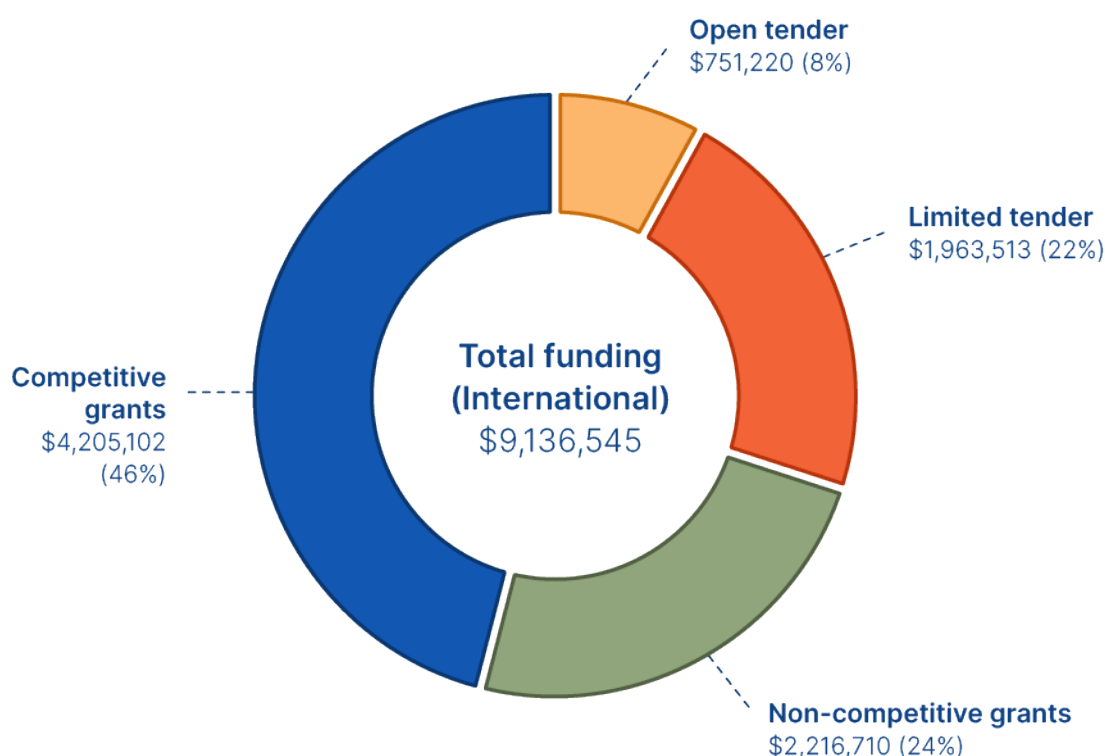
8. The data found that only 5 per cent of Commonwealth contracts went to foreign-based organisations, with a total of 52 contracts over the past five years, totalling \$9,136,545 in funding. The Commonwealth funded 40 separate foreign-based organisations, with only the International Institute for Strategic Studies receiving greater than \$1 million from three separate agreements made over the five year timeframe. Most payments to foreign-based organisations were small in scale, with average payments around \$228,000.

Figure 6: Department/agency funding of foreign-based organisations (2019-2023)

Department/Agency	Number of Agreements	Combined Funding
Defence	20	\$3,930,886
DFAT	17	\$3,431,645
Home Affairs	13	\$1,365,377
ONI	1	\$363,636
Treasury	1	\$45,000

9. Most agreements to foreign-based organisations were arranged through competitive processes (46 per cent), meaning they were mostly awarded funding on merit against the respective grant opportunity guidelines or tender documentation.

Figure 7: Split of funding to foreign-based organisations by process (2019-2023)



## Attachment E: Declaration of interests

Over the course of my career, I have been involved with most of the organisations captured by the Terms of Reference of this Review.

Currently, I chair the Advisory Council of Asialink which is a minor recipient of strategic policy grants, having received only \$250,695 over the five-year period of the Review and about which I have made no recommendations or observations.

I am also a Distinguished Fellow of the Australia India Institute and serve on the International Advisory Council of the Asia Society.

I was formerly a Distinguished Fellow of the Perth US Asia Centre and prior to this, in 2017, I conducted an independent review, commissioned by the AAA, of the USSC and the USAC.

I have been a member of an advisory group to the National Security College.

I have participated in events, given speeches or written blog articles for the Lowy Institute, ASPI, Asia Society, Asialink, USSC, USAC, the Australia India Institute, the NSC, the Australian Institute of International Affairs and the Strategic and Defence Studies Centre.

As Chancellor of The University of Queensland I have had dealings with a wide range of university-based think tanks and research institutes, including most covered by this Review.

I sit on the Governing Board of The Rajaratnam School of International Studies in Singapore.

I declared these interests to the Department of the Prime Minister and Cabinet prior to accepting the invitation to conduct this Review, and to the Department of Defence as part of my contract negotiations.

It is for others to judge but I consider all these connections have been useful in understanding the work of the sector and none have inappropriately influenced my recommendations.