



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT

Federal Budget Analysis 2015-2016

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About ACFID

The Australian Council for International Development (ACFID) unites Australia's non-government aid and international development organisations to strengthen their collective impact against poverty. Our vision is of a world where gross inequality within societies and between nations is reversed and extreme poverty is eradicated.

ACFID's purpose is to provide leadership to the not-for-profit aid and development sector in Australia in achieving this vision and to fairly represent and promote the collective views and interests of our membership.

Founded in 1965, ACFID currently has 133 members and 13 affiliates operating in more than 100 developing countries. The total revenue raised by ACFID's membership from all sources amounts to \$1.3 billion (2012-13), \$719 million of which is raised from over 1.9 million Australians (2012-13). 80% of funding is from non-government sources. ACFID's members range between large Australian multi-sectoral organisations that are linked to international federations of NGOs, to agencies with specialised thematic expertise, and smaller community based groups, with a mix of secular and faith based organisations.

ACFID members must comply with the ACFID Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. Covering over 50 principles and 150 obligations, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks. The Code has an independent complaints handling process. Over 130 organisations belong to the ACFID Code and can be viewed at www.acfid.asn.au

The full list of ACFID's current members and affiliates can be found in **Annex B**.

Budget Snapshot

Key Headlines:

- **The single biggest cut to Australia's aid budget since the beginning of the aid program:** Almost \$1 billion was cut from 2015-16, representing a 20% cut for the year. The budget also confirms \$2.7 billion of additional cuts in 2016-17 and 2017-18. By 2016-17, total Australian Overseas Development Assistance (ODA) as a share of Gross National Income (GNI) will fall to 0.22%. This is the lowest ever level since records began.
- **Funding to ANGOs:** ACFID recognises Government efforts to uphold to its election commitment to 'reprioritise foreign aid allocations towards effective non-government organisations that deliver on-the-ground support for those most in need.' ANCP is to receive a proportionately small cut of 5% in 2015-16. Funding for the Civil Society WASH Fund looks to be preserved. Funding for the Australian Africa Community Engagement Scheme has been front-ended to allow the final year of programming to proceed in 2015-16. However, the Australian Volunteers in International Development program is to be cut by 30%.
- **Breadth and depth of the aid program:** Aid to Pacific Island countries was largely quarantined, as well aid to Nepal and Cambodia. Aid to Timor and PNG was also relatively untouched, with cuts of approximately 5%.

The largest cuts to bilateral aid delivered by the Department of Foreign Affairs and Trade (DFAT) will be felt in Sub-Saharan Africa with a substantial cut of 70%.¹ Countries across East Asia have also been disproportionately hit with the Philippines, Indonesia, Myanmar, Vietnam and Laos all being cut by 40%. Post-conflict and conflict-affected countries did not escape with 40% cuts to DFAT ODA in Afghanistan, Pakistan, Sri Lanka and the Palestinian Territories.

The cuts have significantly shifted our geographic aid priorities. The Pacific is now the top region for Australian aid (rather than East Asia) and PNG is now Australia's largest bilateral aid program (previously Indonesia) followed by Indonesia, the Solomon Islands and then Afghanistan.

- **Australia's ongoing ability to respond to humanitarian need:** ACFID was pleased to see that funding to humanitarian response was largely sustained.
- **Australia's multilateral support:** Support to UN organisations (excluding emergency organisations) was predominately cut by 40% aside from UN Women. Australia has honoured replenishments to global health and education funds, though funding to Commonwealth Organisations has been cut.

What do we still need to know?

The Government has not released a detailed aid "blue book" as part of the budget papers. This is a backward step on aid transparency and means there are many aspects of the aid budget we do not have detail on. Details that will need to come to light in the weeks following include:

¹ Note: There are two measures to account for Australia's aid spending – Total Australian ODA and DFAT Country, Regional and Global Programs. Total Australian ODA includes all spending by the Australian Government that can be classified as ODA, including aid programs delivered by DFAT and other government departments. DFAT Country, Regional and Global Programs figures represent bilateral ODA delivered by DFAT as part of the aid program. This analysis distinguishes between these two types of aid.

- **Which individual aid projects will be cut?** The budget papers only include high-level information on aid funding to individual countries and regions, and some global programs. As such, we do not know which aid projects in which countries will be cut.
- **What is the impact of the cuts on sectoral priorities?** As part of its new aid policy, the Government set out six sectoral priority areas.² While DFAT's budget summary provides an outline of sectoral funding that is centrally allocated, we do not yet know overall budget allocations against the six sectoral priorities. This can only be determined once decisions are made as to what individual projects will be cut at a country and regional level. DFAT has advised that the aid program will continue to remain consistent with its sectoral priorities.
- **What will be in the impact of cuts on NGOs?** While we know the ANCP has been cut by 5%, we do not yet know how such a cut will be administered across the 49 ANCP agencies. DFAT has advised that ANCP agencies will likely be informed of how the cut will impact their funding in the next week.
- **What is the impact of cuts across other Government Departments?** While we know that DFAT funding to other Government departments to administer ODA has been cut from \$392 million in 2014-15 to an estimated \$336 million in 2015-16, we do not know where these cuts will fall across the various departments or which programs will be cut.

² Infrastructure and trade facilitation; Agriculture, fisheries and water; Effective governance; Education and health; Building resilience; and Gender equality.

A Budget that misses the point of aid

Australia's aid program reaches millions of vulnerable people and communities around the world. Last year alone, Australia's aid program enabled over 1.3 million more children to enrol in school, built more than 9,000 new classrooms, vaccinated more than 2.3 million children, gave 2.9 million people access to safe drinking water, and 1 million people access to basic sanitation. Australia has also responded generously and effectively to humanitarian crises in more than 20 countries in the past year.

Despite these achievements, the last 24 months have seen the most significant cuts to aid in the history of Australia's aid program. Since September 2013, projected aid expenditure has been reduced by more than \$11 billion over five years. The 2015-16 Federal Budget realises the most recent round of cuts, with the aid budget reduced by \$3.7 billion over three years. This year – in what is the single biggest in-year cut to aid – Australia's aid budget will fall by \$1 billion, or 20%, to just over \$4 billion.

The decision to make successive and substantial cuts to Australia's aid program was not reflective of any review of the needs it responds to, its impact on the region, or the opportunity cost of significantly reducing it. Independent evaluations at the national and international level have emphasised the effectiveness and efficiency of Australia's aid program in recent years.³

Rather, the cuts to Australia's aid program demonstrate that aid has now become an easy and expedient area for the Australian Government to cut. Though the aid program is only around 1% of Federal expenditure, it has been the source of more than 25% of the Government's budget savings.

What this ignores is the vital contribution Australia's aid program makes to solving the world's shared problems such as the effects of climate change, of increasing conflict and instability, of changing migration and refugee patterns, and global disease. In a year where Ebola threatened the global health system, where conflict in Syria has made millions of people refugees, and where natural disasters have claimed thousands of lives – it is clear that the challenges facing the world are not confined to national borders. We are, in short, all in it together.

This is particularly true for Australia as a prosperous nation surrounded by developing countries. Though we are in the top 20 wealthiest countries, we live in a region home to some of the world's poorest people. Australia benefits from being in a neighbourhood of stable and peaceful countries with strong institutions, and where people have access to healthcare, education and essential services. We want to see a safe and peaceful PNG, a Vanuatu that can withstand the effects of natural disasters, a Timor-Leste with employment opportunities for its growing youth population. A stable and prosperous region, free of poverty, with nations that can trade with us and invest alongside us is vital to our own future prosperity.

More than ever before, 2015 is a pivotal year for action to reduce poverty and conflict and build global prosperity. This year marks the end of the Millennium Development Goals and the beginning of a new sustainable development agenda. In September, global leaders will come together to agree on Sustainable Development Goals that will apply to all nations, and will recommit to giving 0.7% of national income to aid. In December, nations will look beyond national borders to set a new international agreement to limit global warming for the good of all.

It is in this global context that Australia has substantially diminished its contribution to aid and development.

This Budget confirms Australia's position as one of the least generous countries in the OECD. By 2016-17, our aid budget as a share of national income will fall to just 0.22% (22 cents in every \$100) – an all-time

³ See: <http://www.oecd.org/dac/australiacandeliveragrowingaidbudgeteffectivelyandefficiently.htm> and <http://www.aidreview.gov.au/report/>

low – and will mean Australia will rank 16th out of 28 countries in terms of generosity, falling from 13th place. The scale and immediacy of the cuts will force Australia to break commitments made with partner governments and organisations all around the world, and will weaken our standing on the international stage. It will cause untold harm to the millions of families and communities that Australian aid reaches.

We know this is at odds with the generosity of Australians and how we have always engaged with the world. Just weeks ago, the tragedy in Nepal led to an outpouring of generosity from the Australian public, with over \$20 million donated to help those affected by the earthquake. We urge the Australian Government to work to rebuild our aid budget in the interests of people and countries that need our support, and to ensure the prosperity and stability of Australia's region.



Marc Purcell, Executive Director ACFID



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1. The context for this budget

The 2015-16 Federal Budget is the culmination of repeated cuts to Australia's aid program over the course of the last 24 months. Since the 2013 Federal Election, more than \$11 billion has been cut from Australia's aid budget (both in-year cuts and from the forward projections). The first round of cuts were realised in January 2014 when the Australian Government announced in-year cuts of more than \$600 million from the 2013-14 aid budget. Further and more substantial cuts were confirmed in the 2014-15 Federal Budget, with a \$7 billion reduction in years 2014-15 to 2017-18, including a \$3.5 billion cut in 2017-18.

As a result of the 2014-15 Federal Budget, the aid budget flat-lined at \$5 billion in 2013-14 and 2014-15, though the Australian Government did commit to grow it in line with CPI from 2016-17 onwards.⁴ The Foreign Minister noted that this was an approach that was reasonable, and would provide stability and predictability to Australia's developing country partners.

In June 2014, the Australian Government released *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, its comprehensive new policy for the Australian aid program. ACFID and its members welcomed the new policy and the Government's promises of future stability in aid programming.

In December 2014, however, the Treasurer Joe Hockey announced a further \$3.7 billion cut to the aid program over three years as part of the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO). This included a \$1 billion reduction in 2015-16 – effectively giving the DFAT less than six months to cut 20% of aid programming. These cuts are realised in the 2015-16 Budget with aid falling to just \$4.052 billion. Analysis of where these cuts have fallen is provided in the subsequent sections of this analysis.

The repeated cuts to the aid budget tell only half the story. ACFID has been concerned by the effect of sustained uncertainty on aid programming and delivery partners – caused first by the integration of AusAID and DFAT and large reductions in the numbers of aid program staff, then followed by recurrent raids on the aid budget.

For much of the past year, sustained upheaval in the aid program has hampered aid programming decisions. Under the new aid policy framework, all country and regional programs were required to develop Aid Investment Plans (AIPs) to govern individual aid investments in a country or region. Though all AIPs were to be in place by July 2015, very few have been finalised to date – stalling the planning, design and implementation of new programs and creating uncertainty for the future of existing programs. AIPs are now due to be completed by September 2015.

Uncertainty around funding to aid delivery partners, particularly Australian NGOs, has curtailed their ability to make decisions about their own programs. When future funding is unpredictable, NGOs are unable to invest to sustain or expand existing programs or design new programs. Moreover, since the announcement of further cuts in MYEFO, Australian NGOs have been forced to cut programs and staff without knowing the full extent of the cuts. This has had a real impact on vulnerable people, communities and partner organisations in developing countries who are assisted by Australia's aid program. The deep cuts to aid confirmed in this Budget will further exacerbate this hardship.

⁴ See 2014-15 Federal Budget

2. Overall assessment of the budget

Changes to Aid Volume

ACFID is deeply dismayed by the magnitude of the cuts to the Australian aid program realised in the 2015-16 Federal Budget. The total Australian ODA amount for 2015-16 is \$4.052 billion, falling from \$5.032 billion in last year's budget. This represents a reduction of \$982 million and means ODA is 0.25% of Australia's GNI. In 2015-16 total Australian ODA will make up only 0.9% of overall Federal expenditure – falling from around 1.2% in 2014-15.

The 2015-16 Budget confirms further cuts of \$2.7 billion in the forward estimates with \$1.332 billion cut in 2016-17 and \$1.377 billion cut from 2017-18. As a result, total ODA in 2016-17 will be \$3.912 billion and will represent only 0.22% of GNI.

In 2018-19, ODA is projected to increase by CPI to \$4.010 billion. However, as this small increase is not commensurate with the rise in Australia's GNI ODA as a share of GNI falls further still to 0.21% in 2018-19.

Financial Year	ODA \$m (2014)	Total Cuts in 2015-16	ODA \$m (2015)	ODA/GNI Ratio	ODA as a % of federal budget expenditure
2014-15	5,032		5,032	0.32%	1.2%
2015-16	5,034	-982	4,052	0.25%	0.9%
2016-17	5,160	-1,332	3,828	0.22%	0.8%
2017-18	5,289	-1,377	3,912	0.22%	0.8%
2018-19			4,010	0.21%	0.8%

Protecting development gains and the effectiveness of Australia's aid program

In light of these cuts, ACFID is concerned about whether Australia's aid program can continue to ensure strong development outcomes and deliver effectively and efficiently for those living in poverty. Moreover, it is vital that the core infrastructure and reach of the aid program is preserved so that it can be rebuilt in future years in line with the Government's own election commitments, and commensurate with Australia's international obligations.

The scale of the cuts realised in the 2015-16 Budget meant all country, regional and global programs faced a proportionate reduction of 20%. ACFID acknowledges the work of the Foreign Minister and DFAT to consider the merits of cuts across each program area, rather than apply a blanket reduction.

In this analysis, ACFID seeks to evaluate where cuts have fallen against the overarching goal of protecting development gains to areas most in need, and to maintaining the effectiveness of the Australian aid program. This is based around key criteria developed by ACFID and provided to the Government earlier in the year to help prevent the most damaging impacts of cuts (see Annex C).

2.1 Has aid been cut to the poorest countries?

It is ACFID's view that the Australian aid program can be most effective at promoting inclusive and sustainable growth by prioritising aid programs to the poorest 40% of people in all developing countries – including disadvantaged groups such as women, people with a disability, indigenous peoples and other marginalised groups.

It is worth noting at the outset, however, that the Budget only provides detail on the aid program at the country and regional level. Therefore, as proxy for the effect on the poorest 40% of people in developing countries, ACFID has instead analysed the extent to which aid cuts have fallen on low-income countries, on countries with low rates of human development, on fragile states, conflict and post-conflict states. ACFID recognises that there is still substantial poverty and inequality in middle-income countries and that targeted development programs remain essential.

In the 2015-16 Budget, total ODA to low and lower-middle income countries has fallen substantially, particularly in relation to reductions in allocations greater than 40% to Sub-Saharan Africa (a region made up almost exclusively of low income countries), Mongolia and the Philippines. The cuts to Sub-Saharan Africa are even greater when considering bilateral ODA delivered by DFAT, which has sustained an enormous reduction of 70%.

Overall, Asian regions have borne the burden of cuts, with almost half of all savings drawn from East Asia alone. Substantial cuts of greater than 35% have been made to countries across the region (Indonesia, Afghanistan, Vietnam, Sri Lanka, Bhutan, Bangladesh and Pakistan), with Cambodia the only country in the region to be completely protected in terms of both bilateral ODA and total ODA (see discussion on diversion of aid for non-aid purposes below).

ACFID is pleased that Small Island Developing States (SIDS) in the Pacific have been largely quarantined from cuts in recognition of the significant development challenges they face and that they are predominantly low income countries, with low levels of human development. We are disappointed that it has had to come at the expense of low and lower-middle income countries and those with low human development statistics in Asia and Africa, given the overall scale of the cuts that had to be made.

Furthermore, cuts to fragile states emerging from conflict, such as Afghanistan and Sri Lanka – as well as states currently experiencing conflict like Burma and Palestine (all of which sustained cuts of 40% to bilateral ODA) and Iraq (which has been reduced to zero) seem particularly poorly timed, and fail to recognise the crucial role of aid in building peace and stability. ACFID emphasises that cuts to aid damage our international relationships, undermine peace and security and reduce our ability to contribute to global poverty alleviations efforts.

2.2 Has aid for humanitarian response been cut?

In the 2015-16 Budget, humanitarian and emergency assistance received only a slight decrease in funding, from \$338.6 million in 2014-15 to \$328.9 million in 2015-16. Humanitarian spending now represents 8% of total ODA. ACFID is pleased to see the Government's humanitarian commitments largely hold steady.

This year's Budget has seen the Humanitarian and Emergency Response budget line broken into three categories – Disaster Risk Reduction and Protracted Conflicts (\$52.7 million), Australian Preparedness and Response (\$24.7 million), and Emergency Fund (\$120 million). While we welcome greater transparency regarding the humanitarian budget, we request further clarity on proposed expenditure in this area. On initial analysis, ACFID is pleased to note that budget allocations to the Emergency Fund remain the same as 2014-15.

All UN-Humanitarian partners have received a slight decrease in funds.

As noted in the following analysis, ACFID is pleased that support to Nepal and Vanuatu has been sustained, given the recovery efforts in both countries is likely to remain significant for some time. We also note concerns regarding diminished aid allocations to Africa and the Middle East, and reiterate that it is important to ensure humanitarian funding is allocated in proportion to need – irrespective of where that need arises.

Recent humanitarian disasters indicate that we are witnessing a rise in the scale, frequency and impact of humanitarian crises on vulnerable people around the world. In light of these strains, [ACFID has recommended](#) that Australia contribute a minimum of 10% of the overall aid budget to humanitarian assistance.

2.3 Has aid to support the work of NGOs been cut?

An early commitment of the Australian Government was to 'reprioritise foreign aid allocations towards effective non-government organisations that deliver on-the-ground support for those most in need.'⁵ ACFID recognises Government efforts to uphold this commitment.

In the 2015-16 Budget, funding to the Australian NGO Cooperation Program (ANCP) has faced a proportionately small cut of 5%, dropping from \$134 million to \$127.3 million. On average, ANCP funding has represented 1.8% of total ODA funding since 2005. In 2014-15 it stood at 2.7% of total ODA funding.⁶ The program now represents 3.1% of Australia's overall aid budget, which is a reflection of the severity of overall budget cuts.

Australia's new development policy and performance framework recognises the ANCP as one of its most effective partners⁷ and the annual *Performance of Australian Aid* report, which reviewed the performance of the Australian Aid program in 2013-14, affirms this, highlighting the strengths of the ANCP – its diverse community linkages, its participatory methodologies, its ability to reach vulnerable and marginalised groups and its use of innovation.⁸ Although ANCP is an extremely small part of the Australia's overall aid budget, Aggregate Development Results, annual performance reports and evaluations show that the ANCP delivers significant results, compared to other DFAT programs.⁹

While ACFID is disappointed at the reduction to the ANCP, we welcome the Government's efforts to limit the damage to this high performing and cost effective program. We do note, however, that these cuts will result in the scrapping of vital projects being delivered by 49 Australian aid agencies.

ACFID is pleased that funding for the Australian Africa Community Engagement Scheme (AACES) has been front ended to allow the final year of programming to proceed, as the program has been achieving excellent results in priority areas for the Government including women's empowerment and economic development. ACFID also welcomes ongoing support for the work of 13 NGOs through the Civil Society WASH Fund to improve the health and quality of life of over 2.5 million people in 19 countries.

Funding to the Australian Volunteers in International Development (AVID) program has been cut by 30% from \$56.6 million to \$39.6 million (30%). It is discouraging that the volunteer program has been cut as it is one of the most visible elements of Australia's overseas aid effort. The Office of Development Effectiveness (ODE) evaluation of the volunteer program in 2014 found that it made an effective contribution to development objectives and that volunteers "contribute to the capacity of the host organisations, develop people-to-people links and generate goodwill for domestic and foreign diplomacy".¹⁰

⁵ The Hon Joe Hockey MP & The Hon Andrew Robb AO MP, Final Update On Federal Coalition Election Policy Commitments, 5 September 2013, available at <http://www.liberal.org.au/latest-news/2013/09/05/final-update-federal-coalition-election-policy-commitments>, accessed 5 February 2014.

⁶ ODE (2015). *Evaluation of the Australian NGO Cooperation Program Evaluation Plan*. January 2015. Pg 7

⁷ Australian Government (2014). *Australian Aid: promoting prosperity, reducing poverty, enhancing stability*. Department of Foreign Affairs and Trade. June 2015.

⁸ Australian Government (2015). *Performance of Australian Aid 2013-2014*. Department of Foreign Affairs and Trade. February 2015. Pg 45.

⁹ See ANCP NGO Annual Performance Reports 2012-13, DFAT ANCP NGO survey results April 2014, DFAT monitoring and evaluations visits 2013-14, ANCP meta evaluation report 2013

¹⁰ ODE. (2014). *Evaluation of the Australian Volunteers International Development (AVID) Program*. January 2014. Australian Government. Pg 2

If the Government wishes to enhance the visibility of the Australian aid program and people to people links, ACFID believes it should rebuild funding for the AVID program.

ACFID welcomes that the standing partnership between ACFID and DFAT will be ongoing and has not received no cuts.

2.4 Has aid been diverted to non-aid purposes?

It is of critical importance that Australia's aid budget is not diverted to non-aid purposes. In previous budgets and under successive governments, the aid budget has been diverted to fund refugee processing costs in contravention of Australia's international obligations. It is ACFID's firm position that aid money should not be used to fund either offshore or onshore processing of asylum seekers.

It is not immediately clear whether funds from this year's aid budget have been misused in this way. However, ACFID notes that Cambodia was one of only two countries in the East Asia region that was not cut by 40% in 2015-16. Instead, both total and DFAT administered ODA to Cambodia was protected from any cuts. While we recognise the significant need in Cambodia, we are concerned that the decision to shield it from cuts was tied to the refugee resettlement deal struck with Cambodia early this year. This would certainly be a misuse of aid.

In addition, ACFID understands that there has been an additional assistance package to Manus Island that involves an increase in funding from \$15 million to \$38 million over three years. While we understand that the package includes additional health and education assistance to Manus Island, we note that this comes in the context of a decrease in aid to PNG overall. We note also that Manus Island, a small province of PNG, receives proportionately far more Australian aid per capita than the rest of the country as a result of the refugee processing centre it hosts. We maintain that this is a continuing misuse of Australian aid.

On a positive note, ACFID is pleased to see that this year's budget provides greater detail on the cross regional programs line, particularly with reference to the Government's thematic priorities. In previous years, this budget line has been the source of funds used for refugee processing costs and we welcome the break from this practice in 2015-16.

2.5 Has the process been transparent?

Process of making aid cuts

The Government's decision to make such large cuts to the aid budget was not informed by any review or assessment.

The cuts were foreshadowed as part of MYEFO announcements by the Treasurer in December 2014. DFAT was then given less than five months to determine where \$1 billion of aid cuts should fall. As a result, there has been little consultation or communication with the Australian development sector on which programs, countries or regions could be under threat, or the process for determining where cuts would fall.

Further, DFAT and partners have had to put on hold policy development and program investments as decisions on cuts were being made. This has been a backward step for the predictability, and therefore the effectiveness, of Australia's aid program.

ACFID calls on DFAT to now work quickly and transparently with its partners to determine which particular projects will face cuts as a result of the reductions, with the overall aim of protecting development gains and those high performing programs that have maximum direct impact on those living in poverty.

Budget information

The Government has not released a Ministerial Statement on the Aid Budget (“blue book”). Prior to this, Ministerial Statements have been available every year since 2001-02, providing a summary of aid spend at the country, thematic and global level and across other Government departments and strategic goals (last year’s summary came a few weeks after the Budget to align with the release of the Government’s aid policy).

This year, aid spending is spread across several items in Budget Paper 1 and the DFAT portfolio statement, with further detail provided by DFAT on its website. While this provides figures on DFAT and total ODA spend at a geographical, regional and global level, there is no detail on aid spending with regards to aid to other Government departments or forward estimates at the regional level. Without this level of detail, we have lost a key transparency tool to evaluate aid spending. The lack of regional forward estimates also undermines the predictability of aid.

ACFID calls on the Government to release a Ministerial Statement in future years. The National Commission of Audit report recommended that a Ministerial Statement on Aid be retained to ensure transparency of the aid program. Australia is a signatory to the International Aid Transparency Initiative (IATI) and the Government’s aid policy commits to ‘high standards of transparency and accountability in the management of the Australian aid program’.¹¹

¹¹ Australian Government, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, June 2014, pg. 31

3. Detailed analysis of the budget

3.1 Geographic analysis: Where is aid being spent?

Overall, DFAT has emphasised that Australia's aid program continues to remain consistent with the Government's aid policy and performance framework released in June 2014, including that at least 90% of country program aid will be spent in the Indo-Pacific region.

The Pacific and Papua New Guinea

Total Australian ODA in current prices, actual spending FY13-14, estimated outcomes FY14-15 & FY15-16

Country	FY13-14	FY14-15	FY15-16	% Cut this year
Papua New Guinea	502.4	577.1	553.6	-4.1%
Solomon Islands	183.3	168.1	176.7	5.1%
Vanuatu	62.7	60.4	60.9	0.8%
Samoa	60.7	37.6	37.2	-1.1%
Fiji	38.6	61.9	59.6	-3.7%
Tonga	32.3	30.3	31.4	3.6%
Nauru	29.5	27.1	25.9	-4.4%
Kiribati	22.2	26.9	27.2	1.1%
Tuvalu	13.1	10.4	10.8	3.8%
Cook Islands	9.5	4.0	3.7	-7.5%
Niue and Tokelau	4.5	6.3	5.4	-14.3%
North Pacific	4.4	13.5	12.8	-5.2%
<i>Pacific Regional</i>	<i>107.0</i>	<i>129.1</i>	<i>106</i>	<i>-17.9%</i>
PACIFIC TOTAL	1,070.0	1152.7	1111.2	-3.6%

The Pacific region has been protected from the deep cuts made to other areas of the aid budget, sustaining a cut of just \$41.5million (or 3.6%) to total ODA across the region.

PNG, still by far the largest program in the Pacific region, has taken a small cut of 4.1% or \$23.5 million, bringing the total ODA allocation to \$553.6 million. The second largest program – the Solomon Islands – has actually increased by about 5% to \$176.7 million when considering total ODA.

Vanuatu, Samoa, Kiribati, Tuvalu, Cook Islands, Niue & Tokelau and the North Pacific programs have all stayed at roughly the same levels of total ODA, with changes of about \$1 million or less.

However, in terms of bilateral ODA delivered by DFAT, only PNG and the Pacific regional program have seen any change at all, with PNG losing \$25.1 million or 5%, and Pacific Regional losing \$18.5 million or 10%. DFAT's bilateral aid allocation to all other Pacific countries is remaining the same.

ACFID Response:

ACFID is pleased that our neighbours in the Pacific region have been quarantined from the worst of the cuts made in this year's Budget, a decision which is in line with the Foreign Minister's own focus on the region. The Pacific is still much in need of development support, and lags behind the rest of the world in terms of meeting the Millennium Development Goals (MDGs). Small Island Developing States (SIDS) in the region are particularly susceptible to the impacts of climate change, and many are poorly placed to respond to natural disasters, underscoring the importance of strengthened development assistance going forward, and for Australia to put in place strong policy and financing for climate change mitigation and adaptation.

In PNG, while we are pleased that the cuts sustained are significantly less than the proportional 20%, ACFID is concerned by indications that programming in PNG is moving away from a focus on health, education and women's empowerment in favour of aid for trade and private sector engagement.¹² With 40% of the population living in poverty, PNG is not on track to meet any of the MDGs by the end of 2015 and currently ranks just 157 out of 187 on the Human Development Index. The rate of mortality for children under five is the highest of any country in the Pacific, and rates of maternal mortality and violence against women are among the highest in the world.¹³ ACFID has argued that without appropriate levels of sustained investment in the critical areas of health, education, and women's empowerment, the development of PNG will continue to be restrained by an uneducated workforce, poor health and endemic diseases, gender discrimination and violence against women.

East Asia

Total Australian ODA in current prices, actual spending FY13-14, estimated outcomes FY14-15 & FY15-16

Country	FY13-14	FY14-15	FY15-16	% Cut this year
Indonesia	581.1	605.3	366.4	-39.5%
Vietnam	182.6	141.3	89.9	-36.4%
Philippines	138.9	143.0	84.2	-41.1%
Timor-Leste	108.1	96.6	93.9	-2.8%
Cambodia	91.8	79.0	79.1	0.1%
Myanmar	86.9	90.0	60.5	-32.8%
Laos	58.5	55.6	36.7	-34.0%
Mongolia	15.9	16.3	8.7	-46.6%
<i>East Asia Regional</i>	<i>91.5</i>	<i>100.0</i>	<i>60.9</i>	<i>-39.1%</i>
EAST ASIA TOTAL	1355.3	1327.0	880.4	-33.7%

Overall total ODA for the East Asia Region has decreased from \$1.327 billion to \$ 880.4 million. Bilateral ODA delivered by DFAT has also taken a cut from \$1.075 billion to \$688.6 million.

All countries in the East Asia region have had both their total ODA and their DFAT bilateral ODA reduced with notable exceptions being Cambodia, which received a slight increase in total ODA of 0.1% and Timor-Leste, which was only reduced by around 3%. The country with the highest proportionate cut is Mongolia with a reduction of nearly 50%.

In 2014-15, Indonesia was the largest recipient of Australia's foreign aid budget however, Indonesia will now take second place (after PNG) with total ODA falling by almost 40% to \$366.4 million.

In 2014-15, total ODA allocations to the East Asia regional program increased by approximately 20% (from \$81.4 million to \$100 million); however, in this budget the trend has been reversed with ODA allocations to the East Asia regional program decreasing to \$60.9 million.

ACFID Response:

Given the Government's commitment to a sharper geographic focus for the aid program on the Indo-Pacific region, ACFID is disappointed with the cuts in East Asian countries.

¹² DFAT, 2014, *A new direction for Australian aid in PNG: refocusing Australian aid to help unlock PNG's economic potential*. Available online: <http://dfat.gov.au/geo/papua-new-guinea/development-assistance/Pages/a-new-direction-for-australian-aid-in-png-refocusing-australian-aid-to-help-unlock-pngs-economic-potential.aspx>

¹³ UNDP, 2013. Available online: <http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components>; Pacific Islands Forum Secretariat, 2014, *Pacific Regional MDGs Tracking Report 2014*, pgs 21, 94. Available online: http://www.forumsec.org/resources/uploads/attachments/documents/2013_Pac_Regional_MDGs_Tracking_Report_FINAL.pdf

Regrettably, the Philippines receives one of the largest proportionate cuts even though it is still struggling to recover from devastating Typhoon Haiyan, which displaced over four million people. In its last portfolio Budget papers, the Government noted that the long-term effects of Haiyan were immense with \$US8.2 billion needed to help the island recover and reconstruct. ACFID believes ongoing assistance to the Philippines is vital, particularly to rebuild lives of those affected by the typhoon and to promote better disaster preparedness and response.

Our closest neighbour, Indonesia, has not escaped cuts either. Although Indonesia has had recent success achieving economic growth, it is still afflicted by high levels of poverty and inequality. More than 105 million Indonesians live on less than US\$2 per day. ACFID emphasises the ongoing need for Australian development assistance to Indonesia, and that cuts to the Indonesian aid program should not hit programs that directly assist people in poor and marginalised communities.

Aid to Cambodia is noticeably unaffected. As announced in 2014, Australia will provide an additional \$40 million in development assistance to Cambodia over four years as part of a bilateral refugee resettlement agreement.¹⁴ ACFID has already branded this deal as bad public policy.¹⁵ Not only does Cambodia lack the capacity to deal adequately with the challenges posed by refugees, it is unfair that additional funding is made available to the Cambodian Government to help sweeten this resettlement deal.

South & West Asia

Total Australian ODA in current prices, actual spending FY13-14, estimated outcomes FY14-15 & FY15-16

Country	FY13-14	FY14-15	FY15-16	Year on Year % Change
Afghanistan	148.4	134.2	81.7	-39.1%
Pakistan	85.5	79.0	51.3	-35.1%
Bangladesh	78.7	94.2	60.9	-35.4%
Sri Lanka	40.6	42.8	27.3	-36.2%
Nepal	32.7	33.9	26.8	-20.9%
Bhutan	14.3	14.8	9.5	-35.8%
Maldives	7.1	7.0	5.3	-24.3%
<i>South and West Asia Regional</i>	<i>28.1</i>	<i>33.1</i>	<i>32</i>	<i>-3.3%</i>
SOUTH AND WEST ASIA TOTAL	435.3	438.8	294.9	-32.8%

Overall ODA allocations to South and West Asia have dropped by \$144 million, a 33% reduction in last year's ODA commitments. The Afghanistan ODA program has suffered the largest cut, falling almost 40% from \$134.2 million to \$81.7 million. Since September 2013, ODA to South and West Asia has been cut by \$218 million, an overall loss of 42%.

Both the DFAT and Defence Budget statements reiterate Australia's continued engagement with Afghanistan as part of the NATO-led 'Resolute Support' mission supporting security, governance and development.

According to the Foreign Minister's recent media release (7 May), future investment in Pakistan will support internally displaced people, nutrition outcomes for women and children, women's economic empowerment, trade and investment, and long term support for areas affected by floods and conflict.

¹⁴ *Development Assistance for Cambodia*. Media Release. 26 September 2014. Retrieved from http://foreignminister.gov.au/releases/Pages/2014/jb_mr_140926.aspx?ministerid=4

¹⁵ ACFID. *Cambodia deal is cruel and bad public policy*. Media Release 26 September 2014

ACFID Response:

We are pleased to note that DFAT's bilateral aid allocation to Nepal will hold steady at \$15.6 million, with this funding in addition to recent commitments of \$20 million in humanitarian assistance to Nepal following the recent earthquake. Sustained development assistance to Nepal is vital to support the country to 'build back better', withstand future crises, and ensure the current crisis does not divert funding from ongoing development needs.

Many of the countries in the South and West Asian region are emerging from decades of conflict and political instability. ACFID is concerned that cuts to these countries run the risk of undermining gains made in stability and development. Our [2015-16 Budget Submission](#) emphasised the role Australia's aid program plays in supporting peace, security and stability in our region and beyond. When deciding where to administer cuts to countries in this region, the Government must work to protect programs that have a direct impact for people living in poverty and to ensure appropriate timelines for withdrawal.

Africa & the Middle East

Total Australian ODA in current prices, actual spending FY13-14, estimated outcomes FY14-15 & FY15-16

Country	FY13-14	FY14-15	FY15-16	Year on Year % Change
Iraq	4.1*	0.3	0	-100.0%
Palestinian Territories	55.0	56.5	42.1	-25.5%
Middle East and North Africa	77.4**	8.8	4.2	-52.3%
Sub-Saharan Africa	264.3	186.9	93.9	-49.8%
AFRICA AND MIDDLE EAST TOTAL	344.8	252.4	140.2	-44.5%

*Only estimated outcome available for Iraq in FY13-14

**Includes \$53.7 million in response to the Syrian crisis

Aid to Africa and the Middle East has substantially diminished this year. The majority of these cuts will come from bilateral ODA administered by DFAT allocated directly to the region, which falls from \$143 million to \$52.9 million.

DFAT ODA to Sub-Saharan Africa has been cut by 70%, reducing the overall budget from \$106 million to \$31.8 million. ACFID understands that the Sub-Saharan Africa aid program will now largely be focused on scholarships.

There is no allocated ODA funding for Iraq in the 2015-16 budget.

Since September 2013, ODA to Africa and the Middle East has been slashed by \$322 million.

ACFID Response:

ACFID is highly concerned to note this year's ODA allocation to Africa and the Middle East.

Aid to Sub-Saharan Africa represents the single largest proportion of cuts to any region in this year's budget. Australia's aid program in Africa has focused on improving health, education, agricultural skills and productivity – areas that are vital to ensuring that economic growth across the African region is inclusive and sustainable. Dramatic cutbacks to the Australian aid program across Africa will undermine the development gains already made and jeopardise the diplomatic and commercial relationships Australia has built. ACFID calls on the Government to rebuild ODA for Sub-Saharan Africa.

Given Australia's military and diplomatic commitments in Iraq, it is disappointing that there are no aid allocations in this year's budget. The humanitarian situation is deteriorating, with 2.7 million people

internally displaced, and only 8% of the 2015 humanitarian funding appeal received to date.¹⁶ Australia should maintain a holistic policy approach to the conflict in Iraq, and continue to support initiatives that address the root causes of regional conflict and foster conditions for peace and stability.

Humanitarian and development needs in the Palestinian Territories also remain high, with an estimated 42% of the population (1.9 million people) deemed to be in need of humanitarian assistance.¹⁷ The 2014 hostilities in Gaza in particular have taken a significant toll on the population and resulted in the need for large-scale reconstruction. ACFID welcomes DFAT's sustained support for the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) as part of global programs; however, we also emphasise that our bilateral program to the Palestinian Territories should also be sustained, including support for the Australian Middle East NGO Cooperation Agreement (AMENCA).

One of the recommendations emerging from the ODE's recent evaluation of Australia's Humanitarian Response to the Syria Crises was the need to develop a multi-year Syria response strategy, articulating policy, sector, funding and relationship priorities for DFAT. Given this recommendation, and corresponding commitment by DFAT, we are concerned to note the diminishing budget line for Middle East programs. Australia should continue to strategically work towards providing its fair share of funding for the Syria crisis, in proportion to rising humanitarian need and in order to promote regional stability.

Latin America and the Caribbean

Total Australian ODA in current prices, actual spending FY13-14, estimated outcomes FY14-15 & FY15-16

Country	FY13-14	FY14-15	FY15-16 ¹⁸	Year on Year % Change
Latin America	18.3	16.1		
Caribbean	7.5	5.0		
TOTAL	29.6	21.1	19.1	- 9.5%

ACFID Response:

In line with the Government's decision to focus Australia's aid program on the Indo-Pacific region, Australia is phasing out its aid program to Latin America and the Caribbean. Bilateral ODA delivered by DFAT to Latin America and the Caribbean has completely ceased. However, total ODA (which includes ODA provided by other Government departments and from DFAT global programs) continues, albeit at a lower level (falling 9.5%, from \$21.1 million to \$19.1 million).

¹⁶ See: <http://reliefweb.int/report/iraq/iraq-aid-cuts-due-funding-shortages>.

¹⁷ See: http://reliefweb.int/sites/reliefweb.int/files/resources/srp_2015.pdf

¹⁸ Note: Budget figures not provided for Latin America and the Caribbean individually, just combined.

3.2 Thematic analysis: What is aid being spent on?

Thematic Area	FY14-15	FY15-16	Year on Year % Change
Regional Scholarships and Education	145.5	101.8	-30.0%
Health, Water and Sanitation	89.0	62.3	-30.0%
Fisheries and Agriculture	14.3	8.6	-39.9%
Infrastructure and Rural Development	63.9	38.4	-39.9%
Governance	18.0	10.8	-40.0%
Disability	12.9	12.9	0.0%
Innovation Fund	20.0	20.0	0.0%
Direct Aid Program	22.0	22.0	0.0%
Other Cross Regional Programmes	21.2	21.2	0.0%
Cross Regional Programmes	406.7	298.0	-26.7%

As part of its new aid policy, the Government set out six key priority areas: health and education; gender equality; building resilience; effective governance; infrastructure and trade; and agriculture, fisheries and water. DFAT has advised that, in the face of budget cuts, the aid program will continue to remain consistent with these aid policy priorities.

However, the Government's Budget summary does not provide figures for overall estimated spend against its six sectoral priorities as had been provided last year following the release of the Government's aid policy. Rather, this year's Budget only provides an outline of sectoral funding that is 'cross-regional' (as set out in Annex A). DFAT has advised that overall spend against sectoral priorities can only be determined once decisions are made as to the individual programs that will be cut/sustained at a bilateral or global level, with information on remaining sectoral programs then built back up to give overall figures. To this end, overall funding against the six priority areas will ultimately be higher than that currently reported, as elements of bilateral ODA and global program funds will also include programs in these areas.

ACFID is concerned that the Budget does not include any reference or funding to support implementation of the Sustainable Development Goals (SDGs), to be agreed this September. The Government must ensure it integrates the SDGs into its policy and investments from next year.

ACFID calls on the Government to maintain strong investments in key sectoral priorities for poverty alleviation including gender equality, health, education and DRR and to make publicly available the breakdown of sectoral spend as soon as possible in the interests of transparency. Based on the information at hand, ACFID has developed an initial thematic analysis as set out below.

Health, Water and Sanitation

In 2014-15, bilateral ODA delivered by DFAT focused on health, water and sanitation was \$89 million, falling to \$62.3 million of known expenditure in 2015-16. It is unclear at this stage whether the proportion of health spending will increase when program level decisions are made within country allocations. The proportion of total ODA spent on health is also unclear.

ACFID Response:

While the full amount spent on health, water and sanitation across the aid program is not yet known, it is disappointing to see that allocations to the World Health Organisation, the United Nations Population Fund and the United Nations Program on HIV and AIDS have each been cut by 40%, undermining Australia's contribution to the important work of these health focused agencies.

ACFID's [budget submission](#) emphasised the importance of investing in cost-effective health programs such as sexual and reproductive health, strengthening healthcare systems by training female health workers,

and investing in water, sanitation and hygiene. Health forms a critical part of the foundation for economic growth; for example, family planning has been shown to increase household assets by 40%.¹⁹ Given this, ACFID is eager to see health spending maintained within country programs.

Education

In 2014-15, bilateral ODA administered by DFAT to regional scholarships and education was \$145.5 million, falling to \$101.8 million of known expenditure in 2015-16. It is unclear whether this allocation will increase when program level decisions are made within country allocations. The proportion of total ODA spent on education and scholarships is also unclear.

ACFID Response:

Funding for scholarships and education has been grouped in the Budget, meaning that the breakdown of spending between these two areas is unclear. ACFID cautions against an overreliance on scholarships, particularly when compared to the development outcomes of other education spending.²⁰ We are eager to see a further breakdown of these figures, and emphasise the importance of investments in education to advance human and economic development. In particular, ACFID's [budget submission](#) highlights the unmet need for early childhood education in the Pacific and the economic benefits of technical education and training for women, and accordingly we are keen to see investments in education maintained in country programs.

Gender Equality

Gender equality will see an increase in funding from \$42 million in 2014-15 for gender related activities across the program, to \$50 million for a stand-alone Gender Equality Fund. ACFID understands the new Gender Fund to be a competitive fund aimed at strengthening gender equality and women's economic empowerment in the Indo-Pacific region. With a focus on empowering women, the Fund will have a 'match funding' component and will look to grow over time based on impact and results. We also understand that the Fund will encompass the existing initiative of Pacific Women Shaping Pacific Development and a similar planned program for Asia, however further clarification is needed on this.

ACFID Response:

ACFID commends the Government's commitment to gender equality and empowering women and girls in the Indo-Pacific region, as a key priority of the aid program. The 2015-16 Budget reflects the support the Foreign Minister has shown for gender equality. This is further shown in the comparatively modest cuts applied to UN Women.

The Government's performance framework for the aid program requires that at least 80% of investments, regardless of their objectives, will effectively address gender issues in their implementation. ACFID requests further information on how this benchmark is being implemented and reported on across all DFAT ODA programs. ACFID also calls for greater transparency both in how the aid program has implemented gender equality programs in the year 2014-15 and how the Gender Equality Fund will be implemented.

DFAT, together with the Office for Women, have continued to support the position of Ambassador for Women and Girls. The continuation of support in the 2015-16 Budget is welcomed by ACFID, together with increased collaboration with ACFID members on gender equality efforts.

¹⁹ James Gribble and Maj-Lis Voss (2009), 'Family Planning and Economic Well-Being: New Evidence From Bangladesh,' Population Reference Bureau.

²⁰ For example, increasing access to early childhood education can result in a net benefit to developing countries of between US\$10 billion and \$34 billion. Task Force for the Post-2015 Development Agenda – Group on Early Childhood Care and Development, 2012, *Key to Equality: Early Childhood Development*

Finally, the Budget outlines that ACIAR projects will tackle gender inequality in their design, delivery and impact in 2015-16. Again, ACFID supports the focus of ACIAR's research on gender inequality, but calls for more transparency and information on programs and how the benchmarks are to be applied.²¹

Building Resilience: DRR and Climate Change

The recent disasters in Nepal and Vanuatu have demonstrated the value of investments in Disaster Risk Reduction (DRR) to support communities as they reduce their exposure and vulnerability to disasters and improve preparedness for disasters. This year's Budget statement narrative reaffirms Australia's commitment to risk reduction and preparedness and includes a dedicated budget line for DRR and protracted conflicts of \$52.7 million. We welcome this line item inclusion, but seek further clarity on proposed expenditure in this area.

ACFID's understanding is that this \$52.7million allocation is not reflective of total Australian ODA expenditure on DRR programs, as funding for most country based DRR initiatives is included in country budget lines. While ACFID has recommended DRR funding is maintained to a minimum 3% of overall ODA, this dispersed expenditure make it difficult to ascertain the current overall funding percentage.

Under the Building Resilience priority, the Government has committed to "work with countries in the region to build resilience to climate related shocks and manage the impacts of climate change".²² To this end, ACFID welcomes Australia maintaining its contribution to the Green Climate Fund (GCF), with funding of \$60 million. However, ACFID emphasises that Australia's contribution to the GCF should be scaled up to ensure we are contributing our fair share to the international goal to provide \$100 billion a year by 2020. Such funding must be new and additional to Australia's ODA, to avoid the diversion of funds for delivering on other aspects of Australia's development policy.

The Budget does not provide any detail about where climate change and environment initiatives will be targeted, or how much they will receive, more broadly. ACFID emphasises that a climate change policy and reporting mechanism should be developed for the Australian aid program. Australia's investments in this area should include support for community-level climate change adaptation activities in developing countries, vital to protect development gains and reduce poverty.

ACFID welcomes the Government's commitment to seek broad based international action and agreement in the UN climate negotiations and other international climate forums.²³ ACFID recommends that Australia support a strong and effective global climate change agreement at the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in December 2015 and that it pushes to maintain climate change as a stand-alone goal in the soon to be released Sustainable Development Goals.

²¹ Portfolio budget statements p 5

²² Australian Government (2014). *Australian Aid: promoting prosperity, reducing poverty, enhancing stability*. Department of Foreign Affairs and Trade. June 2015.

²³ FY2014-15, pg 18

3.3 Aid delivery and management: How is aid being delivered?

Aid to Multilateral Agencies

There have been substantial reductions in funding to some multilateral agencies and Commonwealth Organisations. In particular, the United Nations development agencies have seen a collective reduction of \$39 million, with a cut by 40% across the board with the exception of UN Women. Funding to UN Women has primarily been sustained (falling slightly from \$8.2 million to \$7.8 million) reflective of the Government's priority on gender equality.

ACFID Response:

The aid program has a number of aid delivery partners that it can allocate funding too. Selecting the optimal delivery partner to achieve development outcomes is critical to ensuring the effectiveness of the aid program. ACFID supports a strategic mix of aid implementing partners, including multilateral agencies, who often have the benefit of scale and reach across countries and regions.

ACFID is disappointed to see the drastic cuts across all UN development agencies. Organisations like the World Health Organisation (WHO) and UNICEF are important aid implementing agencies with decades of experience and sectoral expertise in our region. It is good to see that replenishments to multilateral programmes such as global health and education programmes have largely been honoured.

ACFID believes that funding to multilateral agencies should be decided on the basis of DFAT's Multilateral Assessment Report, partner reports and other evaluations to ensure aid allocations maximise the delivery of development outcomes.

Innovation and Research

Funding for DFAT's Innovation Hub (the InnovationXchange) has been sustained at \$20 million for 2015-16. This is not surprising given the Hub is a key initiative of the Government's aid policy.

Funding for international research has been cut by 30% from \$10 million this year to \$6 million in 2015-16. There is no detail provided and it remains unclear as to what specific research and community engagement programs are being funded through this budget line and where the cuts will fall. DFAT has, however, advised that medical research will be protected from any cuts. It remains unclear if competitive grant programs such as the Australian Development Research Grants Scheme (ADRAS) will continue to be funded.

Funding to international agriculture research and development, the majority of which goes through the Australian Centre for International Agricultural Research (ACIAR), has decreased slightly from \$126 million in 2014-15 to \$119 for 2015-16.²⁴

ACFID Response:

ACFID is concerned to see cuts to the already small international research fund administered by DFAT, and emphasises the importance of ongoing investment in research to support the evidence base and effectiveness of Australia's aid program. We note that a recent evaluation conducted by the ODE outlined the need for robust knowledge management systems and a strong culture of research use to be embedded in DFAT. It also found that there are clear benefits in looking to improve the investment in developing

²⁴ Please see Table 4.1, Statement 5, Budget Paper 1 in the FY2015-16 Budget Papers

country research capacity, either directly or through partnerships with Australian and international researchers.

Aid through Other Government Departments

This year's budget delivers a 14.4% decrease in bilateral ODA managed and delivered by other Government departments, with a fall from \$392 million in 2014-15 to \$335 million next financial year. Overall, the cut to aid through other Government departments is less than proportionate to cuts made to the aid program overall, accounting for just 5.7% of the total cuts.

It remains unclear as to the levels of ODA to be administered by individual Government departments, with the budget only providing an overall figure. However with cuts to the ACIAR thought to be only 5%, it is likely other Government departments could face cuts of 20%.

ACFID notes that there are differences between total ODA and bilateral ODA delivered by DFAT to individual countries and regions. We understand that this difference represents ODA-eligible spending that is administered by other Government departments and some global programs that are allocated to individual countries. ACFID believes it is important for increased transparency on the programs that are funded through other departments – that does not exist in this budget.

ACFID Response:

In principle, ACFID supports utilising whole-of-government delivery partners to bring unique strengths to the provision of Australia's aid program. However, we would welcome further information from the Government on levels of aid through individual Government departments for the coming financial year.

Going forward, ACFID calls on the Government to show greater transparency in whole-of-government ODA spending by releasing a detailed aid blue book in FY2015-16 and re-committing to meeting its international aid transparency commitments.

DFAT states that the new aid program performance framework, *Making Performance Count*, will be applied at all levels of the aid program to ensure a stronger focus on results and value for money. ACFID would welcome further information on how the performance framework will be applied to other Government departments.

In addition, ACFID would welcome multi-stakeholder partnerships that bring together Government agencies, business, NGOs and academic leaders to address complex development issues. In ACFID's 2015-16 Federal Budget Submission, ACFID called for such a collaboration to tackle violence against women in the Pacific.

DFAT staffing and administration

DFAT has advised that there will be no further reductions in staffing, following reductions of approximately 500 staff since the integration of AusAID into DFAT. There will, however, be a redeployment of staff to reflect the reductions in aid allocations in this year's Budget. DFAT has advised there will be a review over the coming months both in Canberra and at Post with staff redeployments to be implemented from next financial year.

Annex A: Aid Allocation Tables

Table 1: Total Australian ODA by partner country and region

This table shows total Australian ODA from all agencies and programmes attributable to partner countries and regions. This includes DFAT country programme allocations, flows from DFAT regional and global programmes, and Other Government Departments expenditure.

Total Australian ODA by partner country and region	2014-15 Budget Estimate (\$m)	2015-16 Budget Estimate (\$m)
Papua New Guinea	577.1	553.6
Solomon Islands	168.1	176.7
Vanuatu	60.4	60.9
Samoa	37.6	37.2
Fiji	61.9	59.6
Tonga	30.3	31.4
Nauru	27.1	25.9
Kiribati	26.9	27.2
Tuvalu	10.4	10.8
Cook Islands	4.0	3.7
Niue and Tokelau	6.3	5.4
North Pacific	13.5	12.8
Pacific Regional	129.1	106.0
Pacific Total	1,152.7	1,111.2
Indonesia	605.3	366.4
Vietnam	141.3	89.9
Philippines	143.0	84.2
Timor-Leste	96.6	93.9
Cambodia	79.0	79.1
Burma	90.0	60.5
Laos	55.6	36.7
Mongolia	16.3	8.7
East Asia Regional	100.0	60.9
East Asia Total	1,327.0	880.4
Afghanistan	134.2	81.7
Pakistan	79.0	51.3
Bangladesh	94.2	60.9



Sri Lanka	42.8	27.3
Nepal	33.9	26.8
Bhutan	14.8	9.5
Maldives	7.0	5.3
South and West Asia Regional	33.1	32.0
South & West Asia Total	438.8	294.9
Iraq	0.3	0
Palestinian Territories	56.5	42.1
Middle East and North Africa	8.8	4.2
Sub-Saharan Africa	186.9	93.9
Sub-Saharan Africa & the Middle East Total	252.4	140.2
Latin America and the Caribbean Total	21.1	19.1
Core contributions to multilateral organisations and other ODA not attributed to particular countries or regions	1,901.6	1,645.9
Adjustments	(61.8)	(40.0)
Total Estimated ODA	5,031.9	4,051.7

Table 2: DFAT country, regional and global programmes

This table shows allocations to DFAT country, regional and global programmes. Note 2014-15 Budget Estimates are updated estimates provided by DFAT.

DFAT country, regional and global programmes	2014-15 Budget Estimate (\$m)	2015-16 Budget Estimate (\$m)
COUNTRY AND REGIONAL PROGRAMS		
Papua New Guinea	502.1	477.0
Solomon Islands	92.7	92.7
Vanuatu	41.9	41.9
Samoa	23.6	23.6
Fiji	35.0	35.0
Tonga	17.6	17.6
Nauru	21.2	21.2
Kiribati	20.2	20.2
Tuvalu	6.8	6.8
Cook Islands	1.0	1.0
Niue and Tokelau	2.5	2.5
North Pacific	5.0	5.0
Pacific Regional	184.9	166.4
Pacific Total	954.6	911.3
Indonesia	542.5	323.0
Vietnam	97.4	58.4
Philippines	111.7	67.0
Timor-Leste	71.6	68.0
Cambodia	52.4	52.4
Burma	70.1	42.1
Laos	34.3	20.6
Mongolia	9.8	5.9
East Asia Regional	85.5	51.3
East Asia Total	1075.4	688.7
Afghanistan	130.9	78.5
Pakistan	65.6	39.4
Bangladesh	70.1	42.1

Sri Lanka	33.2	19.9
Nepal	15.6	15.6
Bhutan	3.5	2.1
Maldives	3.0	1.8
South and West Asia Regional	32.9	19.8
South & West Asia Total	354.9	219.2
Iraq	0.0	0.0
Palestinian Territories	34.2	20.5
Middle East and North Africa	2.8	0.5
Sub-Saharan Africa	106.0	31.8
Africa & the Middle East Total	143.0	52.9
Latin America	-	-
Caribbean	-	-
Latin America and the Caribbean Total	-	-
Gender Equality Fund	42.5*	50.0
Regional Scholarships and Education	145.5	101.8
Health, Water and Sanitation	89.0	62.3
Fisheries and Agriculture	14.3	8.6
Infrastructure and Rural Development	63.9	38.4
Governance	18.0	10.8
Disability	12.9	12.9
Innovation Fund	20.0	20.0
Direct Aid Program	22.0	22.0
Other Cross Regional Programmes	21.2	21.2
Cross Regional Programmes	406.7	298.0
DFAT ODA - Country & Regional Programmes	2,977.1	2,220.0
GLOBAL PROGRAMS		
Humanitarian and Emergency Response	200.1	197.4
<i>Disaster Risk Reduction and Protracted Conflicts</i>	55.4	52.7
<i>Australian Preparedness and Response</i>	24.7	24.7
<i>Emergency Fund</i>	120.0	120.0
International Committee of the Red Cross	26.6	25.3
UN-Humanitarian	111.9	106.3
<i>United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA)</i>	9.3	8.8

	<i>World Food Programme (WFP)</i>	50.0	47.5
	<i>United Nations Central Emergency Response Fund (UNCERF)</i>	11.3	10.7
	<i>United Nations High Commissioner for Refugees (UNHCR)</i>	21.0	20.0
	<i>United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)</i>	20.3	19.3
Humanitarian, Emergencies and Refugees Total		338.6	328.9
	Montreal Protocol Multilateral Fund (MPMF) ¹	12.6	-
	Asian Development Bank (ADB)	-	-
	International Development Association (IDA)	-	-
	Heavily Indebted Poor Countries Initiative (HIPC)	-	-
	G8 Multilateral Debt Relief Initiative (MDRI)	-	-
	Global Environment Facility (GEF) ¹	105.0	-
Multilateral Replenishments Total²		117.6	-
	UN-Development	131.8	93.2
	<i>United Nations Development Programme (UNDP)</i>	21.2	12.7
	<i>United Nations Children's Fund (UNICEF)</i>	35.0	21
	<i>United Nations Population Fund (UNFPA)</i>	15.4	9.2
	<i>United Nations Programme on HIV and AIDS (UNAIDS)</i>	7.5	4.5
	<i>World Health Organization (WHO)</i>	20.6	12.4
	<i>UN Women</i>	8.2	7.8
	<i>Other UN including ODA eligible assessed contributions</i>	23.9	25.6
	Commonwealth Organisations	12.0	7.2
	Contribution to Global Health Programmes ²	193.0	136.6
	Contribution to Global Education Programmes	160.8	26.0
	Contribution to Green Climate Fund ³	70.0	60.0
UN, Commonwealth & Other International Organisations Total		567.7	323.0
	Global NGO Programmes	137.2	130.4
	Australian Volunteers Programme	56.6	39.6
	Community Engagement and International Research	10.0	6.0
NGO, Volunteer and Community Programmes Total		203.9	176.0
	Less Multilateral Replenishments	-117.6	-
	Add Cash payments to Multilaterals	363.2	456.8
DFAT ODA - Global Programmes		1,473.4	1,244.8
	DFAT ODA - Departmental	251.3	251.3
	Other Government Departments	392.0	335.6

Adjustments	(61.8)	(40.0)
Total Australian ODA	5,031.9	4,051.7
<p>¹ Negotiations are currently under way for this replenishment. Following the finalisation of the negotiations the amounts pledged will be publically available.</p> <p>² These figures reflect the value of new commitments to the multilateral development banks and other multilateral funds which will be paid over 3 to 9 years. These commitments usually occur every two to three years.</p> <p>³ Payments aligned with multi-year replenishment schedules</p> <p>*There was no Gender Equality Fund in 2014-15. This figure refers to a number of gender related activities across the program</p>		

Annex B: ACFID List of Members

Full Members:

- ACC International Relief
- Act for Peace - NCCA
- ActionAid Australia
- ADRA Australia
- Afghan Australian Development Organisation
- Anglican Aid
- Anglican Board of Mission - Australia Limited
- Anglican Overseas Aid
- Anglican Relief and Development Fund Australia
- Asia Pacific Journalism Centre
- Asian Aid Organisation
- Assisi Aid Projects
- Australasian Society for HIV Medicine
- Australia for UNHCR
- Australia Hope International Inc.
- Australian Business Volunteers
- Australian Cranio-Maxillo Facial Foundation
- Australian Doctors for Africa
- Australian Doctors International
- Australian Federation of AIDS Organisations
- Australian Foundation for the Peoples of Asia and the Pacific
- Australian Himalayan Foundation
- Australian Injecting and Illicit Drug Users League
- Australian Lutheran World Service
- Australian Marist Solidarity Ltd
- Australian Medical Aid Foundation
- Australian Mercy
- Australian Red Cross
- Australian Respiratory Council
- Australian Volunteers International
- Beyond the Orphanage
- Birthing Kit Foundation (Australia)
- Brien Holden Vision Institute Foundation
- Bright Futures Child Aid and Development Fund (Australia)
- Burnet Institute
- Business for Millennium Development
- CARE Australia
- Caritas Australia
- CBM Australia
- ChildFund Australia
- CLAN (Caring and Living as Neighbours)
- Credit Union Foundation Australia
- Daughters of Our Lady of the Sacred Heart Overseas Aid Fund
- Diaspora Action Australia
- Diplomacy Training Program
- Door of Hope Australia Inc.
- Edmund Rice Foundation (Australia)
- EDO NSW
- Engineers without Borders
- Every Home Global Concern
- Fairtrade Australia New Zealand*
- Family Planning New South Wales
- Food Water Shelter
- Foresight (Overseas Aid and Prevention of Blindness)
- Fred Hollows Foundation, The
- Global Development Group
- Global Mission Partners
- Good Shepherd Australia New Zealand
- Grameen Foundation Australia
- Habitat for Humanity Australia
- Hagar Australia
- HealthServe Australia
- Hope Global
- Hunger Project Australia, The
- International Children's Care (Australia)
- International Christian Aid and Relief Enterprises
- International Detention Coalition
- International Needs Australia
- International Nepal Fellowship (Aust) Ltd
- International RiverFoundation
- International Women's Development Agency
- Interplast Australia & New Zealand
- Islamic Relief Australia
- Kokoda Track Foundation
- Kyeema Foundation
- Lasallian Foundation

- Leprosy Mission Australia, The
 - Live & Learn Environmental Education
 - Mahboba's Promise Australia
 - Marie Stopes International Australia
 - Marist Mission Centre*
 - Marsh Foundation
 - Mary MacKillop International
 - Mary Ward International Australia*
 - Mercy Works Ltd.
 - Mission World Aid Inc.
 - Motivation Australia
 - MSC Mission Office
 - Nusa Tenggara Association Inc.
 - Oaktree Foundation
 - One Thousand Villages
 - Opportunity International Australia
 - Oro Community Development Project Inc.
 - Oxfam Australia
 - Palmera Projects
 - Partners in Aid
 - Partners Relief and Development Australia
 - People with Disability Australia
 - PLAN International Australia
 - Project Vietnam
 - Quaker Service Australia
 - RedR Australia
 - Reledev Australia
 - RESULTS International (Australia)
 - Royal Australian and New Zealand College of Ophthalmologists
 - Royal Australasian College of Surgeons
 - Royal Institute for Deaf and Blind Children
 - Salesian Missions
 - Salvation Army (NSW Property Trust)
 - Save the Children Australia
 - Service Fellowship International Inc.
 - Scarlet Alliance: Australian Sex Workers Association
 - School for Life Foundation*
 - SeeBeyondBorders
 - Sight For All
 - SIMaid
 - So They Can
 - Sport Matters
 - Surf Aid International
 - Tamils Rehabilitation Organisation Australia*
 - TEAR Australia
 - Transform Aid International (incorporating Baptist World Aid)
 - Transparency International Australia
 - UNICEF Australia
 - Union Aid Abroad-APHEDA
 - UnitingWorld
 - University of Cape Town Australian Trust
 - Volunteers in Community Engagement (VOICE)
 - WaterAid Australia
 - Women for Women in Africa
 - World Education Australia
 - World Vision Australia
 - WWF-Australia
- Affiliate Members:**
- Australian National University – School of Archaeology and Anthropology, College of Arts and Social Sciences
 - Deakin University – Alfred Deakin Research Institute
 - La Trobe University – Institute of Human Security and Social Change
 - Murdoch University – School of Management and Governance
 - Refugee Council of Australia
 - RMIT – Global Cities Research Institute
 - University of Melbourne – School of Social and Political Sciences
 - University of Queensland – Institute for Social Science Research
 - University of Sydney – Office of Global Engagement**
 - University of the Sunshine Coast – International Projects Group
 - University of Technology, Sydney – Institute for Sustainable Futures**
 - Vision 2020
 - University of Western Australia – School of Social Sciences**
- * Denotes Interim Full Member
- ** Denotes Interim Affiliate Member

Annex C: ACFID criteria for aid cuts

Lens	Criteria
Aid modalities	1. Balance funding support to governments, private sector, multilateral institutions and civil society in line with the ability of each sector to achieve results, contribute to sustainable development outcomes, and report against their activities to the Australian tax payer.
Geographic	2. Focus the bulk of Australia's aid efforts in countries of greatest need based on Low Human Development (UN), Low Income Country status (World Bank), fragile, conflict, post-conflict states, and/or those with persistently high gender inequalities . Aid to Medium Human Development and Middle Income Countries should focus on improving opportunities for the poorest and most vulnerable.
Thematic	3. Ensure Australia's official humanitarian assistance is maintained at a level commensurate with the rising scale, frequency and impact of humanitarian crises and given in accordance with the Humanitarian Principles. 4. Maintain support for gender equality and women's empowerment initiatives given 70 per cent of people living in poverty are women.
Aid effectiveness	5. Focus support on high performing²⁵ and cost-effective programs that have a maximum direct impact for people living in poverty as demonstrated through research, evaluation, annual performance reports and other performance mechanisms. 6. Minimise the risk to investments made thus far in achieving development outcomes by reducing program budgets to partners and activities where other sources of funds are available, there are adequate timelines for the development of exit strategies, and/or there are low levels of influence through the funding currently provided. 7. Cut aid given to countries as part of deals to detain asylum seekers and resettle refugees , in light of Australia's much diminished aid budget and in recognition of Australia's existing aid commitments to such countries.
Aid efficiency	8. Seek administrative efficiencies by ensuring contract management and compliance processes are proportionate to the budget size and risk of programs and initiatives.
Budget Process	9. Ensure a transparent process in implementing the aid cuts , in line with Australia's international commitments through the International Aid Transparency Initiative. Publicly provide the criteria on which the \$1 billion cuts are assessed.

²⁵ High performance should be determined on a multi-year basis and should reflect that significant changes to program budgets by successive cuts may have unduly impacted on the achievement of results through no fault of particular partners.