

acfid



2010/11
pre-budget
submission

October 2009

Australian Council for International
Development
14 Napier Close
Deakin ACT 2600
☎ 02 6285 1816
📠 02 6285 1720
✉ mpurcell@acfid.asn.au
www.acfid.asn.au

**ACFID Pre-Budget Submission
2010/11 Federal Budget**

ACFID Pre-Budget Submission 2010/11 Federal Budget

Executive Summary

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations (NGOs) working in the field of international aid and development.

ACFID has 73 full members operating in more than 100 developing countries. The Millennium Development Goals (MDGs) are central to our activities and overarching goals.

Since 1998, ACFID has administered the ACFID Code of Conduct, as a voluntary, independent regulation standard, which represents the active commitment of Australia's not-for-profit overseas aid agencies to integrity and accountability.

ACFID's members play a particularly important role in engaging the Australian community on development and aid issues. The sector has a combined regular supporter base of 1.7 million households, jointly donating upwards of \$800 million in 2007/08. With AusAID and other donor funding added, total expenditure by ACFID members was \$1.063 billion in 2007/08.

In the Federal Budget papers for 2009/10 the Minister for Foreign Affairs made a number of welcome statements around the Government's desire to become 'A Good International Citizen'.

The Government has already taken a number of important steps to improve the aid program and our role as a good international citizen in 2008/09. In this pre-budget submission for the financial year 2010/11, ACFID wishes to make a number of recommendations to the Government on how to further fulfil that commitment from an Australian NGO perspective.

The pre-budget submission provides further details and justification of ACFID's key asks and recommendations below.

Firstly, ACFID recommends that as a key requirement for the Australian Government to rise to the challenge of becoming 'A Good International Citizen', it should increase its 2015 aid commitment from 0.5 to 0.7% of Gross National Income (GNI). In order to bring such an expanded commitment within reach, ACFID recommends that the 2010/11 Aid Budget is increased to at least 0.37% of GNI expanding the Aid Budget to around \$4.3 billion in 2010/11. Further, ACFID urges the Australian Government to implement all its pre-election commitments in substance and allocation of funds in full and in a timely manner.

Secondly, ACFID asks that the Australian Government considers distributing more of its Official Development Assistance (ODA) in a range of activities, particularly humanitarian funding through NGOs and other community organisations to augment and further extend the Australian public's support for NGO programs and widen the impact they are already achieving. NGO impact is demonstrated through AusAID's latest evaluation, the Performance Report 2007/09 of Australian Non Government Organisation and Community Engagement Programs (*expected to be published in December 2009*), which concludes that Australian NGO programs have strong impact and are considered high value for money. ACFID's members play a particularly important role in engaging the Australian community on development and aid issues, including humanitarian response. The sector has a combined regular supporter base of 1.7 million people, jointly donating upwards of \$800 million in 2007/08. With AusAID and other donor funding added, total expenditure by ACFID members was \$1.063 billion in 2007/08. Multilateral funding, while important, cannot generate the public support for aid and development that Australian NGOs generate.

Thirdly, ACFID recommends that all expansion of the Australian Government's development program is designed and implemented in line with the requirements outlined in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. This is currently particularly important in light of the government's intended expansion of bilateral programming in the continents of Africa and Latin America.



ACFID Pre-Budget Submission 2010/11 Federal Budget

Fourthly, ACFID asks that the Australian Government increases its investment in a number of key MDG sectors to reach its fair share. Australia's fair share is 2 percent of global aid required, as Australia's income is 2 per cent of total OECD donor income. ACFID considers primary and secondary education, basic health, water and sanitation and rural development and agriculture as key MDG sectors. The total increase required for Australia to meet its minimum fair share in each of these sections is \$930 million. ACFID has made a number of recommendations in this pre-budget submission on how such an increase in funding could be distributed.

Lastly, ACFID expresses its concern regarding the need for assistance for developing countries to support them with climate change adaptation and mitigation. Many developing countries, including Pacific Island countries, are already facing significant issues from climate change. ACFID asks for a fair and just arrangement for developing nations which will require significantly increased support for climate change adaptation and mitigation efforts meeting our fair share of the global burden in addition to the Australian Government's ODA commitments.

ACFID highlights a number of other areas of concern to the Australian NGO sector in the enclosed submission such as disability inclusive development, improvement of monitoring, evaluation and design practices by inclusion of local communities in these processes, development of a human rights policy and approach, commitments to protection of civilians and disaster risk reduction as overarching principles of the Australian aid program and investment of \$40 million over two years to complement and support efforts of existing microfinance-related programs and funding windows.



RECOMMENDATIONS

ACFID recommends that the following measures be introduced in the 2010/11 Federal Budget in order to implement the stated objective in Australia's international aid and development program of becoming 'A Good International Citizen'.

Introduction: Investing in International Development Assistance

- 0.1 Implementing all its **pre-election commitments** - both in terms of the substance of those commitments and the allocation of funds in full and in a timely manner.
- 0.2 Increasing ODA levels to **0.37% of GNI in 2010/11**, this would provide an increase to around \$4.3 billion.
- 0.3 Increasing its 2015 aid commitment from 0.5 to **0.7% of GNI**.

SECTION 1: CHANGING THE FOCUS

Aid delivery in partnership:

- 1.1 Introducing the **partnership approach** used for Pacific Island countries for other bilateral relationships.
- 1.2 Expanding **the time frame and predictability** of **bilateral aid** so that partner countries are able to effectively expand services.
- 1.3 Concentrating development assistance in Africa to a **limited number of countries and sectors** to ensure maximum impact. In particular to those countries and sectors where Australian NGOs and the Australian Government have comparative advantage and demonstrated quality programmes, such as those focusing on combating **HIV/AIDS** and **maternal and child health**.
- 1.4 Focusing on those areas and countries **in Latin America** in which Australia has a comparative advantage already and actively ensuring **donor coordination**.

Aid delivery through NGOs:

- 1.5 Increasing the portion of official development assistance (ODA) **delivered through NGOs**, to at least 10% of total ODA.
- 1.6 Extending and expanding the **Community Call to Action** program beyond its pilot phase with increased funding.

Gender and development:

- 1.7 In addition to gender equality, any development program should take into account the specific impact on children and ensure that support given to families predicts the likely impact on household dynamics.
- 1.8 Expanding its women's rights programs in recognition that poverty reduction is intimately linked to the **rights of women**.

Quality of aid:

- 1.9 **Local communities should be more involved** in the monitoring and evaluation of programs that affect them.
- 1.10 AusAID should ensure that local people from poor communities **are involved** much more in the **planning and implementation** of programs that affect them.
- 1.11 Recognising the value of **investing in developing local capacity** in all cases where Australian **technical assistance** is involved and that **the Australian Federal Police (AFP)** actively work to apply the principle of developing local capacity in all AFP deployments.



ACFID Pre-Budget Submission 2010/11 Federal Budget

- 1.12 Increasing its active oversight of **multilateral agencies**, particularly the Asian Development Bank and World Bank, to which it contributes and to play a more active role in shaping the direction of these agencies to ensure greater impact in the alleviation of poverty.

SECTION 2: COMMITMENTS TO HUMANITARIAN ASSISTANCE

- 2.1 Working more closely with humanitarian partners linked to Australian public support for humanitarian responses and increasing funding levels to Australian NGO emergency responses further towards DAC averages.
- 2.2 Increasing **humanitarian funding** as a proportion of ODA to **10%**.
- 2.3 ACFID advises of the importance for AusAID to adopt a shared-responsibility approach with humanitarian agencies and a **multi-year funding mechanism**.
- 2.4 Committing to **protection** as a core component of humanitarian action. A policy on protection should correspond with allocating funding to protection activities as part of emergency responses, capacity building and disaster risk reduction initiatives. A monitoring mechanism is required to assess the effectiveness and impact of protection initiatives.

SECTION 3: CLIMATE CHANGE AND FOOD SECURITY

- 3.1 **Integrating** sustainable food production and climate change adaptation policies.
- 3.2 Increasing funding for **food security** and **rural development** initiatives with **\$480 million** in 2010/11.
- 3.3 Significantly increasing support for **climate change adaptation and mitigation** in developing countries to reach our fair share of the global burden **in addition to ODA** commitments.
- 3.4 Prioritising support for **livelihood projects at community level** to help strengthen community resilience in the face of climate change impacts and natural disasters. Planting of mangroves, grasses and reforestation are all priority areas for community led adaptation funding;

SECTION 4: HUMAN RIGHTS BASED APPROACH TO DEVELOPMENT

- 4.1 Allocating \$2 million from the 2010/11 budget specifically towards conducting further **research and learning** about how AusAID can meaningfully implement and assess the **effectiveness of a human rights-based approach to program delivery**.
- 4.2 Developing a **human rights-based approach** to delivering the aid program by:
- a) developing a comprehensive **human rights policy**, which explains how human rights will be used to design, deliver, monitor and evaluate programs;
 - b) establishing **human rights education** as a cross-cutting theme;
 - c) developing a **child and youth focused policy** or framework to ensure greater development outcomes for children and young people.

SECTION 5: INVESTMENT IN EDUCATION

- 5.1 Increasing funding for primary and secondary **education to \$470 million** per annum, Australia's minimum fair share.
- 5.2 Recognising the need for a better **balance** between investment in **primary, secondary and adult education**, with strong support for adult literacy.
- 5.3 Support the following **education initiatives** focused on Asia and the Pacific:
- a) strong in-country **School Fee Support program** with a range of Secondary School Scholarships aimed at significantly reducing school fees;



ACFID Pre-Budget Submission 2010/11 Federal Budget

- b) support for **Teacher Training programs** and opportunities for **teacher exchange and mentoring**;
- c) **Sister School program support** to improve cross-cultural understanding;
- d) **linking tertiary scholarships** in a tripartite partnership with Australian institutions and development NGOs.

SECTION 6: HEALTH PRIORITIES

- 6.1 Increasing overall aid commitments to **health to \$900 million** per year.
- 6.2 Increasing specific budget allocations for **child and maternal health** for 2010/11 to at least \$520 million.
- 6.3 Increasing the budget allocation for **HIV/AIDS** programming to **at least \$260 million** for 2010/11.
- 6.4 Allocating approximately **one third** of funding for AIDS, TB and Malaria to the **Global Fund**.
- 6.5 Investing in determining solutions for the **prevention of diseases**, including HIV/AIDS and maternal deaths, through dedicated research into the needs of developing countries. Funding should reach **\$50 million** in 2010/11.

SECTION 7: COMMITMENTS TO DISABILITY

- 7.1 Considering significant allocation of funding in the 2010/11 budget for the following initiatives:
 - a) **research activities** to build a clearer picture of the "specifics" of **working collaboratively** on disability issues in countries where Australia has aid programs;
 - b) **inclusive education** initiatives to suit a variety of country contexts, prioritising people with disabilities;
 - c) **livelihood programs** which are inclusive of people with disabilities;
 - d) capacity strengthening for **disabled people's organisations** in Asia and the Pacific, particularly in relation to their ability to work collaboratively with their Government on their commitments to the Convention on the Rights of Persons with Disabilities (CRPD);
 - e) capacity strengthening to promote **disability-inclusiveness** among all aid partners;
 - f) further support for Avoidable Blindness programs, including through a scoping mission for the development of an Avoidable Blindness Initiative for Africa.

SECTION 8: WATER AND SANITATION

- 8.1 Committing to longer-term increases to meet Australia's fair share of financing for the **water and sanitation** MDG, starting in 2010/11.
- 8.2 Disaggregating its expenditure on water, sanitation and hygiene and publish an **annual performance report**.
- 8.3 Utilising the **Global Framework for Action High Level Meeting** in 2010 to push for increased finance for off-track countries and support to develop national plans for water and sanitation.
- 8.4 Improving analysis of where Australian investment can be most effective at the **country level** to re-balance investment portfolios to take account of health statistics related to the disease burden.

SECTION 9: MICROFINANCE

- 9.1 Provision of a **more flexible mechanism** to assist new, emerging and expanding microfinance institutions in Asia and the Pacific regions to achieve sustainability in their operations through access to **appropriate capital and capacity building support**.
- 9.2 Increasing the aid allocation for microfinance to **\$40 million** over the next two years.



ACFID Pre-Budget Submission 2010/11 Federal Budget

INTRODUCTION

About ACFID

Since 1965, the Australian Council for International Development (ACFID) has assisted the Australian aid and development sector to promote sustainable human development so that people in developing countries can enjoy the full range of human rights, fulfill their basic needs free from poverty and live in dignity.

ACFID is the national peak body for Australian non-government organisations (NGOs) working in the field of international aid and development. ACFID has 73 full members operating in more than 100 developing countries. ACFID members have a combined regular supporter base of 1.7 million households, jointly donating upwards of \$800 million in 2007/08. With AusAID and other donor funding added, total expenditure by ACFID members was \$1.063 billion in 2007/08.¹

INVESTING IN INTERNATIONAL DEVELOPMENT ASSISTANCE

Current global Official Development Assistance (ODA) commitments will not be sufficient to meet the MDGs. In addition, the Global Financial Crisis has created further cause for concern, impacting negatively on the world's ability to meet the MDGs.

The global financial crisis is playing out as a human and development tragedy for developing countries and progress towards the Millennium Development Goals is in jeopardy. According to the World Bank, only a quarter of vulnerable countries will have the financial resources to lessen the impact of the financial downturn with social safety net or job-creation programs.

ACFID calls on the Australian Government to implement all its pre-election commitments - both in terms of the substance of those commitments and the allocation of funds in full and in a timely manner. (Recommendation 0.1)

The government's current plan is to lift aid to 0.35% of GNI in 2010/11 from 0.34% this year. This will only increase ODA by about \$190 million.² However as the table below shows, Australia's fair share of aid for the key sectors of basic and secondary education, basic health, water and sanitation and rural development and agriculture requires an additional investment of \$930 million in 2010/11.

Table: Current Australian funding and fair share for key MDG sectors³

	2009/10 current funding (A\$m)	2010/11 minimum fair share (A\$m)	Increase required to meet minimum fair share (A\$m)
Primary and secondary education	270	470	200
Basic health	600	900	300
Water and sanitation	170	350	180
Rural development and agriculture	230	480	250
Total	1270	2200	930

¹ ACFID member and Code of Conduct signatories' audited financial statements 2007/08.

² In 2009/10 dollars, assuming an optimistic 2% increase in economic growth in 2009/10.

³ Australia's fair share is 2% of global aid required, as Australia's income is 2% of total OECD donor income. For details of estimates of total aid required, see UNESCO 2009 Education for All Global Monitoring report, Make Poverty History 2008 Nine steps to achieving the MDGs for health in our region, Global Campaign for Education 2009.



ACFID Pre-Budget Submission 2010/11 Federal Budget

In order to cover this shortfall and to ensure Australia is in a better position to reach its 2015 aid target, **ACFID recommends that ODA reaches 0.37% of GNI in 2010/11 – this would provide an increase to around \$4.3 billion. (Recommendation 0.2)**

ACFID recommends that the Government increases its 2015 aid commitment from 0.5 to 0.7% of GNI.⁴ (Recommendation 0.3) Recent research on Australian public attitudes to aid confirms that over 80% of Australians support lifting aid to 0.7% of GNI in line with the majority of other donor countries.⁵

Australia's current aid is only 1.1% of the Federal Budget and our international commitments of 0.7% of GNI would make up only 2.3% of the total Federal Budget.⁶ This is a very low cost to pay for saving many lives and making the world a safer place for all people.

SECTION 1 - CHANGING THE FOCUS

AID DELIVERY IN PARTNERSHIP

ACFID applauds AusAID on the development of the Pacific Partnerships for Development and encourages AusAID to extend this approach to development programming in other regions. In line with the Paris Declaration and the Accra Action Agenda, ACFID urges that all bilateral aid should be delivered through partnership with recipient governments and communities, with a strong focus on mutual accountability. **ACFID recommends that the partnership approach used for Pacific Island countries should also be introduced for other bilateral relationships. (Recommendation 1.1)**

In order that partner countries are able to effectively expand services, the majority of bilateral ODA should be extended from three year to five-year planning cycles. **ACFID recommends that the government should expand the time frame and predictability of its bilateral aid towards a minimum five-year funding commitment, contingent only upon the partner government meeting mutually agreed criteria of effective implementation. (Recommendation 1.2)**

ACFID welcomes the government's engagement with Africa as recognition of the significant development work undertaken by ANGOs over past decades. In 2007/08 ANGOs invested 30 per cent of their total budgets in Africa.⁷ **ACFID recommends that the Australian Government concentrates its development assistance in Africa to a limited number of countries, and also where Australian NGOs and the Australian Government have comparative advantage and demonstrated quality programmes, such as those focusing on combating HIV/AIDS and maternal and child health. (Recommendation 1.3)**

The government's interest in engaging with Latin America is welcome, however **ACFID strongly recommends that the government focus on those areas and countries in which it has comparative advantage already and actively ensuring donor coordination. (Recommendation 1.4)**

AID DELIVERY THROUGH NGOs

Successive evaluations of Australian NGOs by AusAID have found them to be highly effective in having impact in alleviating poverty and are representing good value for money. Preliminary

⁴ The members of the UN General Assembly accepted this standard in 1970.

⁵ Quantum Research 2009, World Vision Island Nation Research Report, June 2009.

⁶ See 2009/10 Budget Overview, Appendix A for total expenditure.

⁷ ACFID member and Code of Conduct signatories' audited financial statements 2007/08.



ACFID Pre-Budget Submission 2010/11 Federal Budget

findings from AusAID's forthcoming Performance Report 2007/09 of Australian Non Government Organisation and Community Engagement Programs (*expected to be published in December 2009*) demonstrated the strong impact of ANGOs and their high value for money. Australian NGOs play a particularly important role in engaging the Australian community on development and aid issues. ACFID members have a strong, combined regular supporter base of 1.7 million households, jointly donating upwards of \$800 million in 2007/08.⁸

AusAID's core support through the AusAID NGO Cooperation Program (ANCP) and the introduction of further programs based on partnership are valued ways of engagement between the Government and Australian NGOs (ANGOs).

ACFID welcomes the recommendation included in the OECD Development Assistance Committee's Peer Review of Australia (February 2009) regarding the utility of setting up a new framework to engage in a more collaborative way with key non-government organisations (NGOs).

ACFID welcomes the inclusion of closer cooperation with Australian NGOs as a key theme of the aid program in the Minister's policy statement that was included in the 2009/10 Budget Papers and notes the inclusion of a relevant statement in the Labor Platform 2009.⁹ **ACFID recommends that an increased portion of ODA be delivered through NGOs, at least 10% of total ODA. (Recommendation 1.5)**

ACFID welcomes the government's Community Call to Action, which has met with high demand and public interest, and therefore **recommends that the program to be expanded beyond its pilot phase with a greater level of funding. (Recommendation 1.6)**

GENDER AND DEVELOPMENT

AusAID is a global leader in integrating gender rights into the aid program. Many development problems have a gender dimension and a gender solution. Programs that lack thorough gender analysis can inadvertently make women worse off.

It is well documented that when households and communities are under stress there is an increased potential for family violence. In addition, there is also an increase in exploitation of children, who are the most vulnerable in any crisis – protracted or short-term. **Therefore, in addition to gender equality, any development program should take into account the specific impact on children and ensure that support given to families predicts the likely impact on household dynamics. (Recommendation 1.7)**

As AusAID's Gender Policy notes: "Gains have been made towards gender equality over the last decade but there is no region of the world where women enjoy equal rights and benefits of development."¹⁰ Thus far the main programming approach to gender equality has been mainstreaming: *the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality.*¹¹

⁸ ACFID member and Code of Conduct signatories' audited financial statements 2007/08.

⁹ Labor Party, National Platform and Constitution 2009, paragraph 10.102: Labor is committed to delivering more of its official development assistance through non government organisations and to finding new ways of working with NGOs and civil society to ensure the assistance is efficient and effective.

¹⁰ AusAID, Gender Equality in Australia's aid program, March 2007.

¹¹ Mainstreaming the gender perspective into all policies and programmes in the United Nations system, Extract from Report of the Economic and Social Council for 1997, UN, A/52/3, p.2.



ACFID Pre-Budget Submission 2010/11 Federal Budget

As women comprise 70 per cent of all poor people, gender mainstreaming should not replace the need for targeted, women-specific policies and programmes or positive legislation, nor does it substitute for gender units or focal points. **ACFID recommends that the Australian Government expand its women's rights programs in recognition that reducing poverty is intimately linked to the rights of women. (Recommendation 1.8)**

QUALITY OF AID

AusAID is doing excellent work in monitoring and evaluation and this should be further developed. ACFID strongly supports the work of the Office of Development Effectiveness (ODE), and in particular wishes to congratulate ODE on the release of the second Annual Review of Development Effectiveness (ARDE). Australia is one of only two OECD DAC countries that currently critically reflect and publicly report on the impact of their development programming. ACFID considers the ARDE an important tool in enhancing the public's understanding of aid effectiveness debates and the success of the Australian aid program.

Australia would benefit from increasing cooperative evaluation with other donors and international agencies (eg. through the International Initiative for Impact Evaluation - 3ie).¹² Large scale, cooperative evaluation permits high quality, quasi-experimental designs that are likely to provide significant lessons for future development assistance around the world. **ACFID recommends that local communities should be more involved in the monitoring and evaluation of programs that affect them.**¹³ (Recommendation 1.9)

The Australian Government should coordinate more with Australian NGOs and communities on complementary programs on Good Governance which bolster the government's ability to be responsive to citizen demands for better services. **ACFID recommends that AusAID should ensure that local people from poor communities are involved much more in the planning and implementation of programs that affect them. (Recommendation 1.10)**

Australia is already working to meet the requirements of the Paris Declaration and the Accra Agenda for Action. However, to date, adherence is patchy. As pointed out in the recent OECD DAC Peer Review, Australia in particular has to increase its use of partner country systems and improve the effectiveness of its technical assistance.

The key messages from the 2008 High Level Forum in Accra emphasised that: '*Developing countries are the drivers of their own development. Country ownership and leadership in the development process cannot be substituted. It must be respected, strengthened and supported*'.¹⁴ The value of investing in developing local capacity in all cases where Australian technical assistance is involved should be a basic principle for the aid program. Given that the Australian Federal Police (AFP) is the second largest distributor of ODA funds, **ACFID recommends that the AFP actively work to apply the principle of developing local capacity in all AFP deployments. (Recommendation 1.11)**

AusAID is increasing the proportion of the aid program delivered through multilateral organisations. This is appropriate through UN agencies, as this will likely improve the targeting and coordination of aid. However, at present Australia does not have a sufficiently comprehensive and robust approach to ensuring that its multilateral contributions are spent as effectively and efficiently as possible in alleviating poverty. **ACFID recommends AusAID increases its active oversight of multilateral agencies to which it contributes and to play**

¹² See: www.3ieimpact.org

¹³ Local participation will increase the accuracy and relevance of findings and result in better targeting of assistance.

¹⁴ UNDG key messages, 3rd High Level Forum on Aid Effectiveness, Accra, 2-4 September 2008.



ACFID Pre-Budget Submission 2010/11 Federal Budget

a more active role in shaping the direction of these agencies to ensure greater impact in the alleviation of poverty. (Recommendation 1.12) This is particularly valid for International Financial Institutions such as the Asian Development Bank (ADB) and the World Bank.¹⁵

SECTION 2 - COMMITMENTS TO HUMANITARIAN ASSISTANCE

ENHANCING IMPACT

Each year on average almost 250 million people are affected by natural disasters. In a typical year between 1998 and 2007, 98 per cent of people experiencing natural disasters suffered from climate-related disasters such as droughts and floods rather than, for example, devastating but relatively rare events such as earthquakes.¹⁶

In some countries the proportion of people living in poverty has fallen. However, vulnerability to natural disasters and conflict is likely to further increase. There are numerous factors driving this trend.¹⁷ The impact of the global financial crisis on humanitarian programming has greatly decreased the capacity and resources of humanitarian actors to respond to and provide adequate disaster reduction and preparedness strategy, assist people in emergency recovery and rehabilitation, and addressing conflict sensitivity. ACFID sees an important role for AusAID in increasing the use of disaster reduction strategies in the Asia and Pacific regions. ACFID welcomed the release of the Disaster Risk Reduction policy in June 2009 and encourages strong government support for the implementation of the policy into the Australian aid program.

Although the portfolio of humanitarian assistance is currently 7.9% of Australia's total ODA, the aid program undertakes humanitarian response funding through other portfolios and funding streams, which makes overall breakdowns difficult to account for.¹⁸

The Humanitarian Response Index 2008 (HRI 2008) suggests that Australia's contribution to humanitarian needs is less than average as a percentage of ODA compared to other OECD DAC donors. The HRI 2008 also found that Australia is ranked 19 out of 23 donors (compared to 15 out of 23 donors in 2007) for working with and funding NGOs to undertake humanitarian work.¹⁹ HRI 2008 notes that Australia only tends to work with community organisations, NGOs or other civil society organisations "[I]f government systems are failing, or operating outside the Asia-Pacific region".²⁰

Moreover, Australia remits funds to multilateral and bilateral agency emergency responses, who then go on to fund International NGOs on the ground that are undertaking emergency responses. This takes longer for the funding to reach NGOs and misses the opportunity to build on Australian public support for Australian NGO emergency responses. Efficient responses are imperative in emergency situations. **ACFID recommends that AusAID work more closely with humanitarian partners linked to Australian public support for humanitarian response and lift its level of funding to Australian NGO emergency responses towards DAC averages. (Recommendation 2.1)**

¹⁵ ACFID notes that work on a Multilateral Engagements Strategy is underway as well as a report card system.

¹⁶ Oxfam (2009): The Right to Survive, Oxfam International, UK; Also, this report estimated that 46 countries will face a 'high risk of violent conflict' when climate change exacerbates traditional security threats. Already, there is evidence that the number of conflicts is again on the rise.

¹⁷ For example, there are far more people living in urban slums built on precarious land and there is increasing pressure on rural productive land, caused by drought, population density, and increasing demand will result in food insecurity. Climate change, environmental degradation and conflict may drive more people from their homes, stripping them of their livelihoods, assets, and their networks of family and communities that can support them, thereby making them vulnerable to a number of protection concerns. The global economic crisis that escalated in late 2008 may increase unemployment and undermine social safety nets, which, in some countries, may contribute to increased humanitarian needs.

¹⁸ AusAID Aid Budget 2009/10.

¹⁹ Australia's overall ranking for 2008 is 11 out of 23, compared to 14 out of 23 in 2007.

²⁰ The Humanitarian Response Index 2008, accessible via: www.hri.daraint.org



ACFID Pre-Budget Submission 2010/11 Federal Budget

The current level of humanitarian funding is far too low to meet even today's humanitarian needs.²¹ In line with the advised increases of the overall aid budget to \$4.3 billion (see Recommendation 1.2), **ACFID recommends that humanitarian funding as a proportion of ODA is increased to 10%. (Recommendation 2.2)**

The issue is not just one of quantity. A reasonable response requires far higher per-capita spending to cater for preparedness, recovery programs and vulnerability considerations. It also requires investment in humanitarian agencies' internal processes such as monitoring and evaluation, research, security considerations and standards in humanitarian practice. To ensure a quality response, **ACFID recommends that AusAID recognises the importance of adopting a shared-responsibility approach with humanitarian agencies and a multi-year funding mechanism. (Recommendation 2.3)**

PROTECTION

The SPHERE Humanitarian Charter and Minimum Standards in Disaster Response states that *'protection and assistance are the two indivisible pillars of humanitarian action'*.²² Despite this however, protection – from violence and human rights violations – does not currently receive equal attention from donor funding in humanitarian responses. There are many factors contributing to the recent need to increase work in the area of protection.

Some trends include the increase in intrastate (as opposed to interstate) armed conflict, resulting in internal displacement and challenges around state sovereignty and durable solutions for internally displaced peoples, climate-induced displacement and increasing military engagement in aid and recovery projects.

ACFID recommends that the Australian Government commit to protection as a core component of humanitarian action. A policy on protection should correspond with allocating funding to protection activities as part of emergency response, capacity building and disaster risk reduction initiatives. A monitoring mechanism is required to assess the effectiveness and impact of protection initiatives. (Recommendation 2.4)

SECTION 3 - CLIMATE CHANGE AND FOOD SECURITY

The UN Food and Agriculture Organisation (FAO) estimates that the number of people suffering from hunger will rise to 1.02 billion in 2009.²³ The most optimistic prediction states that by 2080 between 740 million and 1.3 billion people may suffer from chronic hunger.²⁴ However, this forecast does not factor in the impact of a whole set of negative effects from climate change.²⁵

While ACFID welcomes the government's announcement on food security through rural development in the 2009/10 Budget, it is crucial for the Australian Government to make new commitments to assist vulnerable communities facing greater hunger caused by climate change. Integration is an essential feature for both practicing and promoting sustainable food production and for developing climate change adaptation policies. **ACFID recommends that the Australian aid program integrate its policy on sustainable food production with its climate change adaptation policies. (Recommendation 3.1)**

²¹ By 2015, humanitarian need could grow by more than 50 per cent (of the current 250 million affected) to an average of over 375 million affected by climate-related disasters each year. See: Oxfam (2009): The Right to Survive, Oxfam International, UK.

²² Website: SPHERE Humanitarian Charter and Minimum Standards in Disaster Response, <http://www.sphereproject.org/>.

²³ FAO press release (2009), <http://www.fao.org/news/story/en/item/20568>

²⁴ 'IPCC Fourth Assessment Report' (2007)

²⁵ Rural communities, particularly those living in fragile environments, face an immediate and ever growing risk of increasing crop failure, loss of livestock and reduced availability of marine, aquaculture and forest products as a result of climate change. See: Oxfam Australia (2009), <http://www.oxfam.org/sites/www.oxfam.org/files/bp130-suffering-the-science.pdf>



ACFID Pre-Budget Submission 2010/11 Federal Budget

Under the current plans to increase aid, Australia will not be able to contribute its fair share of funding to the first MDG. In 2009/10, \$230 million is available from Australia's aid budget for rural development and agriculture. If Australia is to contribute its fair share of aid for rural development, an additional \$480 million is required. **ACFID recommends that an additional \$480 million be included in the 2010/11 aid budget for food security and rural development.**²⁶ (Recommendation 3.2)

CLIMATE CHANGE

ACFID is calling on the Australian Government to show leadership in delivering a fair global deal to do more to help developing countries better adapt and mitigate the effects of climate change when they meet to discuss a global climate treaty in December 2009.²⁷

The Australian Government recognises in its 2009/10 Budget Statement on climate change that a global solution requires helping the most vulnerable to adapt and supporting those countries least able to cope with climate change. ACFID urges that any global agreement should be negotiated and dealt with separately from development assistance. Poverty alleviation and development efforts will be depleted if any increase in ODA is spent on climate change adaptation and mitigation.

In June 2009, UK Prime Minister Gordon Brown outlined a plan for an US\$100 billion adaptation fund by 2020.²⁸ The proposal recognises the need for adaptation funding to be accessible and separate from overseas development assistance. Adequate financing of adaptation measures for developing countries will be a key component of negotiating a successful agreement in Copenhagen. To achieve global adaptation funding of US\$100 billion per annum, Australia's fair contribution would be at least A\$4.3 billion by 2020. **ACFID recommends that the Australian Government significantly increases support for climate change adaptation and mitigation in developing countries to reach our fair share of the global burden in addition to its ODA commitments.** (Recommendation 3.3)

A central priority for adaptation work in the Pacific should be supporting communities on how best to manage food and water security. Efforts should be made to promote the use of local knowledge and local history in all adaptation work. **ACFID recommends that support should be directed towards livelihood projects at community level to help strengthen community resilience in the face of climate impacts and natural disasters. Planting of mangroves, grasses, and reforestation are all priority areas for community led adaptation funding.** (Recommendation 3.4)

SECTION 4 – HUMAN RIGHTS-BASED APPROACH TO DEVELOPMENT

Human rights-based approaches to development are increasingly being considered as a valuable way to deliver aid. In 2005, the OECD commissioned a study on donor experiences of integrating human rights into development.²⁹ The OECD study reveals that human rights are becoming a regular feature of development cooperation which demonstrates the increasing number of donors who use the approach. In particular, the links between a human rights-based approach and increasing the effectiveness of development outcomes and meeting the MDGs

²⁶ World Vision Australia (2009). 'Island Nation or Global Citizen?'

²⁷ Adequate international financial support for mitigation and adaptation measures for developing countries should be provided. Such funds should be distributed through a UN coordinated mechanism and be provided as grants rather than loans in order to avoid creating future debt problems for developing countries.

²⁸ Smith, D. (2009). 'Climate change adaptation funding proposed by Britain must be spent wisely,' AlertNet.
<http://www.alertnet.org/db/blogs/59204/2009/05/26-154553-1.htm>

²⁹ Piron, L and O'Neil, T, *Integrating Human Rights into Development: A synthesis of donor approaches and experiences*, 2005. Available at: http://www.odi.org.uk/rights/Publications/humanrights_into_development.pdf.



ACFID Pre-Budget Submission 2010/11 Federal Budget

are persuasive and supported by a number of donors around the world.³⁰ **ACFID recommends that \$2 million from the 2010/11 budget be specifically allocated towards conducting further research and learning about how AusAID can meaningfully implement a human rights-based approach and assess its effectiveness. (Recommendation 4.1)**

The respected Overseas Development Institute (ODI) issued a report on the *Australian Partnerships with African Communities* program between AusAID and Australian NGOs.³¹ The ODI report reveals that:

- development programs work best when they address both human rights violations and basic needs;
- a human rights-based approach is crucial in the achievement of long-term and sustainable empowerment of marginalised groups.

AusAID has made some advances, such as in disability.³² Nonetheless, unlike the United Nations³³ and several other donors, AusAID has not fully endorsed the human rights-based approach.³⁴

A human rights-based approach to the MDGs can assist in overcoming the deficiencies in the otherwise crucial MDG agenda by promoting:

- sustainability by ensuring local participation and empowerment, and specifically identifying the most marginalised in the community;
- accountability by emphasising legal obligations and influencing government action;
- effectiveness by linking the MDGs with a broader range of human rights and structural inequalities that impact on development outcomes.³⁵

Some of the poorest and most marginalised people are children and young people, women and people with disabilities. A human rights-based approach demands that specific attention be drawn to each of these groups. AusAID has demonstrated commitment to issues of gender by adopting a gender equality policy and guidelines to ensure that a gender perspective is incorporated into Australia's aid activities. Similarly, AusAID has promoted the rights of persons with a disability through the development of its disability strategy.³⁶ The glaring omission in AusAID's priorities is its lack of a more comprehensive child focus within AusAID's activities.³⁷

ACFID recommends that AusAID develops a human rights-based approach to delivering the aid program by:

- a) developing a comprehensive human rights policy, which explains how human rights will be used to design, deliver, monitor and evaluate programs;
- b) establishing human rights education as a cross-cutting theme;
- c) developing a child and youth focused policy or framework to ensure greater development outcomes for children and young people. **(Recommendation 4.2)**

³⁰ Human rights impact, MDG paper by Alston, OHCHR MDG paper.

³¹ Samuels F., James, V., and Sylvester, K., *ODI Project Briefing: Beyond Basic Needs*, 2009. Available at: <http://www.odi.org.uk/resources/details.asp?id=3185&title=beyond-basic-needs-marginalised-vulnerable-african-communities>

³² AusAID's 2009 child protection policy, 2008 disability strategy, 2007, HIV strategy all rely on international human rights instruments. Over the last decade, AusAID has increased funding for the Human Rights Small Grants Scheme, the United Nations Office of the High Commissioner for Human Rights and the Asia Pacific Forum.

³³ United Nations Secretary-General Kofi Annan, *Renewing the United Nations: A Programme for Reform* (1997), available at <<http://daccessdds.un.org/doc/UNDOC/GEN/N97/189/79/IMG/N9718979.pdf?OpenElement>>.

³⁴ Laure-Helene Piron and Tammie O'Neil, *Integrating Human Rights into Development: A synthesis of donor approaches and experiences* (2005), available at <http://www.odi.org.uk/rights/Publications/humanrights_into_development.pdf>.

³⁵ See Office of the High Commissioner for Human Rights and Millennium Campaign, *The Millennium Development Goals and Human Rights* (2008), available at <<http://www.endpoverty2015.org/files/human%20rights%20and%20mdgs%20brochure.pdf>>

³⁶ AusAID, *Development for All: Towards a disability-inclusive Australian aid program 2009-2014*, available at: <http://www.ausaid.gov.au/keyaid/disability.cfm>

³⁷ ACFID notes and welcomes AusAID's recent development of a Child Protection Policy.



ACFID Pre-Budget Submission 2010/11 Federal Budget

Developing a human rights-based approach would provide a clear strategic direction for AusAID as the aid program expands. Adopting a human rights-based approach is in line with Australia's international obligations³⁸ and AusAID's existing human rights statement.³⁹

SECTION 5 - INVESTMENT IN EDUCATION

The United Nations has warned that overall progress towards achieving universal primary education (MDG2) and eliminating gender disparity in all levels of education (MDG3) has been too slow for most of the targets to be met by 2015.⁴⁰ **ACFID recommends that the 2010/11 Federal Budget should include an increase in funding for primary and secondary education to \$470 million per annum, Australia's minimum fair share. (Recommendation 5.1)**

The three key obstacles to achievement of the MDGs for education are:

- a) Limited capacity of many countries' education systems to deliver services;
- b) A shortage of donor and developing country funding;
- c) School fees which deter many poor families from sending children to school.

The aid program should include an expanded focus on people's education life cycle. With a concentrated effort across developmental stages of children, outcomes will be greatly improved; as will the long-term benefits to their communities.

The Australian Government should use its role as a board member of the Education for All Fast Track Initiative, and as a key stakeholder in the World Bank and ADB, to urge multilateral institutions to commit increased assistance to basic education in the Asia and Pacific regions, to accelerate the process of removing school fees for basic education, and accelerate the release of funding to low-income countries with plans to expand access to education under the Fast Track Initiative.

Whilst recognising the importance of basic education, **ACFID recommends that the Government ensure a better balance between investment in primary, secondary and adult education, with strong support for adult literacy. (Recommendation 5.2)** Some progress has been made towards achieving Education For All (EFA).⁴¹ However, the impact of the global financial crisis threatens to reverse these gains in many developing countries, where the ability of households and governments are both challenged.

At a time of economic decline, education expenditure as a percentage of government budgets may decline. The inequalities in access to education become more pronounced as the poorest households suffer reduced access to basic education, whilst high-income groups keep children in school as job vacancies fall.⁴²

³⁸ Australia has ratified 7 of the 9 core human rights treaties: *International Covenant on Civil and Political Rights*, adopted 16 December 1966, 999 UNTS 171 (entered into force 23 March 1976), *International Covenant on Economic, Social and Cultural Rights*, adopted 16 December 1966, 993 UNTS 3 (entered into force 3 January 1976), *Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment*, adopted 10 December 1984, 1465 UNTS 85 (entered into force 26 June 1987), *International Convention for the Elimination of All Forms of Racial Discrimination*, adopted 21 December 1965, 660 UNTS 195 (entered into force 4 January 1969), *Convention on the Elimination of All Forms of Discrimination against Women*, adopted 18 December 1979, 1249 UNTS 13 (entered into force 3 September 1981), *Convention on the Rights of the Child*, adopted 20 November 1989, 1577 UNTS 3 (entered into force 2 September 1990), *Convention of the Rights of Persons with Disabilities*, adopted 13 December 2006, (entered into force 3 May 2008).

³⁹ AusAID human rights framework, available at <<http://www.ausaid.gov.au/keyaid/humanrights.cfm>>

⁴⁰ At present 77 million children remain out of school worldwide, of whom one-third are in the Asia and Pacific regions. As well, 1.6 million adults in the region still lack basic literacy and numeracy skills. Of these 1.6 million adults, 71% are women. See: www.ausaid.gov.au/keyaid/education.cfm and Nick Corby and Mark Rice, *Banking on Education? RESULTS Australia*, 2009, p.4

⁴¹ For example through improvement in primary education completion rates, early childhood education and improved education quality.

⁴² UNESCAP 2006. *Disability at a Glance: A profile of 28 countries and areas in Asia and the Pacific*, www.unescap.org/esid/psis/disability. In many countries girls with disabilities and girl carers are not sent to school resulting in higher rates of illiteracy. They are not trained for economic self-sufficiency and as adults often do not marry, rarely inherit or own property and



ACFID recommends that the Australian Government considers the following education initiatives focused on Asia and the Pacific: a strong in-country School Fee Support program with a range of Secondary School Scholarships aimed at significantly reducing school fees; support for Teacher Training programs and opportunities for teacher exchange and mentoring; Sister School program support to improve cross-cultural understanding; linking tertiary scholarships in a tripartite partnership with Australian institutions and development NGOs. (Recommendation 5.3)

SECTION 6 – HEALTH PRIORITIES

ACFID recommends that the overall aid commitments to health be increased to \$900 million per year. (Recommendation 6.1)

CHILD AND MATERNAL HEALTH

Currently, global progress toward achieving MDGs 4 and 5 lags significantly behind progress achieved for most other MDG targets. The stark reality of the situation highlights the need for concerted focus on progress in child and maternal health.⁴³

The Australian Government has acknowledged that MDGs 4 and 5 will not be met unless there is an increase in funding and development of national strategies to ensure effective allocation of resources.⁴⁴ ACFID welcomed the significant increase to health expenditure under the 2009/10 Aid Budget, including increases in maternal and child health related funding (which reached \$370 million per year). ACFID also welcomes the release of the Australian Government's Family Planning Guidelines that aim to further reduce maternal and child mortality.

However, Australia must do its fair share among OECD donors to address child and maternal mortality through further increases in commitments to local and district health services with a focus on maternal and child health. **ACFID recommends that allocations for child and maternal related health programs reach \$520 million in 2010/11. (Recommendation 6.2)**

HIV/AIDS

The current level of HIV/AIDS funding of \$160 million needs to increase rapidly to our fair share of around \$400 million. ACFID recommends that at least \$260 million should be provided in 2010/11. (Recommendation 6.3)

We have seen recent improvements in the coverage of anti-retroviral treatments in low and middle-income countries for people living with HIV. However, treatments still only reach a relatively low proportion of those in need and there is room for substantial progress to meet MDG 6 targets, particularly in light of increasing infection rates in the Pacific.

The Australian Government's new strategy to tackle HIV in our region includes commitments to universal access to HIV prevention, treatment, care and support in order to assist those countries to meet the MDG targets and reduce the prevalence of HIV/AIDS.⁴⁵ However,

are excluded from social and community activities. See: AusAID, 2009. *Development for All: Towards a disability-inclusive Australian aid program 2009-2014*, p.16

⁴³ There is a clear need for an emphasis on reducing maternal, newborn and child deaths in the Asia Pacific, where 18 of the 29 developing countries are currently off track to achieve Goal 4 and 23 are off track to achieve Goal 5. See: World Vision Australia and Nossal Institute for Global Health, "Reducing Maternal, Newborn and Child Deaths in the Asia Pacific, 2008.

⁴⁴ Hon. Bob McMullan while co-launching a report "Investing in Maternal, Newborn and Child Health, the Case for Asia and the Pacific.

⁴⁵ AusAID, 2009, "Intensifying the response: Halting the spread of HIV – Australia's international development strategy for HIV".



ACFID Pre-Budget Submission 2010/11 Federal Budget

increased commitments to dedicated prevention, education, treatment and care through predictable yearly funding allocations is needed to meet the multi-sectoral nature of HIV and AIDS as both a development and health issue.

As negotiations on new commitment to the Global Fund to Fight AIDS, TB and Malaria will take place in 2010, **ACFID recommends that the Australian Government should also allocate approximately one third of funding for AIDS, TB and Malaria to the Global Fund. (Recommendation 6.4)**

Australia should also invest in determining solutions for the prevention of diseases including HIV/AIDS and maternal deaths through dedicated research into developing country needs. Funding should reach \$50m in 2010/11. (Recommendation 6.5)

SECTION 7 - COMMITMENTS TO DISABILITY

Development for All: Towards a disability-inclusive Australian aid program 2009 – 2014 is an important step towards establishing Australia as a world leader in this field.⁴⁶ *Development for All* reflects priorities that have been determined by the sector including stakeholders from the Asia and Pacific regions and is an important blueprint for coordinated action.

However, ACFID suggests that further dedicated funding for implementation of other elements of *Development for All* is needed to ensure that this strategy moves beyond being merely rhetorical.

In line with the twin-track approach⁴⁷ ACFID recommends significant allocation of funding in the 2010/11 budget for the following initiatives:

- a) research activities to build a clearer picture of the "specifics" of working collaboratively on disability issues in countries where Australia has aid programs;
- b) inclusive education initiatives to suit a variety of country contexts, where these are prioritised by people with disabilities;
- c) livelihood programs which include people with disabilities;
- d) capacity strengthening for disabled people's organisations in Asia and the Pacific, particularly in relation to their ability to work collaboratively with their Government on their commitments to the Convention on the Rights of Persons with Disabilities (CRPD);
- e) capacity strengthening to promote disability-inclusiveness among all aid partners;
- f) further support for ABI including through a scoping mission for the development of an Avoidable Blindness Initiative for Africa. **(Recommendation 7.1)**

SECTION 8 – WATER AND SANITATION

ACFID recommends that the Government commits to longer term increases to meet Australia's fair share of financing for the water and sanitation MDG, starting in 2010/11. (Recommendation 8.1)

Every 20 seconds a child dies of waterborne diseases and every day 4,000 children die from preventable diseases caused by unsafe water and poor sanitation.⁴⁸ Water and sanitation are

⁴⁶ Currently around 10% of the world's population - approximately 650 million people - live with a disability and 80% of these people live in developing countries. Disability is both a cause and a consequence of poverty. Ninety per cent of children with a disability do not attend school. Women and girls with disabilities are recognised as having multiple disadvantages, they experience exclusion on account of both their gender and their disability and are particularly vulnerable to abuse.

⁴⁷ A twin-track approach implies dedicated disability and development programs as well as disability mainstreaming throughout the aid program.



ACFID Pre-Budget Submission 2010/11 Federal Budget

essential services, like health and education. Currently the Australian Health program primarily focuses on curative health without adequately addressing wider environmental causes of disease and cost effective hygiene interventions aimed at prevention.

Many countries are off track with the water and sanitation targets of the MDGs.⁴⁹ Interventions to improve access to clean water and improved sanitation are an important component of human development efforts in developing countries and contribute to fostering better health outcomes, higher incomes, and improved educational attainment and gender equity.⁵⁰

Although the Australian Government has indicated an increased commitment to water and sanitation efforts to meet the MDGs,⁵¹ there has been insufficient priority given to water and sanitation. The Australian Government's expenditure on water and sanitation is still only around a quarter of that invested in other essential services such as health and education.

However, further acceleration is needed to reach Australia's fair share of the MDG requirement, to \$350m per year, and approach OECD average allocations to the sector.⁵²

Australia currently aggregates water and sanitation in its budget and any reporting, making it difficult to evaluate the extent of current under-investment in sanitation. In addition, accountability and performance evaluation around spending on water and sanitation is currently weak.⁵³

ACFID recommends that AusAID disaggregates its expenditure on water, sanitation and hygiene and publish an annual performance report. (Recommendation 8.2)

The Global Framework for Action on Water and Sanitation is bringing together national governments, donors and others to address these obstacles, similarly to what has been done successfully in the Health and Education sectors, with strong Australian support. **ACFID recommends that the Government fully engages with the first Global Framework for Action on Water and Sanitation High Level Meeting in 2010 and utilises the meeting to push for increased finance for off-track countries and support to develop national plans for water and sanitation. (Recommendation 8.3)**

ACFID recommends that analysis of where Australian investment can be most effective at the country level be improved, re-balancing investment portfolios to take account of health statistics related to the disease burden. (Recommendation 8.4)

SECTION 9 – MICROFINANCE

AusAID should provide a more flexible mechanism to assist new, emerging and expanding microfinance institutions (MFIs) in Asia and the Pacific regions to achieve sustainability in their operations through access to appropriate capital and capacity building support. (Recommendation 9.1)

⁴⁸ 28 per cent of deaths in children aged under five are attributable to poor sanitation and unsafe water and yet development financing for diarrhoea is low compared to other diseases.

⁴⁹ Global progress towards the MDG targets for water and sanitation has been slow. At current rates of progress, the target for water will not be met in sub-Saharan Africa until 2035 and the sanitation target not until 2108 – one hundred years too late.

⁵⁰ Effective water and sanitation services have been shown to be among the most cost-effective public health interventions.

⁵¹ The Australian Government's support has risen over the past year with the \$300m Water and Sanitation Initiative (2008/09 to 2010/11).

⁵² The OECD average is around 7% of aid programs compared to Australia at 4% in 2009/10.

⁵³ There is no public reporting on levels of spending by the Australian government and outcomes and impact, thus a performance report similar to the thematic performance report for other sectors is vital.



ACFID Pre-Budget Submission 2010/11 Federal Budget

The mechanism should enable AusAID to strategically plan investments in developing appropriate financial systems and access to financial services; complement and support efforts of existing microfinance-related programs and funding windows within the overall AusAID program, including bilateral, multi-lateral and ANCP funding, and small scale country-level grant programs; and coordinate financial services with related developmental efforts such as in the agriculture, rural and community development spheres.

Further growth in access to microfinance facilities would contribute to achieving a number of the MDGs, including further eradication of poverty and through a focus on women as borrowers and savers would also assist in achieving gender equality.

Microfinance is a private sector activity. While it need not be pursued for profit, it is essential that microfinance be approached from a commercial perspective if it is to become financially and institutionally sustainable, and therefore benefit the greatest number of people possible. The number of very poor borrowers from microfinance programs has increased rapidly over the last 10 years, exceeding 100 million in 2007.⁵⁴ For any microfinance support facility to be effective it must have the flexibility to expand gradually and finance activities based on identified need – that is to be demand driven rather than supply driven.

The Australian Government is currently developing its microfinance strategy. Additional funding would need to accompany this strategy for it to have a significant impact on meeting the need for credit and financial services. **To meet Australia's share of the costs of achieving further growth in and increased poverty impact of microfinance, the aid allocation for microfinance should increase to \$40 million over the next two years. (Recommendation 9.2)**

⁵⁴ The Microcredit Summit Campaign has set the goals of increasing the number of very poor borrowers to 175 million by 2015, and also to enable 100 million of the poorest families move above the poverty line by 2015.

