



acfid

Analysis: AID BUDGET 2010/11

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ANALYSIS: AID BUDGET 2010/11

This analysis has been drafted by the ACFID Policy Team to inform members about the outcomes for Australia's International Development Assistance Program Budget 2010/11 (Aid Budget).

The Executive Summary provides an overview of the Aid Budget 2010/11. The following sections provide further analysis of the Aid Budget, focussing on ACFID's pre-budget submission.¹

ACFID hopes the analysis will assist our members in understanding the Australian Government's commitment and priorities to aid and development assistance for the next 12 months. This analysis does not consider any other aspects of the Federal Budget besides the Aid Budget. Members are advised to review the papers released by the Federal Government on the Federal Budget 2010/11 to obtain the most comprehensive understanding.

If you have questions or comments, please contact Susan Harris Rimmer, Advocacy and Development Practice Manager at ACFID on 02 6281 9221 or email sharris@acfid.asn.au.

1. Executive Summary

The 2010/11 Aid Budget is titled: *A Good International Citizen*. ACFID welcomes the increase in Australian overseas development assistance (ODA) to \$4.349 billion, a \$530 million increase from the 2009/10 Aid Budget of \$3,818.8 million. This is a real increase² of 9% (a 14% nominal increase). The \$500 million increase meets the key recommendation of ACFID's pre-budget submission. Meeting the Millennium Development Goals remains the key focus of the aid programme.

The ODA program for 2010/11 translates to 0.33% of Gross National Income (GNI) – an increase from 0.31% of GNI in 2009/10. These figures have been calculated using new international accounting standards, which increase Australian GNI by 4%. At the current rate of increase, the Rudd Government is on track to reach its target of 0.5% of GNI by 2015. ACFID has called on the Government to now announce a timetable for reaching the UN goal of 0.7% of GNI in the longer term.

ACFID's analysis of where the 'new money' is going includes:

- sectoral increases to higher education, health, and infrastructure;
- \$325 million more funding than last year's budget on AusAID country programs – mainly to Africa, Latin America and the Caribbean, Middle East, Central Asia and cross-regional programs;
- \$90 million more funding has been channelled through AusAID global programs than the 2009/10 budget, due to increases in the UN, community and multilateral replenishments;³ and
- \$180 million unallocated funds for contingencies.

The 2010/11 Aid Budget has a number of features of relevance to ACFID members, including:

- a 17.9% increase in Australian NGO funding through the ANCP (section 5.1);
- further geographical expansion of the program to Africa, Latin America and the Caribbean, and South Asia (section 4.3);
- decreased funding to Pacific regional activities by 34.5% in real terms (section 4.1);

¹ ACFID, Pre-budget submission, October 2009, available at http://www.acfid.asn.au/resources/docs_resources/docs_submissions/Prebudget%20submission%202010-11%20final%2013%20Oct_Small.pdf

² Real change refers to % change after inflation

³ See Table 16 of the Aid Budget 2010/11, p 67.

- increased funding for tertiary scholarships to 6,000 by 2014 (1,000 in Africa) (section 5.5);
- new funding for disability-inclusive development of \$30.2 million over four years – ACFID welcomes this as a ‘first down-payment’ but calls for accelerated funding in future Budgets to implement ‘Development for All’ policy (section 5.7);
- new funding of \$141 million for development programmes in Afghanistan over two years (section 5.2 and 4.2);
- decreased funding to health and HIV/AIDS as a sector by 10.6% after inflation (section 5.6);
- no new climate change initiatives for 2010/11 (multi-year commitments increased to total \$245 million – section 5.3);
- microfinance funding doubled to \$40 million over two years, as ACFID requested (section 5.9);
- AusAID restructure announced to plan for upscale of aid programme by 2015, which will focus on reforms to operational policy, management and workforce planning. The Aid Budget estimates \$211.8 million to AusAID departmental costs, a 52.1% real increase (section 4.3 and 5.1);
- AusAID will conduct a review of technical assistance, together with partner governments, in response to 2009 ANAO report and ACFID recommendation (section 5.1);
- Education remains the ‘flagship’ of the aid program and is 19% of sectoral funding (section 5.5). Governance remains the largest sector at 21%; and
- Indonesia remains the largest country programme. Funding to India more than doubled by 55.4%.

NGO FUNDING

Table 1: Funding for community engagement programs 2009/10 and 2010/11

Program and focus	Budget 2009/10	Budget 2010/11	% change after inflation
NGOs, ANCP funding	\$56.1 m	\$69.0 m	17.9%
Volunteer programs, includes AYAD	\$35.0 m	\$42.0 m	15.1 %
Development research programs	\$8.7 m	\$10.2 m	12.4%
ACFID	Not published	\$0.8 m	
NGO policy and development effectiveness	Not published	\$1.0 m	
Public engagement and development education	\$8.8 m	\$12.1 m	31.8%
Total	\$108.6 m	\$135.1 m	19.3%

COUNTRY AND REGIONAL

Table 2: Estimated ODA in 2009/10 and 2010/11 per region

Region	Estimated ODA in 2009/10	Estimated ODA in 2010/11	% change after inflation	Share of aid in 2009/10	Share of aid in 2010/11
PNG and the Pacific	\$1,090.9 m	\$1,085.4 m	-4.6%	40.4%	37.9%
Indonesia and East Asia	\$1,073.5 m	\$1,092.3 m	-2.4%	39.7%	38.1%
Africa	\$163.9 m	\$200.9 m	17.5%	6.1%	7.0%
South Asia	\$149.9 m	\$171.3 m	9.6%	5.5%	6.0%
Central Asia and Middle East	\$224.5 m	\$273.8 m	16.9%	8.3%	9.6%
Latin America and Caribbean	\$0.0 m	\$39.8 m			1.4%
Total of geographically allocated aid	\$2,702.7 m	\$2,863.5	1.6%		

SECTORAL FOCUS

Table 3: Estimated ODA in 2009/10 and 2010/11 per sector

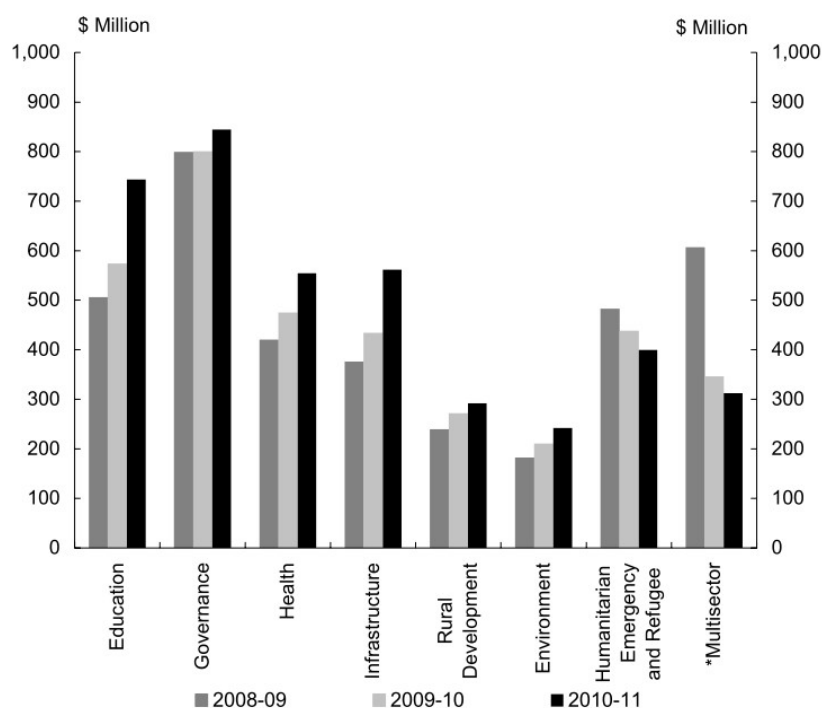
Sector	Estimated ODA in 2009/10	Estimated ODA in 2010/11	% change after inflation
Education	\$690.0 m	\$744.0 m	3.4%
Governance, including civil society and human rights	\$820.0 m	\$845.0 m	-1.2%
Health, including HIV	\$595.0 m	\$555.0 m	-10.6%
Infrastructure, including water and sanitation	\$560.0 m	\$562.0 m	-3.8%
Rural development	\$230.0 m	\$292.0 m	21.7%
Environmental sustainability	\$170.0 m	\$245.0 m	38.2%
Humanitarian, emergency and refugee-related ⁴	\$350.0 m ⁵	\$400.0 m ⁶	9.6%
Total	\$3,415.0 m	\$3,643.0 m	2.3%

⁴ Under the 2010/11 Aid Budget, humanitarian, emergency and refugee-related expenditure falls under the broader category of human security and stability.

⁵ This figure is inclusive of the already allocated \$299.8 million for specific humanitarian, emergency and refugee global programs.

⁶ This figure is inclusive of the already allocated \$301.5 million for specific humanitarian, emergency and refugee global programs.

Diagram 1: Sectoral spending in 2008/9, 2009/10 and 2010/11



*Multisector includes debt relief. The significant change in Multisector ODA is due to a one-off payment relating to the final tranche of debt relief for Iraq recognised in 2008-09.

Source: Aid Budget 2010/11 papers

HUMANITARIAN, EMERGENCY AND REFUGEE GLOBAL PROGRAMS

Table 4: Estimated funding for humanitarian, emergency and refugee global programs 2008/09 and 2010/11

Program and focus	Budget 2009/09	Budget 2010/11	% change after inflation
Humanitarian and Emergency Response	\$211.3 m	\$194.0 m	-12.0%
International Committee of the Red Cross	\$16.0 m	\$18.0 m	7.9%
UN Humanitarian Agencies (UNOCHA, WFP, UN CERF, UNHCR, UNWRA)	\$72.5 m	\$89.5 m	18.4%
Total	\$299.8 m	\$301.5 m	-3.6%

2. Introduction

In October 2009, ACFID submitted its pre-budget submission to the Australian Government with various recommendations for the 2010/11 Aid Budget. In November 2009 and February 2010, ACFID's Advocacy and Public Policy Committee met with 19 parliamentarians and advisers to discuss our budgetary recommendations. This analysis will track the 2010/11 Aid Budget against the pre-budget recommendations.

In the lead-up to the Federal Budget 2010/11, the Treasurer advised that the Budget would be lean and 'no frills' as a direct result of the aftershock of the Global Financial Crisis in Australia. Although Australia skirted the worst of the Global Financial Crisis, the Federal Budget 2010/11 was handed down with a \$40.8 billion deficit. Real spending growth was limited to 2% across the board.

In this context, aid spending has increased in real terms by 9%. The Aid Budget 2010/11 has been increased by \$530 million. This new increase should assist Australia's standing regarding its aid commitment with international practice.

3. ODA 2010/11

ACFID pre-budgetary recommendations:

1. increasing **ODA levels to \$4.3 billion** or around 0.37% of GNI in 2010/11⁷
2. increasing its 2015 aid commitment from 0.5 to **0.7%** of GNI.

The 2010/11 Aid Budget is budgeted at \$4.349 billion, increased from the 2009/10 Aid Budget of \$3,818.8 million. This is a real increase of \$530 million and equates to 0.33% of GNI – an increase from 0.31% of GNI in 2009/10. These figures have been calculated using new international statistical standards, which increase Australian GNI by 4%.

Despite the new method of calculating GNI, the Australian Government has reaffirmed its commitment for aid to reach 0.5% of GNI by 2015. With such minor increases in the ODA/GNI ratio over the last 3 budgets, ACFID remains concerned that Australia will not effectively be able to reach its set 0.5% target by 2015.

As the below table demonstrates, large increases to the aid budget will be required in the years 2013/14, 2014/15 and 2015/16.

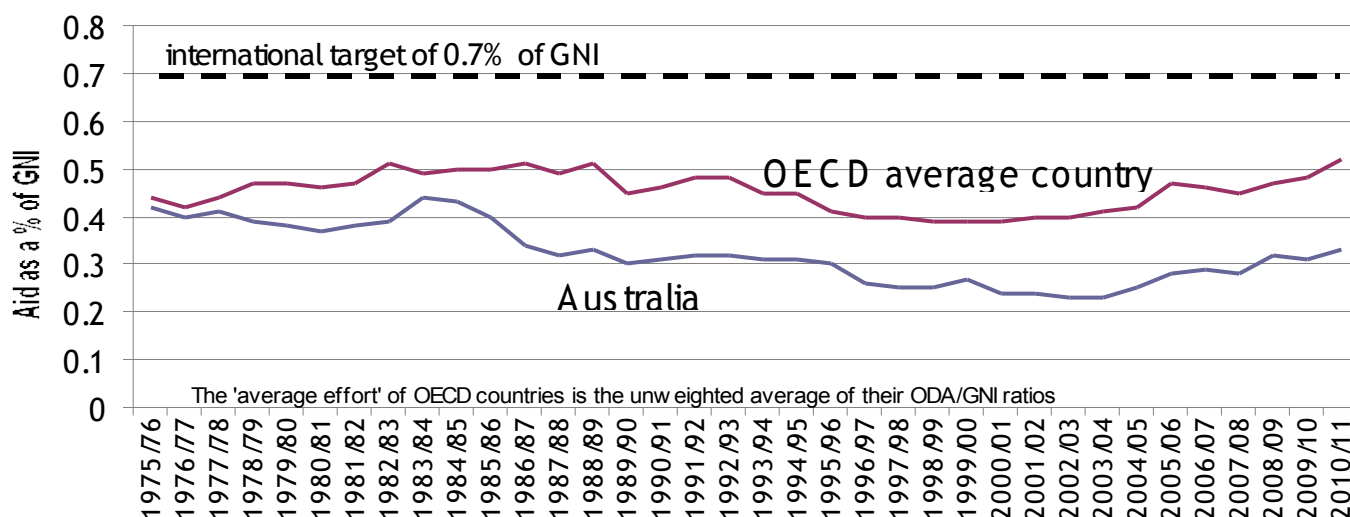
Table 5: Australian ODA/GNI ratio forecast on new GNI methodology

ODA/GNI ratio	2010/11 budget forward estimates
2008/09	Not published
2009/10	0.31%
2010/11	0.33%
2011/12	0.35%
2012/13	0.38%
2013/14	0.42%
2014/15	
2015/16	0.50%

⁷ The ACFID budget submission was presented before more optimistic economic growth figures emerged – at that time \$4.3bn would have required 0.37% of GNI

The below diagram from the OECD demonstrates that Australia stills lags behind many OECD countries who contribute significantly more aid than Australia as a ratio to GNI. Indeed, the most recent OECD data that allows international comparison shows that Australia is in 16th position out of 23 OECD donor countries.⁸

Diagram 2: Australian aid levels compared with the average effort of OECD countries⁹



Source: DAC Development Cooperation Reports 1982-2010, AusAID budget

Table 6: Composition of Australia's ODA 2010/11

	Budget 2009/10	Budget 2010/11	% change after inflation
AusAID Country Programs	\$2,329.4 m	\$2,654.9 m	9.3%
AusAID Global Programs	\$877.9 m	\$966.7 m	5.6%
AusAID Departmental	\$133.5 m	\$211.8 m	52.1%
ACIAR	\$60.9 m	\$68.3 m	7.5%
Other Government Departments	\$322.9 m	\$336.2 m	-0.2%
Adjustments	\$(6.9) m	\$(71.7) m	896.3%
Funds approved but not yet allocated	\$101.2 m	\$183.1 m	73.5%
Total ODA	\$3,818.8 m	\$4,349.3 m	9.2%
Real change over previous year's budget	5.6%	9.2%	

Most of Australia's ODA is delivered through AusAID, however, some is delivered through other Government agencies. In 2009/10 \$322.9 m aid was administered through other Government agencies, amounting to 8.5% of ODA. In 2010/11 the figure is \$336.2 million or 7.73% of ODA.

The Australian Government did not provide information on which other Government agencies, besides AusAID and ACIAR, would be delivering 2010/11 ODA.

⁸ OECD, *Net Official Development Assistance* (2009), available at: <http://www.oecd.org/dataoecd/17/9/44981892.pdf>

⁹ The figures in this chart use the new GNI counting rules for Australia for 2009/10 and 2010/11 figures but not for any of the OECD average country effort.

4. Countries and regions

Table 7: Estimated ODA in 2009/10 and 2010/11 per country and region

	Budget 2009/10	Budget 2010/11	% change after inflation
Total Aid Budget	\$3,818.8 m	\$4,349.0 m	9.2%
PNG	\$414.3 m	\$457.2 m	5.8%
Pacific			
Fiji	\$35.4 m	\$37.2 m	0.8%
Vanuatu	\$56.3 m	\$66.4 m	13.1%
Solomon Islands	\$246.2 m	\$225.7 m	-12.1%
Samoa	\$32.4 m	\$39.8 m	17.8%
Tonga	\$21.3 m	\$27.8 m	25.1%
Kiribati	\$17.7 m	\$23.9 m	29.5%
Nauru	\$23.4 m	\$26.6 m	9.0%
Tuvalu	\$7.5 m	\$8.9 m	13.8%
Other island nations	\$13.9 m	\$19.8 m	36.6%
Regional & Other Pacific	\$222.5 m	\$152.0 m	-34.5%
Total Pacific	\$676.6 m	\$628.1 m	-11.0%
East Asia			
Indonesia	\$452.5 m	\$458.7 m	-2.8%
East Timor	\$117.0 m	\$102.7 m	-15.8%
Vietnam	\$105.9 m	\$119.8 m	8.5%
Philippines	\$123.0 m	\$118.1 m	-7.9%
China	\$37.0 m	\$36.8 m	-4.6%
Cambodia	\$61.4 m	\$64.2 m	0.2%
Thailand	\$4.5 m	\$6.6 m	40.6%
Laos	\$36.0 m	\$41.0 m	9.2%
Burma	\$29.1 m	\$48.6 m	60.1%
Mongolia	\$6.4 m	\$7.4 m	10.9%
Regional	\$100.6 m	\$88.5 m	-15.7%
Total East Asia	\$1,073.5 m	\$1,092.3 m	-2.4%
South Asia			
Bangladesh	\$61.2 m	\$70.0 m	9.7%
India	\$13.7 m	\$22.2 m	55.4%
Sri Lanka	\$35.6 m	\$46.0 m	23.9%
Nepal	\$15.8 m	\$18.4 m	11.7%
Maldives	\$3.7 m	\$4.4 m	14.0%
Bhutan	\$4.8 m	\$5.4 m	7.9%
Regional	\$15.1 m	\$4.9 m	-68.9%
Total South Asia	\$149.9 m	\$171.3 m	9.6%

Central Asia and Middle East			
Pakistan	\$58.8 m	\$66.5 m	8.4%
Afghanistan	\$88.7 m	\$123.1 m	33.1%
Iraq	\$44.7 m	\$46.5 m	-0.3%
Palestine and other Middle East	\$32.3 m	\$37.7 m	11.9%
Total Central Asia and Middle East	\$224.5 m	\$273.8 m	16.9%
Africa	\$163.9 m	\$200.9 m	17.5%
Latin America and Caribbean	\$0 m	\$39.8 m	
Core contributions to multilateral organisations, other ODA expenditure	\$1,022.0 m	\$1,374.4 m	28.9%
Reconciliation of expenses to cash	\$(6.9) m	\$(71.7) m	896.3%
Funds approved but not yet allocated	\$101.2 m	\$183.1 m	73.5%

4.1 Pacific partnerships

Papua New Guinea and the Pacific remain major areas of focus for the aid program at \$1,085.4 million, that is 37.9% of total ODA. However, this is a decrease of 4.6% after inflation from the 2009/10 budget figure of \$1,090.9 million.

ACFID welcomes the continued focus on ***Pacific Partnerships for Development*** based on mutually accountable and mutually respectful relationships in line with the *Port Moresby Declaration* on closer cooperation and engagement with the region. Strong country ownership is a feature of these partnerships due to an effective negotiation process that ensures practical development assistance in line with specific country needs. Adherence to the principles of the Paris Declaration and the Accra Agenda for Action sits squarely behind and informs the Cairns Compact on Strengthening Development Coordination in the Pacific and the Pacific Partnerships for Development. Australia has established Pacific Partnerships for Development with PNG, Samoa, Solomon Islands, Kiribati, Vanuatu, Tonga, Nauru and Tuvalu. Partnerships with the Federated States of Micronesia, Marshall Islands and Palau will be finalised during 2010.

PNG

The budget allocation to PNG is \$457.2 million. The 2009/10 budget figure was \$414.3 million. This represents an increase of 5.8% after inflation.

Support is provided in line with the priorities identified in the ***PNG-Australia Partnership for Development*** as: provision of better access to markets and services through improving transport infrastructure; promoting faster progress towards universal basic education; improving health outcomes (including through immunisation and increasing the percentage of supervised births by skilled staff); strengthening the PNG public service; and improving statistical data. Support under the partnership also goes to HIV response, law and justice, higher education, governance/ community development, broad based economic growth, improved service delivery, improved security and stability (through an AFP-managed policing partnership) and border management support.

In calling for a review of the technical assistance system in countries like PNG, the Australian Government would appear to be taking seriously a concern expressed by PNG Prime Minister, Sir Michael Somare, that development assistance to PNG should focus less on 'highly paid Australian consultants' and more on delivery of basic services at community level.

Solomon Islands

The budget allocation to Solomon Islands is \$225.7 million. The 2009/10 budget figure was \$246.2 million. This represents a decrease of 12.1% after inflation. In accordance with the Solomon Islands-Australia Partnership for Development, assistance is targeted at improved service delivery, improved economic livelihoods and infrastructure and support to address economic and fiscal challenges. Support continues through RAMSI to contribute to a safer and more secure Solomon Islands, a better functioning government and improved standards of living.

Vanuatu

The budget allocation to Vanuatu is \$66.4 million. The 2009/10 budget figure was \$56.3 million. This represents an increase of 13.1% after inflation. In accordance with the Vanuatu-Australia Partnership for Development, assistance is targeted at access to quality education, enhanced health care, infrastructure to improve transport links and create job opportunities and assistance with economic governance reforms.

Fiji

The budget allocation to Fiji is \$37.2 million. The 2009/10 budget figure was \$35.4 million. This represents an increase of 0.8% after inflation. Ahead of progress towards a return to democratic governance, assistance to Fiji focuses on improving essential health and education services, support to human rights and rural enterprise development.

Kiribati, Tonga, Samoa, Tuvalu and Nauru each received increases of 29.5%, 25.1%, 17.8%, 13.8% and 9% respectively after inflation. Priorities are in accordance with their respective Partnerships for Development. Samoa received additional support in the short to medium term to assist with tsunami recovery and reconstruction activities.

Pacific Regional

Support to Pacific Regional activities saw a decrease after inflation of 34.5%. The budget allocation is \$152 million. The 2009/10 budget figure was \$222.5 million. This is an unusual occurrence, given the long-established pattern of support to the Pacific through a range of Pacific Regional Organisations. Support to the Pacific Islands Forum Secretariat of \$1.4 million over two years is provided to assist it in leading implementation of the Cairns Compact on Strengthening Development Coordination. An announcement was made in March of core support to the Pacific Islands Forum Secretariat of \$10 million over two years, 2010 and 2011, and it is assumed that the \$1.4 million Cairns Compact funding is part of this core support.

Violence against women is recognised as an issue in the Pacific Islands region and Australia continues to support the United Nations Development Fund for Women (UNIFEM) through its 'Pacific Fund to End Violence Against Women', to which Australia has provided \$1.1 million since it was established in 2009.

4.2 Investment in Asia

As with last year's Aid Budget, Indonesia is the largest recipient of country-specific aid in 2010/11, with \$458.7 million of funding. In real terms, however, this represents a decline of 2.8% given inflation. The Australian Government recently announced the establishment of an Australian Indonesia Leadership Dialogue, a further \$215 million over four years to support Indonesia's National Community Empowerment Program and the establishment of Indonesia Disaster Management Rapid Response Force.¹⁰

Other key initiatives in Asia include a significant expansion to South Asia, with \$171.3 million allocated in 2010/11, a 9.6% increase after inflation. The focus of the Australian program is

¹⁰ Media Release, Hon. Kevin Rudd, 10 March 2010.

health, education and livelihoods through assistance for food security and rural development, especially in Bangladesh. The Bangladesh country program represents \$57.0 million, while the total ODA is valued at \$70.0 million in 2010/11, a real change of 9.7%. The largest real change in funding in South Asia was a 55.4% increase of funding to India, to \$22.2 million in 2010/11. This will address energy security and climate change impacts on water resources and agriculture, support water and sanitation and water resource management and improve health measures. Funding to Sri Lanka will increase 23.9% to \$46.0 million in 2010/11.

In Central Asia, Australia's commitment is focused on reducing conflict and improving humanitarian conditions. A new initiative of the Aid Budget 2010/11 is the increased support provided by the Australian Government for development in Afghanistan, an additional \$141.0 million over two years, of which \$123.1 million will be invested in 2010/11 - a 33.1 % real increase. Australian ODA will support the Afghanistan Development Assistance Program and joint stabilisation efforts with the Australian Defence Force (ADF), the Australian Federal Police (AFP) and the Afghan Government. AusAID and the AFP will also increase the Australian civilian effort, working alongside ADF and other civilian agencies in Kabul, Kandahar and Tarin Kowt. This increased civilian support will focus on health, education, agriculture, rural economic development and humanitarian assistance. Australia will work to improve the capacity of the Oruzgan provincial government to ensure basic services are delivered.

4.3 Geographical expansion (Africa, Latin America and the Caribbean)

ACFID pre-budgetary recommendations:

1. 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**.
2. focusing on those areas and countries in **Latin America** in which Australia has a comparative advantage already and actively ensuring **donor coordination**.

The 2010/11 Aid Budget demonstrates further geographical expansion of Australian development assistance. Last year's Aid Budget saw a 42.5% increase in real funding to Africa. This year, commitment to Africa is budgeted at \$200.9 million – another 17% increase from last year – bringing up to 7% the share of aid to the continent in 2010/11. Another major expansion is demonstrated by the \$39.8 million allocated to Latin America and the Caribbean under the Aid Budget 2010/11. This is the first time that Latin American and the Caribbean have received aid dollars under AusAID's Country and Regional Programs.

ACFID supports the geographical expansion of the aid program in response to need, particularly in Africa. However, any expansion should be for the long-term, predictable and planned, as well as coordinated with other donors. It should align with the national development priorities of developing countries. In addition, global expansion should strengthen civil society and reach the people on the ground in developing countries.

ACFID notes that a large part of funding to Africa is intended to continue to address food security, water and sanitation and child and maternal health.¹¹ In addition to food security, HIV/AIDS has been specifically noted by the Minister for Foreign Affairs as key developmental challenges for Africa.¹² ACFID wrote to Bob McMullan and Peter Baxter on 29 April 2010 to welcome renewed NGO funding, but expressed concerns that the new Australian partnerships program may be limited to five or six NGOs.

¹¹ Media Release, Hon Stephen Smith 14 April 2010. Speech, Hon. Stephen Smith, 198 March 2010.

¹² Speech, Hon. Stephen Smith, 198 March 2010.

A significant amount of new funding for Africa is allocated to scholarships. 250 scholarships were offered to Africa in 2010 and the Australian Government plans to offer 400 in 2011 and 1000 by 2012/13.¹³ These long and short-term awards cover areas such as health, agriculture, engineering, infrastructure and the public sector, and are part of a broader initiative to support capacity building and address key development challenges. This initiative represents a \$346.9 million investment over four years.

In response to the recent Parliamentary Inquiry into Australia's relationship with the countries of Africa, ACFID recommended the Australian Government focus scholarships on inter-Africa exchanges and African-based educational opportunities, with a greater emphasis on retaining local and nationally educated citizens.¹⁴

Despite the new funding to Latin America and the Caribbean, Australia's aid program to the region remains comparatively modest, both as a proportion of Australia's overall aid program - 1.4% share of aid in 2010/11 - and in comparison to major long-standing programs of other Western donors. ACFID notes the current absence of an overarching strategy for Latin America and the Caribbean for the delivery of aid.

The 2010/11 Aid Budget details the establishment of a new relationship between Australia and the 15 members of the Caribbean Community (CARICOM) which aims to build regional resilience and support small island states to address the threats of natural disasters and climate change.¹⁵ The Memorandum of Understanding signed with CARICOM includes a development assistance partnership providing \$60 million over four years. The focus will be three fold - to enhance cooperation on climate change adaptation and disaster management, support regional economic development and strengthen people-to-people and institutional linkages.

In addition, Africa, Latin America and the Caribbean are receiving new funding for microfinance.

ACFID supports the expansion of AusAID staffing, especially in a period of geographical expansion, commensurate with need to ensure a quality and growing ODA program that has impact. The Aid Budget 2010/11 estimates \$211.8 million to AusAID departmental costs, a 52.1% real increase.

5. Themes and sectors

5.1 AID DELIVERY AND QUALITY

AID DELIVERY THROUGH PARTNERSHIP AND NGOS

ACFID pre-budgetary recommendations:

1. introducing the **partnership approach** used for Pacific Island countries for other bilateral relationships.
2. expanding **the time frame and predictability** of **bilateral aid** so that partner countries are able to effectively expand services
3. increasing the portion of official development assistance (ODA) **delivered through NGOs**, to at least 10% of total ODA
4. Extending and expanding the **Community Call to Action** program beyond its pilot phase with increased funding.

¹³ Speech, Hon. Stephen Smith, 198 March 2010.

¹⁴ The full ACFID submission to the Inquiry is available here <http://www.acfid.asn.au/resources/submissions>

¹⁵ Speech, Hon. Prime Minister Kevin Rudd, November 2009.

The 2010/11 Aid Budget does not provide a figure for total ODA delivered through NGOs. Funding to Australian NGOs under ANCP has increased under the 2010/11 Aid Budget from \$56.1 million to \$69.0 million, which amounts to a real increase of 17.9%.

The 2010/11 Aid Budget also expands community engagement and education development, including the Community Call to Action program, from \$8.8 million to \$12.1 million, which is a real increase of 31.8%.

GENDER AND DEVELOPMENT

ACFID pre-budgetary recommendations:

1. expanding its women's rights programs in recognition that poverty reduction is intimately linked to the **rights of women**.

There is no consolidated figure for ODA expenditure on gender in the 2010/11 Aid Budget because of the variety of ways gender is incorporated in the Australian Government's program. The 2010/11 Aid Budget notes that addressing gender equality and supporting women's full participation in economic, social and political life are priorities for the aid program. Priorities for the Australian Government are to reduce violence against women, improve economic opportunities for women, enhance women's participation in decision-making and support equal access to health and education.

Whilst the Australian Government undertakes a number of worthwhile activities in relation to gender and development, more specific attention is needed to demonstrate and communicate the strategies that enable the realisation of the full range of human rights for women. Indicators that can measure performance over time are needed.

QUALITY OF AID

ACFID pre-budgetary recommendations:

1. **local communities should be more involved** in the monitoring and evaluation of programs that affect them
2. AusAID should ensure that local people from poor communities **are involved** much more in the **planning and implementation** of programs that affect them
3. recognising the value of **investing in developing local capacity** in all cases where Australian **technical assistance** is involved
4. increasing active Government 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.

There is some indication from the 2010/11 Aid Budget that the Government is improving the long-term nature of its commitments. The Ministerial Statement accompanying the Aid Budget notes that AusAID will continue to develop its planning systems, operational approach and reporting systems. The Ministerial Statement also announced that AusAID would undertake a review with partner governments on the use of technical advisers in the aid program to ensure that technical assistance is effective and good value for money.

The Aid Budget 2010/11 does not specifically address the amount of ODA that will be channelled through Australian managing contractors or how much is allocated for technical assistance. A November 2009 report by the Australian National Audit Office found that about 46% of AusAID's budget goes to 'technical assistance', which is twice the average of other OECD countries.¹⁶ The

¹⁶ Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program* (2009), p 85-86. The report defines technical assistance is the provision of experts and training to build the local capacity of partner government staff and institutions and to deliver technical services in areas such as engineering, health or financial

same report found that 70% of Australia's bilateral program expenditure was delivered by Australia's largest managing contractors.¹⁷ ACFID remains concerned about the amount of aid dollars being spent on consultants and welcomes the Australian Government review of technical advisers.

Table 8: Estimates of multilateral funding for specific development activities 2009/10 and 2010/11

Specific Multilaterals	Budget 2009/10	Budget 2010/11	% change after inflation
World Bank - IDA	\$17.5 m	\$157.4 m	9.7%
Asian Development Bank	\$54.1 m	\$70.3 m	24.6%
UN Development Agencies (excluding UNICEF and WHO)	\$52.7 m	\$50.3 m	-8.5%
UNICEF alone	\$19.6 m	\$25.4 m	24.2%
WHO alone	\$13.0 m	\$18.0 m	32.8%
Global Environment Facility	\$17.4 m	\$20.1 m	10.8%
UN, commonwealth and other international organisations	\$205.9 m	\$112.4 m	-47.7%
Total multilateral engagement	\$465.7 m	\$453.9 m	-6.6%
Total ODA	\$3,818.8 m	\$4,349.0 m	
% of ODA for multilateral engagement	12.2%	10.4%	

The amount of ODA delivered through multilateral organisations decreased by 6.6% from \$465.7 million in 2009/10 to \$453.9 million under the 2010/11 Aid Budget. However, funding for specific multilateral organisation did notably increase for the Asian Development Bank (real increase of 26.4%), UNICEF (real increase of 24.2%) and the WHO (real increase of 32.8%).

ACFID remains engaged in discussions with the Australian Government about how to ensure multilateral agencies deliver greater impact in the alleviation of poverty. AusAID's multilateral engagement strategy and performance framework, which includes a section on monitoring of multilateral agencies, is yet to be released. ACFID members provided input on the draft strategy and framework in late 2009.

5.2 COMMITMENTS TO HUMANITARIAN ASSISTANCE

ACFID pre-budgetary recommendations:

1. AusAID should work more closely with humanitarian NGO partners as they are linked to Australian public support for humanitarian responses and increase funding levels to Australian NGO emergency responses to meet DAC averages
2. increasing **humanitarian funding** as a proportion of ODA to **10%**
3. AusAID to adopt a shared responsibility approach with humanitarian agencies and a **multi-year funding mechanism**
4. committing to **protection** as a core component of humanitarian action.

management etc.

¹⁷ Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program* (2009), p 87

Table 9: Estimated funding for humanitarian, emergency and refugee programs 2008/09 and 2010/11

Program and focus	Budget 2009/09	Budget 2010/11	% change after inflation
Humanitarian and Emergency Response	\$211.3 m	\$194.0 m	-12.0%
International Committee of the Red Cross	\$16.0 m	\$18.0 m	7.9%
UN Humanitarian Agencies (UNOCHA, WFP, UNCERF, UNHCR, UNWRA)	\$72.5 m	\$89.5 m	18.4%
Total	\$299.8 m	\$301.5 m	-3.6%

The 2010/11 budget represented a 3.6% real decrease from 2009/10 in humanitarian emergency response funding, equalling allocated funds of \$301.5 million to support global, regional and country level humanitarian activities, after inflation.

In addition to this funding, the Aid Budget 2010/11 includes \$141.0 million over two years to support development in Afghanistan focused at supporting international efforts to build the capacity of the Afghan Government and link Kabul with provincial governments to ensure basic services are delivered. The increased support will focus on health, education, agriculture, rural development and humanitarian assistance.

The Aid Budget estimates that a total of \$400.0 million or approximately 10% of ODA will actually be spent on humanitarian assistance during the 2010/11 year, which meets ACFID's pre-budgetary recommendations.

Other specific highlights include:

- **UN agency funding:** An 18.4% real increase from 2009/10 funding for UN humanitarian agencies, equalling \$89.5 million in 2010/11. This includes an increase for UN Office for Coordination of Humanitarian Affairs (OCHA) funding, increasing from \$6 million in 2009/10 to \$7 million in 2010/11 and UN Central Emergency Response Fund (CERF), increasing from \$12 million in 2009/10 to \$14 million in 2010/11. There is a 7.3% increase for the UN High Commission for Refugees (UNHCR) from \$14.3 million in 2009/10 to \$16 million in 2010/11. Support for the World Food Programme (WFP) increased from \$35 million in 2009/10 to \$45 million in 2010/11.
- **Disaster Risk Reduction (DRR):** In the 2010/11 Aid Budget, no additional funding has been announced for DRR. In 2009, AusAID launched a policy on Disaster Risk Reduction (DRR). Although the policy states that collectively AusAID programming dedicated over \$40 million to DRR, the 2009/10 Aid Budget did not include dedicated funding to support the Policy and address disaster preparedness across the aid program.
- **Responsibility to Protect (R2P):** There is no specific funding to address protection under the 2010/11 Aid Budget. In the 2009/10 Aid Budget, \$2 million for assistance to develop research capacity in R2P was provided.

5.3 CLIMATE CHANGE AND FOOD SECURITY¹⁸

ACFID pre-budgetary recommendations:

1. **integrating** sustainable food production and climate change adaptation policies
2. increasing funding for **food security** and **rural development** initiatives to reach **\$480 million** by 2010/11

¹⁸ Please note: ACFID has not taken the Department of Climate Change's Budget Papers into account.

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
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.

The 2010/11 Aid Budget indicates an additional \$245 million for existing multi-year climate change adaptation and mitigation initiatives, with no new programs in 2010/11. A total of \$292 million funding will be allocated to address food security through rural development initiatives.

The 2010/11 Aid Budget indicates increased funding allocations are solely due to previously announced multi-year funding commitments, including climate change adaptation in the Pacific and East Timor (through the International Climate Change Adaptation Initiative), reduced greenhouse gas emissions from improved forest management in Indonesia and PNG (through the International Forest Carbon Initiative), and multilateral environment funds.

Bilateral assistance for climate change resilience will also go to South Asia, including Bangladesh and India; and for climate change adaptation cooperation in the Caribbean.

Climate change funding will continue through multilateral organisations in 2010/11 including the World Bank's clean technology fund; global environment programs (including international climate change adaptation funds programs and international forest carbon programs), and the Global Environment Facility.

It is disappointing that this funding has continued to be included in ODA spending. This indicates that Australia's longer-term contribution to its fair share of global climate change financing will be included within current ODA projections. This contradicts international agreements on the 'additionality' of climate change financing.¹⁹ Climate change financing must not be diverted from existing aid projects, which will directly endanger progress made in reaching the MDGs.²⁰

The Australian Government's 2009 Pacific climate change strategy²¹ included a welcome commitment to increased resilience and reduced vulnerability to mitigate and adapt to the effects of climate change. The strategy also acknowledged the impact of climate change on access to food in the Pacific and the need for an integrated approach to address food insecurity.

The \$292 million funding for food security through rural development will support Australia's global food security initiative, *Food Security Through Rural Development*²² program (\$464.3 from 2009/10 to 2012/13) that initially responded to regions affected by the global recession. There remains a lack of clear integration of climate change resilience and adaptation measures into efforts to increase food production under this strategy.

Bilateral support for food security through rural development will occur in Africa, East Asia, South Asia and the Pacific. Support will continue for the Australian Centre for International Agricultural Research (ACIAR).

¹⁹ The Copenhagen Accord (a non-legally binding political agreement setting out a broad framework on global mitigation including schedules of individual country commitments to reduce carbon emissions) includes a commitment to 'new and additional resources... to enable and support enhanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation (REDD-plus), adaptation, technology development and transfer and capacity-building', paragraph 8, <http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf>

²⁰ Innovative sources of funding to address the impact of climate change will be needed to ensure ODA budgets are not consumed by climate change financing; one example is the proposed Robin Hood Tax to raise capital from a tax on international currency transactions (<http://robinhoodtax.org.uk/>).

²¹ *Engaging our Pacific Neighbours on Climate Change: Australia's Approach*, Department of Climate Change, 2009

²² Available at <http://www.usaid.gov.au/publications/pdf/foodsecurity0809.pdf>

5.4 HUMAN RIGHTS-BASED DEVELOPMENT

ACFID pre-budgetary recommendations:

1. \$2 million from the 2010/11 budget be specifically allocated to conducting further **research and learning** about how AusAID can meaningfully implement and assess the **effectiveness of a human rights-based approach to program delivery**
2. development of a **human rights-based approach** to delivering the aid program by developing a comprehensive **human rights policy**, which explains how human rights will be used to design, deliver, monitor and evaluate programs, establishing **human rights education** as a cross-cutting theme and developing a **child and youth focused policy**.²³

The 2010/11 Aid Budget has allocated \$6.5 million to the Human Rights Fund which is one of AusAID 'cross-regional program' and funds the Human Rights Small Grants Scheme, the United Nations Office of the High Commissioner for Human Rights, the Asia Pacific Forum of National Human Rights Institutions and other unspecified human rights initiatives.

Table 10: Estimates of funding for the Human Rights Fund 2009/10 and 2010/11

Human Rights Fund	Budget 2009/10	Budget 2010/11	% change after inflation
Human Rights Small Grants Scheme	Not published	Not published	
UN Office of the High Commissioner for Human Rights	\$1.9 m	Not published	
Asia Pacific Forum of Human Rights Institutions	Not published	Not published	
Other	Not published	Not published	
Total	\$5.8 m	\$6.5 m	7.4%
Total ODA	\$3,818.8 m	\$4,349.0 m	
% of ODA for Human Rights Fund	0.15%	0.15%	

The 7.4% real increase from \$5.8 in 2009/10 to \$6.5 million in 2010/11 is largely due to increases in the Human Rights Small Grants Scheme.

In addition to the modest funding allocated to human rights under the cross-regional program, human rights are also a component of AusAID's governance activities. In the 2009/10 Aid Budget, 21% of governance activities, which equates to approximately \$172.2 million, were estimated for 'civil society and human rights' activities. In the Aid Budget 2010/11, 22% of governance activities, which equates to approximately \$185.9 million, is allocated for 'civil society and human rights' activities. This area of spending is particularly opaque.

Despite the significant investment to human rights under governance programs, the current governance policy framework does not specifically address or mention human rights as one of its five priority areas.²⁴ In addition, there is a need to view human rights more broadly than governance initiatives.

In the Aid Budget 2010/11, there is no specific allocation for funding research on human rights-based approaches and no announcements to develop a human rights policy, establish human rights as a cross-cutting theme or development of a child and youth policy. This is particularly disappointing given a recent Parliamentary Inquiry, which recommended that AusAID adopt a human rights-based approach to development assistance.²⁵

²³ This recommendation aims to encapsulate a broader range of the rights of children and young people than those that are currently reflected in the 2008 AusAID Child Protection Policy, available at http://www.ausaid.gov.au/publications/pubout.cfm?ID=7954_7703_6074_4255_4227.

²⁴ AusAID, *Governance Policy Framework*, available at <http://www.ausaid.gov.au/keyaid/gover.cfm>

²⁵ Media Release, Joint Standing Committee on Foreign Affairs, Defence and Trade, Human Rights Sub-Committee, 3 May 2010.

5.5 INVESTMENTS IN EDUCATION²⁶

ACFID pre-budgetary recommendations:

1. increasing funding for primary and secondary **education to \$470 million** per annum, Australia's minimum fair share
2. recognising the need for a better **balance** between investment in **primary, secondary and adult education**, with strong support for adult literacy
3. focusing on Asia and the Pacific, support 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.

The Australian Government refers to Education as the 'flagship of Australia's aid program'.²⁷ The 2010/11 Aid Budget increases investment in education from \$690 million in 2009/10 to over \$744 million. This is an increase after inflation of 3.4%. Education is approximately 19% of total ODA. The breakdown by Education sub-sectors is Basic and secondary education (38%), Higher education (35%), Education governance and sector-wide activities (19%), and Technical/vocational education (8%).

Basic education

This funding is regarded as central to progressing the MDGs and *Education for All* goals. The *Education for All* initiative is a global commitment to provide quality basic education for all children, youth and adults by 2015. Basic and secondary education makes up 38% of this funding.

Major support will go to Indonesia, the Philippines, PNG, Pacific Island Countries and Bangladesh and will be tailored to specific country priorities and circumstances. For example, in the Pacific it will align with commitments under the Cairns Compact and with individual country *Partnerships for Development*. It will focus on ensuring that the most disadvantaged groups, such as those with a disability, girls, the very poor and those in rural and remote areas have access to quality basic education. In the Pacific, for example, only 10% of people with a disability have access to primary education.

Australia currently has a two-year position on the *Education for All* Fast Track Initiative (FTI) Board of Directors and will use this position to reshape and revitalise the FTI to more effectively support developing countries and to provide greater flexibility in how funding is delivered. Support for basic education will be given to Africa and the Caribbean through the FTI.

Development Awards/Scholarships

A significant focus within the education budget allocation goes towards development awards. \$303.7 million over four years is allocated to these scholarships to study at Australian universities or undertake short work placements within Australian industry and organisations. This latter point is in line with one of ACFID's pre-budget recommendations. An additional 2,400 development and short course awards under the new Australia Awards initiative, are targeted at the brightest individuals within developing countries, recognising that good leaders and strong human resources are crucial to development.

²⁶ Please note: ACFID has prepared this section based on the Federal Government's documents on the Aid Budget.

²⁷ Media Release, Hon. Bob McMullan, 20 April 2010.

These awards will be offered to a range of countries across Asia such as Indonesia and Bangladesh, to Pacific Island Countries and also the Caribbean and Latin America. A pre-budget announcement (6 May 2010) doubled the number of scholarships to Cambodia over the next four years to help Cambodia address its critical human resource needs. By 2012/13 Australia will expand this support to Africa through provision of up to 1,000 new development awards. AusAID's Director General advised during the briefing that by 2014, there would be 6,000 scholarships for people from developing countries studying in Australia under this initiative.

Table 11: Breakdown of education funding

Education funding	Budget 2009/10	Budget 2010/11	% change after inflation
Total education funding	\$690.0 m	\$744.0 m	3.4%
Education governance and sector-wide activities	\$159.0 m	\$141.0 m	-14.8%
Basic and secondary education	\$269.0 m	\$283.0 m	0.8%
Technical/vocational education	\$62.0 m	\$60.0 m	-8.0%
Higher education	\$200.0 m	\$260.0 m	24.8%

The 2009/10 Aid Budget estimated that scholarships would rise under the Australian Development Scholarships program to 1,500 by 2011 and that approximately 2,500 Australian Leadership Awards would be offered in the period to 2011.

For instance, to help Cambodia address its critical human resource needs, Australia will double the number of scholarships to Cambodia over the next four years (announced 6 May 2010).

5.6 HEALTH PRIORITIES²⁸

ACFID pre-budgetary recommendations:

1. increasing overall aid commitments to **health to \$900 million** per year
2. increasing specific budget allocations for **child and maternal health** for 2010/11 to at least \$520 million
- 3 increasing the budget allocation for **HIV/AIDS** programming to **at least \$260 million** for 2010/11
4. allocating approximately **one third** of funding for AIDS, TB and Malaria to the **Global Fund**
5. investing **\$50 million** in 2010/11 to determining solutions for the **prevention of diseases**, including HIV/AIDS and maternal deaths, through dedicated research into the needs of developing countries.

The 2010/11 Aid Budget has decreased support for health and HIV from \$595 million in 2009/10 to \$555 million. This is a 10.6% decrease after inflation. Health and HIV make up 14% of total ODA. The breakdown by sub-sectors in health are: STD control and HIV/AIDS (31%), Health governance and sector-wide activities (22%), Basic health care and infrastructure (21%), Infectious disease control (15%), Medical services, research, education and training (6%) and Reproductive health (5%).

Areas of focus are reducing child mortality, improving maternal health and combating HIV, malaria and other major diseases. Australia's support will address country specific and regional health issues, such as malaria and non-communicable diseases, for example, diabetes in the Pacific. Support will be provided for health programs with a focus on maternal, neonatal and child health in PNG, Timor Leste, Cambodia, Nepal, the Pacific, Indonesia, the Philippines, Bangladesh and Pakistan.

²⁸ Please note: ACFID has prepared this section based on the Federal Government's documents on the Aid Budget.

Health service support

Under a new initiative, \$173.4 million over four years will be provided to improve health services in the Asia and Pacific Regions. Increased support will be given to regional programs and developing country partners. As well, \$250 million over 20 years has been committed to the International Financing Facility for Immunisation to support health systems in developing countries.

HIV/AIDS and STD

Australia recognises that the different nature of the HIV epidemics in the Asia and Pacific regions require different responses. As previously announced (on World AIDS Day December 2009), Australia will provide \$3 million new funding over three years to HIV prevention programs in Burma, Indonesia and Papua New Guinea to strengthen and underpin national strategies and other sexually transmitted diseases. In PNG Australia will continue to support the national HIV response. Support will also continue to the Pacific regional HIV/STI Program. In Asia, support will focus on the most at risk groups including men who have sex with men and injecting drug users through the HIV/AIDS Partnership in Indonesia and the HIV/AIDS Asia Regional Program in Burma, Cambodia, China, Laos, Philippines and Vietnam.

Table 12: Breakdown of health funding

Health funding	Budget 2009/10	Budget 2010/11	% change after inflation
Total health funding	\$595.0 m	\$555.0 m	-10.6%
HIV/AIDS	\$160.0 m	\$172.0 m	3.1%
Estimate of community and district services that support Maternal and Child Health ²⁹	\$370.0 m	\$326.0 m	24.8%

5.7 COMMITMENTS TO DISABILITY

ACFID pre-budgetary recommendations:

1. funding **research activities** to build a clearer picture of the 'specifics' of **working collaboratively** on disability issues in countries where Australia has aid programs
2. funding **inclusive education** initiatives to suit a variety of country contexts, prioritising people with disabilities
3. funding **livelihood programs** which are inclusive of people with disabilities
4. funding 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)
5. funding capacity strengthening to promote **disability-inclusiveness** among all aid partners
6. further supporting Avoidable Blindness programs, including through a scoping mission for the development of an Avoidable Blindness Initiative for Africa.

The 2010/11 Aid Budget estimates \$30.2 million over four years to address disability-inclusive development. Whilst welcoming this new funding to disability and especially welcoming its focus on addressing core elements of the Government's disability strategy³⁰ through support to developing country partners with national strategies and leadership programs for Disabled People's Organisations (DPOs), we see this as a 'first down-payment'³¹ on a much larger commitment in future budget periods.

²⁹ Maternal and child health (MCH) funding can be allocated under a number of health subsectors and MCH services are intimately linked with community and district health services. Given the basic health care focus of the AusAID health program, ACFID calculates 'MCH funding' as 85% of the non-HIV health funding.

³⁰ 'Development for All: Towards a disability-inclusive Australian aid program 2009-2014'

³¹ Quote from Hon. Bob McMullan's speech during the AusAID Budget briefing, 11 May 2010.

Australia is rightly acknowledged internationally as a leader in disability-inclusive development through its progressive aid program initiatives in recent years, as outlined in its strategy. Examples such as capacity building support to DPOs in the Pacific, support for a Pacific Disability Strategy and the Avoidable Blindness Initiative have shown that given sufficient funding and assistance, significant strides can be made towards poverty alleviation for persons with a disability. Australia has recognised that progress towards achievement of the MDGs will fall short unless the needs of persons with a disability, recognised as the poorest of the poor in developing countries, are addressed.

We welcome the \$30.2 million as a first step towards ongoing and escalated funding to fully implement *Development for All*. Australia is regarded by its near neighbours as a leader through its disability strategy and also through its commitment to international conventions. Australia is committed to the Convention on the Rights of Persons with Disabilities (CRPD) and its optional protocol, and committed to landmine action through ratification of the Cartagena Declaration. Very recently we reaffirmed our commitment to international human rights obligations within the recently launched *Australian Human Rights Framework*. In launching this Framework, the Attorney-General and Minister for Foreign Affairs referred to a 'practical demonstration of our commitment to engage with the international community and lead by example'³² to encourage other nations to protect their human rights. These rights include those of persons with a disability. This Aid Budget allocation is an important first down-payment towards what we envisage will be escalated future support to ensure that Australia maintains its leadership role in disability-inclusive development with the groundbreaking strategy, *Development for All* as the guide.

5.8 WATER AND SANITATION

ACFID pre-budgetary recommendations:

1. committing to longer-term increases to meet Australia's fair share of financing for the **water and sanitation** MDG, starting in 2010/11.
2. disaggregating its expenditure on water, sanitation and hygiene and publish an **annual performance report**
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
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.

The 2010/11 Aid Budget estimates \$180 million for expenditure on water and sanitation in 2010/11 (including the \$300 million Water and Sanitation Initiative between 2008/09 to 2010/11) and includes new initiatives in Indonesia and Africa. The minor increase of approximately \$15 million from 2009/10 is disappointing. Much greater acceleration of water and sanitation funding is needed to reach Australia's fair share of the MDG requirement of \$350 million³³ per year and approach OECD average allocations to the sector (reaching around 7% of aid programs compared to Australia's estimated 4%).

Concerns remain about the under investment in sanitation. The continued aggregation of financial reporting for both water and sanitation makes it difficult to assess Australia's real commitment to sanitation.

³² Media Release, Hon. Robert McClelland, 'Reaffirming our commitment to international Human Rights obligations', 21 April 2010.

³³ Australia's fair share of the cost of meeting the MDG on water and sanitation has recently been revised up to \$500 million per year: WaterAid, *Water, Sanitation and Hygiene – A Call to Action* (2010).

The 2009 *Australian Aid to Water Supply and Sanitation Services in East Timor and Indonesia* evaluation report³⁴ is a welcome assessment of the effectiveness of Australia's program to improve access to water and sanitation for the poor. Although it provides valuable lessons learned from a country specific perspective, an annual AusAID performance report on Water, Sanitation and Hygiene (WASH) remains essential to assess outcomes, performance and impact. This report should include information on levels of spending, amounts of aid allocated to providing basic services, and targeting of resources to the countries least likely to meet the MDGs for water and sanitation.

Although the Australian Government participated as an observer in the Global Framework for Action High Level Meeting on Water and Sanitation, it should take a more active leadership role in such global fora to champion sanitation, hygiene and water issues, particularly from a regional perspective.

The Government's WASH strategy, released in draft in January 2009, has not yet been released and it remains unclear how it will respond to a number of key issues. These include the need to recognise the human right to water and sanitation; focus on those countries off-track in meeting their MDG targets; integrating pro-poor approaches; adopting new approaches to address the sanitation challenge; addressing gender issues; and focusing on the capacity building challenges in the sector.

5.9 MICROFINANCE

ACFID pre-budgetary recommendations:

1. providing 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**
2. increasing the aid allocation for microfinance to **\$40 million** over the next two years.

The 2010/11 Aid Budget announces a welcome doubling of expenditure on microfinance to \$18-20 million per annum in line with the Government's previously announced commitment.³⁵

The funding will support the recently released financial inclusion strategy, *Financial services for the Poor: a strategy for the Australian aid program 2010-15*.³⁶ The strategy sets out ambitious objectives to achieve increased access to financial services by the poor, including supporting enabling regulatory environments for growth in financial services for the poor; capacity building; new technologies; and client education. The strategy also aims to expand financial services into new operational areas of the aid program including the Caribbean, Latin America and Africa. The scope of the strategy indicates that it will require additional funding commitments over its 5-year period to achieve these objectives.

³⁴ Available at: <http://www.ode.usaid.gov.au/publications/pdf/ODEWatsanmainreport.pdf>.

³⁵ A commitment to double the allocation to financial services from \$10m per year to \$20m per year by 2012-13, media release, Hon. Bob McMullan, 10 March 2010.

³⁶ Available at: <http://www.usaid.gov.au/publications/pdf/financialservices-fullstrategy.pdf>.