



**Australian Council For
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**Pre-budget Submission to the
Australian Government
for the
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The ACFID Code of Conduct represents the active commitment of Australia's non-profit, overseas aid agencies to integrity and accountability in all their actions. It enhances the professional standards among agencies and thereby maintains public confidence in the way that community contributions to overseas aid are raised and used.

Australian Council for International Development
14 Napier Close, Deakin ACT 2600
Private Bag 3, Deakin ACT 2600
ARBN: 091 918 704

Telephone: 02 6285 1816
Facsimile: 02 6285 1720
Email: main@acfid.asn.au
Website: www.acfid.asn.au

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SUMMARY

Australia's current overseas aid program has many positive features and also considerable potential to be improved. In a period of scaling-up of the program, a stronger focus is needed on long-term planning, with a greater commitment to accountability and building understanding about development issues in the community. The Government should also plan for Australia to join with most OECD countries by committing to an aid budget of 0.7% of Gross National Income by 2015.

The shared challenge for Government and the non-profit sector is to build greater public understanding of why aid expenditure is not a discretionary activity. This will be especially important in more challenging economic times. Public trust is inevitably fragile in this policy area. The ALP government could take steps to build improved public trust in 2008-09. One useful step would be to make AusAID's in-house Office of Development Effectiveness an independent entity, with all its evaluations made publicly available.

A second step would be to create a positive framework for partnership with the non-profit overseas aid sector and other groups in the Australian community with relevant expertise. Given that Australians are the second most generous OECD citizens in private giving, it is unfortunate that the Coalition reduced the proportion of official aid funding linked to professional Australian NGOs to virtually the lowest level in the OECD. It under-utilised NGO expertise and, unlike most OECD governments, excluded NGO expert representation from Australian delegations to relevant international development meetings.

After 11 years of a generally negative Coalition approach to policy dialogue with NGOs and other civil society groups, ACFID urges the government to lead by example in order to promote a more constructive pattern of policy dialogue and engagement with civil society across government agencies. In the overseas aid area, this would help to improve the quality of aid program design and evaluation. It would also directly enhance community confidence in the official aid program.

As part of an improved cooperation framework, the flagship AusAID-NGO Cooperation Program should continue to be scaled up in line with the overall aid program, which would equate to a \$5 million increase in 2008-09. ACFID also urges the Government to provide enhanced funding for volunteer-sending programs run by Australian non-profit aid agencies. In the current volunteer program, a private contractor is the main beneficiary. It is recommended that an additional \$5 million be allocated for this area of activity in 2008-09.

The government has the opportunity in the 2008-09 aid budget to redress a glaring gap in climate change adaptation and mitigation measures. Climate change represents arguably our greatest development challenge, including the prospect of major movements of people across borders. Given the pressing need for decisive action in this area, ACFID recommends a rapid scaling up of measures to assist our most vulnerable regional neighbours, at an additional cost of \$150 million in 2008-09.

Australia is currently regarded internationally as a laggard on disability work in the aid sector. Therefore, ACFID welcomed the ALP's pre-election commitment of \$45 million over two years to fight avoidable blindness in our region. The Government now has the opportunity to learn from the leading 7-8 OECD donors and the World Bank about designing a long-term disability strategy for the aid program. Given the acute needs of our Pacific Island and South East Asian partner countries in this field, ACFID recommends that this strategy be developed as a matter of priority, with an additional \$10 million allocated in each of 2008-09 and 2009-10 for targeted programs.

Australia has significant capacity in development research, which is currently greatly under-utilised in advancing the effectiveness of aid activities. ACFID recommends a 50% scaling up of Australian Development Research Awards as an initial step in addressing this problem. We also recommend piloting the introduction of material on global poverty as part of Australian secondary schools curricula. The budgetary implications of these two initiatives would be very modest.

While Australia's aid program will continue to be focused on Asia and the Pacific, there are targeted ways in which Australia could be more active in promoting development in Africa and the Middle East. Around 40% of private Australian donations to aid NGOs go to Africa, reflecting an often ignored reality that many Australians believe in our role as a good international citizen. Using multilateral mechanisms, NGO partnerships and alliances with other leading donors (such as the UK Department for International Development), it is recommended that the proportion of official Australian aid going to Africa should increase from the current 4% to 6% by 2010-11.

ACFID's role

ACFID represents 70 Australian non-profit overseas aid and development agencies. It administers an industry Code of Conduct which is recognised as the leading Code of its kind internationally. Private donations to ACFID member agencies in 2006 were \$725 million, with an average annual growth in donations over the period 2002-2006 of 16%. Government funding represented 11% of non-profit aid sector revenue in 2006-07.

ACFID members operate in over 100 countries, often working with their counterpart agencies in developing countries over several decades. Over 1.7 million Australians support ACFID member agencies, with over 900,000 families giving on a regular basis. 30,000 people volunteer their time to support one or more of the member agencies and many agencies have ongoing partnerships with private companies.

ACFID maintains close working partnerships with peak civil society organisations in the Pacific Islands, Asia, North America and Europe. It contributes to federal policy dialogue in a range of areas and participates regularly in parliamentary enquiries. It is an active member of the Australian Collaboration, the National Non-profit Roundtable, the Make Poverty History Campaign and the Australian Fair Trade and Investment Network.

RECOMMENDATIONS

(in order of presentation in this submission)

1. Commit to an increased forward program of aid expenditure that will achieve the internationally agreed target of 0.7% of GNI in 2015.
2. Expand funding for climate change mitigation and adaptation programs to \$300 million per annum in 2008-09.
3. Implement a disability and development strategy in the aid program, with an additional \$10 million per annum from 2008-09.
4. Do not proceed with the planned \$16 million procurement of a new category of cluster munition announced by the Coalition just days before the start of the Caretaker period.
5. Expand the scale of the Australian Development Research Awards and actively promote collaborative research projects.
6. Increase public awareness of Australian overseas aid activities, particularly through the inclusion of international development topics in secondary schools curricula.
7. Commit to a genuine framework of partnership with professional Australian aid NGOs and continue to increase the use of these partnerships as part of the overall scaling up of the aid program.
8. Increase the proportion of total program funding to Africa and the Middle East, including a program to address the post-conflict reconstruction needs of Sudan, Iraq and Lebanon.
9. Develop a program of activities designed to improve a wide range of professional and personal links between Australia and Pacific island neighbours.
10. Increase the proportion of health expenditure within the aid program and increase funding in the field of water and sanitation, beginning with an additional \$50 million in 2008-09.
11. Commit to a goal of making primary education available for all children in Melanesia and Polynesia by 2015.
12. Increase funding for nonprofit volunteer programs by \$5 million per annum and introduce arrangements for 'organisational twinning' in addition to current individual volunteer placements.
13. Implement a 'Building Regional Trade' program to help selected countries participate more effectively in global markets, at a cost of \$60 million over three years.
14. Support the extension of multilateral debt relief arrangements to all low-income countries and place debt payments from eligible countries that have not yet met all the requirements for debt relief into a trust fund.

1. Effective Scaling Up of Australia's Aid Program

Recommendation: Commit to an increased forward program of aid expenditure that will achieve the internationally agreed target of 0.7% of GNI in 2015.

The ALP's pre-election commitment to spend 0.5% of Gross National Income (GNI) on overseas aid by 2015 represented a major step forward for Australia as an international good citizen. Yet, even this commitment will leave Australia in the bottom one third of OECD donor governments in 2010 and in 2015. European Union governments committed themselves to a contribution of 0.5% of GNI by 2010 and in 2006 the OECD average country effort was already at 0.46% of GNI. Most OECD countries have committed to reach 0.7% by 2015 and some are already running programs at that level.¹

Given Australia's remarkable and sustained economic performance over the last 12 years and the fact that eight of our close neighbours will fail to achieve most Millennium Development Goals by 2015, the government should lift Australia's forward commitment for 2015 to the internationally agreed aid level of 0.7% of GNI. In a recent survey commissioned by World Vision, 71% believed that Australia should be in the top 10 most generous donor nations (it is currently 15th).² With prudent program design, such scaling-up over 7-8 years could be expected to achieve very significant development impact in targeted countries.

Irrespective of the target for 2015, it would be consistent with the ALP's policy platform regarding Australia's international role to increase the scale of the 2008-09 program beyond the previous government's commitment of \$3.5 billion.

Building public confidence in an expanding aid program is a vital step and will depend on improving the ways in which government can demonstrate the effectiveness of its program. A key element in developing such public confidence would be to make the in-house evaluation unit of AusAID, the Office of Development Effectiveness (ODE), an independent entity.

ACFID also recommends that the government commit itself to longer-term aid program planning than has been the case in recent years; to seeking out useful partnerships with appropriate multilateral agencies and to achieving more meaningful partner relationships with other donor governments in accordance with the principles of the Paris Declaration on Aid Effectiveness.

¹ The OECD Development Assistance Committee Peer Review (December 2004, p. 14) identified Australia as one of the only OECD countries not to make a timing commitment to the international objective of 0.7 per cent of GNI and concluded, "*Australia should revisit the issue of ODA commitments in view of the fact that it has much to contribute as a bilateral donor and in light of the needs of its partners and its ambitious agenda in the region*".

² World Vision Australia, *Island Nation or Global Citizen*, 2002.

2. Climate Change

Recommendation: Expand funding for climate change mitigation and adaptation programs to \$300 million per annum in 2008-09.

Climate change caused by increased greenhouse gas emissions presents a fundamental challenge to eradicating poverty in developing countries over the next thirty years. In 2006, the CSIRO found that even modest increases in sea levels would have disastrous consequences for Pacific Island States and low lying regions of Asia.³ In addition to the impact of rising sea levels, the World Bank estimates that changing rainfall patterns will cause a 20% reduction in crop yields across Asia and Africa by 2030.⁴

States in our region are among the most vulnerable of all countries to the impacts of climate change. As the leading regional aid donor, it is timely for Australia to make a more significant contribution to climate change adaptation and mitigation. While some measures were introduced in the 2007-08 budget, such as the \$200 million Global Forests Partnership, these projects were not designed within a comprehensive climate change policy framework.

Recent reports by the Intergovernmental Panel on Climate Change have made it clear that the next decade is the critical period for introducing measures to combat climate change. The Government should respond to this situation by increasing its support for renewable energy within the aid program and for projects to assist vulnerable communities to adapt, where possible, to the changing environment. It is recommended that the planned 2008-09 funding of around \$150 million be doubled to around \$300 million.

The proposed new expenditure would enable a comprehensive response on this issue, including bilateral programs, programs delivered through Australian and developing country NGOs and contributions to international facilities such as the the UNFCCC Special Climate Change Fund. It is recommended that the priority areas would include:

- Targeted investment in local capacity to manage the economic, public health and other consequences of climate change.
- Expansion of existing disaster preparedness measures, including both partner country systems and Australian response capability.
- New livelihoods programs, particularly targeting resilience in the agricultural sector and alternative livelihoods for small producers whose farming becomes untenable.
- New investment in renewable energy and other low emission technologies to promote low carbon development pathways.
- Development of a strategy to manage migration pressures in the event of significant displacement of peoples through climate change.

In addition, all elements of forward aid programming now need to take account of the impact of climate change. At a minimum, this would ensure that the program did not inadvertently contribute to the causes of climate change or make communities more vulnerable to its effects.

³ P. L. Preston, R. Suppiah, I. Macadam & J. Bathols, *Climate Change in the Asia-Pacific* (Canberra: CSIRO, 2006).

⁴ Statement to the United Nations Climate Change Conference, Montreal, December 2005.

3. Disability

Recommendation: Implement a disability and development strategy in the aid program, with an additional \$10 million per annum from 2008-09.

ACFID welcomed the ALP's pre-election commitment to addressing avoidable blindness in our region through partnerships with Australian agencies both in the disability service sector and the development sector.

However, unlike all the leading OECD donors, the World Bank and other multilateral development agencies, the Coalition's lack of action in this area has left Australia without a coherent disability and development strategy in its overseas program. The World Bank and the Asian Development Bank rate disability as a major cause and consequence of poverty. Donors which accord this policy area a high priority include the UK, USA, Japan, Canada, New Zealand, Germany and Denmark. These agencies have had funding facilities, programs and partnerships in place for some time to address this fundamental element of aid effectiveness.

The former government's lack of action in this area was all the more unusual because Australia's nonprofit service providers from both the domestic disability sector and the development sector had injected substantial energy into cross-sector collaboration during 2006 and 2007. In early 2007, they formed the Australian Disability and Development Consortium (ADDC), which brought together a substantial pool of practitioner expertise and a commitment to assist developing countries.

Partnerships have already been formed between the ADDC and Pacific and Asian disability networks. Pacific Island countries are beginning to respond to the disability challenge, for example through the creation within the Pacific Islands Forum Secretariat of the position of Disability Coordination Officer and the development of the regional Pacific Disability Forum (PDF).

It is recommended that, in addition to any specific disability program initiatives which may be identified in 2008-09, the Government act promptly to develop a disability policy framework. By drawing on the experience of other donors and the ADDC, it is likely that a coherent framework could be developed by late 2008. ACFID would also urge Government to participate in, and provide support for, the ADDC's inaugural *International Conference on Disability, Disadvantage and Development* in September 2008. This conference would enable the Government to highlight its approach and to enhance its own partnership with this well-organised part of Australian civil society.

It is proposed that an additional \$10m would be used for a series of targeted programs. Priority items would be to commission the first disability needs analysis ever done for Melanesian and Polynesian countries, to identify ways of partnering with like-minded donors in this field and to commission an external analysis of mainstreaming disability within AusAID's program.

4. Cluster munitions

Recommendation: Do not proceed with the planned \$16 million procurement of a new category of cluster munition announced by the Coalition just before the start of the Caretaker period.

Four days before the start of the Caretaker period in October 2007, the Coalition announced its intention to procure a new cluster weapon for the Australian Defence Force called SMART 155. This decision pre-empted by several weeks the start of international negotiations to define the various categories of cluster weapons and led to Australia being regarded internationally as having acted in bad faith.

Moreover, no independent tests had been conducted on the new weapon, and the Coalition government refused repeated requests by ACFID and other organisations to provide at least minimum verification of its claims regarding civilian impact from the new weapon. Because the government proceeded with this procurement decision in the absence of any such verification, serious doubts remain about the wisdom of purchasing these weapons.

Human Rights Watch and Landmine Action have expertise on cluster weapons. They assessed that the numerous explosive remnants from the new weapon's warheads could readily put civilian populations at risk, especially if used in residential areas, as was the case in Lebanon in 2006. Significantly, the proposed Australian weapon uses a laser profilometer on each warhead which is not capable of distinguishing between civilian and military targets.

Despite the former government's claim that use of the proposed weapon would keep Australia within the technical bounds of international humanitarian law and, more ambitiously, that the new weapon was not really a "cluster munition" at all, the ALP government should not proceed with this project until international negotiations have advanced on definitions and until the claims made regarding civilian safety can be substantiated.

5. Investing in research

Recommendation: Expand the scale of the Australian Development Research Awards and actively promote collaborative research projects.

ACFID welcomed the strong demand for the Australian Development Research Awards offered by AusAID in 2007, with 539 applications being received for a very small funding pool. ACFID's own collaboration with the university sector, including an 'Active Citizenship' conference run in conjunction with five Melbourne universities in 2007, also highlighted the under-utilised potential for development research in Australia.

Given Australia's research strengths across a range of organisations and sectors, Australia should no longer lag behind other donor countries in using its aid-related research strengths to advantage, including for improvement in aid program design. Australia has the capacity to leverage this pool of expertise to develop a significant stream of internationally-recognised research findings over time. As in other donor countries, such research would undoubtedly assist in the policy analysis of prospective models and practices in the official program. Inevitably, the quality of the aid program and of public understanding of development issues would be enhanced.

Scaling up AusAID's Research Awards from its 2007-08 level by 50% in 2008-09 would give immediate impetus to this objective. It is also recommended that, for future funding rounds, development effectiveness and civil society engagement be identified as specific priority areas for research.

Australian think-tanks such as the Lowy Institute and the Australian Strategic Policy Institute are becoming increasingly interested in development issues. A number of larger Australian aid NGOs are also developing their in-house research capacity. However, ACFID understands that there were few applications in the inaugural funding round from outside the university sector. Future AusAID funding rounds should therefore encourage collaborative applications linking universities to other researchers and should also be more widely promoted outside the university sector.

6. Development Education

Recommendation: Increase public awareness of Australian overseas aid activities, particularly through the inclusion of international development topics in secondary schools curricula.

Most Australians know very little about development or why taxpayers' funds are used for overseas aid. Because the Coalition did not treat this as an area for significant investment of effort, it is likely that any economic downturn would lead to increased questioning of an expanded aid program. Therefore, the Government has the opportunity in 2008-09 to begin a process of steady investment so that the Australian community develops a more positive approach to this area of public spending.

AusAID has undertaken a range of education activities through education contractors over a considerable period. This has included some excellent teacher training and development education kits, which have been complementary to the development education programs of ACFID member agencies. While these programs have made a contribution, they have fallen well short of a satisfactory minimum level of public awareness of the program. In addition to AusAID's ongoing public affairs strategy, a key step is to integrate development issues into school curricula.

Two specific programs that should be considered in this area include:

1) *Global poverty and development education in secondary schools*

Some exposure to international development issues should be provided to all Australian secondary school students, as it is in many other OECD donor countries. Development and trialing of innovative modules and materials on international development as a part of broader social studies could be done collaboratively by state and federal governments and draw upon case study material from aid NGOs, AMC companies and AusAID.

2) *Teacher exchanges between Australia and the Pacific*

Two-way teacher exchanges would provide exposure to Australian culture and teaching methodologies for Pacific teachers. Equally, exposure to Pacific cultures and the development context in the Pacific would assist interested Australian teachers to promote development issues in their work. Teachers could then undertake classroom assignments with students on return home. Australian teachers could also be linked to service clubs and on their return could give talks about their Pacific experiences at these and Parents and Friends nights.

7. NGO Partnerships

Recommendation: Commit to a genuine framework of partnership with professional Australian aid NGOs and continue to increase the use of these partnerships as part of the overall scaling up of the aid program.

During its term, the Coalition government under-utilised the organisational expertise and logistical skills of professional Australian NGOs. In financial terms, the proportion of the aid program linked to NGOs declined to less than one quarter that in the USA and Canada and was well below the OECD average level. Given this decline, ACFID welcomed the 2007-08 budget increase in the flagship program involving NGOs, the AusAID-NGO Cooperation Program (ANCP) to \$37.5 million.

Given the demonstrated effectiveness of the ANCP in recent AusAID Cluster Evaluations, the extended geographic reach that it gives the Australian aid program, and the high regard for this program among NGOs, partners and other stakeholders, ACFID recommends that the ANCP continue to be increased in line with the overall scaling up of the aid budget. For 2008-09, this would involve a \$5 million increase in the ANCP allocation to approximately \$42 million.

AusAID has worked effectively with aid NGOs in developing innovative ways of improving service delivery to communities that are difficult to reach through official aid channels. Programs such as the Church Partnerships Program in PNG and the Australian Middle East Cooperation Agreement for the Occupied Palestinian Territories are examples of this. ACFID urges the Government to consider favourably emerging funding requests related to new initiatives in East Timor and the Solomon Islands and recommends that appropriate provision for such initiatives be made in the 2008-09 budget.

ACFID also recommends that, in disbursing funds in humanitarian and emergency situations, government plans to make more systematic use of those NGO partners which it selects for its Periodic Funding Agreement for Disaster Risk Mitigation. AusAID's devolution of decision-making powers to posts overseas has been a factor in a less optimal use of funding under this Agreement in 2007 than in past years.

Given the fundamental, mutual interest between Government and the nonprofit overseas aid sector in promoting public confidence in overseas aid and development, ACFID seeks strong and ongoing political support for a more constructive government approach to partnership with non-profit sector than was the case under the Coalition. This should be applied to all groups which have substantial development expertise. The ALP has the opportunity to lead a revival of information sharing and innovation across the range of groups with expertise and commitment in this field. This would reflect the fact that, while there is much to learn from international experts, there is also potential to harness the substantial Australian expertise more effectively.

At a minimum, political support is sought by ACFID to ensure that any new Government contracting models or actions which could potentially impact adversely on public confidence in accountability for funding through non-profit overseas aid agencies be the subject of due consultation with ACFID.

8. Geographic Balance

Recommendation: Increase the proportion of total program funding to Africa and the Middle East, including a program to address the post-conflict reconstruction needs of Sudan, Iraq and Lebanon.

ACFID welcomed the rebalancing of the Australian aid program in 2007-08 towards South East Asia, while maintaining high levels support for our Pacific neighbours. Within Asia, Mekong countries and Indonesia will require ongoing funding increases to manage their natural resources and adapt to climate change, to bolster levels of basic service delivery and to facilitate the growth of civil society. The worsening situation in Sri Lanka and Burma means that humanitarian assistance to these countries may need to be increased. This should include, as a component, the use of effective NGO programming to support the maintenance of basic services in conflict-affected areas. In the case of Philippines, current strong support to the south of that country needs to be supplemented with resources to support poverty alleviation and strengthen democracy and the rule of law in the north.

ACFID welcomed the provision of continued aid to the Middle East, including the decision to tender for a second NGO cooperation agreement for the Occupied Palestinian Territories. Australia's generous support of \$24 million to Lebanon during and after the recent conflict there should now be extended into ongoing reconstruction aid, including to Palestinian refugees in Lebanese camps. Given its continued involvement in Iraq, Australia should also increase its provision of humanitarian assistance to that country where feasible. Australia should provide specific support to the 1.5 million Iraqi refugees in neighbouring countries, through NGOs and/or UNHCR as appropriate.

In Africa, Australia's commitment remains very small relative to the development needs of the continent. Although there are many international donors working in Africa, there are still significant areas of unmet demand where Australia can play an increasing role without introducing new Australian country programs. The development of a new AusAID Africa strategy provides the opportunity to explore some of these options, such as co-funding programs by the UK Department for international Development and other bilateral donors. With only 4% of Australian ODA currently going to Africa, ACFID recommends an increase to 6% by 2010-11.

In a few cases, a more direct Australian engagement may be justified. One example is Sudan, where Australia is providing AFP and ADF support to the fragile peace process in the South, and where there is an urgent need for development assistance. ACFID is calling for a five year, \$10 million per annum program of support for Southern Sudan, including institution building for the Government of South Sudan, support for the delivery of basic services, and a small grants program to facilitate the growth of civil society. This should be in addition to continued support for humanitarian operations in both the South and Sudan's conflict-affected western province of Darfur.

9. Pacific Development

Recommendation: Develop a program of activities designed to improve a wide range of professional and personal links between Australia and Pacific island neighbours.

The former government's poor handling of several disputes with PNG and Solomon Islands in recent years had the effect of tarnishing Australia's broader image and making it harder for regional friends of Australia to promote effective policy change internally. For this reason, ACFID welcomed Mr Rudd's commitment to adopt a fresh approach to the Pacific, as reflected in the decision to create a position of Parliamentary Secretary for the Pacific.

The Government has a rare and relatively brief opportunity to strengthen political relationships in the region and, over a longer time frame, to work with a range of Australian non-government organisations to improve awareness of the region within the Australia. A key objective over the next two years would be to develop at the political level an agreed vision for long term Australian engagement which would enable the many federal agencies to act on a genuinely shared vision. In essence, such a vision would need to articulate how Australia could contribute to promoting political and social stability and economic growth, as well as improved people-to-people understanding.

ACFID urges consideration of the following options to bring this about:

- ❑ Convening an Australia/Pacific Summit in Australia. This would ideally bring together selected representatives of Pacific governments, civil society, some Pacific diaspora members in Australia, selected academics and relevant Australians. The aim would be to test out some ideas for developing a long-term strategy to enhance people-people links.
- ❑ Continuing to find innovative ways to draw on the Pacific expertise of many Australian NGOs, which have decades of experience in working with Pacific governments and local communities.
- ❑ Providing funding opportunities for Pacific Regional Non-government Organisations, eg. the Pacific Disability Forum (PDF), Pacific Islands AIDS Foundation (PIAF), Pacific Islands Association of NGOs (PIANGO).
- ❑ Drawing on opportunities for linkages and greater mentoring by Australian NGOs (e.g. through extension of the Pacific Leadership Program).
- ❑ Assisting Pacific civil society groups in their efforts to address corruption in Melanesia on resource management issues.
- ❑ Developing a Pacific Islander Consultants Register to assist the aid program in more readily identifying the growing group of Pacific Islander consultants with skills of direct relevance to Australian development assistance within the region.

10. Health

Recommendation: Increase the proportion of health expenditure within the aid program and increase funding in the field of water and sanitation, beginning with an additional \$50 million in 2008-09.

ACFID has welcomed AusAID's renewed policy focus on health and 2006-07 budget increases in health funding. There has been significant progress in improved health outcomes in many countries over recent years. However, current funding levels are inadequate to reduce the burden of disease in South-East Asia and the Pacific. Five of the eight Millennium Development Goals have components that apply directly to health. Recent analysis by the United Nations of progress in 22 Pacific and South-East Asian countries towards these health-related Millennium Development Goals indicates several of our neighbours are off track for multiple goals.⁵ Particular issues of concern in our region are lack of progress in reducing child mortality and improving access to clean water and sanitation.

UNICEF estimates that in 2005 around 460,000 children under the age of five died in our region.⁶ Regional child mortality rates range from 18 per 1,000 births in Fiji to 143 per 1,000 births in Cambodia. However, the main causes of child mortality are all preventable or treatable illness as demonstrated by Australia's child mortality rate of 6 per 1,000 births. Stronger regional efforts to prevent the spread of HIV and to assist people already infected are required. Approximately 75,000 people from our region died of AIDS in 2005.

As the aid program continues to scale up over the coming years a more significant investment in health funding is required. Australia's current commitments project our health funding of \$600 million per year by 2010. However, our 'fair share' of global health aid requirements is currently \$800 million, rising to \$1000 million by 2010.

ACFID has welcomed the ALP's commitment to the Millennium Development Goals. They call for a halving of the number of people without water and sanitation by 2015, and many believe this is the single most practical step that can be taken to lift people out of poverty. Australia should draw on the extensive Australian NGO expertise in this area and the programs of other bilateral and multilateral donors to rapidly scale up this element of the aid program, particularly in the sanitation area. A recent WaterAid and World Vision study found that Australia's current commitments of \$60 million per year for water and sanitation remained well short of our estimated 'fair share' of \$350 million per year.⁷

⁵ World Vision, *How is the Neighbour's Health? The Millennium Development Health Goals and our Region*, 2007.

⁶ UNICEF, *State of the World's Children*, 2007.

⁷ WaterAid Australia and World Vision, *Getting the Basics Right: Water and Sanitation in South East Asia and the Pacific*, 2007.

11. Education

Recommendation Commit to a goal of making primary education available for all children in Melanesia and Polynesia by 2015.

The United Nations estimates that 72 million children of primary school age are currently not enrolled in school, and many millions more do not regularly attend classes.⁸ In the Oceania region, the primary school enrollment rate has actually fallen slightly from 81% in 1999 to 78% in 2005.

The \$540 million over four years announced in the 2007-08 budget for the Delivering Better Education initiative means that Australia is now close to contributing its 'fair share' internationally in terms of funding for basic education. The challenge now is to ensure the effective implementation of this program. While the overall framework for education spending within the aid program is very promising, many key challenges in the education area remain, for example:

- ❑ Ensuring the quality and relevance of learning materials
- ❑ Developing adequate teaching skills and support systems
- ❑ Reaching remote regions by using innovative programs and technology
- ❑ Making education accessible to marginalised groups such as women, people with disability and ethnic minorities
- ❑ Ensuring that a reasonable proportion of primary students can progress to secondary/vocational education.

Australia's approach to education in the region should be closely tied to Millennium Development Goal 2, i.e. universal primary education by 2015. ACFID believes that universal primary education in all states of Melanesia and Polynesia by 2015 should be a specific objective of Australian aid policy.

Beyond the goal of universal primary education, it is also timely to review the aid program's role in creating pathways from primary education through to further education and/or employment. To arrest the widening knowledge gap between developed and developing countries, the policy of offering scholarships and other opportunities to elite students in partner countries should be supplemented by a new strategy to move a greater proportion of students of average ability to further education. This should include a strong vocational element, including work placements, mentoring, combined study/traineeships and access to microfinance.

ACFID was particularly pleased to see Australia contributing for the first time to the *Education for All Fast Track Initiative* in 2007, and supports a progressive expansion of funding for this important international initiative, subject to performance benchmarks being met.

⁸ United Nations, Millennium Development Goals Report, 2007.

12. Volunteering

Recommendation: Increase funding for nonprofit volunteer programs by \$5 million per annum and introduce arrangements for ‘organisational twinning’ in addition to current individual volunteer placements.

Within the volunteering component of the aid budget, funding for NGO volunteering agencies has remained stagnant. This contrasts with the former government’s successive budget increases for the private contracted Australian Youth Ambassadors for Development (AYAD) program. In the 2008-09 budget, ACFID calls for a \$5 million increase in the non-AYAD elements of the volunteering program. It is also recommended that funding for programs delivered by private sector contractors no longer be included in AusAID’s NGO statistics.

Volunteering is a highly visible demonstration of Australia’s commitment to relationship building in our region and provides a valuable resource for the delivery of development projects. It is a flexible aid delivery mechanism that can be closely aligned with partner countries’ sectoral needs (e.g. HIV/AIDS, peacebuilding). Volunteering also acts as a multiplier for other elements of the aid program, through building capability in civil society, government and other institutions.

In addition to an increase in the funding quantum for volunteering, there is also a need to adapt Australia’s volunteer program to keep pace with current international best practice. In particular, the existing focus on individual volunteer placements could be expanded to provide for longer-term ‘organisational twinning’, to promote sustainable capacity building. Under a twinning arrangement, Australian organisations in the business, government and community sectors, in conjunction with an overseas partner organisation, could apply to an AusAID funded volunteer provider for a 3-5 year organisational strengthening exercise to meet identified capacity needs.

The government should also consider piloting a ‘two way’ volunteering program through which volunteers from developing countries would be placed with an organisation in Australia. One mechanism would be a Pacific Youth Ambassadors for Development (PYAD) program which could bring young Pacific leaders to Australia and place them in temporary work settings in government, the private sector and NGOs. Based on the evidence of Australian volunteering overseas, this would undoubtedly build a long-term and positive set of relationships between these young leaders and their Australian counterparts.

13. Trade-related Capacity Building

Recommendation: Implement a 'Building Regional Trade' program to help selected countries participate more effectively in global markets, at a cost of \$60 million over three years.

Trade is widely recognised as one of the keys to lifting developing countries out of poverty. In the 20th Century, no country has successfully developed without extensive participation in international trade. Unfortunately, the Doha Round of multilateral trade negotiations, which was intended to focus on the needs of developing countries, appears unlikely to be concluded successfully.

Given this situation, there is now an increased need for Australia to provide practical assistance to address key constraints identified by our partner countries as restricting their participation in international trade. With the focus of the aid White Paper on accelerating economic growth, this is an opportune time to introduce a new 'Building Regional Trade' program worth \$60 million over three years.

Such a package could include capacity building of government systems, export marketing assistance, business mentoring for SMEs, assistance with the formation of agricultural cooperatives and adjustment measures for industries and workers adversely affected by trade liberalisation. It could seek to address the persistent capacity constraints that mean that even those countries with internationally marketable products are not able to benefit fully from trade opportunities.

An appropriate initial focus for this program would be the Pacific, East Timor and smaller Indian Ocean states. In the context of Australia's current negotiation of a 'PACER +' agreement with the Pacific, appropriate development of trade-related capacity and support for those adversely affected by liberalisation should be an important aspect of Australia's engagement with the region in coming years.

14. Debt Relief

Recommendation: Support the extension of multilateral debt relief arrangements to all low-income countries and place debt payments from eligible countries that have not yet met all the requirements for debt relief into a trust fund.

Last year, ACFID commended the ALP on its commitment to enter into discussions on a 'debt for development' swap with Indonesia if elected. Indonesia owes Australia \$1.2 billion in bilateral debt. Similar swaps have been undertaken by Canada, Germany, France, Italy and Switzerland to boost spending on essential services in partner countries.

Debt relief is a proven mechanism for delivering improved development outcomes across a range of indicators. A study of 10 African countries conducted after four years of debt relief found that education spending had increased by 40% and health spending by 70%.⁹

Beyond 'debt for development' swaps, there are further steps that Australia should take to ease the crippling burden that foreign debt placed on many developing countries. In 2005, the UK proposed that debt relief should be extended to all 66 low-income countries to build on the success of the Heavily Indebted Poor Countries (HIPC) initiative and MDRI, which have provided debt relief to 22 low income countries to date. Australia should publicly support this important British initiative. Using HIPC-style accountability arrangements, such an initiative could be expected to lead to a substantial increase in investment in health and education in developing countries, as has occurred already in some of the HIPC countries.

Owing to their strict accountability arrangements, HIPC and MDRI have so far only helped half the countries that are potential eligible for debt relief under current international arrangements. For the 19 low-income countries that may be eligible for debt relief under HIPC/MDRI, but which have not yet completed the requirements of the scheme, the UK is now placing debt repayments from these countries into a trust fund, to be returned when the countries reach the HIPC decision point. Australia's commitment to a similar arrangement would give an additional incentive for countries to take part in HIPC/MDRI.

⁹ Keith Hinchliffe, 'Notes on the Impact of the HIPC Initiative on Public Expenditures in Education and Health in African Countries', *World Bank Africa Region Human Development Working Paper*, 2004.