

Australian Council for International Development

ACFID 2019-20
Federal Budget
Analysis



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT

ACFID's Vision, Purpose and Values

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action

ABOUT ACFID

Our vision is of a world where all people are free from extreme poverty, injustice and inequality and where the earth's finite resources are managed sustainably. Our purpose is to lead and unite our members in action for a just, equitable and sustainable world.

Founded in 1965, ACFID currently has 125 members and 22 affiliates operating in more than 92 developing countries. In 2016–17, the total revenue raised by ACFID's members amounted to \$1.6 billion — \$889 million of which was raised by 1.6 million individual donors. ACFID's members range from large Australian multi-sectoral organisations that are linked to international federations of non-government organisations (NGOs), agencies with specialised thematic expertise, and smaller community-based groups, with a mix of secular and faith-based organisations.

ACFID's members comply with ACFID's Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of signatory organisations. Covering nine Quality Principles, 32 Commitments and 90 Compliance Indicators, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks, accompanied by an independent complaints-handling process.

ACFID'S VALUES

Respect for human rights. We champion human rights as a precondition for sustainable and equitable development and promote rights-based approaches that hold power-holders to account.

Gender justice. We stand for social, political and economic gender equality and see gender justice as both an end in itself and a means to alleviating poverty, reducing inequality and building peace.

Systemic and transformational change. We are committed to development that addresses the root causes of poverty, conflict and injustice, and transforms the lives of the poorest and most marginalised people.

A strong independent civil society. We believe that a vibrant civil society is an essential feature of free societies, bringing benefits to the public that governments and the market cannot do alone.

Environmental sustainability. We promote environmentally sustainable development solutions because poverty reduction, natural resource management and development are inextricably linked.

Accountability and transparency. We promote accountability and transparency as a standard of good practice for NGOs and other development actors, particularly downward accountability to people affected by poverty or crisis.

Quality and innovation. We exist to support and promote quality, innovation and continuous improvement in NGO governance, management and practice.

Front Page: Marium*, 11, and her sister and Ayesha*, 9, play a traditional game with their uncle outside their home in a camp for Rohingya Refugees in Cox's Bazar, Bangladesh. The sisters now live with their uncle's family after their sole surviving parent, their father, died during the violence in Myanmar.

Image Credit: Jonathan Hyams / Save the Children

ACFID's Budget Analysis

Arrest the aid decline and reset the Australian aid paradigm to meet the development demands of our diverse region

Waiting for the Government to invest in our international development footprint and strategically drive Australia's international development program is like waiting for a bus that never comes. This year sees the sixth successive Australian aid cut. The resulting long-term decline adds up to a Government bereft of vision for development assistance, failing to meet its international commitments, and unable to foresee how Australians and their expertise can build cooperation with Asia and harness our place in the evolving world order.

Australia's international relationships – crucial for trade, peace and stability – are being risked in favour of isolation and a retreat to our "backyard." Last year, the OECD asked Australia to "shore-up development aid." The Australian Government has ignored their call.

In the world of realpolitik, Australia has decided with the US and other allies that it will now "step up" in the Pacific. But in their haste, there remain unanswered questions, policy incoherence and financial trade-offs which are ill-considered.

Quick, knee-jerk reactions to China's Pacific expansionism has clouded our long-term judgment. The epitome was the Australian Government's last-minute gazumping of Chinese telco Huawei to build the Pacific undersea internet cable between Australia, PNG and the Solomon Islands. Soon afterwards – and despite a flurry of Australian intervention to stop it – Huawei was approved to construct the domestic internet cable in PNG.

Siphoning funds from poverty alleviation programs in Indonesia and the Pacific to pay for the cable is a symptom of the incoherence spreading through the development program. In the context of a declining development assistance envelope, moves like this guarantee that our Pacific "step up" is also a "step down" in Asia. Every time a new initiative is funded by a withdrawal elsewhere, we pick-up a relationship at the cost of another. This time, the Government is halving bilateral assistance to Pakistan and Nepal, two of the poorest countries in the world.



The burgeoning black hole emerging in the Government's aid agenda risks setting back effective development cooperation policy for years to come.

The alarm in the defence and foreign policy establishment has led to a \$2-3 billion push on infrastructure lending into the Pacific – a region that is already highly indebted. Why countries should be servicing debt to the Australian Government instead of budgeting for their own health and education costs has not been explained. A reallocation of \$500 million has been made from existing aid programs to fund the new Pacific infrastructure facility. It is unclear where these funds will be drawn from.

The burgeoning black hole emerging in the Government's aid agenda risks setting back effective development cooperation policy for years to come. The Government's present commitments to funding multilateral institutions have not been matched by the requisite budget allocation in the coming fiscal year, or over the forward estimates.

In the short-term, this means that Australia risks reneging on its immediate international commitments. In years to come, Australia's multilateral funding commitments, under-funded from the outset due to the lack of indexation, will fall due in fiscal years where there is no budget to replenish them. The growing black hole will mean that the Government will not be able to fund these replenishments without further slashing other under-funded bilateral programs.

Despite the Government's statement that "no long-term foreign policy objective is more important to Australia than ensuring our region evolves peacefully," the region is fraying at the seams and is not receiving adequate investment or a strategic response from Australia.



Political instability is growing in Thailand, Myanmar and Cambodia. Human rights violations, illiberal populism, authoritarianism and instability is spiking. Yet the Australian aid program is declining in Southeast Asia, most notably this year in Indonesia and Cambodia with reductions of \$17.7 million and \$17.6 million respectively. Australia's aid program is not evolving to help build democracy and stability in the region – a region we are becoming increasingly reliant upon.

As geopolitical competition is rife for the attentions of burgeoning economic powerhouses of Indonesia and Malaysia, Australia is also pulling back from supporting the development and governance aspirations of partners graduating to middle-income status.

ACFID is calling for the next Australian Government to reset the aid paradigm, by creating a future-facing Australian Development Cooperation Policy and Program that can meet the changing development demands of our diverse region, and not lose sight of our relationships in Asia. At its heart, a new Development Cooperation Policy should be driven by our partners' development needs and aspirations, not those of Canberra. If we don't become that partner – characterised by deep knowledge, and engagement – others will.



Australia has the prosperity, people and expertise to do it, now we need the political will and vision to achieve the Australian Development Cooperation Program all Australians and our neighbours deserve.

Picture this: the Australian Development Cooperation Program is consistently funded, strategically positioned at the heart of foreign policy, and driven by the global Sustainable Development Goals. It enables effective diplomatic, economic and trade relations, shores up regional stability and focuses on creating resilient societies where people are free from extreme poverty, persecution, violence, hunger and sickness.

Australia has the prosperity, people and expertise to do it, now we need the political will and vision to achieve the Australian Development Cooperation Program all Australians and our neighbours deserve.

Marc Purcell – Chief Executive Officer of ACFID

Overall Development Cooperation Volume

Australian Aid Continues to Decline – Indexation Years Away While Loans Rise

Aside from spending brought forward to replenish multilateral investments, Australia's aid budget remains frozen at \$4 billion per annum over the forward estimates. Indexation is scheduled to return only in FY22/23 despite a cash surplus in the FY19/20 federal budget of \$7.1 billion, resulting in a real-terms decline in spending power.

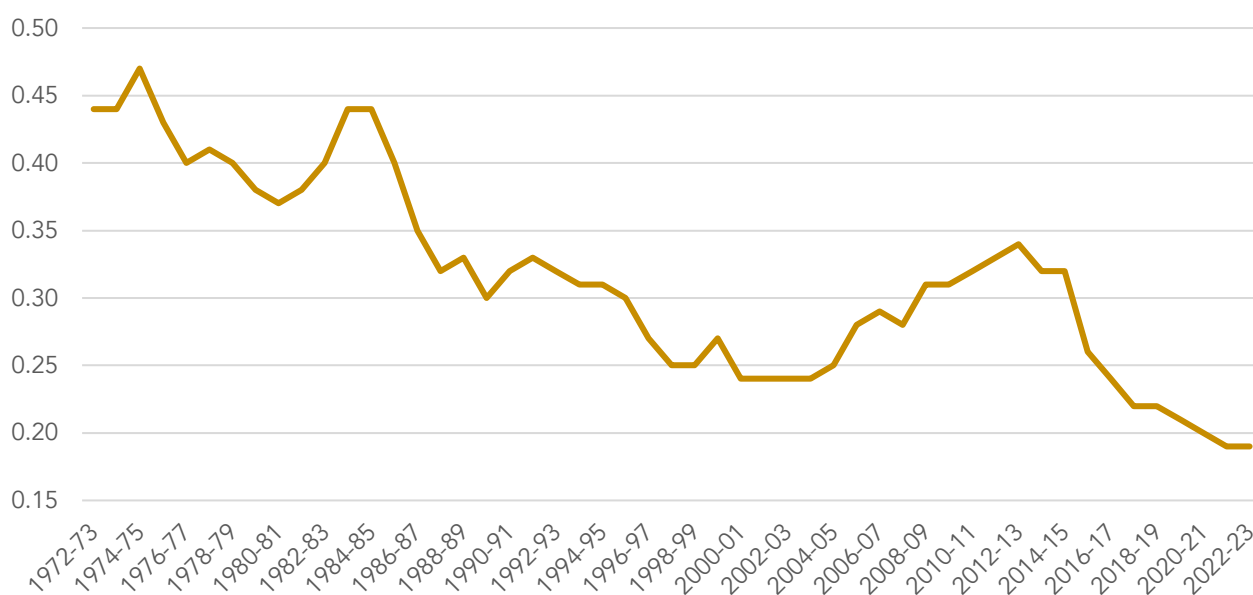
Australia's public spending on Official Development Assistance (ODA) as a proportion of our Gross National Income continues to decline. In FY19/20, this proportion will fall to 0.21% of GNI, falling further to 0.19% in FY21/22. Over the forward estimates, ODA spending will decline from 0.83% to 0.73% as a total of the federal budget.


Instead of investing in ODA, the Australian Government has elected to finance \$1.5 billion worth of non-concessional loans as announced in MYEFO 2018 as part of the Australian Infrastructure Financing Facility in the Pacific (AIFFP), which also consists of \$500 million in ODA-sourced grant funding.

This decision marks a serious departure in Australia's approach to development financing – as grants decline, loans are on the rise. As loan-funded projects will need to generate revenue so borrower nations can repay them, Australia risks overseeing a wholesale disinvestment from development programming in favour of financing profitable infrastructure projects.

Australia is now prioritising geostrategic posturing over achieving development outcomes.

ODA/GNI ratio
1971-72 to 2022-23





The Leleon Vanua Party (LVP) was launched at the end of a two-day Influencing Forum for Women and the five-day National Conference of the Vanuatu National Council of Women (VNCW). The two meetings brought together over 100 women leaders from throughout Vanuatu and Port Vila to discuss a way forward for women's participation in the national decision-making processes of Vanuatu, supported financially by Oxfam. Photo: Sarah Doyle/OxfamAUS.



Budget winners and losers



PACIFIC

Australia's total ODA investment in the Pacific increases from \$1.3 billion to \$1.4 billion in FY19/20, or more than one third of total Australian ODA. This total includes an expanded Pacific Labour Scheme and funding for secondary school scholarships.

INFRASTRUCTURE

This budget confirms the establishment of the Australian Infrastructure Financing Facility for the Pacific (AIFFP), first outlined in MYEFO 2018. The AIFFP will provide non-concessional loans combined with grants to support the development of high-priority infrastructure such as telecommunications, energy, transport and water. The \$500 million grant component will be drawn from the existing ODA allocation between FY19/20 – FY22/23. DFAT has also been allocated \$12.7 million (non-ODA) for administering the AIFFP over the forward estimates.

HUMANITARIAN ASSISTANCE

Humanitarian assistance funding has increased from \$410 to \$450 million in FY19/20 and is projected to increase to the 2017 Australian Foreign Policy White Paper commitment of \$500 million from FY20/21, staying consistent over the rest of the forward estimates. Australia will maintain its support for displaced Rohingya, as well as funding for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the Palestinian Territories.



ASIA

Significant reductions to DFAT-administered bilateral programs in FY19/20 will be seen in Bangladesh, Cambodia, Indonesia, Pakistan and Nepal. Total ODA to Pakistan will fall by 35% in FY19/20, while the DFAT-administered bilateral program has been cut by 52% to \$19m. The allocation to the regional program for South and West Asia will also fall by 13% in total, including a 25% reduction to the DFAT-administered South and West Asia Regional Program.

MULTILATERAL FUNDING

In the context of an overall real terms decline in ODA expenditure over the forward estimates until FY22/23, it is unclear how Australia can meet its ongoing commitments to multilateral funds without further cuts to bilateral program expenditure. In FY18/19 and FY19/20, multilateral replenishments have been brought forward, creating a temporary bump in the ODA total that exceeds its underlying \$4.0 billion allocation. In years to come, however, these replenishments will fall due in financial years in which there is insufficient money to draw on without cutting other programs and projects.

AFRICA AND THE MIDDLE EAST

Australia's total ODA allocation for Africa and the Middle East has fallen from \$258.5 million in FY18/19 to \$199.8 million in FY19/20. FY19/20 sees a significant reduction of \$56.5 million in funding for the Middle East and North Africa, from \$137.4 million in FY18/19 to \$80.9 million in FY 19/20, however there is little clarity over where this cut has come from. While funding for the Palestinian Territories and Iraq appears stable, Australia's assistance for Syria, the largest humanitarian crisis in the world, is unclear in FY19/20 as the current multi-year package is due to finish in FY 18/19.

CLIMATE

Australia has missed an opportunity to ramp up its investment in international climate adaptation assistance in FY19/20 and over the forward estimates. Although Australia has allocated \$200 million to climate finance initiatives in FY19/20 in line with its \$1 billion by 2020 commitment under the Paris Agreement, it will no longer support the Green Climate Fund and climate action will continue to be mainstreamed. Pacific regional and infrastructure programs will include a climate action component, including the new \$75 million Australia Pacific Climate partnership

SOCIAL INCLUSION – GENDER AND DISABILITY

ACFID understands that the allocation for disability-inclusive development will remain unchanged at \$12.9 million in FY19/20, while the Gender Equality Fund will again receive \$55 million in FY19/20. This is a missed opportunity for the Australian Government to show additional leadership and ambition in these two important areas

Infrastructure

The Government is allocating \$500 million between FY19/20 and FY22/23 to fund its new \$2 billion Australian Infrastructure Financing Facility for the Pacific from within the existing aid budget

Previewed by the Prime Minister in his Pacific “step-up” speech in Townsville in 2018, funding has come from within the aid budget to pay for this major strategic pivot. As part of the \$2 billion Australian Infrastructure Financing Facility for the Pacific, \$1.5 billion is made up of loans and \$500 million has been allocated for the grant component of the facility. The Budget papers have confirmed that the \$1.5 billion in loans will have “no financial implications until drawn on.”ⁱ

Despite the fanfare for making the AIFFP operational by July 2019, Treasury officials told journalists that only \$50m (from the \$500m) is being allocated in FY19/20 because of the likely slow start to implementing loan-financing.

WHAT DID ACFID PROPOSE?

ACFID has consistently called for the Pacific “step-up” to be funded over and above the existing aid budget, while cautioning about the shift in the aid program’s focus from grant-funded development programming to loan-financed infrastructure. Despite the rush to make the AIFFP operational by July 2019, ACFID called for careful and informed consideration to ensure its feasibility and effectiveness.

As part of the workings of the facility, ACFID called for the Australian Government to ensure that new infrastructure projects were driven by Pacific interests and leadership; were climate-resilient; gender-sensitive; and bundled with “soft infrastructure” or community development initiatives, funded by grants.

Given many Pacific nations are already suffering from debt distress, ACFID warned against contributing to a lending race in the region. Australian debt-creation should not remove public resources for supporting essential services which could threaten a recipient country’s sustainable development.

WHAT HAPPENED?

The Government confirmed its plans for the \$2 billion AIFFP, outlining that the Government will “support high priority infrastructure projects such as telecommunications, energy, transport and water in Pacific countries and Timor-Leste.”ⁱⁱ The \$500 million will be drawn from the budget between FY19/20 and FY22/23 and the \$1.5 billion in long-term loans will “have no financial implications until drawn on.”

ACFID understands that the \$1.5 billion in loans will be non- concessional.

DFAT is also using \$12.7 million over the forward estimates from FY19/20 to buy in “specialist expertise and other operational costs to enhance the assessment of proposed infrastructure projects to ensure proposals accelerate the delivery of quality infrastructure to the Pacific.”ⁱⁱⁱ This sum is not sourced from the ODA allocation.

The 2018 MYEFO papers confirmed plans to amend legislation (currently before the Senate at the time of writing), to increase EFIC’s callable capital by \$1.0 billion to \$1.2 billion and grant it a new overseas infrastructure financing power.

As part of the inquiry on the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019, DFAT confirmed that “the AIFFP will draw on established processes and use the Government’s National Interest Account, administered by EFIC, to manage loans.”^{iv}



ACFID'S ANALYSIS

While Australia is shifting its focus to the Pacific, it is “stepping down” in bilateral programs in Asia while reshuffling a flat budget in the Pacific and pulling back on multilateral replenishments.

The design of the AIFFP is still underway. As expected, the Department is starting tentatively with Treasury officials indicating that only \$50 million will be allocated for FY19/20.

Mystery still surrounds the \$1.5 billion loan component for the AIFFP and how this element will be operationalised. As part of MYEFO, the Government defined the figures as “not for publication” and there are differing views on whether the loans can be made “off-book” through cheaper loans backed by the Australian Government or whether they will be on the Commonwealth balance sheet. In the FY19/20 figures, budget documents revealed that the loans won’t hit the bottom line of the budget “until drawn on.”^v Evidently, the AIFFP’s design is still being worked up, and without further information ACFID cannot determine how the loans element will operate.

This will do little to ease concerns about the transparency of the operation of the AIFFP which have been raised by the sector. Based on the information provided in the budget papers, loans and grants agreed under the AIFFP will likely only be published after the expenditure has been made.

As reported in *The Australian* in December 2018, creating the AIFFP has “posed major challenges for DFAT to deliver in-house.”^{vi} Expenditure of \$12.7 million for setup costs confirms that the Department is drawing in consultants and experts to assist.

The Budget papers do, however, reveal a marked shift in the rhetoric on loan-financing for infrastructure and chimes with concerns raised by the aid and development sector. The Ministerial foreword to the Australian Budget summary reveals the sector’s advocacy has been heard.

In the foreword, Minister for Foreign Affairs, Marise Payne, stressed the need to address infrastructure needs “while avoiding unsustainable debt” and will “incorporate Cross-cutting issues that include climate change and gender.”^{vii} The Minister also referenced the Government’s commitment to “sustainable, principles-based infrastructure investments.” Given the design of the AIFFP is still underway at DFAT and uncertainty shrouds the new facility, this is a welcome shift in language.

Role of Civil Society in the Aid Program

Australia's investment in the Australian NGO Cooperation Program has not increased – despite its consistent high performance and value for money – and the Australian Volunteer Program has been scaled back

Thematic Area	A. FY17-18 Budget Estimate	B. FY18-19 Budget Estimate	C. FY18-19 Estimated Outcome	D. FY19-20 Budget Estimate	E. % YOY (Comparison of B and D)
Global NGO Programs	132.4	135.6	138.1	138.6	2%
Australian Volunteers Program	42.6	42.6	41.6	40.0	-6%
Community Engagement and International Research	8.4	8.4	10.7	13.4	60%
NGO Volunteer and Community Program TOTAL	183.4	186.6	190.5	191.9	3%

Australia's NGO, Volunteer and Community Programs remain a small proportion of the aid budget, with funding allocations keeping up with CPI but rising no further in FY19/20. Even so, as part of this allocation, funding to the Australian NGO Cooperation Program (ANCP) has not risen in line with CPI since FY18/19 and remains static at \$132.5 million in FY19/20.

One other high-value program, the Australian Volunteers Program, has seen a funding cut of 6% as the government narrows its geopolitical focus to the "Indo-Pacific."

WHAT DID ACFID PROPOSE?

In our Federal Budget Submission 2019-2020, ACFID called for the establishment of a civil society expenditure target. We also called for an associated integration of civil society engagement in the design, management and performance of the Australian development cooperation program. In addition, we called for an increase of \$50 million in funding to the ANCP in FY19/20.

A strong evidence base supports this call. According to DFAT's FY16/17 Partner Performance Assessments (PPAs), NGOs outperform multilateral organisations^{viii} and in a 2015 review, the ODE described the ANCP has "one of the best performing programs," delivering 18.2% of DFAT's aggregate development results for only 2.7% of overall ODA.^{ix} Nonetheless, OECD figures continue to show a declining proportion of Australian ODA being channeled to and through civil society organisations. Between FY14/15 and FY15/16 alone, Australia reduced this spend by 32% (\$152 million USD) at the very same time that other donor nations made increases.^x

A \$50 million per annum increase in the ANCP's budget would support Australian NGOs to develop more and deeper partnerships, provide more services, and improve their capacity to assist regional civil society organisations to play their critical role alongside state and market forces.

WHAT HAPPENED?

The ANCP funding envelope remains static at \$132.5 million in FY19/20.

Funding for the Australian Volunteers Program has been cut from \$42.6 million in FY18/19 to \$40 million in FY19/20.

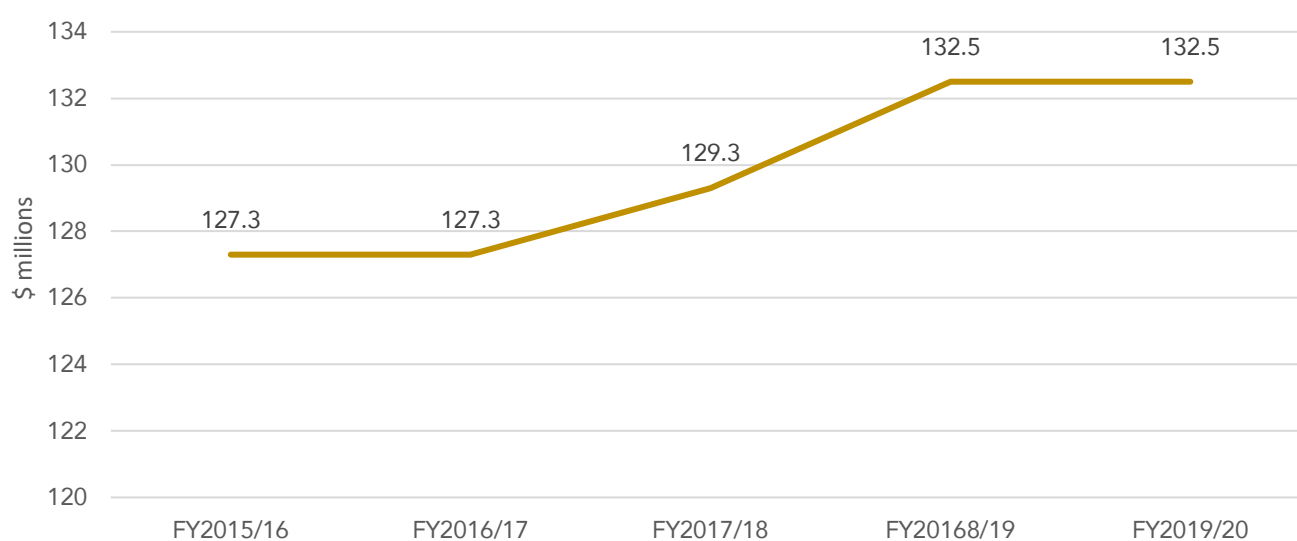
ACFID notes the 60% increase in Community Engagement and International Research from \$8.4 million in FY18/19 to \$13.4 million in FY19/20. However, there is little clarity regarding the initiatives funded by this increase.

ACFID welcomes ongoing support for key inclusive civil society projects including:

- Ongoing funding for the Friendship Grants Scheme
- Establishing a new Pacific Church Partnership Program
- \$14 million over 5 years to fund Disabled Persons' organisations to advocate on inclusive development
- \$1.7 million for FY19/20 to continue to fund the Individual Deprivation Measure tool

However, we note that gender and disability inclusive development programs have not seen an increase in the overall DFAT ODA budget and suggest that this is a missed opportunity to sharpen our focus on inclusion.

ANCP Funding



Source: FY2015-16 budget outcomes; FY2016-17 budget outcomes; FY2017-18 revised budget estimates; FY2018-19 budget estimates FY2019-20 budget estimates

ACFID'S ANALYSIS

A strong civil society is crucial for any functioning democracy, and essential in nations that experience structural limitations in their capacity to provide services for their citizens. A vibrant and diverse array of civil society organisations can help nations build more inclusive institutions and advocate for inclusive solutions to social and economic problems. This in turn leads to improved systems and standards of governance across a range of institutions.

NGOs and civil society organisations in many countries in our region operate in an increasingly constricted environment, challenging their ability to hold governments to account, while also providing critical services such as healthcare, education and humanitarian assistance.

ACFID calls for new civil society projects and increased funding for Global NGO Programs, as well as long-term, flexible assistance for civil society strengthening through country and regional programs. Constraining long-term Global NGO programs, such as the ANCP and Australian Volunteers Program, puts existing democratic gains and partnerships at risk.

ACFID calls on the Australian Government to develop:

- A new civil society partnerships strategy implemented through local and Australian CSOs;
- A civil institution target aimed at driving aid program performance on building civil society;
- Australian aid procurement processes that engage, strengthen and work with CSOs in program design and project implementation;
- Local and Australian civil society engagement in the design of new development programs; and
- Measures to increase the proportion of Australian ODA channeled to civil society from 11% to 20%, for both humanitarian and development funding, commensurate with the OECD DAC donor average.

Climate Change

Australia pulls out of the Green Climate Fund but concludes its Paris Agreement commitment of \$1 billion by 2020

The FY19/20 Budget will invest at least \$200 million towards climate initiatives in developing countries. This investment puts Australia on track to meet its financial commitment of \$1 billion over five years to 2020 under the Paris Agreement. While the Pacific is front and centre in Australia's budget allocation for climate change, the FY19/20 budget will not continue to invest in the Green Climate Fund.

WHAT DID ACFID PROPOSE?

ACFID's submission to the FY19/20 Federal Budget called for the Government to design a comprehensive climate change strategy that aligns Australia's domestic and international action with its 2015 Paris Agreement commitments.

Given the growing scale of climate impacts across the region, ACFID has also called on the Government to increase spending on climate change initiatives by dedicating an additional \$600 million per annum in new public funds for international climate mitigation and adaptation programs. This figure should increase to \$1.6 billion per annum, nested within dedicated, multi-sector initiatives to leverage a matching sum from private sources over the same period. The total quantum mobilised from all sources should reach at least \$3.2 billion per annum within five years.

WHAT HAPPENED?

Australia will invest at least \$200 million towards climate mitigation and adaptation in developing nations in FY19/20.^{xi} A key focus of this work is Australia's investment in climate initiatives in the Pacific. This includes both continued work on climate initiatives for FY19/20, as well as an investment of \$75 million over four years to FY22/23 through the Australia Pacific Climate partnership.

Additionally, DFAT has stated that over three years to FY21/22, \$6 million will be invested in the Pacific in partnership with Fiji and other Pacific countries, and in partnership with regional institutions and private sector organisations to protect and manage coastal blue carbon ecosystems.

Outside of the Pacific, a key investment area for FY19/20 on climate change is Phase 2 of the Sustainable Development Investment Portfolio, valued at \$10 million over three years to FY19/20, to promote management of water, energy and food in Himalayan river basins.

Following Prime Minister Scott Morrison's comments that Australia would no longer "tip money" into "global climate conferences and all that sort of nonsense," Australia will no longer invest in the GCF.^{xii}



ACFID'S ANALYSIS

ACFID welcomes the Australian government's progress against its financial commitments under the Paris Agreement. However, all funding towards this commitment has been drawn from the existing (and already heavily cut) ODA budget. This means that while Australia is on track to meet its Paris commitment, it is not contributing its fair share towards financing international mitigation and adaptation programs by dedicating at least \$1.6 billion in public funds towards this effort per annum, sourced from new money additional to ODA.^{xiii}

This failure to further increase Australia's financial commitments, in line with its fair share, seriously brings into question Australia's attitude towards meeting its Paris Agreement commitments overall, including emissions targets. Australia's poor performance on reducing emissions is further reflected by projections released by the Department of Environment and Energy in December 2018, which showed Australia is not on track to meet its current emissions targets^{xiv}.

The impact of Australia pulling out of the GCF, a global fund focused on climate mitigation and adaptation initiatives in developing countries, remains to be seen. ACFID would like to see progress on the government's proposed alternatives, so new initiatives are even better, with greater funding and impact, than previously under the GCF.

Lastly, the government's support for climate resilient infrastructure development in the Pacific is positive. Ensuring that investments in infrastructure are made pro-poor and resilient to the threats of climate change is integral to Australia's future development work in the Pacific region. However, this is just a small step as part of a much larger need to coordinate climate policy and action across international and domestic spheres. Therefore, ACFID urges the Government to publish its climate strategy to advance a unified and enhanced Australian climate policy.

Humanitarian

This budget sees a welcome increase in humanitarian funding to \$450 million in FY 19/20, however this falls short of the promised White Paper commitment of \$500 million per annum. Commitments to individual crises, including the Syria crisis, are not clear, and some critical crises such as Yemen and the DRC seem to again be forgotten.

Thematic Area	A. FY17-18 Budget Estimate	B. FY18-19 Budget Estimate	C. FY18-19 Estimated Outcome	D. FY19-20 Budget Estimate	E. % YOY (Comparison of B and D)
Disaster risk reduction, preparedness and response	39.0	39.0	39.0	51.0	31%
Protracted crises and strengthening humanitarian action	78.4	87.2	97.5	115.5	32%
Emergency Fund	150.0	150.0	150.0*	150.0	0%
Global Humanitarian Partnerships	132.3	133.5	128.5	133.5	0%
HUMANITARIAN, EMERGENCIES AND REFUGEES TOTAL	399.7	409.7	415.0	450.0	10%

*NOTE: The Emergency Fund estimated outcome has been included in this table for consistency but is not included in the FY2018-19 Estimated Outcome Supplementary Tables in the Australian Aid Budget Summary 2019-20.

Humanitarian funding has risen 10% from \$409.7 million in FY18/19 to \$450 million in FY19/20. While this increase of \$40.3 million is welcome, it does not go far enough to meet Australia's Foreign Policy White Paper commitment of \$500 million in humanitarian funding per annum. It is also not clear what amount of funding is allocated to individual crises, most notably for the Syria crisis, nor is there a rationale for which crises are funded and why, and which continue to miss out.

WHAT DID ACFID PROPOSE?

ACFID's pre-budget submission called, for a second year in a row, for Australia to contribute its fair share of global humanitarian financing by increasing humanitarian program funding to \$570 million in 2019/20, and at a minimum meet the Foreign Policy White Paper commitment of \$500 million per year.

Within this fair-share total, ACFID also called for the Government to:

- Increase funding to civil society organisations, including ANGOs and local NGOs and CSOs to at least 20% of DFAT's humanitarian funding;

- Allocate at least \$200 million per annum for multi-year funding commitments to protracted crises in at least 5 countries or regions; and
- Increase the Emergency Fund to \$250 million per annum.

In addition, ACFID's pre-budget submission stated that the Government should increase investment in disaster risk reduction programming to at least 5% of ODA, in addition to Australia's humanitarian program funding.

WHAT HAPPENED?

Humanitarian funding has risen 10% from \$409.7 million in FY18/19 to \$450 million in FY19/20. The increase in humanitarian spending in FY19/20 comprises a \$12 million increase in funding for "disaster risk reduction, preparedness and response" and a \$28.3 million increase for "protracted crises and strengthening humanitarian action."

The Australian Aid Budget Summary 2019-20 suggests that Australia will continue to provide humanitarian assistance that focusses on crises in: Somalia and South Sudan in Africa; Afghanistan, Pakistan, Bangladesh and Myanmar in Asia; Syria, Iraq and the Palestinian

Territories in the Middle East; while continuing to respond to sudden-onset disasters.

The Australian Aid Budget also outlines that the Australian Government will continue to invest in building resilience and disaster risk reduction, in the Pacific, and in Indonesia through a new partnership in disaster risk management.

ACFID'S ANALYSIS

It is disappointing that for the second year in a row, Australia's humanitarian program funding falls short of the \$500 million promised in the Foreign Policy White Paper, and over \$120 million short of Australia's fair share of \$570 in global humanitarian financing.^{xv}

The Foreign Affairs and Trade Portfolio Budget Statement does, however, show that this commitment will be met in FY20/21, and that humanitarian funding will then remain flat at \$500 million per annum for the remaining forward estimates to FY22/23. While there is a \$40.3 million increase in humanitarian financing from FY18/19, this year's allocation is still \$43 million lower than Australia's FY2012-13 humanitarian program allocation of \$493 million.

While it is good to see clarity around when the White Paper commitment will be met, it is disappointing that this upward trajectory does not continue over the forward estimates (from FY21/22 and beyond), and that Australia does not show further ambition towards closing the ever-growing humanitarian financing gap, which reached an unprecedented US\$11.01 billion in 2018.^{xvi} ACFID reiterates its call that the Australian Government should take an ambitious step towards reducing this gap in humanitarian financing, through committing its fair share of humanitarian funding.

While we welcome the additional \$28.3 million in the humanitarian program's budget for "protracted crises and strengthening humanitarian action," bringing this budget line to \$115.5 million, this amount falls short of the \$200 million called for by ACFID's pre-budget submission to address complex and protracted crises. There is also a lack of transparency around how this budget will be programmed, and further, from which budget/s (humanitarian or country/regional programs) funding for individual crises are allocated.

We continue to welcome the Government's continued commitment to multi-year funding packages for Syria and Iraq that allow a coherent approach to both providing humanitarian relief while also addressing longer-term needs including livelihoods, education and stabilisation. However, we note that the Syria multi-year package was due to conclude in FY18/19, and it is not clear from the Aid Budget Summary (in both the "Building Resilience" and "Middle East and North Africa" budget narratives) what level of support Australia intends to provide to Syria in the coming year. Indeed, it is unclear where additional funding for Syria would be programmed from: while the protracted crises budget line item increases this year, funding for the

Middle East and North Africa falls significantly by \$56.9 million, and it is not clear where these cuts come from.

Similarly, it is not clear what level of funding the Australian Government will commit to the Rohingya Crisis in FY19/20, nor which budget line this will be allocated from. We continue to encourage the Australian Government to work towards a multi-year package for the Rohingya Crisis and stand ready to engage with DFAT to assist in its development.

ACFID is pleased to see \$15 million funding allocated for humanitarian assistance to address the ongoing crises in South Sudan and Somalia and is pleased that Australia has not back-tracked on providing humanitarian assistance in Africa, where need remains great. We encourage Australia to also work with humanitarian and development partners to develop a multi-year package for Somalia and South Sudan, and to also consider packages for other critical crises including the Democratic Republic of the Congo where needs remain "exceptionally high"^{xvii} and in Yemen, which remains the "worst humanitarian crisis in the world."^{xviii} We encourage the Government to work with humanitarian partners, including Australian NGOs, to develop at least three additional multi-year packages by the end of FY19/20.

ACFID is pleased to see a 31% increase in the budget line item for Disaster Risk Reduction, Preparedness and Response for FY19/20. We envision that a significant portion of this will be used to fund Australia's hosting of the 2020 Asia Pacific Ministerial Conference for Disaster Risk Reduction. We congratulate DFAT for showing continued global leadership in promoting DRR on the global and regional stage, for pressing for the inclusion of the Pacific region in this important event, and for including civil society in its development.

Australia has been recognised as a leader in DRR policy and practice, and we are pleased to see a new Australia-Indonesia Partnership in Disaster Risk Management in the aid program, to build on the legacy of the Australia-Indonesia Facility for Disaster Reduction. ACFID is also pleased to see recognition of the Australian Humanitarian Partnership Disaster READY program, and its innovative methodologies to help countries and communities in the Pacific and Timor Leste prepare for and respond to disasters.

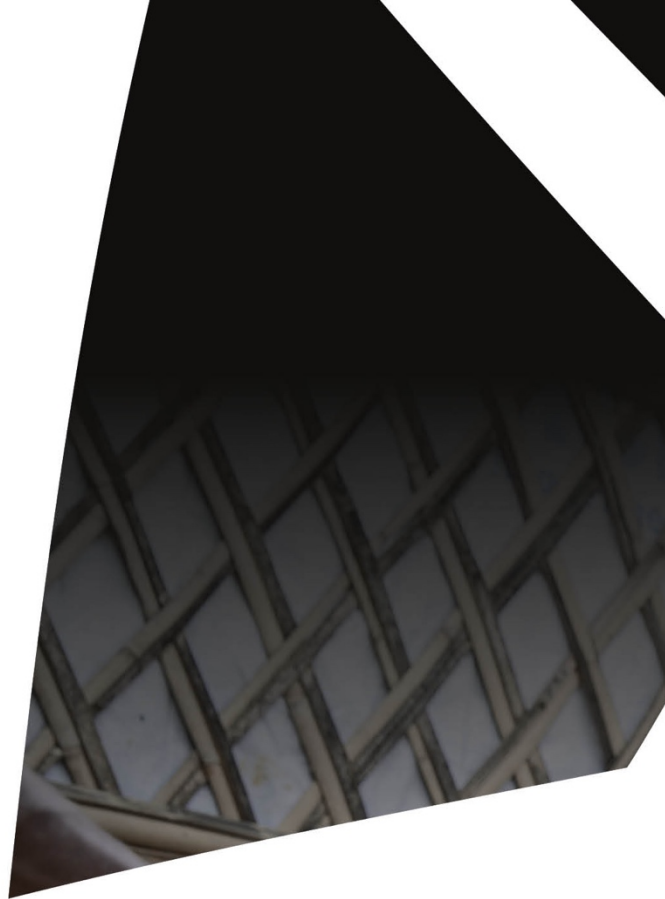
Over the past six years, however, Australia's level of DRR investment has been largely static between 1-3 % of a diminishing development cooperation budget. DRR funding is also insufficiently reported, making it more difficult to identify DRR finance allocations and the outcomes of these investments. We continue to call on the Government to increase funding to build resilience and reduce the underlying risk factors through investing at least 5% of ODA in programs that reduce disaster risk through long-term development programs. We reiterate that the Australian Government should increase the transparency of DRR funding by separating the budget allocation from "preparedness and response" and provide an annual budget estimation and report on Australia's overall investment in DRR from both humanitarian and development programs.

Endnotes

- i Australian Government, 2019. 'Budget Strategy and Outlook Budget Paper No. 1 2019-20' https://www.budget.gov.au/2019-20/content/bp1/download/bp1_final.pdf
- ii DFAT, 2019. 'Portfolio Budget Statements 2019-20 Budget Related Paper No. 1.8' <https://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2019-20-foreign-affairs-and-trade-pbs.pdf>
- iii Australian Government, 2019. 'Budget Measures Budget Paper No. 2 2019-20' <https://www.budget.gov.au/2019-20/content/bp2/download/bp2.pdf>
- iv DFAT, 2019. 'Submission to the Senate Foreign Affairs, Defence and Trade Legislation Committee' <https://www.aph.gov.au/DocumentStore.ashx?id=d1340371-5a3c-48cb-aca5-481e79e97fa9&subId=667022>
- v Australian Government, 2019. 'Budget Strategy and Outlook Budget Paper No. 1 2019-20' https://www.budget.gov.au/2019-20/content/bp1/download/bp1_final.pdf
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- vii DFAT, 2019. 'Australian Aid Budget Summary 2019-20', <https://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2019-20-australian-aid-budget-summary-ministers-foreword-and-intro.pdf>
- viii DFAT, 2018. 'Performance of Australian Aid 2016-17', <https://dfat.gov.au/about-us/publications/Documents/performance-ofaustralian-aid-2016-17.pdf>
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- xi DFAT, 2019. 'Australian Aid Budget Summary 2019-20'. <https://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2019-20-australian-aid-budget-summary.pdf> p.95
- xii DFAT, 2019. 'Australian Aid Budget Summary 2019-20'. <https://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2019-20-australian-aid-budget-summary.pdf> p.8. See also Sara Stefanini. 2018. 'Australia won't give money to Green Climate Fund, says PM', <https://www.climatechangenews.com/2018/10/08/australia-wont-give-money-green-climate-fund-says-pm/>
- xiii Frank Jotzo, Jonathan Pickering & Peter J. Wood, 2019. 'Fulfilling Australia's International Climate Finance Commitments: Which Sources of Financing are Promising and How Much Could They Raise?' ANU Centre for Climate Economics and Policy Working Paper.
- xiv Stephanie March, 2019. 'Are Australia's efforts to curb global warming enough to meet our Paris target?' <https://www.abc.net.au/news/2019-04-01/is-australia-on-track-to-meet-its-paris-emissions-targets/10920500>
- xv This figure represents Australia's fair share of the United Nations annual global estimate of humanitarian financing needs and is calculated by sharing the total figure across High and Upper Middle-Income Nations according to their GNI, as defined by the World Bank.
- xvi UNOCHA, 2019. 'Global Humanitarian Overview 2019' <https://www.unocha.org/sites/unocha/files/GHO2019.pdf>
- xvii UNOCHA, 2019. 'Global Humanitarian Overview 2019' <https://www.unocha.org/sites/unocha/files/GHO2019.pdf>
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