

2018-19 Pre-Budget Submission

World Vision Australia

December 2017

Background

World Vision is a worldwide community development organisation that provides short-term and long-term assistance to 100 million people worldwide (including 77 million children). We have more than 45,000 staff members working in 99 countries. In Australia, we are actively engaged with over 700,000 members of the Australian public that have an interest in international development. World Vision Australia has an 80% brand recognition level, reflecting the high visibility and awareness of our charitable work empowering communities to lift themselves out of poverty.

World Vision has a compelling track record on aid and development. For six decades, World Vision has been engaging people to work towards eliminating poverty and its causes. World Vision is committed to the poor because we are Christian. We work with people of all cultures, faiths and genders to achieve transformation. We do this through relief and development, policy and advocacy, collaboration and education about poverty, with an emphasis on personal growth, social justice and spiritual values.

World Vision Australia has a productive working relationship with the Australian Government in partnering to deliver the Australian aid program. The life of agreement value of this relationship is AU\$136 million, spanning food security programs in East Africa, livelihoods and resilience programming in fragile contexts, gender based violence programs in the Pacific, and programs piloting new innovation in South East Asia. The Australia NGO Cooperation Program (ANCP) partnership is at the core of this relationship, and is orientated towards supporting community development globally.

World Vision Australia also engages in dialogue with the Australian Government on matters of policy and practice. World Vision Australia welcomes the opportunity to make a submission to the 2018-19 Australian Government pre-budget process.

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Executive Summary

Australian aid makes an essential contribution to the alleviation of poverty and suffering in our region and around the world. It achieves significant impacts, both overseas and for Australia. Among its many positive outcomes, Australian aid empowers people living in poverty, helps people live longer, healthier lives, and improves regional security. As evidence of its impact, in the last 25 years, the number of people in developing countries living on less than \$1.25 a day has dropped from 47 per cent in 1990 to 14 per cent in 2015¹. However, inequality gap continues to rise within countries² and displacement reaches crisis levels³, the need to rebuild and restore Australian aid levels becomes increasingly urgent.

Cuts to the Australian aid budget have represented 25% of total budget savings between the 2013-14 and 2018-19 fiscal years⁴. For expenditure that represents less than 1% of total budget spend, it is unacceptable that such significant savings are derived by diverting life saving measures from some of the world's most vulnerable children. In the current 2017-18 year, aid has fallen to the lowest levels in history at 0.22% of GNI or \$3.912 billion⁵. This places Australia 17th in the OECD's aid rankings, out of the 28 OECD donors, risking Australia's reputation as a generous neighbour committed to addressing our world's most pressing challenges.

Global leaders are also being challenged by a record displacement crisis and given its new role on the UN Human Rights Council, Australia can and should increase its humanitarian intake to do its 'fair share'. There are 65 million people currently displaced around the globe, more than half of whom are children. Even as great strides are being made for the wellbeing of children and communities around the world, unprecedented levels of protracted conflict are still resulting in significant human suffering and record displacement. Unfortunately, this displacement crisis is unlikely to dissipate soon, due to protracted crises in Syria, Iraq, Yemen, Afghanistan, South Sudan, the Democratic Republic of Congo and the emerging crisis in Myanmar-Bangladesh.

World Vision Australia's pre-budget submission outlines the case for a manageable restoration of Australia's aid level back to 0.33% of GNI over the next six years. It explains how the Australian Government can prioritise aid investment across several key policy areas whilst increasing our humanitarian program to 42,000 places within five years. If the Australian Government does not act to address the persistent and sharp fall in Australian aid levels and increase its humanitarian program, it ignores the potential for further large-scale reductions in poverty alleviation and inequality. It also seriously puts at risk our previous achievements, as well as our ability to meet our commitment to the Sustainable Development Goals (SDGs) – 17 agreed goals which form a roadmap for global development efforts to 2030 and beyond.

Effectively prioritising the right areas of aid policy has never been more important. As this submission highlights, there are a range of areas that must be prioritised to ensure we meet our commitment to the SDGs. For example, micro, small and medium sized enterprises continue to represent untapped potential for lifting the poor - particularly women - out of poverty. Vulnerable members of local communities, especially children, that suffer needlessly from violence and exploitation, could be empowered if child-focused aid was thematically prioritised within our aid program. And our region, one of the most disaster-prone in the world, could be

¹ http://www.un.org/millenniumgoals/pdf/Goal_1_fs.pdf

² <http://www.un.org/sustainabledevelopment/inequality/>

³ <http://www.unhcr.org/en-au/news/latest/2016/6/5763b65a4/global-forced-displacement-hits-record-high.html>

⁴ 'The State of Australian aid', Lowy Institute (2017) <https://www.lowyinstitute.org/issues/australian-foreign-aid>

⁵ 'The State of Australian aid', Lowy Institute (2017) <https://www.lowyinstitute.org/issues/australian-foreign-aid>

better protected through disaster risk reduction programs that represent a fantastic 15:1 return on investment and could help safeguard vulnerable communities in our region against natural disasters. We should also apply domestically the experience we have supporting community-led development across the globe. We know, for example, that empowering Indigenous communities is vital if indigenous programs are to be effective – these communities could determine their own objectives, their own measures of success and a way to realise their own vision for the future – if we could ensure initiatives are community-led in preference to traditional delivery models.

Summary of Recommendations

World Vision Australia recommends the following in preparation of the 2018-19 Budget.

SECTION 1: RESTORING AUSTRALIA'S AID PROGRAM AT A TIME OF GROWING GLOBAL NEED

Recommendation 1: That the Australian Government commit to rebuilding Australia's aid budget back to 0.33% of GNI over six years (2023/24).

Recommendation 2: That the Australian Government invest an additional \$5m in resourcing for the Office of Development Effectiveness to expand its mandate to regularly assess the Australian aid program against the Sustainable Development Goals and identify and disseminate best practice examples.

Recommendation 3: That the Australian Government further leverage Australian aid to encourage private investment in development by investing an additional \$20 million in the Emerging Markets Impact Investment Fund, and encouraging innovation in the management and operations of the Fund.

SECTION 2: HUMANITARIAN ACTION IS AUSTRALIA'S SHARED GLOBAL RESPONSIBILITY

Recommendation 4: To contribute its fair share to global humanitarian assistance appeals in 2018-19 the Australian Government should increase its overall humanitarian budget allocation to at least \$572.9 million, exclusive of funding for Disaster Risk Reduction programs.

Recommendation 5: That the Australian Government increase the current Emergency Fund to \$250 million to ensure flexible response capability to rapid-onset disasters and conflict spikes.

Recommendation 6: That the Australian Government allocate \$200 million annually in the aid budget to establish resilience focused, multi-year (3+ years) funding for longer-term support to protracted crises, such as South Sudan and the Myanmar/Bangladesh refugee crisis, in accordance with commitments under the Grand Bargain.

Recommendation 7: That the Australian Government scale up Australia's official humanitarian intake of refugees to 42,000 within five years, comprising 22,000 UNHCR-referred places in the refugee category, 10,000 places for family reunion and 10,000 separate places as part of the Community Support Program (which must be additional to the refugee category).

SECTION 3: SUPPORTING DISASTER RISK REDUCTION IN OUR REGION AND BEYOND

Recommendation 8: That the Australian Government ensure that, at minimum, 5% of Australian aid is spent on Disaster Risk Reduction (DRR) initiatives and develop clear mechanisms to embed DRR across all Australian investments and track spending progress on DRR.

Recommendation 9: That the Australian Government develop and implement a Climate Change Strategy for the Department of Foreign Affairs and Trade that includes a strategic approach to how climate change should be integrated across all Australian aid investments, and considered in the context of Australian trade and investment relations.

Recommendation 10: That the Australian Government scale up Australia's support to International Climate Finance, including through the Green Climate Fund by 2020, to USD \$1.2 billion⁶ This funding must be new and additional to Official Development Assistance Australia has previously pledged.

Recommendation 11: In partnership with the Australian Bureau of Meteorology and community based stakeholders (including church networks and private sector actors), that the Australian Government allocate \$5m for a pilot project in the Pacific region, to enhance early warning systems to ensure community actors can understand, monitor, communicate and respond to risks, with a view to taking such an approach to scale.

SECTION 4: AN INCREASED CHILD FOCUS IN AUSTRALIA'S AID PROGRAM

Recommendation 12: That the Australian Government increase its Australian aid investment in policies and programs to assist countries to meet their obligations under the Convention Under the Rights of the Children and the SDG's.

Recommendation 13: That the Australian Government establish a child rights branch or unit within DFAT to develop indicators that directly relate to children, improve the impact of Australian aid on children and build an evidence base for effective aid investment in children.

Recommendation 14: That the Australian Government allocate \$3 million for a pilot project to assist governments in South Pacific countries to implement their existing laws and policies, specifically aimed at addressing and preventing violence against children.

Recommendation 15: That the Australian Government make the ending of violence against children a distinct thematic objective of the Australian aid program in the South Pacific region.

SECTION 5: AID FOR INCLUSIVE TRADE IS CRITICAL TO ECONOMIC GROWTH

Recommendation 16: That the Australian Government boost its investment in productive capacity building to 50-60 per cent of 'aid for trade' expenditure (2013 levels) to improve the capacity of people living in

⁶ Based on Australia's relative economic strength and our contribution to climate change, Oxfam has identified that Australia should contribute 2.4% of the current goal of USD \$100 billion a year. This would equate to at least USD \$1.2 billion in public funds, and an equivalent contribution from the private sector. Further information is available at: Oxfam Australia, Bringing Paris Home, 2016, available at: <https://www.oxfam.org.au/media/files/2016/04/Oxfam-Australia-Bringing-Paris-Home-Report.pdf>

poverty, especially small-holder farmers, producers and micro-entrepreneurs, to be able to engage in and benefit from trade.

Recommendation 17: That the Australian Government invest a total of AU\$20 million in additional funds for innovative financing solutions that increase access to finance for micro, small and medium-sized enterprises, with a focus on Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka.

Recommendation 18: That the Australian Government support women's economic empowerment and invest a total of \$30 million in additional funds for innovative financing solutions specifically dedicated to micro, small and medium-sized enterprises that are fully or partially owned by women, with a focus on Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka.

SECTION 6: COMMUNITY-LED INITIATIVES MUST UNDERPIN INDIGENOUS PROGRAMS

Recommendation 19: That the Australian Government allocate a greater percentage of the Federal Budget for Indigenous programs to initiatives with a community development approach, such as Empowering Communities, and examine local decision-making policies implemented by the states and territories with an aim to reform traditional service delivery models.

Recommendation 20: That the Australian Government invest \$350 million to provide opportunities to build the capacity and capability of remote communities to participate in local decision-making initiatives. We also call on the government to increase funding for local capacity-strengthening to 20% of funds allocated to all program budgets.

SECTION I: RESTORING AUSTRALIA'S AID PROGRAM AT A TIME OF GROWING GLOBAL NEED

I.1 Australia's aid program

World Vision Australia believes it is critical to establish an integrated approach to security, aid and development, and trade relationships. As key powers turn inward there is an opportunity for Australia to elevate its aid to be a core asset of Australia's foreign policy, and demonstrate its vital role in helping support global and regional peace and prosperity; something that is certainly in Australia's national interest.

However, this will require reversing the trajectory of Australia's aid and rebuilding it to 2013-14 levels, as a starting point. In 2013-14 Australia's Official Development Assistance (ODA) was just over \$5 billion (0.33% GNI), with a bipartisan commitment to return aid spending to 0.5% of GNI by the 2017-18 Federal Budget. Successive cuts have reduced the aid budget to \$3.912 billion as at the 2017-18 Federal Budget. This equates to 0.22% of GNI with a trajectory of falling to 0.20% of GNI over the forward estimates.

Over the long-term Australia should map out a pathway to grow Australia's aid to 0.7% of GNI, in line with our previous international commitment and as achieved or exceeded by the UK, Netherlands, Denmark, Luxembourg, Norway and Sweden. Supporting nations to lift themselves out of poverty, consistently advocating for human rights and good governance, and addressing the root causes of problems are global priorities that Australia should continue to champion in our region and the world.

Every year, 1.6 million Australians support the work of international NGOs like World Vision Australia, and often dig deeper in times of humanitarian crises⁷. The public has a strong interest in seeing international development that aligns with Australia's values and the Australian ethos of a fair go and equality for all. Australia, and Australians, have always been outward facing; deeply interested in global affairs and engaged in shaping the international rules-based system. As a country, we have long engaged in the international community as a voice for social justice and the rights of minorities, advocating for our brand of equality, egalitarianism and multiculturalism.

As an example of the public support for aid, following feedback from 10,000 people, the Campaign for Australian Aid's 'People's White Paper' urged action on aid to reflect the values of the Australian people. Out of the over 10,000 submissions received, 9 in 10 said addressing inequality, climate change and poverty should be foreign policy priorities⁸.

Increases to the aid program over the forward estimates (the next four years) have, however, only been pegged to the rate of inflation, and will be frozen for two of those years, which will result in Australia's aid generosity continuing to decline as the economy is forecast to grow.⁹ This is out of step with the community's expectations of government and what World Vision Australia hears from its 700,000 supporters every day. Indeed, Australia has been rated as the third most generous nation in the Charities Aid Foundation global giving index, yet when it comes to the government contribution to aid we are still in 17th place, and slipping further behind each year¹⁰.

⁷ <https://acfid.asn.au/media-releases/new-standards-set-australian-aid-and-international-development-ngos>

⁸ <http://australianaid.org/actions/onehumanity/>

⁹ <https://www.lowyinstitute.org/issues/australian-foreign-aid>

¹⁰ <http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>

With more than 33 million children now displaced worldwide by conflict and natural disasters, the urgency to act is reaching a new high. There is growing concern that if the government doesn't act soon to restore aid to previous levels, we will fail to meet our commitments under the Sustainable Development Goals. World Vision Australia contends that rebuilding Australia's aid level to 0.33% of GNI over the next six years is a manageable and achievable goal, which will set us back on a positive path, with a renewed capacity and capability to meet our commitments to the SDGs.

Recommendation 1: That the Australian Government commit to rebuilding Australia's aid budget back to 0.33% of GNI over six years (2023/24).

1.2 Effectiveness of aid delivery

The purpose of the Australian aid program is to promote prosperity, reduce poverty and enhance stability and, in doing so, promote Australia's national interests. To effectively achieve these outcomes, Australian aid needs to be, firstly, adequately funded (as discussed earlier) and, secondly, it needs to be evidence-based, informed by a deep, localised understanding of what works and what does not in different contexts.

Robust monitoring and evaluation is critical to ensuring Australian aid is designed and delivered in the most effective ways. By tracking the real-world impacts of aid projects, Australia can ensure that its aid and development initiatives do no harm in the first instance, and that they ultimately deliver positive and sustained outcomes for people living in poverty. Regular evaluations enable aid donors to adjust poor performing aid projects and to scale-up high performing projects, maximising results and value for money from aid investments.

World Vision Australia therefore recommends that the Australian Government continue to support the Office of Development Effectiveness as an independent function in the foreign affairs portfolio to evaluate the effectiveness of Australian aid, including aid delivery mechanisms and the respective roles of government, the private sector and non-government organisations in implementing Australia's aid programs.

When evaluating Australia's aid investments, attention should be paid to measuring and evaluating the impact of Australia's aid program on the most vulnerable, with specific metrics on the impact of development projects on children and women living in poverty. With the UN estimating that globally 18,000 children die every day from poverty-related causes¹¹, there should be a greater focus on children in Australia's aid program. In addition, a greater level of resourcing within DFAT is needed to measure and evaluate the performance of child-focused aid. Many of the 18,000 child deaths every day from poverty-related causes could be prevented. The solution is a consistent and focused investment of aid that is regularly tracked to ensure it is well-targeted and achieving its intended outcomes.

1.3 Measuring aid performance to achieve the Sustainable Development Goals

The Sustainable Development Goals (SDGs) provide an essential modern framework against which to measure Australia's aid effectiveness. As the agreed set of global goals to end poverty, protect the planet and ensure prosperity for all, the SDGs should be at the centre of Australia's aid program and its evaluation

¹¹ UNICEF Executive Director, in Third Committee, Says 18,000 Children Still Dying Every Day, despite Dramatic Fall in Death Rate <https://www.un.org/press/en/2013/gashc4071.doc.htm>

framework. World Vision Australia welcomes the Australian Government's commitment to report on its progress in implementing the SDGs through a Voluntary National Review at the United Nations High Level Political Forum in July 2018. However, evaluations of Australia's contributions to the SDGs through its aid program need to be done on a regular basis, at least annually, to ensure the aid program is well targeted and responsive to changing contexts. World Vision Australia therefore recommends that the Office of Development Effectiveness be given a broader mandate and additional resources to evaluate Australia's aid projects against the SDGs on a regular basis.

Recommendation 2: That the Australian Government invest an additional \$5m in resourcing for the Office of Development Effectiveness to expand its mandate to regularly assess the Australian aid program against the Sustainable Development Goals and identify and disseminate best practice examples.

I.4 Financing for Development

There is growing recognition across the international community of the urgent need to mobilise new forms and sources of finance and capital flows (in addition to ODA) in order to achieve the SDGs.¹² The Foreign Minister, the Hon Julie Bishop MP, explained that global aid is \$2.5 trillion short of achieving the UN SDGs in her November 2017 address to the recent Asia Pacific Impact Investing Summit. Financing needed for basic infrastructure alone is estimated to be around USD1 trillion, while the cost of providing credit for small and medium enterprises (SMEs) in developing countries is estimated to be USD2.5 trillion – many magnitudes greater than current foreign aid contributions.¹³ New and innovative sources of development finance are therefore needed to bridge this financing gap.¹⁴

Non-traditional forms of development finance include trade, social impact investing, results-based financing including Development Impact Bonds (DIBs), domestic resource mobilisation, remittances, foreign direct investment, private sector partnerships, new types of private sector finance and philanthropic funds, to name a few. Whilst there are some nascent examples of domestic interventions applying such interventions, overall these financing options are under-utilised, particularly internationally, and there is much potential to leverage Australian aid to incentivise private sector investment to achieve Australia's aid and development objectives.

To this end, World Vision Australia welcomes the Australian Government's recent announcement to establish a \$40 million 'fund of funds', known as the Emerging Markets Emerging Markets Impact Investment Fund (EMIIIF), aimed at leveraging private investment in SMEs to promote inclusive economic growth and reduce poverty in the Asia Pacific region. By investing \$250,000 - \$2 million in each SME in conjunction with Technical Assistance (TA) focused upon impact management and gender lens investing, the EMIIIF will help to scale impact enterprises in order to stimulate local economies.¹⁵ It is important that NGOs have a role as

¹² See the Addis Ababa Action Agenda: <http://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/Addis-Ababa-Action-Agenda-Draft-Outcome-Document-7-July-2015.pdf>

¹³ ODA flows in 2015 were US\$131.6 billion (Organisation for Economic Co-operation and Development data, 2015). See also: United Nations, *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, 2014.

¹⁴ United Nations, *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, 2014.

¹⁵ Minister for Foreign Affairs, the Hon Julie Bishop MP, *Impact investment for economic development*, 2017, available: https://foreignminister.gov.au/releases/Pages/2017/jb_mr_171114.aspx.

technical advisors to the fund manager as they bring on-ground intelligence and expertise in aid delivery. To strengthen the innovation potential of this initiative, as well as ensure that such economic growth is inclusive of the poor and contributes to poverty reduction, World Vision Australia recommends that the Australian Government seek consortia through the tender process that include a mix of private sector companies alongside TA providers such as NGOs that have a proven track-record of achieving inclusive economic growth.

The EMIIIF is a positive first step in attracting private investment, however more can and must be done to 'crowd in' greater private financing that specifically contributes towards development efforts in the Asia Pacific region, thus complementing EMIIIF investments. World Vision Australia recommends that the Australian Government scale up its efforts to build a future pipeline of investment-ready enterprises that attracts private capital by increasing investment in impact funds. Particular attention should be given to those that have a significant focus on supporting early-stage small and growing businesses in developing countries who are seeking smaller amounts of capital, known as the 'most missing of the missing middle'. Whilst these investments would enable such smaller businesses to grow, it also demonstrates true additionality as other private investors seeking market-rate returns may not invest in these businesses on their own. Such risk-reducing, returns-enhancing instruments offered by the government can attract greater private investment that might otherwise be absent in areas of key policy focus for Australia, such as gender equality, and contribute to developing a future pipeline of investment-ready enterprises that can achieve both social and financial impact.

In the near term, these new financial instruments will not diminish the need for aid or an effective and well-funded Australian aid program. Aid is now even more critical to support and incentivise new forms of finance, and vital to serve the development needs of marginalised communities where other forms of capital cannot or will not immediately flow.

Recommendation 3: That the Australian Government further leverage Australian aid to encourage private investment in development by investing an additional \$20 million in the Emerging Markets Impact Investment Fund, and encourage innovation in the management and operations of the Fund.

SECTION 2: HUMANITARIAN ACTION IS AUSTRALIA'S SHARED GLOBAL RESPONSIBILITY

In the past year, the capacity and resources of humanitarian agencies were again pushed to their limits responding to untold human suffering around the world. Drought like conditions were declared across much of East Africa; flooding affected 41 million people in South Asia; simultaneous cyclones in the Caribbean left thousands of people homeless; and a magnitude 7 earthquake severely damaged infrastructure in Mexico. These have happened alongside crises in Syria, Yemen, Iraq, South Sudan and the Democratic Republic of Congo which have all ticked over another year. In 2016, an estimated 164 million people, over six times the population of Australia, were estimated to need humanitarian assistance.¹⁶ In response, UN-coordinated appeals again rose to a combined total of US\$20.5 billion, and while global funding has increased in line with growing appeals, the gap between funding requested and provided widened to 40% (\$8.2 billion).¹⁷

Australia's current humanitarian budget is \$399.7 million. While Australia's international humanitarian contribution has increased in real dollar terms since 2015, 2016 saw Australia fall from the top-20 rankings for humanitarian assistance as a percentage of GNI.¹⁸ The United Kingdom, Belgium, Finland, Iceland and Canada – all countries with a similar GNI to Australia, have surpassed Australia for humanitarian assistance as a proportion of GNI, demonstrating that Australia can do more. In this context, we welcome the government's recent Foreign Policy White Paper commitment to increase the humanitarian budget to 'more than \$500 million a year' in 2019-20¹⁹.

World Vision Australia reiterates that humanitarian assistance must be provided in accordance with need, irrespective of where the need arises. Through its endorsement of the Good Humanitarian Donorship (GHD) Principles, Australia has committed to this fundamental principle of humanitarian assistance. While it may be appropriate to prioritise Australia's development assistance to the Indo-Pacific region, this must not limit the provision of humanitarian assistance globally, especially to countries where needs are most acute or underfunded. In order to help meet gaps in overall humanitarian funding and do its fair share, Australia must continue to scale-up its humanitarian budget to over \$570 million.

Recommendation 4: To contribute its fair share to global humanitarian assistance appeals in 2018-19 the Australian Government should increase its overall humanitarian budget allocation to at least \$572.9 million, exclusive of funding for Disaster Risk Reduction programs.

Australia has a strong and proud history of principled humanitarian action, and World Vision Australia commends Australia's ongoing commitment to principled humanitarian action. However, given the scale of current global need, World Vision Australia recommends a significant increase to the Emergency Fund to enable Australia to continue to provide safety, dignity and opportunity to those living amidst conflicts and crises. This will ensure that Australia can continue to be a timely and responsive humanitarian donor to the most affected populations.

Recommendation 5: That the Australian Government increase the current Emergency Fund to \$250 million to ensure flexible response capability to rapid-onset disasters and conflict spikes.

¹⁶ Development Initiatives, *Global Humanitarian Assistance Report 2017*, 2017, p.8

¹⁷ Development Initiatives, *Global Humanitarian Assistance Report 2017*, 2017, p.29.

¹⁸ See Development Initiatives, *Global Humanitarian Assistance Report 2017*, 2017, p.46.

¹⁹ <https://www.fpwhitepaper.gov.au/>

Since 2012 World Vision has been the consortium lead for the Somalia Resilience Program (SomRep), a multi-year investment in increasing the resilience of chronically vulnerable people, households, communities and systems in areas of Somalia vulnerable to drought and conflict. In the wake of this years' East Africa Famine crises, SomRep partners have begun to see the impact of multi-year, resilience focused funding in building the resilience of communities for future crises. Households who are members of Village Savings and Loans Associations (VSLA) were able to access savings and loans to cope with livelihood shocks. During the drought period, some VSLA members used their VSLA pooled welfare fund savings to help other community members who were worse off. Women's groups in Odweyne district facilitated transport to medical care in Burao for nine pregnant women who had become too weak from the drought. The same groups also facilitated transport and water for a nearby pastoral community, helping the community relocate closer to Odweyne District where they would have greater access to water and other emergency assistance. The resilience focused nature of SomRep funding has resulted in the graduation of vulnerable households out of a humanitarian caseload through building communities' resilience, resources and capacity for dealing with droughts and other environmental hazards.

The Grand Bargain is an agreement between more than 30 of the biggest donors and aid organisations, which aims to make humanitarian assistance more effective. The Grand Bargain has recognised that multi-year planning and funding lowers administrative costs and catalyses more responsive programs. Signatories to the Grand Bargain, including Australia, have committed to increase collaborative humanitarian multi-year planning and funding.²⁰

World Vision welcomes the establishment of a protracted crises policy branch within DFAT and looks forward to engaging with the branch as it designs and delivers Australia's humanitarian assistance in protracted crises. However, World Vision Australia continues to recommend, in line with international Grand Bargain commitments, that the Australian Government makes a specific budget allocation for the establishment of community based, multi-year resilience mechanisms for protracted crises, such as South Sudan and the Myanmar/Bangladesh refugee crises. The aid budget currently includes a line item for 'Protracted crises and strengthening humanitarian action' with an estimated budget of \$78.4 million in 2017-18. World Vision Australia recommend greater clarity of purpose around this line item, including a specific allocation for multi-year funding.

Recommendation 6: That the Australian Government allocate \$200 million annually within the Protracted Crisis section of the aid budget to establish resilience focused, multi-year (3+ years) funding for longer-term support to protracted crises, such as South Sudan and the Myanmar/Bangladesh refugee crisis, in accordance with commitments under the Grand Bargain.

We are witnessing unprecedented protracted conflict, displacement, and a retreat to national protectionist ideology in many countries around the world. World Vision believes a decision to remain actively engaged in shaping global leadership for peace and development is vital for the stability and character of the Australian nation.

World Vision Australia understands the features of conflict and instability. Our work is 'first in, last out' and wherever possible integrates emergency relief with long term development and pragmatic advocacy for

²⁰ Commitment 7, *The Grand Bargain-A Shared Commitment to Better Serve People in Need*.

lasting change. As a result, our approach comes from a deep knowledge of the importance of developing a cohesive strategy based on international rules and the related security and stability benefits of active humanitarian engagement.

With protracted conflicts dominating so much of modern humanitarian assistance, international aid and refugee policies cannot be seen in isolation from each other. Australia's recent response to protracted conflicts in Syria and Iraq, providing multi-year funding and additional humanitarian protection places, is a promising step. However, given record numbers of forcibly displaced people worldwide, this is not enough.

Only 1% of the world's refugee population were resettled in 2016. The vast majority of refugees find asylum in countries bordering conflict and around 90% of refugees are hosted in low to middle income countries. For example, Uganda has taken more refugees in the last three years than Australia has since WWII

As part of doing our fair share and offering safety and dignity to those seeking refuge, World Vision Australia recommends the Australian government increase its official annual humanitarian intake to 42,000 places within five years. It is imperative that any community supported places are additional to an increase in the UNCHR-referred refugee quote, so that the intended aim of the humanitarian program, to reach those in greatest need, is not undermined in any way.

Australia has always been a leader in refugee resettlement facilitated through UNHCR and is rightly proud of this fact. A fundamental feature of our humanitarian program is its flexibility, for instance. Australia can and should increase the number of places available under its humanitarian program to respond to the current global displacement needs, which are unprecedented in scale and continue to grow.

The Federal Government has already demonstrated that this is possible. With the additional Syrian and Iraqi intake, Australia offered 22,000 places in the humanitarian program in 2016-17, well above its projected quota of 13,750. Ultimately, the displacement crisis is unlikely to dissipate soon, due to protracted crises in Syria, Iraq, Yemen, Afghanistan, South Sudan and the Democratic Republic of Congo. By increasing our humanitarian intake, however, Australia would be sending a sign of solidarity to low-income countries supporting large refugee populations and offer tangible protection to the most vulnerable refugees.

Recommendation 7: That the Australian Government scale up Australia's official humanitarian intake of refugees to 42,000 within five years, comprising 22,000 UNHCR-referred places in the refugee category, 10,000 places for family reunion and 10,000 separate places as part of the Community Support Program (which must be additional to the refugee category).

SECTION 3: SUPPORTING DISASTER RISK REDUCTION IN OUR REGION AND BEYOND

The latest Global Report on Internal Displacement found that 2016 displacement brought on by sudden-onset natural hazards outnumbered new displacements associated with conflict and violence, by more than three to one.²¹ More than two-thirds of these new displacements took place in East Asia and the Pacific – the geographical focus of Australia’s aid program. This region is one of the most disaster-prone regions of the world, making DRR and resilience particularly important. While many regional disasters are large scale (i.e. Nepal Earthquake, Pakistan Floods) since the 1970s most regional disasters have had fewer than 100 fatalities but have cumulatively affected 2.2 billion people and caused over USD\$400 billion worth of damage.²² Pre-existing geographic vulnerabilities have intensified as the region has struggled to address underlying risk factors exacerbating hazards, including rapid and poorly managed urbanization, natural resource exploitation and increasing social inequalities.²³

In May 2017, signatories to the Sendai Framework gathered in Cancun, Mexico to review and recommit to progress on implementing the Sendai Framework. As floods, cyclones, earthquakes and fires have wrought devastation for communities around the world and left millions homeless, the need for strong DRR policy commitments and appropriate resourcing for implementation of the framework, to reduce underlying vulnerabilities and risks, has never been clearer.

World Vision Australia recommends the Australian Government scale up support for disaster risk reduction and climate change adaptation initiatives, to ensure that communities on the frontlines of a changing climate are well equipped to respond to changes occurring in the natural environment. Even the most conservative estimates suggest that \$1 invested into DRR activities saves up to \$15 in response and recovery costs in the aftermath of a disaster.²⁴ Ensuring that all Australian aid investments are including a disaster risk reduction and climate change adaptation lens, will help ensure the longer-term sustainability for Australian aid projects and likely lessen the cost and impact of future disasters.

Recommendation 8: That the Australian Government ensure that, at minimum, 5% of Australian aid is spent on Disaster Risk Reduction initiatives and develop clear mechanisms to embed DRR across all Australian investments and track spending progress on DRR.

Recommendation 9: That the Australian Government develop and implement a Climate Change Strategy for the Department of Foreign Affairs and Trade that includes a strategic approach to how climate change should be integrated across all Australian aid investments, and considered in the context of Australian trade and investment relations.

²¹ IDMC, *Global Report on Internal Displacement*, 2017, p.31.

²² UNESCAP, *Disasters without Borders: Regional Resilience for Sustainable Development – Asia Pacific Disaster Report 2015*, 2016, p. XXII.

²³ United Nations International Strategy for Disaster Reduction (UNISDR), *Asia Regional Plan for Implementation of the Sendai Framework for Disaster Risk Reduction 2015-2030*, 5 November 2016, available at: http://www.unisdr.org/files/50912_finalasiaregionalplanforimplementat.pdf

²⁴ UNISDR *Global Assessment Report on Disaster Risk Reduction* (2015)

Recommendation 10: That the Australian Government scale up Australia’s support to International Climate Finance, including through the Green Climate Fund by 2020, to USD \$1.2 billion²⁵ This funding must be new and additional to Official Development Assistance Australia has previously pledged.

Technological advances now mean that the public can access more detailed, and more accurate, information on potential threats emerging from natural disasters and hazards than ever before. Yet while hazards and their impacts are becoming more predictable, disseminating early warning information to communities and ensuring they take the appropriate steps to respond early and appropriately, remains a substantial gap. In the Pacific, this is further complicated by the geographic remoteness and inaccessibility of some islands which limits access to information. The current gap on appropriate early warning systems and messaging in the Pacific has been noted in numerous regional forums²⁶. DFAT’s 2016 review of early warning systems found that there is a ‘broad lack of systems to ensure warnings are timely, accessible, multilingual, impact-based and reach remote areas’ and there was a significant need for ‘investment in improving accessibility of warnings across diverse audiences’.²⁷

Due to the geographic challenges of the Pacific, there is a need to develop local skills and capacity for early warning monitoring and action, building on traditional knowledge and practice. While there has, and continues to be significant support to building the capacity of National Meteorological Services in the Pacific, this has not always translated to community level benefit. With resources, training and on-going support, communities can become early warning actors and take responsibility for collecting and analysing early warning indicators, and translating warnings to enable early and adequate action in the face of natural disasters and hazards. In the 2018-19 Federal Budget, we recommend DFAT invest in a pilot project, working with the Australian and relevant national meteorological bureaus and community organisations, to support community level adaptation of early warning and response systems. This would ensure that communities understand potential hazards, receive sufficient warning of potential hazards and are able to respond in a timely matter, thus saving lives and reducing the impact on livelihoods and communities. This pilot project should be designed to take to scale. World Vision Australia believes this project would complement regional level programs on early warning systems already underway.

Recommendation 11: That the Australian Government, in partnership with the Australian Bureau of Meteorology and community based stakeholders (including church networks and private sector actors), allocate \$5m for a pilot project in the Pacific region to enhance early warning systems to ensure community actors can understand, monitor, communicate and respond to risks, with a view to taking such an approach to scale.

²⁵ Based on Australia’s relative economic strength and our contribution to climate change, Oxfam has identified that Australia should contribute 2.4% of the current goal of USD \$100 billion a year. This would equate to at least USD \$1.2 billion in public funds, and an equivalent contribution from the private sector. Further information is available at: Oxfam Australia, Bringing Paris Home, 2016, available at: <https://www.oxfam.org.au/media/files/2016/04/Oxfam-Australia-Bringing-Paris-Home-Report.pdf>

²⁶ Including the 2016 Pacific Platform for Disaster Risk Management 2016 and 2105 Pacific Forum Foreign Ministers meeting.

²⁷ DFAT, *Stocktake of Early Warning Systems in the Pacific*, July 2016.

SECTION 4: AN INCREASED CHILD FOCUS IN AUSTRALIA'S AID PROGRAM

6.1 Australian aid protects and upholds children's rights

World Vision recognises Australia's commitment to improving the development outcomes of children and young people through its aid program. The focus on children in Australia's aid program is primarily in health and education. World Vision Australia supports these crucial areas for children given that without investments in both health and education, children are unable to enjoy many of their other rights.

However, Australia must make a stronger commitment to investing in children and their rights more broadly in its aid program. The challenges facing children in the realisation and enjoyment of their rights are multifaceted and complex, underpinned by common challenges present in all regions of the world including persistent poverty, precarious economic livelihoods, disease, lack of resilience in the face of climate change and natural disasters, conflict, protracted crises and fragile environments.

The disbursement of Australian aid in the Asia-Pacific does not currently reflect the changing demographics of the region. For six country recipients of aid in the Asia-Pacific, 41 percent of the population is under 18. However, only an estimated 24 percent of aid is directed towards child-related programs.²⁸ An increased distribution of child-focused aid will be essential to assist recipient countries in the region address the needs arising from the "youth bulge", including challenges in relation to protection, education, gender equality and economic development.

The long-term economic and social benefits of investment in children are very well documented, particularly in the fields of education, health and nutrition.²⁹ As one of many examples, increased mental stimulation through access to quality early education significantly improves a wide-ranging set of future outcomes including higher earnings, increased labour productivity and lower criminal justice costs. More broadly, a growing body of evidence has linked comprehensive childhood care with long-term benefits to society. Such benefits include a more skilled and better educated workforce, higher tax remittances and reduced poverty.³⁰

To effectively address the challenges impacting children around the world and especially the most vulnerable children, international cooperation is essential. As a long-standing States Party to the United Nations Convention on the Rights of the Child, and as a responsible global citizen and as a wealthy nation, Australia must play an active role in investing in better outcomes for children around the world who are vulnerable as a result of the context and environment in which they live and experience their childhood.

In early 2018, Australia is scheduled to report to the UN on Australia's obligation under the convention of the rights of the child. The reporting process provides an opportunity for Australia to develop better policies and planning for the promotion and realisation of children's rights and to demonstrate this commitment by funding specific programs using Australian aid. In 2012, the Committee on the Rights of

²⁸ Institute for Economics & Peace: The economic rationale for a stronger focus on child-related ODA (unpublished as of late 2017)

²⁹ *ibid*

³⁰ Calman, L, Tar-Whelan, L (2005). *Early Childhood Development for all: A wise investment*. <http://web.mit.edu/workplacecenter/docs/Full%20Report.pdf>

the Child in its Concluding Observations urged Australia to “adopt a consistent human rights approach for all its development aid policy and programmes, focussing where possible on child rights, to ensure sustainable development and to guarantee that all recipient countries are able to fulfil their human rights obligations. In doing so, the Committee suggests that the State party include a child rights-based approach to its assistance programmes...”³¹

Such an approach is also consistent with Australia’s commitments under the Sustainable Development Goals. The inherent intent of the SDGs is to build a more equitable and sustainable world in which children and young people can develop and prosper. While all 17 of the SDGs affect children, 8 of them specifically mention children in terms of targets and indicators.

It needs to be noted that children are not currently included in a systematic way in the performance metrics that are captured to assess the impact and effectiveness of Australian aid and development programming. The focus on children in Strategic Performance Targets and Performance Benchmarks appears largely ad hoc, meaning that the impact of Australia’s aid investment in children is currently not well understood. This lack of data and transparency means it is difficult to assess the effectiveness of Australia’s aid for children and to identify areas of best practice which require improvement in terms of the quality or level of allocation.

World Vision calls for the creation of a specialist team or unit within the DFAT structure which would be responsible for child-related policy, oversight of child-related programming and to ensure that the rights of children are fully considered within the context of Australian aid. The Gender Equality Branch within DFAT plays a critical role in ensuring that cross cutting issues relating to the inclusivity and equality around gender are fully addressed while another specialist team addresses the rights and needs of people with disabilities. The development of a branch or unit focused on children could similarly guide a broader strategic focus on children and their rights in the aid program, including setting up appropriate indicators to measure performance. The creation of such a unit would serve to increase the impact of, and ensure greater accountability for, child-related aid.

The Australian Government has an opportunity to increase its return on aid investment in children by adopting a stronger child rights-based approach to program design, delivery and review. The Government’s ‘twin track’ approach to disability inclusion in aid investments is a positive example of a rights-based approach to development. A similar rationale could underpin Australia’s approach to implementing its obligations to children by working with developing partner countries as rights-holders on a participatory, partnership basis.

Recommendation 12: That the Australian Government increase its Australian aid investment in policies and programs to assist countries to meet their obligations under the Convention Under the Rights of the Children and the SDG’s.

³¹ Consideration of reports submitted by States parties under article 44 of the Convention, Concluding observations: Australia Committee on the Rights of the Child Sixtieth session 29 May–15 June 2012: http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CRC/C/AUS/CO/4&Lang=en

Recommendation 13: That the Australian Government establish a child rights branch or unit within DFAT to develop indicators that directly relate to children, improve the impact of Australian aid on children and build an evidence base for effective aid investment in children.

6.2 Our neighbours: Supporting and strengthening mechanisms to end Violence against Children

The Australian Government's commitment to addressing violence against children in the aid program is demonstrated, among other policies, by the Department of Foreign Affairs and Trade's (DFAT's) Child Protection Policy which was updated in 2017. The policy recognises many factors that increase a child's vulnerability to exploitation and abuse and how such abuse adversely affects their development and wellbeing. It recognises the "shared responsibility" in preventing child exploitation and abuse whilst taking a strong risk-based approach to the management of child protection and outlines principles, minimum child protection standards and reporting requirements for all DFAT staff and funded partners. Core to the Child Protection Policy is its commitment to a "zero tolerance approach to child exploitation or abuse."³²

This commitment to end violence against children is demonstrated in some aspects of Australia's aid program. Between 2014 and 2017 for example, Australia was a major donor funding UNICEF Pacific's Multi-country Child Protection Programme. Through the DFAT-funded ANCP, World Vision Australia is implementing the *Pacific and Timor-Leste Strengthening Child Protection Project*. This effort will ensure that nearly 30,000 people in four countries will be supported to create safe environments where children are cared for and protected from violence, abuse, and exploitation. Yet there is so much more that could and should be done to assist the governments of our neighbouring countries to build the capacity they need to realise the fundamental right of children to be free from violence and exploitation.

The extremely widespread prevalence of violence against children in the region has been demonstrated by a number of recent studies. A UNICEF study in 2014³³ found that as many as 22% of girls and 16% of boys in parts of the Asia Pacific region have been subject to sexual abuse. In 2016 a survey by Médecins Sans Frontières found that over 50% of sexual or physical violence victims seeking assistance at a family support centre in Papua New Guinea were children³⁴. Also in Papua New Guinea, Save the Children Fund reported in 2016 that rates of physical abuse or children were as high as 70%³⁵ and that in Vanuatu 30% of women surveyed had experienced sexual abuse by the time they were 15. In 2016 the Asia Foundation published a study³⁶ which found 72% of women nationally and 78% of men in two locations in Timor -Leste had experienced physical and/or sexual violence when they were children.

Governments in the region are responding to the high incidence of violence against children to the best of their capacities and have been developing stronger legal and policy frameworks accordingly. In Vanuatu, for example, the Prime Minister launched a comprehensive National Child Protection Policy in November 2016

³² DFAT Child Protection Policy 2017: <http://dfat.gov.au/international-relations/themes/child-protection/Pages/child-protection.aspx>

³³ United Nations Children's Fund. 2014. Violence against Children in East Asia and the Pacific: A regional review and synthesis of findings. Strengthening Child Protection Series, No. 4, UNICEF EAPRO, Thailand: Bangkok.

³⁴ Return to Abuser, MSF Australia, 2016 <https://www.msf.org.au/sites/default/files/attachments/msf-pngreport-def-lrsingle.pdf>

³⁵ ABC News, 9th September, 2016

³⁶ The Asia Foundation. 2016. Understanding Violence against Women and Children in Timor-Leste: Findings from the Nabilan Baseline Study – Summary Report. The Asia Foundation: Dili.

while in Timor-Leste the government launched the National Action Plan for Children 2016 – 2020. The Papua New Guinea parliament passed the Family Protection Act in 2013 while the government of the Solomon Islands passed the Child and Family Act in 2017.

However, a range of factors, not least weak legal systems, limited enforcement capacity and under-resourced services, result in children not being afforded their legal right to protection from physical and sexual violence. The provisions in aforementioned Acts in Papua New Guinea and the Solomon Islands, for example, remain largely unenforced. Other inhibiting factors include insufficient links between communities and services, weak justice and protection systems as well as major stigma, shame and fear around disclosure of sexual abuse.

As demonstrated by the widespread expansion of legislative and policy measures, governments in the region clearly have a strong commitment to afford children their fundamental right to be protected from physical and sexual violence. However, these governments require much greater structural assistance to strengthen their institutions to ensure that the services and mechanisms necessary to truly address and prevent violence against children are functioning in all relevant areas of the public sphere. Well-targeted Australian aid funds could be well-utilised to assist these countries to ensure that their substantial legal and policy efforts to afford children this right are truly realised.

A recent comprehensive report entitled *Counting the Pennies*,³⁷, reported on which donors provided ODA to end violence against children. Canada provides the most to projects with at least some component that targets violence against children, especially in its delivery of humanitarian aid. Although Germany and Australia were shown to be significant donors to ending violence against children related activities, they each provided comparatively small amounts to ending violence against children specific projects.

There are specific, aforementioned areas where Australian aid could be increased and targeted to assist our South Pacific neighbours to reduce sexual and physical violence against children.

Recommendation 14: That the Australian Government allocate \$3 million for a pilot project to assist governments in South Pacific countries to implement their existing laws and policies specifically aimed at addressing and preventing violence against children.

Recommendation 15: That the Australian Government make the ending of violence against children a distinct thematic objective of the Australian aid program in the South Pacific region.

³⁷ Development Initiatives: *Counting the Pennies*, 2017. Available: www.wvi.org/sites/default/files/Counting%20Pennies%20Report%20Web.pdf

SECTION 5: AID FOR INCLUSIVE TRADE IS CRITICAL TO ECONOMIC GROWTH

3.1. Building the productive capacity of developing countries

International trade, as a key driver of job creation, can be both a powerful enabler of economic growth and a transformative tool for large-scale poverty reduction if it is done in an inclusive way. In recognition of the role of trade in reducing poverty, the Australian Government has committed to increasing its aid for trade funding to 20 per cent of annual aid expenditure by 2020.³⁸ Australia can maximise its return on this growing investment by ensuring that its aid for trade supports both a top-down and bottom-up approach to trade facilitation. This means that Australia's investment in national economic infrastructure and trade reform in developing countries needs to be complemented by greater investment in supply-side capacity to fully realise the potential of Australia's investments to expand trade flow and reduce poverty. In particular, Australia should prioritise closing the credit gap for small businesses and especially for women in developing economies to make trade more inclusive.

In recent years, Australia's support for building the productive capacity of developing countries has reduced as a proportion of the 'aid for trade' budget, despite it being critical for both trade and poverty reduction. From 2002-2013, Australia spent 50-60 per cent of all aid for trade disbursements on productive capacity building.³⁹ However, in 2015-16, only 30 per cent of the aid for trade budget was allocated to building productive capacity, while the majority (61 per cent) was aimed at economic infrastructure.⁴⁰ Shifting the balance of aid for trade funding towards economic infrastructure is likely aimed at facilitating high-volume trade. However, this tends to favour larger businesses and producer groups operating in the formal sector, rather than supporting informal and semi-formal financial intermediaries or small businesses. While investment in infrastructure and in the enabling environment for large enterprise is critical to facilitate trade, it needs to be complemented by investment in supply-side capacity and in increasing the productivity of the labour force.

In their 2017 review of global aid for trade, the World Trade Organization and the Organisation for Economic Co-operation and Development (OECD) called for a greater focus on "aid for inclusive trade."⁴¹ The OECD has separately called for aid for trade donors to invest more in interventions that connect "poor farmers to markets" and that "enhance supply-side capacity to ensure the benefits of export growth also reach poor groups."⁴²

World Vision Australia supports these calls and recommends that the Australian Government increase the proportion of aid for trade funding invested in building the productive capacity of developing countries. In

³⁸ Department of Foreign Affairs and Trade, *Overview of Australia's aid for trade*, available: <http://dfat.gov.au/aid/topics/development-issues/aid-for-trade/pages/aid-for-trade.aspx>

³⁹ Department of Foreign Affairs and Trade, *Global and Regional Perspectives: Situation Analysis Report*, Office of Development Effectiveness, 2016, available: <http://dfat.gov.au/aid/how-we-measure-performance/ode/Documents/gearing-up-for-trade-situation-analysis.pdf>

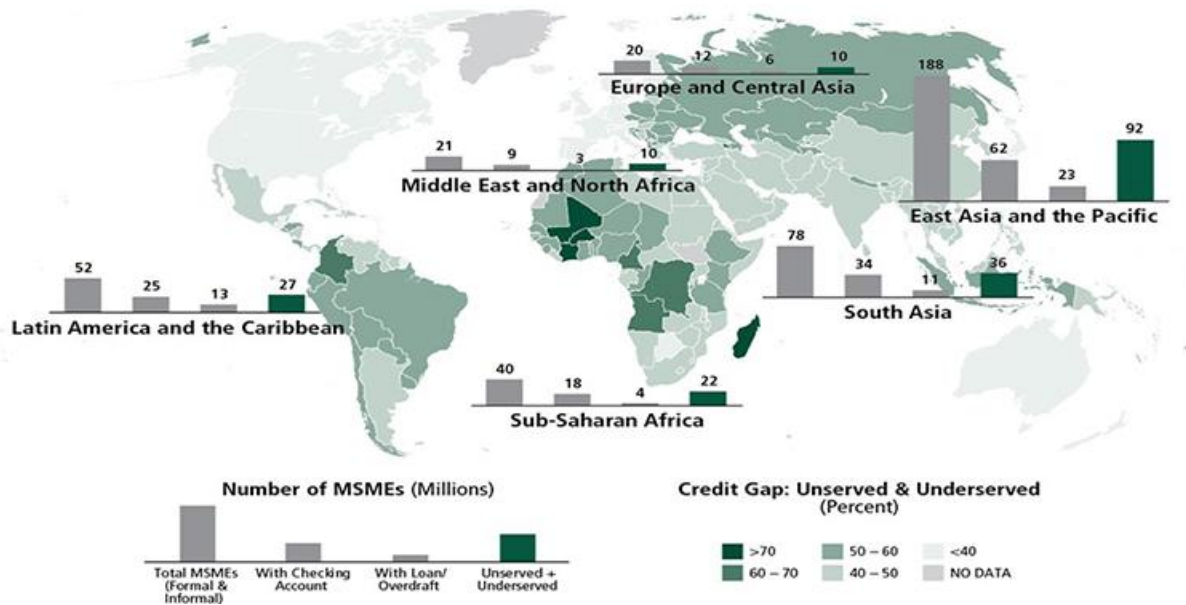
⁴⁰ Department of Foreign Affairs and Trade, *Performance of Australian Aid 2015-16*, 2017, available: <http://dfat.gov.au/about-us/publications/Documents/performance-of-australian-aid-2015-16.pdf>

⁴¹ World Trade Organization and the Organisation for Economic Cooperation and Development, *Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development*, 2017, available: https://www.wto.org/english/res_e/booksp_e/aid4trade17_e.pdf

⁴² Organisation for Economic Co-operation and Development, *Trade for Growth and Poverty Reduction: How aid for trade can help*, 2011

particular, investing in micro-, small- and medium-sized enterprises (SMEs) is a long-term and smart strategy. SMEs account for 50 per cent of Gross Domestic Product and 60-70 per cent of total employment worldwide.⁴³ Furthermore, in developing countries, SMEs tend to employ the poorer and more vulnerable segments of society such as young people and women living in poverty. Yet, the credit gap facing formal and informal SMEs in developing countries is estimated to be US\$2.6 trillion.⁴⁴ Australia’s aid for trade investments can play an important role in addressing this gap by investing in programs that provide finance to small and growing businesses (SGBs) in developing countries. SGBs are a subset of SMEs that have 5-250 employees and harbour significant potential and ambition to grow, thus providing an exponential return through scaling their operations.⁴⁵

Figure 1: Credit gap confronting formal and informal enterprises around the world⁴⁶



3.2. Investing in programs that build the productive capacity of SMEs and SGBs in East Asia and the Pacific

World Vision Australia calls on the Australian Government to invest in programs that build the productive capacity of SMEs and SGBs in East Asia and the Pacific region, which has the largest credit gaps in the world (as shown above).⁴⁷ Within this region, priority should be given to Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka because lack of access to finance is a major bottleneck for SMEs and economic growth in these countries. Within SMEs, the Australian Government should prioritise increased access to

⁴³ World Trade Organization and Organisation for Economic Co-operation and Development, *Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development*, 2017, available: http://www.oecd-ilibrary.org/development/aid-for-trade-at-a-glance-2017_aid_glance-2017-en

⁴⁴ The World Bank, *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises*, 2015, available: <http://documents.worldbank.org/curated/en/804871468140039172/pdf/949110WP0Box380p0Report0FinalLatest.pdf>

⁴⁵ Aspen Network of Development Entrepreneurs, *Why SGBs? What are SGBs?*, 2016, available: <http://www.whysgbs.org/whataresgbs/>

⁴⁶ The World Bank, *Small and Medium Enterprises (SMEs) Finance*, 2015, available: <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

⁴⁷ The World Bank, *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises*, 2015, available: <http://documents.worldbank.org/curated/en/804871468140039172/pdf/949110WP0Box380p0Report0FinalLatest.pdf>

finance for small-holder farmers and small business people who have recently graduated from microfinance and need more varied services and products, and larger loans than microfinance institutions can provide. This is a marginalised group, consistently overlooked by existing financiers but critical to achieving poverty reduction targets. As a priority, this group should be given access to loans of between \$4,000 and \$10,000, with an average loan size of \$6,600 and loans of \$20,000 provided by exception and where country regulations allow. This funding will enable such small businesses to continue to grow, stimulating local economies through employment generation and increased market activity.

Recommendation 16: That the Australian Government boost its investment in productive capacity building to 50-60 per cent of overall 'aid for trade' expenditure (2013 levels) to improve the capacity of people living in poverty, especially small-holder farmers, producers and micro-entrepreneurs, to be able to engage in and benefit from trade.

Recommendation 17: That the Australian Government invest a total of AU\$20 million in additional funds for innovative financing solutions that increase access to finance for micro, small and medium-sized enterprises, with a focus on Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka.

3.3. Strengthening Women's Economic Empowerment

To make its investments even more targeted, Australia should support financing for women-owned SMEs in Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka and fund other women's economic empowerment interventions that enable women to benefit from aid for trade investments. Women entrepreneurs already contribute greatly to developing economies and there is an immense opportunity to further unlock their economic potential. Around one in three SMEs worldwide are owned fully or partially by women.⁴⁸ However, only 37 per cent of women in developing countries have an individual or joint account at a formal financial institution, compared to 46 per cent of men.⁴⁹ Women-owned SMEs face many of the same challenges as many other SMEs in developing countries, however these challenges are often compounded by prevailing gender inequalities. While promoting greater gender equality can help women entrepreneurs in developing countries to access finance, it is also important for financial institutions and governments to target support for SMEs that are owned by or employ women and that provide goods and services specifically for women.

Strengthening access to finance for SMEs, especially women-owned SMEs, in developing countries is not only the right thing to do; it is in Australia's commercial interests. Recent research undertaken by the Development Policy Centre found that Australian aid has had significant, positive impacts on Australian exports to Asian countries, with every AU\$1 of Australian Official Development Assistance to Asian countries resulting (on average) in AU\$7.1 in Australian exports to Asian countries between 1980-2013.⁵⁰ It is therefore recommended that the Australian Government increase investment in building the productive

⁴⁸ International Finance Corporation, *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, 2011, available:

http://www.ifc.org/wps/wcm/connect/a4774a004a3f66539f0f9f8969adcc27/G20_Women_Report.pdf?MOD=AJPERES

⁴⁹ United Nations Department of Economic and Social Affairs, *The World's Women 2015: Trends and Statistics*, 2015, available: https://unstats.un.org/unsd/gender/downloads/WorldsWomen2015_report.pdf

⁵⁰ Sabit Amum Otor and Matthew Doman, *How does foreign aid impact Australian exports in the long-run?* Development Policy Centre Discussion Paper 62, Australian National University, 2017, available:

http://devpolicy.org/publications/discussion_papers/DP62_How-does-foreign-aid-impact-Australian-exports.pdf

capacity of developing countries, especially women-owned SMEs in those countries, to stimulate economic growth and reduce poverty on a large scale.

Recommendation 18: That the Australian Government support women's economic empowerment and invest a total of \$30 million in additional funds for innovative financing solutions specifically dedicated to micro, small and medium-sized enterprises that are fully or partially owned by women, with a focus on Bangladesh, Cambodia, Indonesia, Myanmar and Sri Lanka.

SECTION 6: COMMUNITY-LED INITIATIVES MUST UNDERPIN INDIGENOUS PROGRAMS

World Vision is applying the experience we have supporting community-led development across the globe, to empower Indigenous communities in Australia. Importantly, World Vision's approach provides opportunities for the Indigenous communities we work with to determine their own objectives, their own measures of success and a way to realise their own vision for the future.

World Vision has been recognised for its early childhood work in the Pilbara and in 2014 World Vision's Young Mob Leaders program in Sydney won a ZEST award for "Outstanding Project in an Aboriginal Organisation/Group". Much of this work is made possible and sustainable because World Vision fosters strong partnerships with local Indigenous organisations. We are proud to be working with over 40 implementing partners across Australia, including Indigenous organisations like Kanyiminpa Jukurrpa (KJ) in the East Pilbara and the Winun Ngari Aboriginal Corporation in the West Kimberley.

World Vision's work with Indigenous Australian communities has provided us with deep experience in field programming, built on an evidence base that allows us to understand what works. We believe there is an opportunity for the Federal Government to improve engagement with the indigenous community by recognising them as leaders in identifying and determining services and programs that affect them. Traditional service models are no longer as effective, and various states and territories, notably Western Australia, the Northern Territory and New South Wales, have begun implementing systemic change policies that give Indigenous communities a lead role in determining services and programs.

For example, for the past four years the New South Wales government has been implementing the OCHRE Initiative, in which regional Opportunity Hubs have been established across the state⁵¹. These hubs promote a collaborative approach between government and local communities to decision making and establishment of indicators of success for services. The Northern Territory Government has released its new policy, Community Decision Making, which is expected to pass cabinet in early 2018⁵². This policy places significant authority in the hands of Indigenous communities, giving them responsibility to decide, among other things, what state services are appropriate for their communities, how they should be designed, and what success will look like. At the Federal level, the Empowered Communities initiative continues to promise similar levels of autonomy to so-called Backbone Organisations in seven regions across Australia⁵³. Several are already functioning, but the initiative has stalled as the Federal Government delays decisions on what the final operating mechanism should look like. World Vision calls on the Federal Government to finalise this decision and allow Indigenous organisations greater say in issues and services that affect local communities.

Evidence clearly demonstrates that locally-led initiatives have significantly higher rates of participation and effectiveness than traditional service delivery models⁵⁴. Since the annual Closing the Gap report has been released (ten years), the indicators set by the government to ensure Indigenous Australians have the same

⁵¹ OCHRE: NSW Government Plan for Aboriginal Affairs, 2013

⁵² Local Decision Making – Department of the Chief Minister Northern Territory, 2017.
https://dcm.nt.gov.au/_data/assets/pdf_file/0011/442289/local_decision_making.pdf

⁵³ Empowered Communities, Empowered Peoples: Design Report 2016

⁵⁴ World Vision Australia, A Summary of Evaluations on the Effectiveness of Community-Driven Approaches in International Development, 2014

quality of life as mainstream Australians have remained almost static⁵⁵. The mechanism for delivering effective, life changing services and initiatives to Indigenous Australians is clearly failing on the Government's own measures of success, despite 33.4 billion dollars being spent on these initiatives, per the Indigenous Expenditure Report of the Productivity Commission, October 2017. Governments should cease spending on addressing the symptoms of disadvantage, such as keeping children in school, rather than the root causes.

In 2013, World Vision commissioned an independent evaluation that demonstrated that services contracted by Government lacked any real community input, were designed without collaboration or contextualisation, used indicators that were irrelevant to the community's own success measures and duplicated multiple other services in the same community⁵⁶. Almost without exception these services failed to create measurable positive impact in these communities. Exceptions, such as the Fitzroy Futures Forum, were able to demonstrate rapid, sustainable and significant positive change to entrenched issues such as domestic violence, the effects of foetal alcohol spectrum disorders, and alcohol abuse. The Fitzroy Futures Forum, led by now Indigenous Human Rights Commissioner June Oscar, was a grass roots initiative designed and driven by local community women. This success was mirrored in the international findings of the World Vision evaluation which showed that large scale government/World Bank initiatives in countries as diverse as Canada, Brazil, Indonesia and Morocco could demonstrate major impact in local communities through initiatives designed and managed at local level⁵⁷.

However, at present, only a tiny fraction of Government spending is allocated to community-development approaches. All World Vision's work in Australia is implemented through a community development model that places community groups at the centre of design, implementation and monitoring. Designing the Channels of Hope project in Central Australia required six months of collaboration with local leaders and community members to ensure this highly effective family violence project met the real needs of local community and was contextualised appropriately for local culture.

Specifically, we call on the Government to provide greater funding to initiatives such as Empowered Communities which develop the capacity of local communities to make their own decisions, and to increase funding for local and regional organisations, which are the key to connection between initiatives such as Empowered Communities and the local communities themselves. This funding would underwrite operational budgets and would be geared to strengthen organisational independence and capacity, not create a long-term dependency. Initially these community strengthening initiatives should centre around the youth sector, specifically social and emotional well-being, holistic suicide prevention initiatives. Indigenous Australians have the highest suicide rate in the world, and is increasing. Regions to be targeted would be the Pilbara, Kimberley, Tiwi Islands and those regions where issues such as youth suicide are most acute.

Recommendation 19: That the Australian Government allocate a greater percentage of the Federal Budget for Indigenous programs to initiatives with a community development approach, such as Empowering Communities, and examine local decision-making policies implemented by the states and territories with an aim to reform traditional service delivery models.

⁵⁵ Closing the Gap, Prime Minister's Report 2017

⁵⁶ World Vision Australia, A Summary of Evaluations on the Effectiveness of Community-Driven Approaches in International Development, 2014

⁵⁷ World Vision Australia, A Summary of Evaluations on the Effectiveness of Community-Driven Approaches in International Development, 2014

At present any funding initiatives designed to allow local communities to contribute to local decision making are likely to benefit only those communities with existing capacity. Funding of \$350m could be used to develop community capacity aligned to local needs. This is equivalent of funds currently being spent on the administration of existing programs. These funds should build;

Recommendation 20: That the Australian Government invest \$350 million to provide opportunities to build the capacity and capability of remote communities to participate in local decision-making initiatives. We also call on the government to increase funding for local capacity-strengthening to 20% of funds allocated to all program budgets.

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