

FACT & ACTION SHEET April 2009

Increased Australian Aid More Important Than Ever

SUMMARY: *On the back of rising oil and food prices since 2005, the Global Financial Crisis is also having a severe economic impact on developing and developed countries alike. The economic recession in developing countries could force more than 50 million extra people below the poverty line. In spite of the worsening budget position of donor countries, it is essential that they maintain or improve on their committed increases in development assistance. Our letters this month will call on the Australian Government to at least maintain its commitment to increase aid to 0.5% of gross national income (GNI) by 2015-16, including a significant increase in aid in 2009-10.*

BACKGROUND

All members of the United Nations (UN) agreed to the Millennium Development Goals (MDGs) in 2000. Achieving these goals (set out in the Attachment) will go a long way towards eliminating poverty and the avoidable toll of diseases. From 2000 to 2007, developing countries made significant but uneven progress towards achieving the MDGs.

International developments over the last twelve months have led to a significant setback in progress towards achieving the MDGs. The rapid increases in food and fuel prices between 2005 and 2008 had already led to an additional 130 to 155 million people living in extreme poverty.¹ The World Bank has also estimated that reduced economic activity in developing countries due to the global financial crisis is likely to lead to a further increase the number of people living in poverty of more than 50 million. Increased action on aid, trade and debt is essential to prevent a lasting increase in poverty from these crises.

In addition, supporting the growth of developing countries' economies would have a positive impact on the global economy. The leaders of the UN Development Program and International Labour Organisation have noted: "We should also remember that what growth there is in the world economy in 2009-10 will come mostly from developing countries. Policies supporting their growth are critical to prospects in the advanced economies, too."²

Australia's Responsibilities

RESULTS Australia has supported the increased focus in the last few years on meeting the Millennium Development Goals (MDGs) in the aid program and the Government's commitment to increase aid to 0.5% of GNI by 2015. To contribute Australia's share of meeting the MDGs, RESULTS and other non-government organisations have supported further action to increase Australia's aid to 0.7% of GNI by 2015-16, and increase resources specifically for microfinance, health and basic education.

Government Ministers have restated recently the commitment to increase Australia's aid to 0.5% of GNI by 2015-16. For example, the Minister for Foreign Affairs, The Hon. Stephen Smith MP, said on 4 February: "As the Prime Minister and I have made clear, this remains our very strong commitment irrespective of the international financial and economic difficulties."

¹ The World Bank 'Understanding the Crisis' January 2009 – www.worldbank.org

² Kemal Dervis and Juan Somavia 'United we stand, divided we fall,' Australian Financial Review, 17 January 2009

As a country which appears to be suffering less than many other countries from the financial crisis, Australia has both the capacity and a responsibility to increase its contribution to reducing poverty internationally. To increase aid to 0.5% of GNI by 2015-16, the dollar amount of Australian aid would need to increase by about 12% per year. In 2009-10, it is essential that Australia's aid increase by at least 12%, or to \$4.1 billion.

Specific Areas for Increased Commitment

Within the increase in overall aid, Government action is overdue on microfinance and agreeing on a debt to health swap with Indonesia. Action on these issues should be a priority for the Federal Budget in May.

Microfinance: The latest State of the Microcredit Summit Campaign report indicates that the number of very poor borrowers had increased from 7.6 million at the end of 1997 to 106 million at the end of 2007, a growth of 30% per year.

Australian aid for microfinance had increased significantly from 1994 to 2002, but has declined as a share of the aid program (and in dollar terms) since then, in spite of the strong growth in microfinance and its demonstrated impact on poverty reduction.

The present Government has publicly committed to increase aid for microfinance on several occasions and release a strategy to guide future support for microfinance activities, now due to be released in September 2009. However, the Government has already delayed the release from its original planned date and AusAID has been playing down expectations of any significant increase in aid allocated to microfinance in the next few years. RESULTS advocates that aid for microfinance should be \$45 million (or 1% of the aid program) by 2010-11.

Debt 2 Health exchange with Indonesia: The Global Fund to Fight AIDS, TB and Malaria has promoted the exchange of some of the debt of highly-indebted developing countries for programs to prevent and treat AIDS, TB and malaria (called the Debt 2 Health initiative). In Australia, the Global Fund with the support of RESULTS has sought Government support to cancel \$75 million of Indonesia's debt to Australia, with half of this amount invested in health programs which the Global Fund would support. This investment could enable TB treatments for at least 100,000 additional people.

The Government has indicated it is likely to announce the agreement on the Debt 2 Health exchange in the budget in May 2009, although it has been less specific about the progress towards reaching agreement by this date.

The G 20 Meeting in London – An Opportunity for International Commitment

The next meeting of leaders of the G 20 (consisting of the major developed and developing countries, including Australia) takes place in London on 2 April. The G 20 finance ministers have already agreed on action to promote global growth including:

- A commitment to fight all forms of protectionism and maintain open trade.
- A recognition of the urgent need to increase the resources of the International Monetary Fund.
- Enhancement of the governance of international financial institutions to strengthen their effectiveness and legitimacy - including open, merit-based selection processes for their heads.

It will be essential for G 20 leaders to supplement these commitments with a specific commitment to increase investment in poverty reduction. This would include those countries which have already set targets for significant increases in aid honouring these commitments, and other countries making additional commitments. Australia's Prime Minister can re-state Australia's aid commitment to demonstrate the importance of combined action on poverty.

ACTION

Write a letter to the editor, responding to an article on the Australian or international economic situation or the forthcoming G 20 Summit:

1. Express your concern that the current economic recession could reverse earlier progress towards meeting the MDGs.
2. Note that Australia is in a relatively strong position to increase its assistance to poorer countries and should at least adhere to the planned increase in aid to 0.5% of GNI.
3. Suggest that the forthcoming Budget increase aid to at least \$4.1 billion, including additional commitments for microfinance and exchanging some Indonesian debt for health programs.
4. Call on the Prime Minister to ensure the G 20 Summit includes commitments to action to reduce poverty.

Attachment – Millennium Development Goals

Leaders of 189 countries agreed to the following goals at the Millennium Summit in September 2000. Most of the goals are to be achieved by 2015.

1. To reduce poverty by half
2. To provide universal primary education
3. To ensure women have equal rights and opportunities
4. To reduce infant mortality by two-thirds
5. To reduce maternal mortality by three quarters
6. To halt the spread of HIV/AIDS and other diseases
7. To ensure environmental sustainability; and
8. To establish a global partnership for development.