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RESULTS International Australia Submission for the 2015-16 Budget

Introduction

RESULTS International (Australia) an international, non partisan, grassroots advocacy organisation, whose members work with their federal Parliamentarians and through the media to generate the public and political will to end poverty. RESULTS is an active member of ACFID and the Make Poverty History coalition.

The following section set out suggested priorities for the Australian International Development Assistance Program in the period 2015-16 to 2018-19. RESULTS recognises and supports the Government's focus on ensuring Australia's aid is used more effectively, and the overall priorities set out in the Government's aid policy *Australian Aid: promoting prosperity, reducing poverty, enhancing stability*:

- *Infrastructure investment.*
- *Agriculture and fisheries.*
- *Effective governance.*
- *Education and health.*
- *Building resilience.*
- *Gender equality.*

Specific proposals in this submission concentrate on programs and institutions which have a record of effectiveness, and are consistent with the Government's objectives for the aid program.

The requests that RESULTS is making involve a reversal of the \$3.7 billion in reductions to planned aid the Government had announced in the Mid Year Economic and Fiscal Update in December 2014, and propose a return to modest real growth in Australia's aid in the period 2015-16 to 2018-19. The significant impacts that this modest increase in aid spending will have would justify this investment, and will also enable Australia to demonstrate leadership in 2015, when the successor goals to the Millennium Development Goals are due to be agreed.

ISSUE: OVERALL AID VOLUME

The Need

Across the Asia-Pacific region, over 740 million live in extreme poverty, and 60% of the world's hungry and undernourished people live in the Asia-Pacific. Although progress has been made, with the number of people living in extreme poverty halving since 1990, there is still much progress to be made in our region.

Examples of progress in reducing poverty are:

- The proportion of people living in extreme poverty has declined by half since 1990.

- Each day, 18,000 fewer children under the age of 5 are dying than in 1990.
- Over the last 20 years, 2.1 billion people have gained access to clean drinking water.

Examples of the reasons why further action is required to overcome poverty are:

- One in eight of the world's people suffer from under-nutrition.
- In spite of increased school enrolments, 57 million primary school age children are still not in school.
- Each year, 6.3 million children die before the age of 5.
- Globally, 2.5 billion people lack access to safe sanitation.

The further action to address these issues will require a partnership between donor governments, national governments in low and middle income countries and the private sector. Therefore, the changes in policy and funding will not only involve development assistance, but increased and improved aid will play a significant role in international action on poverty.

As it will be essential for Australia to contribute consistent with its capacity to the global efforts to overcome poverty, social exclusion and lack of access to services. In this context, the further reduction in aid for the years 2015-16 to 2017-18 announced in the Mid Year Economic and Fiscal Outlook in December 2014 is a significant step away from making a contribution to overcoming poverty consistent with Australia's capacities.

Before outlining the specific amounts RESULTS Australia proposes for Australian aid in the next four years, it is worth noting the problems with the argument that these further aid reductions are an essential part of Budget repair.

The flaws of the argument that we cannot increase the aid program on borrowed money. The biggest problem with the argument that we cannot increase aid while the Budget is in deficit is that the need for assistance with health, education, clean water and other basic infrastructure does not rise and fall in line with donors' economic and budget positions. Action in these areas will have long-term benefits, and should not be sacrificed due to short-term variations in donors' budget positions.

It is important to note that the MYEFO released in December only envisages the Budget returning to surplus in 2019-20, and that over the next 5 years overall Government spending is not expected to fall in real terms – rather, Australia will have lower real growth in Government spending in this period. If it is appropriate to have some real growth in most types of government spending in the next few years, this should also be applicable to the aid program.

Further reductions will affect adversely the Government's own priorities for the aid program. In implementing the reductions from previously committed levels of aid in January of this year (for 2013-14) and for the four years from 2014-15 (in the May Budget), the reductions focussed on areas that were low priorities for the Government (eg, aid to Africa, contributions to international environmental organisations, and the administration of the aid program).

However, to implement the further reduction announced in MYEFO (which amount to 20% of the Budget provision for aid in 2015-16, and 27% of the Budget provision in the following two years), it is likely that deep cuts will occur in service areas such as education and health, which the Government's aid policy has identified as priorities, and also to programs for countries in our region. Therefore, the MYEFO announcements undermine the implementation of the Government's own aid policy.

Aid is becoming less stable and predictable: As the Minister for Foreign Affairs has noted, having stable and predictable aid is important in achieving development effectiveness. Repeated cutbacks in aid, which have occurred under both Labor and Coalition Governments in recent years, reduce the stability and predictability of aid, and therefore its effectiveness

Australia's input to the developing new development goals would be less credible: This year completes the period of the Millennium Development Goals and is also the time at which Governments from around the world will negotiate the new development goals for the period to 2030. While the achievement of these new goals will rely on more than international development assistance (also relying on the economic policies and spending priorities of many developing countries), a significant reduction in Australia's aid would send the wrong signal as our representatives take part in the negotiation of the goals.

As an alternative, RESULTS Australia proposes the following growth path for Australia's aid in 2015-16 and the Forward Estimates period.

	2014-15	2015-16	2016-17	2017-18	2018-19
Proposed aid spending \$m	5,032	5,250	5,580	5,950	6,350
Proposed aid spending % of GNI	0.32	0.32	0.32	0.33	0.33
Assumed aid in December 2014 MYEFO	5,032	4,034	3,810	3,913	4,020

This proposed growth path is consistent with the criteria the Government's Foreign Affairs policy set out shortly before the 2013 Federal Election - that aid in the 2013-14 period would be \$4.5 billion less than the amount the former Labor Government had included in the Forward Estimates for this period, and in 2016-17, Australia's aid would be approximately the same in real terms as in 2013-14.

The further growth in 2017-18 and 2018-19 of \$370 million and \$400 million respectively would be sufficient to allow for increased aid through country programs to Australia's most important development partners (such as Papua-New Guinea and Indonesia), as well as increased contributions to high-priority multilateral initiatives and organisations.

Recommendation 1: That Australia's aid is maintained at 0.32% of GNI, or at \$5.25 billion, in 2015-16, and increases to \$6.35 billion by 2018-19.

ISSUE: ACCESS TO EDUCATION

The Need

At a global level, there are still **58 million children *not* in primary school**, 71 million adolescents *not* in lower secondary school, and more than 250 million children in school but *not* learning.

Girls, children with disability and those living in rural areas continue to be disadvantaged in basic education. There are still over 8 million children out of school in East Asia. In Papua New Guinea (PNG) the education net enrolment rate is only 53%. Adult basic literacy and numeracy skills are just

62% in East Asia and even lower in PNG. The Pacific fares better with primary school enrolment levels above 90%. However, it still has poor retention rates. In the Asia-Pacific region, 1.6 million adults still lack basic literacy skills.

Despite these shortfalls in education delivery and demand for education rising steadily, global commitments for education financing are declining. The global community is unlikely to reach the Millennium Development Goals (MDGs) and Education for All (EFA) goals by the end of this year. **Now is a critical time to invest in education** globally and regionally.

The solution

Education enables development and is crucial to helping people overcome poverty. It also contributes to equity, health, governance, sustainable development and empowering women. Australia's aid program invests in better quality education so that young people gain the knowledge and skills they need to contribute productively to society. Priority areas include early childhood development, which helps to ensure that children are healthy, safe and ready to learn, and promoting learning for all with a special focus on girls, disadvantaged children and those with disability, through teacher training, curriculum development and education infrastructure.

Education is rightly a priority sector of Australia's aid program, accounting for 23% of Australia's total official development assistance (ODA) in 2014-15. The Minister for Foreign Affairs, Julie Bishop, has described education as a 'central pillar' of Australia's aid program.

In 2015-16, the Australian aid program should provide approximately \$1.2 billion to education to maintain its share of total aid spending, including \$35 million to the Global Partnership for Education as the first instalment of its pledge for 2015 to 2018.

The Benefits

Education has a transformative impact on individuals, communities and nations. The potential development benefits of education range from expanding employment and livelihoods, improving health outcomes, reducing inequality, and building stronger and more stable democracies. Here are several concrete examples of the development potential that can be unlocked through education:

- **HIV and AIDS:** Seven million cases of HIV and AIDS could be prevented in the next decade if every child received an education.
- **Livelihoods:** One extra year of schooling increases an individual's earnings by up to 10%. One additional school year can increase a woman's earnings by 10% to 20%.
- **Poverty reduction:** If all students in low-income countries left school with basic reading skills 171 million people could be lifted out of poverty.
- **Overpopulation:** Women with seven or more years of schooling have between two and three fewer children than women with fewer than three years of education
- **Child survival:** each additional year in the average length of women's schooling decreases child mortality by 10%. An estimated 4.2 million children's lives were saved in 2009 because of improvements in women's education since 1970.
- **Maternal survival:** Women with no education are more than two and a half times as likely to die in childbirth as women with 12 years of education.
- **Agricultural output:** if all women completed primary school, agricultural yields in sub-Saharan Africa could increase by 25%.
- **Democracy:** in sub-Saharan Africa, citizens who have completed secondary education are three times more likely to support democracy than those with no education.

Recommendation 2: Aid for education should be maintained as a share of total aid in the 2015-16 to 2018-19 period, increasing to \$1.2 billion in 2015-16, and to \$1.45 billion by 2018-19. Within this increased funding, it is important that assistance to education is targeted effectively to increase opportunities for marginalised children, especially those with disabilities, as well as supporting girls to complete primary education.

ISSUE: SAVING LIVES

Global Fund to Fight AIDS, Tuberculosis and Malaria

The Need

Since 2000, we have seen unprecedented progress in containing and reversing the spread of HIV/AIDS, tuberculosis (TB) and malaria. **Nevertheless, these three diseases claimed around 3.5 million lives in 2013** alone: 1.5 million AIDS-related deaths, a further 1.5 million TB-related deaths and 584,000 malaria-related deaths.

The opportunity to defeat HIV/AIDS, TB, and malaria is the result of a rapid expansion of life-saving health services to the people who need them most.

- Between 2000 and 2013, the number of people on antiretroviral therapy (ART) to treat HIV/AIDS increased from 50,000 to 11.7 million.
- TB deaths have declined by 40% since 2000, due to advances in both detection and treatment of TB.
- Since 2000, the proportion of African households with an insecticide-treated bed net to protect them from malaria-carrying mosquitoes increased from 3% to 49%, and deaths from malaria have fallen by 40%.

However, **these gains are not guaranteed to continue without further investment** by national donors, countries with high disease burdens and global organisations such as the Global Fund to Fight AIDS, TB and Malaria.

The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 to provide a coordinated funding source to combat these three diseases. In the 13 years it has been operating, the Global Fund has provided AIDS treatment for 7.3 million people, successful tuberculosis treatment for 10 million people, and 450 million insecticide-treated nets for the prevention of malaria.

The Global Fund provides approximately 75% of the international financing for TB, 50% for malaria, and 21% against HIV/AIDS. The Fund is essential to our fight against these diseases in the Asia Pacific, and to date has invested \$5 billion across 35 countries in the region. In the Asia Pacific region alone, the Global Fund has helped test and treat more than 6 million cases of tuberculosis and provided over 29 million bed nets to protect families from malaria.

The Solution

The Global Fund works on a 3-year funding cycle, with its current cycle being 2014 to 2016. During 2015, the Global Fund will start negotiations with donors for the replenishment for the 2017 to 2019 period.

At the December 2013 pledging conference and in subsequent months, donors agreed to provide a total of \$US12.3 billion (\$A 15 billion) to the Global Fund in the 2014 to 2016 period to support an ambitious new strategy to defeat these three diseases. This commitment was encouraging, but fell short of the \$US 15 billion the Global Fund had indicated it needed to achieve its goals for combating the three diseases. Australia's pledge announced on 3 December was \$200 million over three years, the same as its contributions to the Global Fund in 2011 to 2013.

While the focus of the Global Fund and donors will shift in 2015 to the next replenishment, both national and non-government donors still have an opportunity to make further commitments for the 2014 to 2016 period. The United Kingdom and the United States have both indicated they would provide matching funding if other donors provide additional funding towards reaching the \$US 15 billion total.

Therefore, if Australia uses part of the increase in overall aid we have proposed to supplement its \$200 million pledge to the Global Fund, the availability of matching funding would magnify the impact of this funding. For example, if Australia increased its pledge for 2014 to 2016 to \$275 million, which would continue the trend over the last 10 years of Australia gradually increasing its contributions to the Global Fund, this would lead to a total increase in Global Fund resources of \$132 million (with payments of \$44 million from the USA and \$13 million from the UK).

During 2015-16, Australia will also need to consider its pledge to the Global Fund for 2017-2019. The Global Fund is likely to provide advice of its resource needs by the end of 2015, and it would be premature to nominate now a specific contribution from Australia for 2017 to 2019. However, the Australian Government should be making an allowance for a further increase in Australia's contribution in the 2017 to 2019 period.

The Benefits

By contributing an additional \$75 million in the next two years to the Global Fund replenishment, Australia will help to ensure that the world can further reduce the human and economic costs of HIV, TB and Malaria.

In addition, the Global Fund has received quality proposals for HIV, TB and Malaria programs worth approximately \$US 2 billion which it cannot fund from its current replenishment amount. By increasing its contribution, Australia would assist the Global Fund in meeting this demand.

As the latest annual reports by the World Health Organisation indicate significant funding shortfalls for the prevention and treatment of HIV (\$US 3-5 billion per year) TB (\$US 2 billion per year) and Malaria (\$US 2.7 billion per year) remain. Therefore, by increasing its contribution to the Global Fund, Australia would be contributing to closing these funding gaps. The 2014 World AIDA Day report by UNIAIDS also suggests that the economic benefits of a rapid scale up in HIV prevention and treatment action would outweigh the costs of this action by 15 to 1.

Australia will also have a stronger voice on the Global Fund Board by making a substantial contribution, ensuring that the Global Fund continues to make preventing and treating these diseases in the Asia-Pacific region a priority. (Other members of the Global Fund Board are less supportive of a focus on the Asia-Pacific as most countries in this region have a higher per capita income than most African countries, and Board members wish to focus on the poorest countries.)

In the last 10 years, Australia has contributed \$400 million to the Global Fund, and in turn the Global Fund has invested \$4 billion in total in the Asia-pacific region, showing the leverage of Australia's contributions.

Recommendation 3: The Australian Government should make an addition of \$75 million to Australia's pledge to the Global Fund for the 2014 to 2016 period, and plan for a further increase in contributions in the 2017 to 2019 period.

Continued funding for Gavi, The Vaccines Alliance

The Need

More than 6 million children die every year, mostly from preventable diseases such as pneumonia, diarrhoea and malaria. Gavi, The Vaccines alliance carries out the two actions we can take to prevent these avoidable, deaths: first, vaccinate against dangerous diseases, such as pneumococcal pneumonia and rotavirus diarrhoea; and second, strengthen the capacity of local integrated health systems to provide and manage their own disease prevention and treatment systems, including routine immunisations.

Gavi is a public-private global health partnership committed to saving children's lives and protecting health by increasing access to immunisation in the poorest countries. Gavi was established in 2000 by a large grant from the Bill and Melinda Gates Foundation. Gavi works only with the poorest countries of the world, and has a process for phasing out support to countries as their per capita income moves into the middle income category.

Gavi subsidises the cost of vaccines through donor investment, but also requires countries to co-invest in buying vaccines and developing sustainable programs. **Gavi works through four methods:**

- Working with recipient governments to build political will for vaccines.
- Assisting the country to strengthen its health system so it can deliver routine immunisations, as well as other routine health services.
- Working to ensure long-term and predictable funding from donor countries, and to increase and sustain co-financing of vaccines by recipient countries.
- Shaping global vaccine markets to ensure adequate supply of appropriate, quality vaccines at low and sustainable prices for developing countries. Countries in our region that have chosen to invest in GAVI vaccines include Indonesia, Lao PDR, Papua New Guinea and Myanmar.

The Solution

Gavi has had a significant impact in our region, including the rollout of the locally-produced five-in-one vaccine in Indonesia¹, and the introduction of pneumococcal vaccine in Papua New Guinea and Laos recently. **Gavi is on track to immunise half a billion children by 2015, resulting in more than nine million lives being saved by the end of the decade.**

At the Gavi pledging conference in January 2015, the Australian Government announced continued funding of \$250 million over five years for Gavi, which was part of a total of \$US 7.5 billion (\$A 9.3 billion) commitment to Gavi by all donors for the 2016-2020 period.

¹ Diphtheria, tetanus, pertussis, hepatitis B and *Haemophilus influenzae* type B (a type of meningitis).

The aggregate funding commitment met Gavi's target and will enable Gavi to support the vaccination of a further 300 million children and save an estimated 6 million lives in the future.

While Gavi has achieved its funding target for 2016-2020, it may face additional challenges and costs in the next five years, such as from the distribution of a potential Ebola vaccine, once this vaccine is developed and approved. It would be appropriate for Australia to make a further commitment to Gavi to assist in covering these costs as they arise.

The Benefits

Making further contributions to Gavi is consistent with the goals of the Australian Aid Program, and is particularly relevant for our region. **Australia has sat on the Gavi board since 2009, and thus represents the Asia Pacific regions interests at the highest level.** This role for Australia would be important in the future, as many Asia-Pacific countries are due to graduate from full Gavi support in the coming years. Gavi was rated *extremely* highly in the 2012 Australian Multilateral Assessment, as cooperation with GAVI meets Australia's strategic objective of "saving lives through cost-effective and evidence-based interventions such as immunisation."

The Minister for Foreign Affairs has spoken in support of the Gavi model of working in partnership with both low and middle income countries to extend availability of and increase affordability of vaccines. In October 2014, the Minister noted: "Vaccines lift people out of poverty caused by poor health. It has enormous dividends in terms of the economic and social outcomes."²

Recommendation 4: Australia to deliver its pledge of \$250 million to Gavi, The Vaccines Alliance for 2016-2020 over four years, to provide scope for additional funding to meet additional costs such as for Ebola Vaccine distribution. The Australian contribution to Gavi in 2015-16 towards this total would be \$60 million.

Scaling-up services for the effective management of Tuberculosis and Multidrug-Resistant Tuberculosis (MDR-TB) in Papua New Guinea.

The Need

Papua-New Guinea experiences high rates of TB infection, and due to incomplete treatment for many patients rates for multi-drug resistant TB are also high. The Development Partnership Agreement between Australia and Papua-New Guinea (2012) includes goals for increasing TB detection and treatment completion rates. From 2015 to 2020, detection rates for TB are due to increase from 35% to 40%, and the treatment completion rate is due to increase from 75% to 85% in this period.

Following the announcement on 5 February of additional funding for TB control in Papua-New Guinea by the Minister for Foreign Affairs, Australia's assistance to control TB in Papua-New Guinea will increase to \$60 million over 7 years, covering both the Western Province and the Capital Region.

In recent years, the Australian Government has sought to increase the capacity of the Papua-new Guinea TB treatment to replace the treatment of TB patients in Torres Strait health clinics. Australian Government's long term plans to strengthen PNG's capabilities in TB control are

² The Hon Julie Bishop MP, address to Gavi morning tea, Canberra, 29 October 2014.

consistent with World Health Organisation (WHO) guidelines. However, implementing these aims in a resource-poor setting such as PNG is a challenging and complex task.

The Solution

The increase funding to address TB in Papua-New Guinea from Australian Aid is welcome, and several issues need to be addressed to ensure this funding has the greatest impact. First, it is important that the persons transferring to Daru Hospital for treatment receive adequate treatment and care. Inconsistent treatment of infected individuals due to access issues with services and drug availability both seriously endangers the infected individuals, as well as poses a major public health risk in terms of the development of MDR TB.

Additionally, the prompt identification, treatment and monitoring of TB are important factors in effective TB control, and it is essential to clarify whether the services currently available in PNG are adequate for undertaking these tasks. The Western Province of PNG is notably faced with high levels of poverty and inadequate and unreliable infrastructure such as transportation and access to safe water.

In the long term, Australia's commitment to the development of TB services in the Western Province and Port Moresby will need to be backed up by health system strengthening across the country and development of supporting infrastructure for TB control to be sustainable.

The Benefits

Improving TB identification and treatment in Papua-New Guinea will address the human and economic costs of TB in Papua-New Guinea (as many of the people who suffer from TB are of working age), and will reduce the number of people from Papua-New Guinea seeking treatment in Australia.

Recommendation 5: RESULTS urges the Australian Government to implement programs that will help to achieve universal access to prevention, early diagnosis and effective patient-centred treatment for MDR-TB in PNG. It is also important that the present funding commitment of \$60 million be delivered in full, and its results are reported.

Funding for Medical Research

The Need

The adoption of a medical research strategy recognises that current treatments are not sufficient to overcome different strains of diseases. For example, most of the drugs which are used to treat TB are at least 40 years old.

In mid 2013, the Australian Government approved four grants with \$10 million for one year for TB and Malaria research within the Medical Research Strategy. The Australian Government's aid policy released in June 2014 includes a provision for \$30 million per year for four years for medical research, including \$10 million for Product Development Partnerships, \$5 million for innovative approaches in health services and \$15 million for operational research.

The Solution

As the Independent Review of Australian Aid found, one of the most effective ways that Australia can help developing countries is for us to use our research expertise to try to solve medical needs in poorer countries. However, medical research projects seldom produce clear outcomes in a short period, so sustained funding of current research projects and possible future projects is required.

Therefore, RESULTS Australia calls on the Government to ensure it delivers at least \$10 million for Product Development Partnerships developing TB and Malaria in 2015-16. The focus of the funding in the next four years would be on product development to treat infectious diseases, such as malaria, TB and HIV/AIDS.

In addition, funding from the operational research and innovative approaches programs could include innovative ways of identifying and treating the large number of TB cases which are not formally reported or treated, estimated at 3 million per year.

The Benefits

By supporting continued research into infectious diseases, Australia will contribute to the development of more effective treatments which could complement other actions to increase funding for screening and treatment. These combined actions will assist in eventually eradicating these diseases, which are a significant burden for many countries in our region.

Recommendation 6: That the Australian Government ensures it delivers the promised funding of \$30 million per year for medical research in the next three years, and includes a focus on TB and malaria in both the \$10 million for Product Development Partnerships and other research funding.

ISSUE: FUNDING FOR NUTRITION

The Need

Malnutrition in all forms is directly or indirectly responsible for more than two fifths of preventable child deaths (estimated at more than 3 million child deaths per year), making it one of the largest causes of child mortality. Under nutrition is increasingly recognized as a global public health, child development and increasingly national economic problem, with far-reaching societal impacts.

By 2010 it was estimated that around 104 million children under five were underweight, a further 171 million were stunted, around 90 per cent of which were living in 36 high-burden countries. It is estimated that over 55 million children under the age of 5 have acute malnutrition, 19 million of which suffer from severe acute malnutrition (SAM), the most extreme and urgent manifestation of malnutrition. SAM is a leading cause of under-5 mortality, estimated at over 1 million child deaths per year.

The World Bank estimates that countries affected by under nutrition lose at least 2-3 per cent of their Gross Domestic Product, and billions of dollars, in avoidable health care spending. Globally, the direct costs of under nutrition in children have been estimated at \$20-\$30 billion per year.

The Solution

Australia was one of many countries and multilateral institutions which made a pledge at the Nutrition for Growth Summit in June 2013, committing to join the Scaling Up Nutrition (SUN) movement, and contribute \$40 million to nutrition measures in the Asia-Pacific region from 2013-14 to 2016-17.

As part of global efforts to reduce the costs of child undernutrition, Australia should increase its aid for nutrition to \$33 million in 2015-16, an increase from spending of \$23 million in 2014 which DFAT reported recently. Nutrition funding should increase further to \$40 million in 2016-17 and to \$50 million by 2018-19. This increased funding would incorporate the \$40 million Asia-Pacific nutrition initiative announced in June 2013.

The Benefits

Taking effective action to reduce undernutrition will assist in reducing the significant economic costs of undernutrition noted above. As undernutrition is widespread in countries in Asia and the Pacific, which can have among the highest rates of stunting in the world in spite of increased food production economic growth, taking action would be consistent with Australia's aid objectives.

Recommendation 7: That Australia's aid for nutrition increases to \$33 million in 2015-16 and \$40 million in 2016-17, and incorporates the commitment of \$40 million made at the Nutrition for Growth Summit.

ISSUE: WATER AND SANITATION

The Need

While many countries have made significant progress in improving access to clean water and safe sanitation over the last 20 years, 783 million people still lack access to improved drinking water and 2.5 billion people lack access to safe sanitation.

A significant factor in undernutrition is insufficient water and sanitation, and hygiene, practices. Half of undernutrition is associated with intestinal parasitic infections and repeated diarrhoeal episodes, which come about due to unsafe water, insufficient sanitation or inadequate hygiene. Water, sanitation and hygiene (WASH) interventions can reduce significantly childhood faecally-transmitted disease, and can have a major impact on the prevalence of undernutrition. Improving hygiene practices have been proven to reduce diarrhoea rates by 30-40%, for instance, which would also decrease risk of undernutrition regardless of nutrition interventions.

Therefore, investments in water and sanitation are an important complement to support for nutrition measures noted earlier.

Despite the progress made in increasing access to water and sanitation, three regions, including the Pacific and West Asia will miss the MDG targets for improving access to water and sanitation. Papua New Guinea has one of the world's lowest coverage rates of water and sanitation—just 19% of people use improved sanitation and only 40% have access to safe water.¹ In both Timor-Leste and Cambodia less than 40% of people use an improved sanitation facility.

The Solution

Given its critical importance to achievement of health and nutrition outcomes, **access to water and sanitation** should be maintained at least at the 2014-15 level of 4.3% of the aid budget in 2015-16 (or at \$230 million). Given the scale of unmet needs for water, sanitation and hygiene, it will be important to increase its priority in the aid program in the future. Therefore, aid for water, sanitation and hygiene should increase to 5% of aid by 2018-19 (or \$315 million).

As the Government has identified water and sanitation as a priority investment in both the infrastructure and health components of the aid program, this proposed increase in investment in water and sanitation would be consistent with Government priorities.

The Benefits

Increased investment in water and sanitation will contribute to better health through reductions in water-borne and hygiene-related illnesses. This will in turn lead to better education outcomes as school attendance increases, and increased economic activity as people are able to increase working hours due to reduced illness. Therefore, water and sanitation investments are an important complement to other priorities in education, health and livelihood development.

Recommendation 8: That the Australian aid program provide \$230 million for water, sanitation and hygiene in 2015-16, increasing to \$315 million by 2018-19.

ISSUE: RURAL LIVELIHOODS AND MICROFINANCE

The Need

In spite of action over several decades to increase access to financial services, 2.5 billion people are still unable to obtain these services. This adds to the vulnerability of poor people, as they are unable to obtain credit on reasonable terms to start or grow small enterprises, obtain insurance to protect against unexpected costs or loss of income or have a safe place for savings.

In recent years, the inclusion movement has achieved critical support and rapid progress. In 2013, World Bank President Jim Kim endorsed the goal of universal financial access by 2020. Technology-enabled business models are catalysing outreach, including the use of mobile phones which are now available to six billion of the world's people.

The Microcredit Summit Campaign reported that the number of very poor people with access to credit and financial services had increased strongly from 82 million in 2005 to 116 million in 2012. However, growth in the number of very poor clients has slowed and even reversed in recent years, which means that a renewed focus on access to credit and financial services among the poor is required if the goal of reaching 175 million of the poorest people by 2015 is to be reached.

The Australian government had committed \$20 million funding to be allocated by 2012-13 towards the implementation of its financial inclusion strategy 'Financial Services for the Poor'. The Government had undertaken a review of the Strategy in 2012, which generally supported the objectives and implementation of the strategy, and suggested that larger-scale financial services projects needed to be included to increase impact, and reporting on project outcomes and performance needed to be improved.

The Solution

To increase Australia's contribution to increase the availability of financial services, especially to the poorest people, additional investment in financial services through the aid program is required.

By 2016-17, aid to microfinance should increase to \$40 million per year, with an interim goal of providing \$30 million in 2015-16. This would enable the adoption of larger scale initiatives as the review of the Financial Services for the Poor Strategy has proposed.

The Benefits

Wider access to financial services will reduce the vulnerability of the poorest people and ultimately increase self-reliance as people are able to generate a higher income from small enterprises and insure against loss of income. The Government's aid policy statement, Australian Aid: promoting prosperity, increasing stability, reducing poverty. Three of the priorities the Government has set for the aid program are:

- Promoting private sector development.
- Building resilience (including disaster risk reduction and social protection).
- Gender equality and empowering women and girls.

Effective microfinance programs are relevant to all of these objectives. For example, microfinance institutions can offer insurance and loans to rebuild businesses after a natural disaster (adding to resilience) and the majority of clients of microfinance institutions are women (as they have most difficulty in accessing mainstream financial services and are most likely to use additional income to benefit their families).

Recommendation 9: Increase annual microfinance funding to \$30 million in 2015-16 and to \$40 million in 2016-17 to enable further progress in building capacity and impact.

For further information on the matters in this submission please contact Mark Rice, Global Health Campaigns Manager mark.rice@results.org.au or Maree Nutt, CEO – maree.nutt@results.org.au

^[iii] WHO/UNICEF, *Progress on Sanitation and Drinking-Water: 2013 Update*, 26-27.