

Submission on Australia's International Development Policy

by the Australian International Development Network

Poverty levels are predicted to rise for the first time in 20 years (ACFID [2022](#)). The World Bank's most recent report, *Correcting Course* [2022](#), further showed that the global extreme poverty rate increased from 8.4% in 2019 to 9.3% in 2020 meaning that more than 70 million additional individuals were pushed into extreme poverty. And in 2022 and beyond, poverty is only one of a multitude of development challenges facing Australia and our regional neighbours. Geo-strategic and security concerns loom, the risks and impacts of climate change continue to mount and pressing social issues such as gender inequality will continue to prevail without a bold international development strategy moving forward.

It is in this urgent context and an increasingly globalised and interconnected world that the Australian International Development Network (AIDN) advocates for more and better international giving and investing from Australians. Our aim is to raise the case for global giving with a particular focus on private capital mobilisation and impact investing to achieve the Sustainable Development Goals (SDGs).

Acting as a neutral and connective film across the Australian international development sector, we encourage collaboration, highlight the good and urgent work being done in the sector and create an environment for the exploration of what 'better' and 'more' giving means today. We do this through coordinating, encouraging and facilitating initiatives between the private sector, corporate, government, philanthropists and investors ultimately leading to greater international engagement from Australia.

We believe our agenda and activities can complement the Australian Government's international development policy by providing access to private capital.

The following proposed submissions revolve around the three core pillars of our strategy.

Government:

We advocate for an increase in the percentage of GNI contributed to the Australian Government's Official Development Assistance (ODA).

Philanthropy:

We champion an environment that supports increased outbound Australian overseas philanthropy to complement domestic giving and Government ODA.

Investment:

We argue that there is a need for more innovative and unified impact investing mechanisms in the Australian market whereby AIDN can play a key role in acting as a conduit for private capital in tandem with the Australian Government.

We believe that all three strategies proposed by AIDN will contribute to a Government international development policy that can deliver on Australia's commitment to work in partnership with our neighbours to achieve a peaceful, stable and prosperous Indo-Pacific and a more equitable world for all leading to a more prosperous and safer Australia.

Government

At AIDN, we believe that the very first step in achieving an ambitious and comprehensive international development policy moving forward is the need for the Australian Government to increase official ODA to at least 0.5% of Gross National Income.

Increasing the percentage of GNI contributed to ODA in our region is crucial for the Australian Government to achieve its own ambitious commitment to climate action, poverty reduction, human rights, and gender equality, disability and inclusion (GEDSI). Increasing ODA is also key to meet geo-strategic security and stability concerns, in the context of changing global economic and political power in the Indo-Pacific region. Australia's ODA allocation in FY20-21 was 4.56 billion, ranking Australia 21 of 29 OECD economies. In FY21-22 Australia's ODA is estimated to reach just 0.21 percent of GNI and is predicted to fall to an estimated 0.18 percent in FY 24-25. In 2021, the net ODA among OECD/DAC members was just USD 178.9 billion. This amounts to just 4.26% of the current USD \$4.2 trillion shortfall in achieving the SDGs by 2030 (ACFID [2022](#) p.2). If Australia is to meet these pressing development challenges then an increase in the percentage of GNI contributed to ODA of at least 0.5% of GNI is warranted.

The limits to what an increase in Australia's official ODA could do for our region are both endless and crucial to building more meaningful partnerships in our region and the wider international development sector, founded on mutual trust, respect and shared values of fairness and equality. The impacts of ODA in achieving Australia's objectives in our region are evident and should not be underestimated.

Philanthropy

At AIDN we want to see a clear action plan for the doubling of Australian philanthropy by 2030; With a particular emphasis on international giving, that is endorsed, supported and fostered by the Australian government in consultation with AIDN.

In April 2022, the Labor Government promised to double philanthropic giving if elected ([Probono News 2022](#)). Shortly thereafter, Philanthropy Australia launched its [new roadmap](#) to double Australian structured giving by \$5 billion by 2030. The blueprint is the result of extensive consultation and discussions with stakeholders about how to increase Australia's current level of giving and AIDN welcomes the initiative. As outlined in the blueprint, some of the key initiatives needed to deliver on strategic priorities include removing barriers to donating excess superannuation, reforming the DGR framework and introducing a Living Legacy Trust structure. However, in designing Australia's new international development policy the Australian Government should consider how the mechanisms that may allow for the doubling of philanthropy should also specifically facilitate international giving. In turn, this will allow outbound Australian international philanthropy to simultaneously grow - both naturally complementing essential domestic giving and official Government ODA, activities and agenda.

At present, Australia is perfectly placed for increased overseas philanthropic giving and in the recent 'Unlocking Cross-border Philanthropy in Asia' research initiative, Australia was identified as a high level for outbound giving ([Give2Asia 2022](#)). However, there is still work to be done to ensure that high-impact opportunities to alleviate global poverty are correctly understood and promoted (Stamperdahl [2022](#)). For example, whilst the obstacles to Australian overseas giving have greatly improved and Australians can now make tax-deductible gifts abroad through Public Benevolent Institutions (PBIs), private outbound donations have stagnated. The removal of past obstacles is still not well understood and so interest is largely only from a small network of philanthropists ([Give2Asia 2022](#)). Similarly, unlike in the US, private ancillary funds in Australia cannot make grants directly to overseas entities and must instead grant to a DGR in Australia which then uses those funds to support projects overseas. Allowing them to make grants directly to overseas entities with a system mirroring the Equivalency Determination process of the US would be a welcome development (AIDN Manifesto [2018](#)). Equivalency determination (ED) is a process by which a U.S. grantmaker evaluates whether an intended foreign grantee is the equivalent of a U.S. public charity. The grantmaker must collect a set of detailed information about the grantee's operations and finances and make a reasonable determination of its equivalency.

Moreover, it was found that the Australian Government does not actively encourage overseas donations. Legal experts who participated in the study further argued that both the giving mechanism and compliance requirements are not well understood by the general public thus hindering philanthropists' awareness of opportunities to give abroad ([Give2Asia 2022](#)). It is clear that more accessible information on philanthropic practices is required to achieve the goal of doubling philanthropic giving, especially abroad. AIDN endorses platforms like Give2Asia and Partners for Equity that seek to actively streamline these opaque processes and minimise the obstacles for Australian philanthropists looking abroad.

Since 2001, Give2Asia has facilitated more than US\$465 million of charitable grants across 20+ countries for locally-led international development organisations and seeks to streamline the process with an emphasis on connecting Australian philanthropists to local regional leaders to ensure culturally appropriate and sustainable change. Similarly, [Partners for Equity](#) monitors and evaluates 60 international partners on behalf of over 40 Australian donors. They have a dedicated Local Leaders Portfolio with over 20 locally-led, grassroots partners in East Africa to which over \$2 million has been given in untied grants over the past two years.

Investment

At AIDN we believe that the Australian market for international impact investment is small, fragmented, and inefficient. There is a need for new impact investing mechanisms and structures that allow for unified frameworks and enhanced collaboration between smaller NGOs and NFPs to maximise impact. AIDN seeks to spearhead this project and act as a key conduit to private capital for the Australian Government.

There is a current US\$4.2 trillion shortfall in achieving the SDGs by 2030 ([ACFID 2022](#)). Meeting this financing gap is crucial to addressing present and future development issues, such as climate change. Australia's region is on the front line of climate change and our neighbours in Small Island Developing States are disproportionately impacted (IPCC, [2022](#)). Innovative impact investing mechanisms in the climate change space are already making tangible impacts and we should continue to learn from them. However, it is clear that even if all OECD countries were to meet the development assistance target of contributing 0.7 per cent of Gross National Income (GNI), total ODA would likely not exceed USD \$400 billion per year. **This means that there is not enough public funding to close this gap ([ACFID 2022](#) p.2) and the need to engage with all relevant giving partners, particularly the private sector and to develop innovative financing mechanisms, has never been greater. AIDN is in a unique position, acting as a connective film across the sector, to lead in this capacity.**

Crucially, it has been shown that it would take only 1.1% of total global finance (estimated at US\$379 trillion) to fill the SDGs financing gap (OECD Global Outlook on Financing for Sustainable Development, 2021 in [ACFID 2022](#) p.2). In this light, AIDN has welcomed the Australian Government's commissioned [Development Finance Review](#) which will examine

existing sovereign and non-sovereign mechanisms used by the Government and will draw on regional and global innovative approaches to development finance. This includes examining blended finance mechanisms where government financing instruments such as grants and loans are used in combination with, and to leverage, private sector and philanthropic investment.

To contribute to this review and policy further, AIDN proposes a unified Master Fund. In consultation with [Brightlight Impact Advisory](#), AIDN has framed its own idea of an Impact Master Fund: a blended finance fund with an anticipated size of AU\$30 million that targets women's empowerment and aligns with best-practice gender-lens investing. The Master Fund is designed to respond to the small, fragmented, and inefficient nature of international impact investing within the Australian market.

INGOs lack the scale and operational capacity to take large investments directly to market. To respond to this, the professionally governed and managed Master Fund is a unified structure fund that can deliver market rate returns and is designed to reduce costs for each INGO through stream-lined governance, due diligence, reporting and minimising risk. The fund will also facilitate a large-scale and diversified portfolio of investees in an agreed Region with local financial intermediaries, allowing INGOs (and Institutional Investors) to channel funds into SDG-aligned investments with assured on-the-ground impact. Ultimately, this will release additional capital from Australia to emerging markets.