



Save the Children
Australia

Federal Government Budget Submission

Save the Children

19 January 2017

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
SUMMARY OF RECOMMENDATIONS	5
ECONOMIC AND FISCAL ENVIRONMENT.....	6
SECTION A: IMPROVING THE LIVES OF ABORIGINAL AND TORRES STRAIT ISLANDER CHILDREN	9
1. Youth Justice.....	9
2. Family Matters.....	14
SECTION B: IMPROVING THE LIVES OF CHILDREN IN OUR REGION.....	21
3. An Overseas Aid Program Meets Global Challenges.....	21
3.1 An Aid Budget to Implement the Sustainable Development Goals	21
3.2 Improving the Transparency and Accountability of Australia’s Aid Program	23
3.3 Investing in Better Evidence for Better Outcomes	24
3.4 Humanitarian.....	25
3.5 Education in Emergencies	31
3.6 Nutrition	33
4. Responding to Forced Migration	37
4.1 Increasing the Humanitarian Intake	37
4.2 Expansion of Community Proposal Pilot (CPP)	38
4.3 Protecting and Resettling Refugees on Nauru and Manus Island.....	39
4.4 Supporting the Protection of Forced Migrants in the Region	39
SECTION C: OFFSETS	44
5. Savings and Revenue Measures	44
5.1 Close Regional Processing Centres.....	44
5.2 No Escalation in Defence Spending	45

Save the Children Australia

Save the Children is a leading independent international organisation for children and child rights. Our vision is a world in which every child attains the right to survival, protection, development and participation. Our purpose is to inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives. We work towards this vision in Australia and more than 120 countries across the globe.

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EXECUTIVE SUMMARY

Australia is a wealthy nation. To a large extent, we have the financial resources, natural endowments and human capital to making Australia one of the best countries in the world for children to live. Our GDP per capita is the seventh largest in the world,¹ and Australians are ranked the second wealthiest in the world in terms of assets.² Despite this, inequality is on the rise within Australia. There are extremely vulnerable and disadvantaged groups of children in our society who do not enjoy the same promising future as their peers. Further afield, there are many more children in our region and beyond who lack the basics to survive, let alone thrive. This poses a threat to Australia's own interests because history shows that inequality drives insecurity and instability.

The Federal Budget is a clear demonstration of our priorities as a nation. We acknowledge that tough choices need to be made to bring the budget back to surplus over the medium term. Nonetheless, making the right investments in disadvantaged children and families will yield strong social and economic returns over the longer term, particularly with an ageing population. The whole nation will suffer if we fail to address barriers to economic and social inclusion.

In this budget submission we make the case for investing in highly disadvantaged children and their families wherever they may live – Aboriginal and Torres Strait Islander children, refugee and asylum seeker children, children living in poverty in Australia and our region. Based on our work in Australia and overseas, we have identified areas where we consider it is important to show national and regional leadership. These measures are summarised in the table on page 5.

In particular, Save the Children has identified a number of high priority investments that would create a significant positive impact on our children – both domestically and internationally – if implemented. These include: increasing efforts to reduce over-representation of Aboriginal and Torres Strait Islander young people in both out-of-home care and also in youth detention; increasing the humanitarian intake of refugees; and restoring the aid budget so as to fund important programs in childhood nutrition, humanitarian and emergency relief efforts as well as ensuring continuity of education in emergencies.

We recognise that increased spending involves trade-offs. Our submission more than offsets additional spending recommendations with socially prudent savings. We achieve this through two relatively straightforward savings measures, namely: maintaining defence spending at its current percentage of GDP; and closing down the offshore regional processing centres on Manus Island and Nauru.

The submission is structured as follows:

- Section A - measures to improve the lives of children in Australia;
- Section B – measures to improve the lives of children in our region and facing humanitarian crises overseas; and
- Section C - savings and offsets for additional expenditure.

¹ In US dollars, current prices. World Bank World Development Indicators, 2015.

² Based on median household wealth. Credit Suisse Research Institute (2016) Global Wealth Report 2016.

SUMMARY OF RECOMMENDATIONS

Recommendations	Four year cost (\$m)	Four year save (\$m)	Page
Improving the lives of children in Australia			
Family Matters <i>Addressing over-representation of Aboriginal and Torres Strait Islander children in out-of-home-care</i>	283		
Youth Justice <i>Addressing over-representation of Aboriginal and Torres Strait Islander children in the criminal justice system</i>	60		
Improving the lives of children in our region			
Overall aid budget <i>Restoring the overseas aid budget to \$5bn per year, increase support for nutrition, education in emergencies, humanitarian and emergency relief</i>	5,640		
Responding to growing forced migration <i>Increasing humanitarian intake, Community Proposal Pilot intake, increase funding to UNHCR, and to non-Government organisations to support asylum-seekers and refugees in South East Asia</i>	5,302		
Offsets			
Savings from border policies <i>Finalise resettlement of those in Nauru and PNG and close offshore processing centres.</i>		1,984	
Saving from defence <i>Maintain defence spending at current ration of GDP and do not increase to 2 percent of GDP by 2023-2024.</i>		11,069	
Total	11,285	13,053	

ECONOMIC AND FISCAL ENVIRONMENT

Australia is a wealthy nation. Our GDP per capita is the seventh largest in the world.³ In terms of assets, Australians are the second wealthiest in the world.⁴ On non-monetary measures we do equally well. According to the OECD Better Life Index, Australia ranks among the top countries for housing, jobs and earnings, education and skills, safety, health, environment and civic engagement.⁵ We have strong democratic and social foundations, and we have one of the most targeted and progressive transfer systems amongst advanced economies.⁶

However, the changing economic landscape poses challenges for medium term growth. As the Australian economy transitions from the investment to the production phase of the mining boom, economic activity has transitioned towards the non-mining sector. This is reflected in strong growth in property investment and household consumption, but the outlook for business investment in the non-mining sector is not as promising.⁷ Amid this transition, our public finance position faces a dilemma: while some call for a quick return to surplus to retain our AAA rating, others call for debt financed infrastructure investment to leverage economic growth.⁸

We appreciate that tough fiscal trade-offs need to be made to strengthen the economy in the medium term. However, neglecting to make the right investments to address inequality within Australia poses a threat to medium term national productivity. As recognised by the OECD and IMF, widening inequality leads to declining economic growth.⁹ When a nation fails to include a large number of people in its economy – when it restricts the circle of opportunity – the economy is weakened and the whole nation suffers.¹⁰ Conversely, making the right investments in some of the most disadvantaged children and their families in Australia can yield high returns. Eliminating barriers to economic inclusion will have spill over effects for the broader economy.

Moreover, we argue that investments in vulnerable children today will help to increase the participation and productivity that our economy needs to grow over the longer term to combat the impact of an ageing population and gradual decline in participation – as outlined in the 2015 Intergenerational Report.¹¹ From this longer-term perspective, investments today in addressing child poverty – both in Australia and internationally – represent an investment in the future productivity and participation of our region.

All children have equal rights. By ratifying the Convention on the Rights of the Child (CRC) in December 1990, Australia made a commitment to take all necessary legislative, administrative and

³ In US dollars, current prices. World Bank World Development Indicators, 2015.

⁴ Based on median household wealth. Credit Suisse Research Institute (2016) Global Wealth Report 2016.

⁵ <http://www.oecdbetterlifeindex.org/countries/australia/>

⁶ Productivity Commission Working Paper, Tax and Transfer Incidence in Australia, October 2015.

⁷ Reserve Bank of Australia, Statement on Monetary Policy – November 2016, 3. Domestic Economic Conditions.

⁸ The following report describes the argument for proponents of infrastructure investment – the RBA and IMF: <http://www.abc.net.au/news/2016-12-02/australia-should-boost-infrastructure-spending-says-imf/8088152>

⁹ Blackwell, A (2017), 'The Curb-Cut Effect,' Stanford Social Innovation Review (Winter), 15, available at: https://ssir.org/articles/entry/the_curb_cut_effect

¹⁰ Ibid.

¹¹ 2015 Intergenerational Report, Australia in 2055, March 2015.

other measures to implement those rights.¹² This includes an obligation to take all necessary measures to implement these rights for all children in Australia, and where needed, within the framework of international cooperation. Though Australia is a wealthy country, we are home to thousands of children in need of critical Government services to protect their rights. Beyond Australia, millions of children benefit from our generosity, and millions more remain where our additional resources could improve lives.

The Government has a leading role in fulfilling the rights of these children, both domestically and abroad, and the Federal budget is an opportunity to prioritise the most important investments. This budget submission outlines some critical federal budget recommendations which Save the Children Australia believe would offer the greatest social return by improving children's lives.

Despite most Australians benefiting from rising income and wealth there is a persistent and growing cohort of Australians living in poverty. Based on the ABS Survey of Income and Housing, the national poverty rate is estimated to be 11.9% in 2011-12.¹³ This means 2.19 million people were living below the poverty line in Australia, of which 363,000 were children. Once housing costs are accounted for, this national poverty rate rises to 13.9%. On this basis, 2.5 million people were living in poverty in 2011-12, of which over 600,000 were children. Australia also has relatively high poverty rates compared to other developed countries.¹⁴ The OECD estimates that Australia's poverty rate in 2012 was above the OECD average, with only nine countries having a higher poverty rate.¹⁵

Other measures of poverty in Australia are more conservative but still show the challenge facing many families and children. The Bankwest-Curtin Economics Centre estimates that in 2011 there were more than one million people living in severe income poverty in Australia (30% of national median income). This equates to around 5% of Australia's population. For a couple with children it can mean making do with income of \$261 each week after housing costs, with many surviving on less.¹⁶ Aboriginal and Torres Strait Islander peoples are disproportionately affected by poverty and disadvantage. Median incomes of Aboriginal and Torres Strait Islander adults (\$465) are, on average, only half that of non-Indigenous adults (\$869).¹⁷

Internationally, there has been dramatic progress in reducing poverty. The proportion of the world's population living in extreme poverty in 2012 was around one third of what it was in 1990. Yet, around 12.7 percent of the world's population – around 900 million people – are still living on

¹² UN Convention on the Rights of the Child (<http://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx>)

¹³ ACOSS, Poverty in Australia, 2014. See http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf

¹⁴ CEDA, Addressing Entrenched Disadvantage in Australia, Poverty and Social Disadvantage: Measurement, Evidence and Action (chapter authored by Peter Saunders), April 2015.

¹⁵ Before housing costs. OECD, Income Inequality Update – Rising Inequality: Youth and Poor Fall Further Behind, 2014.

¹⁶ Bankwest Curtin Economics Centre (2014) Falling through the Cracks: Poverty and Disadvantage in Australia, October 2014.

¹⁷ Productivity Commission (2014) Overcoming Indigenous Disadvantage Key Indicators 2014, page 4.71. The income measure is equivalised gross weekly household income.

less than \$1.90 a day.¹⁸ More than half of this population is located in our region, with around 456 million people living in extreme poverty in either South Asia or East Asia and the Pacific.

At the same time, conflict and human rights violations have resulted in an unprecedented number of refugees, asylum-seekers, and internally displaced people worldwide, with over 65 million forcibly displaced at the end of 2016.¹⁹ In 2014, children below 18 years old constituted 51 percent of the refugee population, the highest figure in more than a decade.²⁰ At Save the Children, our aim is to promote and protect the rights of children and impact their lives positively, wherever they may live. As adults, it is our responsibility to invest in giving all children the best start life. We support the use of a rights-based approach to underpin a focus on achieving the best outcomes for children. As a signatory to the UN Convention on the Rights of the Child, Australia has committed to realising children's economic, social and cultural rights to the maximum extent of available resources. In our view, we have the resources to give the most vulnerable children a better future - it is a matter of priorities.

We understand the need for structural reform to return the budget to surplus. However, several savings measures have simply been adopted as easy targets, such as the aid budget which does not require the passage of legislation, regardless of the policy merits of the measure, whether or not it is in Australia's national interest, or consistent with our values as a nation. Other measures, such as withdrawal of funding for Indigenous early childhood development, involve potential cost shifting to the States without considering the immediate impact on our most vulnerable children. On the other hand, defence expenditures – which are both significant and growing – pass through parliament with bipartisan support but very limited critical evaluation of the trade-offs involved.

In this submission we have taken account of the current fiscal environment and maintained restraint in our spending asks, offset by savings measures.

¹⁸ World Bank (2016) Global Monitoring Report 2015/16: Development Goals in an Era of Demographic Change. Note that \$1.90 is in terms of Purchasing Power Parity, which takes account of different costs of living across the world.

¹⁹ See <http://www.unhcr.org/en-au/figures-at-a-glance.html>

²⁰ UNHCR (2015), World at War: UNHCR Global Trends 2014.

SECTION A: IMPROVING THE LIVES OF ABORIGINAL AND TORRES STRAIT ISLANDER CHILDREN

1. Youth Justice

Portfolio: Department of Prime Minister and Cabinet, Department of Social Services

A National Crisis: Over-representation of ATSI youth in the Criminal Justice System

Shocking reports of abuse at the Don Dale Youth Detention Centre have highlighted the urgent need for youth justice reform - not only in the Northern Territory, but in all states and territories of Australia. Many jurisdictions are struggling to adopt approaches to youth justice that adequately balance the underlying objectives of any justice system including punishment, rehabilitation, community safety and the rights of young people and their families.

Victoria, for example, has recently struggled to respond appropriately to recent riots in overcrowded youth justice facilities where up to 80% of young people in custody are on remand, meaning they have not been convicted of an offence²¹. The Victorian Government's attempts to transfer young people to a maximum security prison in response to the riots was determined to be unlawful and a breach of their human rights²².

Challenges in youth justice are particularly critical for Aboriginal and Torres Strait Islander young people who are severely over-represented in the criminal justice system. Alarming, Aboriginal and Torres Strait Islander young people (aged 10-17 years old) are 24 times more likely to be in detention than their non-Indigenous counterparts.²³ The incarceration rate of Aboriginal and Torres Strait Islander youth has doubled in the last two and a half decades since the Royal Commission into Aboriginal Deaths in Custody in 1991.²⁴ The over-representation of Aboriginal and Torres Strait Islander youth under justice supervision in the community is also extremely high - 15 times higher than that of non-Indigenous youth.²⁵

The situation is even more concerning given the young age at which Aboriginal and Torres Strait Islander people come into contact with the criminal justice system. According to the Institute of Health and Welfare, 100% of 10 year-olds under youth justice supervision in Australia are Indigenous.²⁶ Evidence shows that the younger a person enters the criminal justice system, the more likely they are to re-offend.²⁷ Furthermore, evidence suggests that detention does not deter re-offending, but may

²¹ <http://www.theage.com.au/comment/youth-justice-is-not-the-governments-fault--but-its-their-job-to-fix-it-20170104-gtlwhl.html>

²² <http://www.abc.net.au/news/2016-12-21/barwon-prison-teen-detainees-must-be-moved-court-rules/8137838>

²³ Productivity Commission (2016) *Report on Government Services 2016, Corrective services, Attachment table 8A.3, Canberra*.

²⁴ Amnesty International *A Brighter Tomorrow: Keeping Indigenous Kids in the Community and Out of Detention*, May 2015, Australia.

²⁵ Australian Institute of Health and Welfare, Youth justice in Australia 2013-14, Bulletin 127, April 2015.

²⁶ Australian Institute of Health and Welfare (2016) Youth Justice in Australia 2014-15. AIHW Bulletin No. 133. Cat Aus 198, Canberra.

²⁷ Jesuit Social Services *States of Justice: Criminal justice trends across Australia*, 2016.

increase it.²⁸ This is due to the impact detention has on cognitive and social development of young people, as well as increasing exposure to other young people who have committed offences. This is reflected in high recidivism rates among Aboriginal and Torres Strait Islander youth. In 2014-15, a staggering 53% of Aboriginal and Torres Strait Islander youth returned to youth justice supervision – 1.6 times higher than non-Indigenous youth.²⁹ As noted by the National Congress of Australia's First Peoples in 2013, action must be taken to reduce the number of Aboriginal and Torres Strait Islander youth in the justice system otherwise the incarceration rate of the broader Aboriginal and Torres Strait Islander population will increase in the future.³⁰

The issue of overrepresentation of Aboriginal and Torres Strait Islander youth in the criminal justice system has been widely documented over the past 25 years, but Australian Governments have failed to adequately respond to this. According to ABC's Vote Compass data, two-thirds of Australians would like to see the Australian Government commit to reducing the rates of Aboriginal and Torres Strait Islander people incarcerated. 50% of respondents said they would be happy to see more money spent to address Indigenous disadvantage.³¹ The Australian public has clearly identified the need to close the gap on the over-representation of Aboriginal and Torres Strait Islander people in the criminal justice system. This must be a national priority. It must start with youth.

Committing to 'Closing the Gap' Youth Justice Targets

Although State and Territory Governments are responsible for youth justice, there is a compelling case for the Federal Government to invest in youth justice and participate in system reform as part of its leadership role in 'Closing the Gap' on Indigenous disadvantage.

Youth justice cannot be examined in isolation of social and economic factors. It is not possible to reduce the over-representation of Aboriginal and Torres Strait Islander youth in detention without addressing the reasons why they commit offences. This requires a focus on underlying issues such as health, early childhood development, education, employment, family violence, alcohol and substance abuse, and welfare support. These issues are not only the responsibility of State and Territory Governments, but also the Federal Government. The Federal Government has an important role to play, through Council of Australian Governments (COAG), to address the complex and interrelated factors contributing to Aboriginal and Torres Strait Islander youth being over-represented in the criminal justice system. Furthermore, the Federal Government funds prisons indirectly through National Partnership agreements and therefore has a fiscal interest in addressing the escalating costs of incarcerating a large number of Aboriginal and Torres Strait Islander youth.

Between 2009 and 2011 the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs conducted an inquiry into the over-representation of Indigenous young people in the justice system. The Standing Committee found that "a national approach is required to address the causes of young Indigenous people coming into contact with the criminal justice system. Overcoming Indigenous disadvantage is both a national responsibility and a significant national

²⁸ Jesuit Social Services *States of Justice: Criminal justice trends across Australia*, 2016.

²⁹ Productivity Commission (2016) *Report on Government Services 2016, Corrective services, Attachment table 8A.3, Canberra*.

³⁰ National Congress of Australia's First Peoples, National Justice Policy (February 2013), p 13.

<http://nationalcongress.com.au/wp-content/uploads/2013/02/CongressJusticePolicy.pdf> (accessed 8 April 2015).

³¹ *Ibid*.

challenge ... Currently this national approach is represented by the [COAG's] Closing the Gap program of generational change ... Indigenous rates of offending, incarceration, recidivism and victimisation are alarming. It is essential that reducing these rates is realised as a national target, and that the appropriate agreement is in place to direct coordination across levels of Government to most effectively target intervention strategies."³²

The Standing Committee specifically recommended that targets be developed as a part of the 'Closing the Gap' strategy to address the over-representation of Indigenous young people in the criminal justice system.³³ This has also been called for by the National Congress of Australia's First Peoples,³⁴ the Closing the Gap Campaign Steering Committee,³⁵ and the Change the Record Coalition,³⁶ amongst others. However, the Federal Government is yet to commit to developing any targets.

As a matter of urgency, Save the Children recommends that the Federal Government, through COAG, develop justice targets as a part of the 'Closing the Gap' strategy to address the over-representation of Indigenous young people in the criminal justice system.

Funding the Development of a National Justice Reinvestment Strategy

To support the achievement of these 'Closing the Gap' youth justice targets, it is critical for the Australian Government to fund the development of a national strategy outlining what action needs to be taken within specific timeframes. The strategy should be informed by community-led consultations, which are culturally sensitive. It should also be based on evidence of what policies and programs are effective in preventing young people from being in conflict with the law and entering the criminal justice system. This is in line with the 2015 Productivity Commission performance assessment on the National Indigenous Reform Agreement, which highlighted the need to critically evaluate what works and does not work in practice, rather than setting targets and only monitoring outcomes.³⁷

In particular, Save the Children recommends that the national strategy be based on evidence of the effectiveness of justice reinvestment. A justice reinvestment approach involves shifting resources away from detention and other punitive measures, which have been proven to be ineffective in reducing re-offending. It involves redirecting resources into early intervention and other community-based measures shown to be effective in preventing children from being in contact with the criminal

³² House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, *Doing Time – Time for Doing: Indigenous youth in the criminal justice system*, [8.61], www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=atsia/sentencing/report/fullreport.pdf (accessed 1 October 2014).

³³ House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, *Doing Time – Time for Doing: Indigenous youth in the criminal justice system*, [8.61], www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=atsia/sentencing/report/fullreport.pdf (accessed 1 October 2014).

³⁴ Available at: <http://nationalcongress.com.au/justice-targets-crucial-drivers-of-change/>

³⁵ Available at:

https://www.humanrights.gov.au/sites/default/files/document/publication/CTG_progress_and_priorities_report_2015.pdf

³⁶ See <https://changetherecord.org.au/blog/news/media-release-greater-investment-in-communities-is-needed-postbudget>

³⁷ Productivity Commission, media release 2 December 2015, see <http://www.pc.gov.au/research/supporting/indigenous-reform-assessment#media-release>

justice system and addressing barriers to social and economic inclusion. This approach is not only likely to result in decreased incarceration and supervision costs, but is likely to result in increased economic participation and productivity with less reliance on social welfare. This must be supported by proper and sustained investment in the provision of other relevant services such as culturally-safe legal assistance and dedicated children's courts. Under the justice reinvestment approach, young people should be placed in detention only as a last resort in accordance with Article 37 of the Convention on the Rights of the Child.

Adopting a justice reinvestment approach is in line with the recommendations of the UN Committee for the Elimination of Racial Discrimination. The Committee recommended that Australia "dedicate sufficient resources to address the social and economic factors underpinning indigenous contact with the criminal justice system" and encouraged Australia to adopt "a justice reinvestment strategy".³⁸

Funding Justice Reinvestment Pilot Programs

As part of developing a national strategy focussed on justice reinvestment, Save the Children recommends that the Federal Government fund pilot programs based on evidence of effective interventions. Federal Government funding is required to provide the impetus for fostering innovation and radical reforms in the youth justice sector. If these pilot programs prove effective and realise cost savings, for example through reducing sentencing and detention costs, State and Territory Governments would be incentivised to bring them to scale.

This may involve funding existing pilot programs with a proven track record of success, such as the Maranguka Justice Reinvestment Initiative in Bourke, New South Wales. It may also involve funding new pilot programs to build on evidence of successful interventions in other locations. The Multisystemic Therapy (MST) program has been proven to be effective in reducing recidivism using a home and community-based approach, which focusses on behaviour management. Interventions include teaching problem-solving skills to parents and caregivers and improving communication within and between the family, community and school. In the United States, this program has been shown to produce a 7.7% reduction in recidivism, at a cost of USD \$17,694 per person.³⁹ In Australia the approach is currently in use in Western Australia and New South Wales, with the 53% decrease in serious juvenile crime in 2013 in Western Australia partly attributed to the use of behaviour-management programs (of which MST is an example).

When examining the cost of justice reinvestment programs, it is important to consider the social and economic value of early investment and targeted capability building approaches. For example, Save the Children's own Youth Justice Programs in Tasmania, which work intensively with young people on bail or transitioning to post-detention, are delivering positive results for young people engaged with the criminal justice system in Tasmania. These programs are also delivering tangible community benefits and long-term savings for the State Government (in avoided incarceration costs). Over 2014 and 2015, Ernst & Young conducted a study to measure the social return on investment of these programs. The study found that every \$1 invested in Save the Children's Tasmanian youth justice programs is estimated to deliver \$3.50 in social and economic value. Around a third of the benefits are in the form of reduced sentencing costs. Two thirds of the benefits are 'social value', and are

³⁸ Committee on the Elimination of Racial Discrimination, Concluding Observations – Australia, CERD/C/AUS/CO/15-17, [20].

³⁹ Greenwood, Peter, Ph.D. *Preventing and Reducing Youth Crime and Violence: Using Evidence-Based Practices*, January 2010

derived from helping young people return to education, develop positive social connections, improve their physical health and become more employable.⁴⁰

It is also worth considering the current cost of youth incarceration that could be avoided with effective support for young people at risk of incarceration, particularly Aboriginal and Torres Strait Islander young people. With 504 Aboriginal and Torres Strait Islander young people incarcerated across the nation on any one day⁴¹, the average incarceration costs for juveniles is around \$1,391 per day.⁴² Across Australia the total recurrent expenditure on detention-based supervision of all young people totals \$438 million in 2014-15.⁴³ Add to this the indirect costs of lost employment, disrupted schooling and lifecycle of offending combined with broader social effects, and the savings that flow from this investment could be significant.⁴⁴

Recommendation:

Commit to develop, through COAG, justice targets as part of 'Closing the Gap' initiative to reduce the number of Aboriginal youth in detention and under justice supervision. Such targets should be developed in consultation with Aboriginal and Torres Strait Islander people in a culturally-sensitive and appropriate manner.

Fund the development of a national strategy to support the achievement of the 'Closing the Gap' targets to reduce the number of Aboriginal and Torres Strait Islander youth in detention and under justice supervision. This strategy should be based on evidence of effective justice reinvestment approaches and cost efficiency considerations.

Budget impact: \$40 million over four years.

As part of developing a national strategy focussed on justice reinvestment, the Federal Government should fund pilot programs based on evidence of effective early intervention and crime prevention interventions. This may include scaling up funding for existing pilot programs with a proven track record of success, such as the Maranguka Justice Reinvestment Initiative in Bourke, New South Wales. It may also involve funding new pilot programs to build on evidence of successful interventions in other locations.

Budget impact: \$20 million over four years.

⁴⁰ EY, *Social Return on Investment of Tasmanian Youth Justice Programs*, June 2015. See https://www.savethechildren.org.au/_data/assets/pdf_file/0016/123640/SCA_Youth-Justice-TAS_SROI_FINAL5b25d.pdf

⁴¹ Based on the daily average from the June quarter of 2016. AIHW, Youth detention population in Australia 2016, Bulletin 138, December 2016.

⁴² Report on Government Services 2016.

<http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/community-services/youth-justice>

⁴³ Ibid

⁴⁴ Youth Advocacy Centre, Submission 90 pp 5;9; in Australian Parliamentary Library Report: Value of a justice reinvestment approach

2. Family Matters

Portfolio: Department of Prime Minister and Cabinet, Department of Social Services

Funding the Development of a National Strategy to Address Over-Representation of Aboriginal and Torres Strait Islander Children in Out of Home Care

Nearly two decades have passed since the release of the report into the Stolen Generations, which revealed that Aboriginal and Torres Strait Islander children represented 20% of children living in out-of-home care – that is, removed from their families and placed into alternative care arrangements.⁴⁵ Alarmingly, this figure has risen to over 35% in 2016.⁴⁶ Projections developed by the University of Melbourne in 2016 show that the population of Aboriginal and Torres Strait Islander children in out-of-home care will triple in the next 20 years if nothing is done to interrupt current trajectories.⁴⁷

While child protection is primarily a State Government responsibility, the persistent, escalating rate of removal of Aboriginal and Torres Strait Islander children into out-of-home care is a national crisis that requires a clear and concerted national response. The Federal Government has responsibility and capacity to support efforts to address the root causes of child removal, as outlined below. Furthermore, there is a compelling financial case for the Federal Government to do so given that it ultimately bears significant costs of health and well-being issues associated with child abuse, neglect and experiences of out-of-home care. A 2006 study of a cohort of 1150 Australians who were in out-of-home care found total costs to Government of just over \$2 billion across their lifetimes with the highest cost areas including family services (\$190 million), income support (\$76 million) and housing support (\$67million).⁴⁸

The Federal and State Governments have endorsed the National Framework for Protecting Australia's Children 2009-2020, which includes a focus on preventative approaches to promote child safety. Despite this, 83% of the \$4.34 billion child protection budget remains targeted at the tertiary end of the spectrum, child protection and out-of-home care.⁴⁹ Australia is in fact moving backwards with investment in family support services for vulnerable families decreasing from 19.2% to 16.6% of total child protection expenditure over 2011-12 to 2014-15.⁵⁰ As a nation, we are investing in responding to incidents that place children at risk, rather than preventing them from happening in the first place.

The escalating rate of Aboriginal and Torres Strait Islander children in out of home care suggests there is a failure of current policies and programs. There is a clear need for setting a national target and developing a comprehensive national strategy, through COAG, to address the over-

⁴⁵ *Bringing Them Home: Report of the National Inquiry into the Separation of Aboriginal and Torres Strait Islander Children from their Families*, Human Rights and Equal Opportunity Commission, April 1997. Available at: <https://www.humanrights.gov.au/publications/bringing-them-home-report-1997>

⁴⁶ Australian Institute of Health and Welfare (2016) *Child Protection Australia 2014-15*

⁴⁷ SNAICC National Voice for our Children (2016), *Family Matters Report*, Melbourne, p46

⁴⁸ Morgan Disney & Associates Pty Ltd and Applied Economics Pty Ltd (2006). *Transition from care: Avoidable costs to governments of alternative pathways of young people exiting the formal child protection system in Australia*. Available at:

https://www.dss.gov.au/sites/default/files/documents/05_2012/vol1_transition_care_0.rtf

⁴⁹ Report on Government Services 2016.

⁵⁰ Report on Government Services 2013, 2016.

representation of Aboriginal and Torres Strait Islander children being placed in out of home care. This will require a focus on preventative approaches, with greater integration and coordination of complementary Federal and State Government services addressing areas, including: family support; housing; social security; family violence; drug and alcohol misuse; health and mental health; early childhood education and care; and child protection. Strategies must include public measures of accountability, which are essential tools to drive intra and inter-Government focus, resourcing and monitoring of outcomes. While a significant component of implementation for the strategy will need to be led by States and Territories, Federal Government leadership and investment in a range of new or sustained initiatives across these areas will be critical.

To implement a COAG target and strategy to eliminate the over-representation of Aboriginal and Torres Strait Islander children in out-of-home care, resources will be required from the Federal Government for:

- the development of the target, strategy, and outcomes measures;
- national coordination of implementation efforts by the Australian Government with Secretariat support provided by the Department of Prime Minister and Cabinet and the Department of Social Services;
- ongoing consultation with Aboriginal and Torres Strait Islander leaders and peak organisations on the development and delivery of the strategy;
- public reporting of progress and outcomes; and
- additional resources for targeted family and community strengthening initiatives as referenced below.

Furthermore, a significant investment in data development is needed to ensure access to a range of relevant data that would inform a better understanding of the current situation of over-representation, the progress towards reform and the targeting of future efforts. Data development should take account of identified gaps throughout the 2016 Family Matters Report. A data development project could be led by either the Productivity Commission or the Australian Institute of Health and Welfare which both report annually on a number of relevant existing data sets.

Recommendation 1: Develop and implement a COAG target and comprehensive, national strategy to eliminate the over-representation of Aboriginal and Torres Strait Islander children in out-of-home care. This should be developed in partnership with Aboriginal and Torres Strait Islander peoples.

Budget impact: \$40 million over four years.

Recommendation 2: Develop and publish data to better measure the situation of, causes and responses to over-representation of Aboriginal and Torres Strait Islander children. This could be led by either the Productivity Commission or the Australian Institute of Health and Welfare, which both report annually on a number of relevant existing data sets.

Budget impact: Nil – This measure could be implemented through reallocation of priorities of the agency completing the data development project.

Dedicated funding for early childhood education and care services to effectively address Aboriginal and Torres Strait Islander children’s educational disadvantage

As noted above, there is a significant body of evidence to show that it is more cost effective to prevent family violence, than respond to it. In 2015 the Australian Research Alliance for Children and Youth (ARACY) completed a comprehensive review of evidence on cost benefits of early intervention, concluding that, “*the return on investment for prevention and early intervention is consistently greater than costly remedial responses; preventative investment reduces downstream expenditure on remedial education, school failure, poor health, mental illness, welfare reciprocity, substance misuse and criminal justice.*”⁵¹

The ARACY (2015) study cites multiple cost/benefit analyses with findings including that a 7.35% increase in GDP could be achieved over 60 years by reducing child vulnerability;⁵² and that Australia incurs a cost of \$245,000 per child at 2011 rates for each new substantiation of child maltreatment.⁵³ Studies of the economic benefits of early intervention programs are more advanced internationally, where, for example, in the United States a study has shown that the implementation of four evidence based family support programs yields a benefit to cost ratio of 4.31 to 1.⁵⁴

Evidence is also clear that the greatest economic and social returns on investment come from programs targeted to vulnerable populations, especially those targeted early in the life cycle.⁵⁵ However, research shows that the most vulnerable families are least likely to access available services. For example, only 1.4% of Aboriginal and Torres Strait Islander children on average accessed an intensive family support service across Australia in 2012-14,⁵⁶ as compared to 14.6% of Aboriginal and Torres Strait Islander children who received a child protection service in 2014-15.⁵⁷ This is attributed, in part, to the limited availability of services that are culturally appropriate or adapted to their specific circumstances - reflected in their under-utilisation of mainstream preventive services.⁵⁸

SNAICC – *National Voice for our Children* (SNAICC) has undertaken research supported by the Australian Government Department of Social Services under the National Research Agenda for Protecting Australia’s Children with Aboriginal and Torres Strait Islander service providers, which has shown the elements of family support programs that are being adapted to meet the needs of Aboriginal and Torres Strait Islander children and families.⁵⁹ The two year research project across four jurisdictions conducted in collaboration with Griffith University found that the Aboriginal and

⁵¹ Fox, S., Southwell, A., Stafford, N., Goodhue, R., Jackson, D. and Smith, C. (2015). *Better Systems, Better Chances: A Review of Research and Practice for Prevention and Early Intervention*. Canberra: Australian Research Alliance for Children and Youth

⁵² ARACY (2014) cited in Fox et al (2015), p36

⁵³ Segal, Dalziel, and Papandrea (2013) p623, cited in Fox et al (2015), p36

⁵⁴ Lee, Aos and Miller (2008) cited in Fox et al (2015), p47

⁵⁵ Heckman, J. (2008) *The Case for Investing in Disadvantaged Young Children*:

<http://www.heckmanequation.org/content/resource/case-investing-disadvantaged-young-children>; Allen, K. (2013). *Value for Everyone: Understanding the social and economic benefits of family support services*. Canberra: Family Relationships Services Australia, p49-50.

⁵⁶ Report on Government Services, 2016

⁵⁷ Australian Institute of Health and Welfare (AIHW) (2016) *Child Protection Australia 2014-15*, Table A45.

⁵⁸ Shlonsky, A et al (2016). *The Family Matters Report: Measuring trends to turn the tide on Aboriginal and Torres Strait Islander child safety and removal*. Melbourne: SNAICC, p46.

⁵⁹ Tilbury, C (2015) *Moving to Prevention: Intensive family support services for Aboriginal and Torres Strait Islander children*. Melbourne: SNAICC.

Torres Strait Islander services were effectively engaging Aboriginal and Torres Strait Islander families in helpful and constructive ways to develop clear goals that addressed the underlying causes of child protection intervention.⁶⁰ Importantly, the research found that adaptation of evidence-based family support approaches for Aboriginal and Torres Strait Islander communities was showing success and that Indigenous leadership was integral to that success.⁶¹

Accordingly, there is a need for increased investment in Aboriginal and Torres Strait Islander-led family support services that prevent child protection intervention and its long-term social and economic costs. This program could be delivered by creating a dedicated family support component within the Safety and Wellbeing stream of the Federal Government's Indigenous Advancement Strategy. Elements of the program would include:

- drawing on proven successful local and international evidence based family support programs;
- consultation with Aboriginal and Torres Strait Islander communities to determine local and cultural adaptations of evidence based programs;
- resourcing family support services through Aboriginal and Torres Strait Islander organisations to drive community capacity development, local employment and culturally safe services; and
- targeting supports to family preservation and reunification to both prevent entry to out-of-home care and safely reunify children to the care of their families.

Recommendation: Invest in a national Aboriginal and Torres Strait Islander-led family support program for early intervention, prevention and family reunification.

Budget impact: Reallocation of funding within the Community Safety stream of the Commonwealth Government's Indigenous Advancement Strategy, accompanied by a \$60 million per annum new investment to establish a nation-wide program for intensive family support with a total additional cost of \$240 million over 4 years.

Dedicated Funding for Early Childhood Education and Care Services

Currently, Aboriginal and Torres Strait Islander Children are twice as likely to be developmentally vulnerable early in life,⁶² and only half as likely to access early education as non-Indigenous children.⁶³ The Productivity Commission has identified a 15,000 place gap in early learning places for Aboriginal and Torres Strait Islander children.⁶⁴ The Commonwealth has a clear responsibility to ensure that the inequality that exists between Aboriginal and Torres Strait Islander children and non-Indigenous children in accessing early childhood services is redressed, through continued and increased support for quality and culturally safe service delivery driven by Aboriginal and Torres Strait Islander peoples.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Productivity Commission. (2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 526

⁶³ Australian Government (2013). *A Snapshot of Early Childhood Development in Australia 2012 – AEDI National Report*. Re-issue November 2013. Australian Government, Canberra, p.13

⁶⁴ Productivity Commission. (2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 644.

Early education and care (ECEC) is recognised extensively in Australia and internationally as the most effective intervention to support vulnerable children and families. Early investment in ECEC and family support can provide long-term social and economic benefits by interrupting trajectories that lead to health problems, criminalisation, and child protection intervention.

The Government has declared a commitment to increasing the participation of Aboriginal and Torres Strait Islander children through the new child care system.⁶⁵ However, it is important to note that Aboriginal and Torres Strait Islander ECEC services have a different purpose to other services. Their aim is to support the wellbeing of the most vulnerable children and families in our community by reducing the service access barriers that many Aboriginal and Torres Strait Islander families experience in the mainstream system.

Aboriginal and Torres Strait Islander organisations have been identified as best placed to provide culturally competent services that are attuned to the needs of their communities, and evidence confirms that these services are more likely to be used.ⁱ Research describes that Indigenous specific services offer Indigenous families a safe, comfortable, culturally appropriate environment that is easier to access and engage with. Where these are not available, it is crucial for mainstream services to offer high cultural competence for working with Indigenous children. The process of cultural competence development requires a commitment to working in partnership with Aboriginal and Torres Strait Islander people “to produce services, policies and programs that make it possible for Aboriginal and Torres Strait Islander culture to thrive and Aboriginal and Torres Strait Islander people to pursue their culture and identity as is their right”.

The *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016* proposes dramatic reform of the ECEC sector. As identified by a large range of organisations including SNAICC, the package will have severe consequences for Aboriginal and Torres Strait Islander ECEC services without reform. The key area of concern is the abolishment of the Budget Based Funding (BBF) program. The changes will result in reduced income for service Aboriginal and Torres Strait Islander ECEC service providers and a potential reduction in their capacity to provide a broad range of holistic services. It will also result in higher costs for Aboriginal and Torres Strait Islander children and families to access services.

Accordingly, Save the Children urges the Australian Government to establish an Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net of the Federal Government’s Jobs for Families Package. The objective of the Aboriginal and Torres Strait Islander program would be to provide repeated three year grants to top-up the income to Aboriginal and Torres Strait Islander services to enable them to continue flexible service provision to the most disadvantaged children within their communities. Savings from the delayed roll-out of the Jobs for Families Childcare Package could be drawn upon to provide the estimated additional \$100m per annum required to implement this program on top of funds reallocated from the proposed Community Child Care Fund.

Recommendation: Establish an Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net of the Federal Government’s Jobs for Families Package.

⁶⁵ Australian Government 2016). *Minister Morrison: Better start for Indigenous children*, Media Release, 19 August 2015, available: <http://www.indigenous.gov.au/news-and-media/announcements/minister-morrison-better-startindigenous-children>.

Budget impact: Nil providing savings from the delayed implementation of the Jobs for Families package are reallocated.

Funding the National Peak Body for Aboriginal and Torres Strait Islander Children

The over-representation of Aboriginal and Torres Strait Islander children in out of home care is symptomatic of a child and family service sector that broadly fails to respond to and prioritise the specific needs, circumstances and experiences of Aboriginal and Torres Strait Islander children and families. Addressing this gap requires the active engagement of Government with Aboriginal and Torres Strait Islander communities that have the best knowledge about their unique needs and responses required.

Governments have increasingly recognised the need to engage in productive policy partnerships with Aboriginal and Torres Strait Islander peoples to address the chronic gaps in access, engagement and outcomes from child and family interventions. The principle of active participation of, and engagement with, Aboriginal and Torres Strait Islander communities is recognised within the National Indigenous Reform Agreement (NIRA) as fundamental in designing programs to effectively overcome disadvantage. The NIRA identifies that “strong relationship/partnerships between Government, community and service providers increase the capacity to achieve identified outcomes.”

To function effectively, Government requires mechanisms for engaging with Aboriginal and Torres Strait Islander leadership and community controlled organisations to ensure that the relevant expertise, knowledge and community connections are embedded in policy approaches to addressing the disadvantage experienced by Aboriginal and Torres Strait Islander peoples. Engaging with Aboriginal and Torres Strait Islander peak organisations provides a key platform for overcoming engagement barriers and translating community knowledge and the collective voices of Aboriginal and Torres Strait Islander peoples to inform Government policy.

In the child and family services sector, the Secretariat of National Aboriginal and Islander Child Care (SNAICC) has a unique role as the only national body providing a representative voice for Aboriginal and Torres Strait Islander community members and organisations. SNAICC is strongly recognised by Government and non-Government stakeholders as a leading representative voice on Aboriginal and Torres Strait Islander child and family issues.

Since the introduction of the Indigenous Advancement Strategy (IAS) in 2014, SNAICC has not received funding to fulfil peak body functions – including to consult with Aboriginal and Torres Strait Islander communities and services and draw on their knowledge and perspectives to inform policy and program development. SNAICC currently primarily receives funding through the Department of Prime Minister and Cabinet for conducting training programs and coordination of National Aboriginal and Torres Strait Islander Children’s Day.

Though SNAICC has been able to sustain a small scope of peak body operation with non-Government and philanthropic support, to fully and sustainably provide peak functions, it requires Government investment in SNAICC as a peak body. SNAICC estimates that an additional \$700,000 per annum dedicated to peak functions including community and sector consultation, policy development, and advising Government would enable it to fulfil its peak body functions.

Recommendation: Adequate resourcing is provided to SNAICC to fulfil its role as the national peak body representing the interests of Aboriginal and Torres Strait Islander children.

Budget impact: \$2.8m over 4 years.

SECTION B: IMPROVING THE LIVES OF CHILDREN IN OUR REGION

3. An Overseas Aid Program Meets Global Challenges

Portfolio: Department of Foreign Affairs and Trade

Australia has a range of foreign policy tools at its disposal to achieve a range of objectives, including to promote and defend our national interests, but also to advance regional and global prosperity. These policy tools include our national defence strategy, our economic diplomacy strategy – encompassing diplomacy, aid, and trade – as well as our cultural links to economies both in our region and further afield.⁶⁶ However, a lack of coordination at the ministerial level has precluded important foreign policy issues from being comprehensively evaluated. In particular, the White Paper on Defence was developed prior to, and independently of the White Paper on Foreign Policy. This has resulted in a ramp up of defence expenditure without an examination of how this is justified in comparison with other expenditure aimed at promoting security and stability in the region, such as overseas aid. It is clear that it is necessary for the Federal Government to critically evaluate the allocation of funding towards the achievement of Australia’s foreign policy goals in a more integrated manner.

This part of the submission argues for increased fiscal importance to be placed on meeting the challenges of sustainable development and stability in the region and beyond through the aid budget. In particular, we focus on those challenges that have a greater impact on children, especially humanitarian emergencies, education, nutrition and forced displacement.

3.1 An Aid Budget to Implement the Sustainable Development Goals

In 2015, world leaders reached a historic agreement to end poverty, protect the planet and ensure prosperity for all: the 2030 Agenda for Sustainable Development.⁶⁷ For the first time, it is feasible to imagine that in the next couple of decades no child will die from preventable causes, every child will be in school and learning, every child will have protection from violence and we will eradicate absolute poverty.

To reach the Sustainable Development Goals by 2030, everyone needs to do their part: Governments, the private sector and civil society. In particular, Government must ensure adequate transparent and accountable financing for development. While there are many important forms of finance including taxation, private sector flows and remittances, aid still has a central role to play. Other financial flows cannot substitute for what aid does best - improving governance, supporting and addressing weaknesses in public service provision, and providing life-saving humanitarian relief. Moreover, the modality choices of how that aid is delivered needs to be recalibrated to ensure that every last dollar of the smaller aid budget is put to its most effective use.

⁶⁶ Economic diplomacy - using our international diplomatic assets to advance Australia’s prosperity and global prosperity – is the core of the DFAT’s international engagement, whereas defending Australia and its national interest is the mission statement of the Australian Defence Force. See <http://dfat.gov.au/trade/economic-diplomacy/Pages/economic-diplomacy.aspx> and <http://www.defence.gov.au/AboutUs.asp#role> respectively.

⁶⁷ http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

Internationally, many countries are aiming for aid funding at 0.7 percent of Gross National Income (GNI). For example, in 2015, the UK passed a law to enshrine the 0.7 percent target.⁶⁸ Prior to 2014, Australia had a bi-partisan commitment to increase aid to 0.5 percent of GNI. In the May 2014 budget, the then Abbott Government abandoned this commitment and cut the aid budget by \$7.6 billion over five years - the largest single budget saving measure. At the December 2014 Mid-Year Economic and Fiscal Outlook (MYEFO), aid was further reduced by \$3.7 billion over three years.

As a result of these successive cuts, in 2016-17, the aid budget fell to \$3.8 billion – taking Australia to the lowest level of aid (as a share of national income) we have ever provided as a nation. That is, aid fell to around 0.22 percent of GNI.⁶⁹ These cuts make it impossible for Australia to deliver on its obligations and commitments to promote economic growth and reduce poverty in the Indo-Pacific region.

Aid accounts for less than one percent of total expenditure yet delivers a remarkable return on investment. Across the Indo-Pacific region, Australian aid is contributing to poverty reduction, saving lives and promoting peace and security. It is in Australia's national interest to have safe and prosperous neighbours. Aid is complementary to our investments in diplomacy and defence. It is a cost-effective instrument address poverty and inequality as a means to support regional stability and security.⁷⁰

Save the Children supports the aid program's focus on the Indo-Pacific region, but low levels of Australian aid will undermine achievement of the Sustainable Development Goals in our region. The international community relies on Australia's special responsibility and interest in supporting development in Asia and the Pacific, as well as humanitarian crises elsewhere in the world.⁷¹

As a down-payment on this responsibility, we urge the Government to restore the aid program to funding of \$5 billion a year, rising in line with GDP. We also call on the Government to set a credible path towards increasing aid to at least 0.5 percent of GNI, as a global citizen committed to ending poverty within a generation.

Recommendation

Restore the aid budget to \$5 billion a year, indexed to GDP over the next four years, and commit to increasing aid to 0.5 percent of GNI.

Budget impact: Approximately \$5.6 billion over the next four years.⁷²

⁶⁸ International Development (Official Development Assistance Target) Act 2015

⁶⁹ Before that, the lowest recorded ratio was 0.25 percent in 2004-2005
<http://www.compareyourcountry.org/oda?cr=20001&cr1=oced&lg=en&page=1>

⁷⁰ See: <https://www.lowyinstitute.org/publications/aid-essential-regional-stability>

⁷¹ OECD (2015) Submission to Senate Inquiry into the Delivery and Effectiveness of Australia's Bilateral Aid Program in PNG

⁷² Own calculations based on \$5 billion aid budget in 2017-18, increasing in line with nominal GDP, against baseline of \$3.8-\$4.0 billion a year aid budget.

3.2 Improving the Transparency and Accountability of Australia’s Aid Program

Aid transparency and predictability are important ingredients for aid effectiveness.⁷³ The Sustainable Development Goals require all donor countries to ensure a high level of transparency in the delivery of aid. Over the past year few years, Save the Children has observed a decline in aid transparency as have others including the ANU Development Policy Centre.⁷⁴ In particular, an aid budget ‘blue book’ has not been produced since 2013.

Australia was a foundation signatory to the International Aid Transparency Initiative and has developed a Transparency Charter. While the commitment exists, execution can be improved. This is reflected in the fact that Australia’s rank in the 2016 Aid Transparency Index remained at 25 out of 46 donor organisations.⁷⁵

Save the Children welcomes the recent steps taken by DFAT to improve the transparency of the aid program. In particular, we note that considerably more information on the aid program has been made available on the DFAT website, including sector breakdowns. However, there remain some key gaps in the available content. For example, we still lack detailed information on individual programs and do not have published forward estimates for the total aid program or regional projections.⁷⁶

Save the Children urges the Australian Treasury to provide an aid ‘blue book’ as has provided in previous years. While we acknowledge that some of the information contained in previous blue books is now available on the website, it remains very difficult to navigate effectively. The aid blue books were an invaluable resource as they provided a more comprehensive picture of the breadth and reach of Australia’s aid program.

Another major area for improvement is in publishing detailed financial data and effectiveness of aid spending by Government departments other than DFAT. In 2016-17, other Government departments (e.g. the Australian Federal Police, Department of Immigration and Border Protection, Attorney-General’s Department, and Federal Treasury) have been allocated an estimated \$300 million (8 percent) of Australia’s aid budget. Yet there is limited accountability around actual expenditure and performance. This is no longer acceptable given the Government’s focus on enhancing the accountability and effectiveness of Australian aid.

<p>Recommendation</p> <p>Australian Treasury reinstate the aid ‘blue book’ to be published alongside other budget documents as a means to improve the transparency and accountability of Australia’s aid program.</p> <p>Budget impact: Nil</p>

⁷³ OECD (2013) *Aid Predictability*.
⁷⁴ See DeCourcy, V. and C. Burkot, (2016), “Gone Backwards: findings from the 2016 Australian aid transparency audit,” Development Policy Centre, ANU, Canberra (available at: <http://devpolicy.org/publications/reports/2016-Australian-aid-transparency-audit-report.pdf>). This report highlights the decline in the Australian aid program’s project level transparency and the failure to fully utilise Australia’s participation in the IATI International Aid Transparency Initiative.
⁷⁵ See: http://ati.publishwhatyoufund.org/wp-content/uploads/2016/02/ATI-2016_Report_Proof_DIGITAL.pdf
⁷⁶ To date, stakeholders have had to rely on obtaining aid budget projections through the Senate Estimates process.

3.3 Investing in Better Evidence for Better Outcomes

Save the Children’s recent submission to the Productivity Commission’s inquiry into competition in human services highlighted the need for an increased focus on evidence and outcomes, including increased attention on how services are implemented in the sector.

In our view, Australian Governments remain well behind some of their international peers in using evidence to improve outcomes from taxpayer funded programs.

In many areas of the human services sector, evidence on what works and what doesn’t has not been systematically compiled and catalogued. And where there has been evidence developed from reviews and reports into key problems facing children and families, it has failed to translate into programmable policy and implementation improvements.

There is an opportunity for the Australian Government to support efforts to create a global pool of social sector evidence. The Campbell Collaboration is in the process of establishing global funds to commission reviews and produce policy and practice-oriented products.

Campbell is an international research network with sixteen years’ experience in the production of systematic reviews. The Campbell network includes both topic and method experts to manage the editorial process to ensure high quality studies. The reviews coming out of the global funds are to be published in the Campbell Library, which is a global repository of knowledge of what works, why, for whom and at what cost for social and economic policy, programs and practice.

Save the Children recommends that the Australia Government support investment in two Campbell Collaboration global funds for building evidence of what works. The first would be an investment in child disadvantage in developing countries, and the second one for child disadvantage in high income countries.

<p>Recommendation</p> <p>Support investment in two Campbell Collaboration global funds for building evidence of what works.</p> <p>Budget impact: \$4 million in 2017-18.</p>

3.4 Humanitarian

Background: growing humanitarian crises

Globally, we are continuing to witness a rise in the scale, frequency and impact of humanitarian crises on vulnerable people, pushing the international humanitarian system to its limits. Over the course of 2016, we saw the global humanitarian situation worsen with some of the gravest conflicts of our time – Syria, Iraq, Yemen and Iraq – increase in scale and intensity. As a result, we have seen the number of forcibly displaced people reach a record high with more than 65 million people displaced in 2016.⁷⁷ In the same year, 411 million people were affected by natural disasters including tropical storms, flooding and earthquakes,⁷⁸ though less high-profile and localised events undoubtedly affected many more.

It is clear this upward trend is not abating - the UN has recently launched the 2017 global humanitarian appeal, the biggest ever in UN history.⁷⁹ It estimates 128.6 million people will be affected by conflict and natural disaster and require humanitarian assistance over the course of 2017. The UN aims to reach through its partners 92.8 million people in 33 countries and is seeking USD22.2 billion in funding – a 10 percent increase from 2016 and 700 percent more than 25 years ago.

Current Situation: Emerging Problems and Challenges

At a time when humanitarian aid is most needed, the gap between rising numbers in need and funding has never been wider. As of 30 November 2016, 48.4% of UN humanitarian appeals were unfunded – leaving a funding gap of USD10.7 billion.⁸⁰ Every new humanitarian event competes with and draws funding away from other events. It is critical that basic humanitarian needs are met adequately if the longer term objectives of regional prosperity, poverty reduction and stability are to be achieved.

To help address this widening gap, we not only require an increase in the quantum of Australia's humanitarian assistance, but we also need to be smarter about the way that funding is raised and the way it is spent.

World leaders came together at the World Humanitarian Summit in 2016 to discuss how to better serve people in need and agreed on a plan of action – 'The Grand Bargain – A Shared Commitment to Better Serve People in Need'.⁸¹ The aim of the Grand Bargain is to improve the effectiveness and efficiency of humanitarian response and to do more to shrink overall needs and deepen the resource base for funding humanitarian action.

The Australian Government signed up to a number of key commitments under the Grand Bargain including to provide more support to local and national responders and increase the use of cash-based programming, multi-year planning and more flexible funding. A number of these commitments are also reflected in the Australian Government's new Humanitarian Strategy and Australian Humanitarian Partnership Agreement.

⁷⁷ See <http://www.unhcr.org/en-au/figures-at-a-glance.html>

⁷⁸ Centre for Research on the Epidemiology of Disasters, 2016. Cred Crunch Newsletter, Issue No. 45, 2016 *preliminary data: human impact of natural disasters*.

⁷⁹ See <http://www.unocha.org/stateofaid/>

⁸⁰ OCHA, 2016. Global Humanitarian Overview 2017, p. 3.

⁸¹ See <http://reliefweb.int/report/world/grand-bargain-shared-commitment-better-serve-people-need>

Increasing the Amount of Humanitarian and Emergency Assistance

The current global situation and Australia's commitments under the Grand Bargain and new Humanitarian Strategy will require resourcing that is well above current levels. Save the Children recommends the Government increase its humanitarian funding allocation and double the Emergency Fund in 2017-18, to respond to increasing needs both in the Indo-Pacific region and priority global crises. This additional resourcing is necessary in order to deliver on these promises and play its part to bring about a step-change in humanitarian response and meeting the needs of the world's most vulnerable people.

The 2016-17 aid budget provided an estimated \$340 million for Humanitarian, Emergencies and Refugees – up around \$11 million from the previous year (see table above). This level of expenditure constitutes 8.9 percent of the current aid budget (and around 6.8 percent of an aid budget restored to \$5 billion).

From 2003-12, the average proportion of ODA spent by OECD-DAC donors on official humanitarian aid was 10 percent.⁸² In 2014, the Senate Committee inquiry into the Australian Government's aid cuts recommended that in line with this OECD-DAC average, 'the Australian Government commit to allocating 10 percent of the aid budget for emergency and humanitarian response'.

To date, Australia is yet to meet this target. Australia was the 18th largest humanitarian donor globally in 2015 and is yet to allocate at least a minimum 10% of the aid budget to humanitarian response. In 2016-17, only 8.9% of Australia's overall ODA was allocated humanitarian aid – lower than the OECD DAC average of over 10%. In comparison, overall, Government and private donors have consistently increased their international humanitarian assistance since between 2013-2015 (although the gap between humanitarian funding required versus committed has also widened significantly over this time).⁸³

Save the Children calls upon the Government to commit to spending a minimum of 10 percent of the aid budget on humanitarian assistance as defined by OCED-DAC. Within this 10 percent increase to the humanitarian aid budget, we call on the Australian Government to:

- double the current Emergency Fund allocation to \$260 million;
- increase funding to disaster risk reduction programming; and
- increase support to protracted crises by funding five multi-year agreements in 2017 in line with its Grand Bargain commitments.

Improving the Efficiency and Effectiveness of Australia's Humanitarian Assistance

While it is essential that the Australian Government and others commit more funding to humanitarian assistance, it is equally important that all humanitarian funding is used as effectively and efficiently as possible to ensure the value of every aid dollar is maximised. We commend the various commitments the Australian Government has made in this regard through its endorsement of the Grand Bargain and in its new Humanitarian Strategy and the Australia Humanitarian Partnership agreement. However, it

⁸² The calculation for the OECD-DAC average is based on average percentages from 2003-12 as reported in Development Initiatives, *Global Humanitarian Assistance Report 2013*, 26

⁸³ Development Initiatives, 2016. *Global Humanitarian Assistance Report 2016*, p. 35 and 44.

is critical to ensure the Australian Government strikes the right balance in the allocation of humanitarian funding to UN organisations and directly to NGOs.

Australia plays an important role in responding to humanitarian crises – both in our region and globally. Currently, the vast majority of Australia’s humanitarian aid is allocated to UN agencies. In the 2016 calendar year, Australia allocated 64 percent of its humanitarian aid to UN agencies, 19 percent to members of the Red Cross movement, and 10 percent to NGOs, with the remainder unassigned or given bilaterally to affected Governments.⁸⁴

We acknowledge Australia has a strategic interest in supporting the unique role of UN specialised agencies in coordinating humanitarian action and setting global standards. Accordingly, in line with the Good Humanitarian Donorship (GHD) principles, it is appropriate for DFAT to continue allocating humanitarian aid to UN agencies.

However, in light of a contracted aid budget and rising humanitarian need, it is critical for Australia to ensure its humanitarian aid is spent in the most efficient, effective and transparent manner. To achieve these goals, it will be crucial for Australia to reconsider the amount of humanitarian aid it allocates to UN agencies that do not implement programs directly, but sub-contract them to NGOs such as Save the Children. The Australian Government could maximise the value of its humanitarian aid by increasing the amount it gives directly to ANGOs, rather than challenging it through UN intermediaries.

There is clear evidence that complex UN sub-contract processes can create a number of cost and delivery inefficiencies relative to funding NGOs directly. For example, the retention of overheads by UN intermediaries at different stages of the sub-contracting process leads to higher transaction costs and reduces the amount of funds available for implementing activities at field level. An evaluation of the UN Central Emergency Response Fund (CERF) found that the UN process for disbursing funds to implementing partners took up to 13 weeks for ‘rapid response’ emergencies and 19 weeks for underfunded emergencies. In contrast, ANGOs contracted directly by the Australian Government received funds and were able to start implementing activities less than two weeks after the funds were announced.

When it comes to transparency and accountability, it is often difficult to track the flow of funds from UN agencies to implementing partners due to a lack of transparency in project-level reporting. In contrast, NGO partners are often required to share all financial data and commission independent audits if requested by the donor. The comparative transparency and accountability of NGOs can also foster greater trust and public confidence in Australia’s aid program.

Australian NGOs often also operate as part of international movements, with extensive geographic reach. They typically implement both humanitarian and development programs, which means they have a long-term presence in communities before, during and after a disaster.

Another key comparative advantage of funding Australian NGOs directly rather than through UN agencies is their capacity to engage members of the Australia public and actively promote the value of Australian aid. Australian NGOs are dependent on private funding and therefore have a strong interest in keeping their supporters informed about their humanitarian action. This is done through

⁸⁴ Data sourced from executing a “Funding by donor” search on the UN Financial Tracking Service (available at: <http://fts.unocha.org>) for “Australia” and “2016” and generating result “Australia in 2016: breakdown by appealing agency”.

the mainstream media, social media and direct correspondence. By contributing more funding directly to Australian NGOs, DFAT can leverage from their communication networks to promote the value and impact of Australian aid. This can foster greater public confidence and trust in Australia's aid program.

DFAT has recognised the value of working directly with Australian NGOs (ANGOs) and has prioritised this approach under the new Australian Humanitarian Partnership agreement, noting it will aim to increase the share of response funding being channelled through ANGOs from the current 10% to 18-20%. We urge the Australian Government to deliver on this commitment within a short timeframe to realise the cost efficiencies that can be gained through granting more funds directly to ANGOs rather than through costly and time-consuming UN sub-contracting processes.

Recommendation: Accordingly, in line with the OECD DAC average, we recommend that the Australian Government allocate at least 20 percent of its humanitarian aid directly to NGOs, rather than through UN intermediaries, to take advantage of the comparative advantages offered by NGOs.

Budget impact: Nil - change of modality within existing budget.

Adoption of More Flexible Financing For Protracted Crises

The limitations of annual funding cycles and earmarked funding for protracted crises, is now widely recognised. Instead, under the Grand Bargain donors are encouraged to commit to more multi-year funding, provide more flexible and non-earmarked funding and to prioritise cash-based assistance to gain maximum impact and save costs.

In light of this and Australia's commitments under the Grand Bargain, its 2016 Humanitarian Strategy and new Australian Humanitarian Partnership agreement, we strongly recommend that the Government allocate dedicated funding in the 2017-18 budget to ensure its promises to increase the use of cash-based programming and flexible and multi-year funding and planning in humanitarian responses – and the impact these approaches brings - are fully realised.

We welcome Australia's announcement last year that it will provide \$220 million over three years to respond to the Syria crisis and support longer-term resilience programming in Jordan and Lebanon. We encourage the Australian Government to prioritise supporting more multi-year humanitarian response plans and, in line with its Grand Bargain commitment, provide funding to at least five flexible, multi-year funding agreements in 2017. What crises are prioritised should be selected on the basis of humanitarian need and the priorities identified in Australia's humanitarian strategy. We would however encourage the Australian Government to consider providing multi-year funding support to key protracted crises such as Yemen, Iraq, South Sudan, Lake Chad crisis, Afghansitan and El Nino/La Nina-affected contexts in East and Southern Africa, Asia and the Pacific.

Increasing Funding for Disaster Risk Reduction

While it is crucial for Australia and other donors to commit significantly more funding to ensure large-scale global needs predicted for 2017 and beyond, it is equally important Australia also invests in initiatives that strengthen the resilience of crisis-affected countries and people. This will contribute to

the ultimate aim of reducing the overall numbers of people in need and their vulnerability in the face of recurring or protracted crises.

Save the Children welcomes the commitment made by DFAT in its new Humanitarian Strategy to promote effective disaster risk reduction (DRR) in our region, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030. However, as noted by ACFID, Australia's spending on DRR was reduced from around 3% of the total aid program, to less than 1.4%. At a time when we are witnessing an increase in the frequency and severity of hazards and natural disasters in the region, it is critical for the Australian Government to increase its investment in DRR. Experiences of both Cyclone Pam and the Nepal Earthquake have demonstrated the value of DRR programs in reducing the impact and severity of natural hazards for communities. Save the Children therefore recommends that Australia increase the amount of funding it allocates to disaster risk reduction to both safeguard existing aid investments by the Australian Government against hazards and disasters as well as to build the resilience of the most vulnerable and marginalised communities in the Indo-Pacific region. It is also critical for the Australian Government to improve the transparency of how it calculates and reports on the amount of Australian ODA spent on DRR and climate change adaptation programs.

Not only is it important for Australia to increase the amount it invests in DRR, including emergency preparedness, it is also critical to ensure such funding is invested in building the capacity of national and local actors to strengthen the resilience of crisis-prone countries and people living in these contexts. Providing more support and funding for local and national responders is a key focus of the Grand Bargain and Australia's Humanitarian Strategy. The Grand Bargain calls on states to increase multi-year investment in the institutional capacities of local and national responders, particularly in crisis-prone contexts, and set a global target to put 25 percent of humanitarian funding into the hands of local and national responders by 2020 to improve outcomes for affected people and reduce transactional costs.

We welcome Australia's commitment to greater localisation through its endorsement of the Grand Bargain and the inclusion of localisation as a key priority in the new Humanitarian Strategy and AHP. We particularly welcome the commitment under the AHP to allocate \$45 million over the next five years to build local humanitarian capacity in the Pacific and strengthen the disaster resilience of Pacific communities. As contemplated by the Grand Bargain, a first key step towards realising effective localisation will be to better understand what the key challenges are to achieving it in local contexts and what mechanisms and support will need to be in place to transition to this new approach. To this end, we encourage DFAT to initiate the 6-month 'design-and-implement' inception phase work with ANGOs as committed to under the AHP to ensure that scoping and planning for this important stream of work in the Indo-Pacific region begins as soon as possible.

In addition, when it comes to improving outcomes for children living in crisis-prone or affected areas, Save the Children would like to see the Australian Government invest in a child-centered DRR approach that strengthens the resilience of children, families and communities before crisis through more effective early warning systems, preparedness, disaster resilience and disaster mitigation activities and projects. Reducing child vulnerabilities should focus on risk-informed integrated program approaches to basic services such as health, nutrition, water and sanitation and education and on safeguarding child infrastructure such as schools, health clinics, housing and water and sanitation facilities. We would particularly like to see the Australian Government champion the linking of cash programming with shock-responsive social protection systems in the Indo-Pacific region. As we have seen in East and

Southern Africa, programmes which identify vulnerable families before crises occur and incorporate early warning mechanisms so that additional support can be provided as soon as situations worsen, improve families' resilience to crisis and outcomes for children.

Recommendations

Commit to spending a minimum of 10 percent of the aid budget restored to \$5 billion (or \$500 million) on humanitarian assistance as defined by OECD-DAC, including the following key measures:

- Doubling the Emergencies Fund to \$260 million in 2017-18 (\$520 million over four years – to be incorporated within aid budget restoration).
- Supporting five flexible, multi-year funding agreements in 2017 as committed under the Grand Bargain at a minimum of \$60 million over three years from existing allocations.
- Increasing funding for DRR programming to assist the Australian Government in meeting relevant commitments under the Sendai Framework for DRR and the SDGs.
- Improving the transparency of reporting on the amount of Australian aid spent on DRR.

Budget impact: Approximately \$700 million over four years – to be incorporated within aid budget restoration of \$5 billion.

3.5 Education in Emergencies

One in four, or 462 million, of the world's school-aged children now live in countries affected by crisis. Of these children, 75 million are in the most desperate need of support: they are either in danger of or already missing out on their right to education.⁸⁵

Schools provide a safe space and a vital routine for children during times of major upheaval, yet children are particularly at risk of missing out on their education during crises. When children have safe spaces to learn and play, and can access a full range of services and support, they are significantly less vulnerable to the increased risks that go hand-in-hand with instability – violence, sexual exploitation, early marriage, recruitment into armed groups, and child labour – and can begin to regain a sense of normality and heal from trauma.

Ensuring children can continue their education – particularly in protracted and recurring crisis contexts – is also an investment in future global and national prosperity and stability. The longer children receive a high-quality education, the less likely they are to live in poverty and the more likely they will contribute positively to their countries' economies.⁸⁶ Educated children are also more likely to build and sustain stable and peaceful societies in the future. Studies show that higher levels of education in a country can lead to greater peace and lower chances of conflict; whereas, in some cases where education inequality doubled so too did the chance of conflict.⁸⁷

Putting education at the centre of humanitarian responses can also have a catalytic effect on strengthening humanitarian effectiveness, reducing children's vulnerabilities and managing risks to their protection and development during crisis. During rapid onset emergencies, if carefully managed, schools can become hubs within a crisis-affected community through which other essential services such as child protection, healthcare, water, sanitation and the provision of food and relief items can be coordinated and delivered in a targeted, sustainable and effective manner.

Despite the vast needs and the transformative role education can play in humanitarian response, education is consistently among the most underfunded and under-prioritised sectors in humanitarian responses, receiving on average less than 2% of humanitarian aid.⁸⁸ This has a profound effect on the continuity of children's learning in crisis contexts as well as significant ramifications for the development and stability of the countries in which these children live. This in turn can also impact regional and global security.

The launch of the Education Cannot Wait Fund (ECWF) at the World Humanitarian Summit (WHS) in 2016 was a significant step towards addressing this problem. The ECWF **is the first global fund to prioritise education in humanitarian action**. It will play a ground-breaking role in galvanising additional funding for education in emergencies and a more collaborative and innovative approach to ensure every crisis-affected child and young person is in school and learning. The ECWF aims to reach more than 13.6 million children and youth living in crisis situations with quality education over the next

⁸⁵ UNICEF, 2016. *Education Cannot Wait: A Fund for Education in Emergencies*.

⁸⁶ See *Education Transforms Lives* at <http://unesdoc.unesco.org/images/0022/002231/223115E.pdf>

⁸⁷ G Ostby and H Urdal, 2011. *Education and Conflict: What the Evidence Says*.

⁸⁸ <http://www.educationcannotwait.org/the-situation/>

five years and 75 million by 2030. It will endeavour to do this by raising US\$153 million in year 1 with an ambition to galvanise a total of US\$3.85 billion by 2020.⁸⁹

At the launch of the fund at the WHS in May last year, the UK, US, Norway, EU and the Netherlands became founding funders of the ECWF and pledged US\$87.5 million or just over half of the US\$153 million needed to fully fund year one. Australia did not commit any funding to the ECWF on its establishment last year. In light of the education in emergencies needs globally, and particularly in the Asia Pacific region, and the power of education to enhance prosperity, security and stability in the longer term, we call on the Australian Government to make a contribution to the ECWF in 2017.

In accordance with an analysis of Australia's fair share of the five-year target of US\$3.85 billion, we recommend the Government commit \$23.4 million to the ECWF in the 2017–18 budget with a view to commit the same figure on a yearly basis up until 2020.

As any financial contribution to the ECWF must be new and additional funding, we call on the Australian Government to continue to honour previous commitments it has made to allocate funding to education in emergencies.

Recommendations

To position Australia as a leader amongst global stakeholders committed to meeting the educational needs of millions of children affected by crises, we call on the Australian Government to:

- make an annual contribution to the ECWF of \$23.4 million. million for the next four years⁹⁰
- ensure that funding for the ECWF is always additional and does not affect any funding already committed to other critical education in emergencies interventions.

Budget impact: Approximately \$94 million over four years – to be funded out of restored aid budget.

⁸⁹ Global Campaign for Education UK, 2016. *The Fierce Urgency of Now: Delivering Children's Right to Education During Crises*, p. 10.

⁹⁰ This is based on an analysis of Australia's fair share of yearly contributions in order to meet the ECWF's overall funding target of \$3.85 billion by 2020 assuming 20% of funding comes from other non-traditional donor sources.

3.6 Nutrition

The scale of the challenge

Globally, nearly 800 million people suffer from undernutrition and another 2 billion people suffer from ‘hidden hunger’, or micronutrient deficiencies. Millions of children under-five continue to be malnourished, with 159 million stunted (significantly shorter than average for their age) and 50 million children wasted (too thin for their height).⁹¹ Malnutrition remains the single biggest contributor to child mortality and is the underlying cause of 45% of all deaths of children under five.⁹²

Not only does malnutrition claim lives, it is also a major barrier to human and economic development. The failure to provide children with adequate nutrition, especially in the first 1000 days, leads to permanent and irreversible cognitive and physical impairments that impede their ability to learn, grow and be physically productive. The economic consequences of malnutrition for a country are significant, with estimated losses of up to 11% of gross domestic product (GDP) every year in Africa and Asia.⁹³

Alarmingly, the Global Nutrition Report for 2016 revealed that Australia’s neighbours in the Pacific have some of the highest malnutrition rates in the world, threatening developing gains in the region. In Papua New Guinea (PNG), 49.5% of children under five suffer from stunting, and 14.3% suffer from wasting.⁹⁴ Overweight rates are also very high, affecting 13.8% of children under five.⁹⁵ The stunting rates in the Solomon Islands and Vanuatu are also worrying at 32.8% and 28.5% respectively.⁹⁶

Prioritising Nutrition Investment, particularly in the Pacific

Despite evidence of being critical to human and economic development, investment in nutrition remains at unacceptably low levels. The Global Nutrition Report (2016) estimates that total global spending will need to triple over a 10-year period to meet the World Health Assembly targets on stunting, severe acute malnutrition, exclusive breastfeeding and women’s anaemia.⁹⁷

The investment by the Australian Government in nutrition is low compared with other donors, with the top five donors – United States, Canada, European Union, United Kingdom, and the Bill and Melinda Gates Foundation – providing close to 75% of the total nutrition-specific financing. Using the Scaling Up Nutrition (SUN) movement methodology, in 2014–15 the Australian Government allocated \$23.1 million to nutrition-specific assistance. Including nutrition-sensitive measures (actions that involve other sectors addressing underlying causes of malnutrition), total assistance for nutrition is \$120.1 million, or 2.4% of official development assistance to nutrition programs.⁹⁸

The need for investing in nutrition in the Pacific region is particularly acute. Despite malnutrition rates in the Pacific being among the highest in the world, only 0.4% of all Australian aid to the Pacific

⁹¹ International Food Policy Research Institute. 2016. Global Nutrition Report: From Promise to Impact, Ending Malnutrition by 2030, p.2

⁹² Ibid, p. 1.

⁹³ Ibid. p. xviii

⁹⁴ Ibid, Appendix 3

⁹⁵ Ibid, Appendix 3

⁹⁶ Ibid, Appendix 3

⁹⁷ Ibid, p. 78

⁹⁸ International Food Policy Research Institute, Global Nutrition Report: From Promise to Impact, Ending Malnutrition by 2030, 2016, p. 86 and Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry of the Foreign Affairs and Aid Sub-Committee, Food for thought: improving health and nutrition in the Indo-Pacific region, May 2016, p. 15

region was allocated for nutrition in the years 2010–2012 combined, whereas 10% of Australian aid to sub-Saharan Africa was for nutrition over that period.⁹⁹ Of particular concern is that only 0.1% of total ODA for PNG was allocated for nutrition in 2010 and 2012 combined, despite the country having the fourth highest stunting rate in the world.¹⁰⁰

Without increasing its investments in nutrition, Australia’s efforts to support human and economic development in the Pacific will be undermined. This was reinforced by the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry of the Foreign Affairs and Aid Sub-Committee (May 2016) in their Food for Thought report, with recommendations to “develop a stronger regional policy and funding focus under Australia’s Official Development Assistance program on both nutrition-specific and nutrition-sensitive activities”.¹⁰¹

The importance of tackling the high rates of stunting in the Pacific and specifically in Papua New Guinea (PNG) was addressed in the Foreign Affairs, Defence and Trade References Committee report, *Delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea* (May 2016). The committee recommended the prioritisation of programs that focus on reducing “childhood malnutrition and stunting in Papua New Guinea and track childhood malnutrition and stunting as a human development performance benchmark of the Australian aid program”.¹⁰²

Cost Effective Ways to Improve Nutrition Outcomes

Nutrition-Specific Investments

The most effective way of addressing undernutrition is to focus on nutrition-specific interventions in the first 1000 days of a child’s life – from pregnancy to a child’s second birthday. Nutrition-specific interventions have proven to be highly effective including:

- Micronutrient and food supplementation for undernourished mothers to prevent low birth weight babies.
- Education and support for lactating mothers on exclusive breastfeeding and complimentary feeding.
- Community-based treatment of acute malnutrition and/or micronutrient deficiencies in children through providing energy-dense, fortified food, and micronutrient supplements such as Vitamin A, iron and zinc.
- Promoting access to appropriate health services for the prevention and treatment of disease that compromise nutrition.

Direct investment in nutrition is a smart investment with every \$1 invested in nutrition programs offering benefits worth \$16.¹⁰³ The right nutrition during the 1000-day window can also increase a country’s GDP by as much as 12%.¹⁰⁴ Thereby, direct investment in nutrition not only saves lives, but is a cost-effective driver of economic growth.

⁹⁹ Office of Development Effectiveness. 2015. A window of opportunity: Australian aid and child under nutrition, Australia, p.23

¹⁰⁰ Ibid; WaterAid. June 2016. Caught Short: How a Lack of Toilets and Clean Water Contributes to Malnutrition

¹⁰¹ Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry of the Foreign Affairs and Aid Sub-Committee, Food for thought: improving health and nutrition in the Indo–Pacific region, May 2016, Canberra

¹⁰² Foreign Affairs, Defence and Trade References Committee, *Delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea*, May 2016, Canberra

¹⁰³ Bhutta, Z. A., Das, J. K., Rizvi, A., Gaffey, M. F., Walker, N., Horton, S., & Black, R. E., 2013. Evidence-based interventions for improvement of maternal and child nutrition: what can be done and at what cost? *The Lancet*, 382(9890): 452–477

¹⁰⁴ 1,000 Days. (2016). Why 1,000 Days - 1,000 Days. [online] Available at: <http://thousanddays.org/the-issue/why-1000-days/>

Nutrition-Sensitive investments

In the context of a contracted aid budget, a strategic way for the Australian Government to improve nutrition outcomes is through integrating nutrition objectives into investments in other sectors, such as agriculture, food security, WASH, and education. Programs that integrate health, nutrition, early stimulation and WASH (all together or in variances) are regarded as leading to better outcomes for children than the traditional siloed approaches.¹⁰⁵ This multi-sectorial commitment is outlined in the Strategy for Australia’s aid investments in education 2015–2020 in ‘getting the foundations right’ by integrating health, nutrition and educational outcomes for children.¹⁰⁶

Another critical area for cross-sectoral engagement is in the integration of nutritional objectives into the design and implementation of water, sanitation and hygiene (WASH) programming to ensure; positive nutritional outcomes, improve the quality of WASH interventions at the community level and maximise health benefits for women and children. This strategy was reinforced in the 2015 Office of Development Effectiveness evaluation of Australian aid investments in child nutrition, which recommends that DFAT should review all existing and planned initiatives in WASH to ensure the inclusion of nutrition objectives, interventions and indicators, where relevant.¹⁰⁷

Save the Children has established health and nutrition programs in the Pacific in direct response to child malnutrition concerns in the region. Programs focus on improving nutrition in children during the first 1,000 days as well as innovative multi-sectoral approaches to nutrition – linking monitoring and reporting of the health and nutrition status of children under 5 with essential health and WASH messaging.

It is clear that poor nutrition is threatening the human and economic development of our closest neighbours in the Pacific region. Accordingly, Save the Children recommends that Australia should lift its overseas aid funding to nutrition-specific and nutrition-sensitive programs in the Asia-Pacific region to at least 3% of its annual foreign aid budget. Save the Children further calls for Australia to demonstrate regional leadership by increasing its investment in multi-sectoral nutrition interventions in the Pacific commensurate with extremely high malnutrition rates in region, low engagement of other donors and opportunities to achieve impact – particularly as a foundation for human and economic development.

Recommendations:

- Deliver the commitments made in the Health for Development Strategy 2015–2020 to adopt a multi-sectoral approach to support improved child nutrition, with a focus on the 1000-day window.
- Commit to spending a minimum of 3% of the Official Development Assistance budget on nutrition-specific interventions (as defined by OECD-DAC criteria) and nutrition-sensitive interventions (as defined by the Scaling up Nutrition Donor Network).
- In light of extremely high malnutrition rates in the Pacific, allocate a minimum of 3% of Official Development Assistance for the Pacific region to nutrition-specific and nutrition-sensitive interventions.

¹⁰⁵ UNICEF, Holistic Early Child Development Toolkit Guidance and Recommendations for the Integration of Health, Nutrition, WASH and Early Learning Services, October 2015, p.3

¹⁰⁶ DFAT, Strategy for Australia’s Aid Investments in Education 2015–2020, September 2015, p. 7

¹⁰⁷ Office of Development Effectiveness.2015. A window of opportunity: Australian aid and child under nutrition, Australia

Budget impact: Neutral (prioritisation of existing allocation)

4. Responding to Forced Migration

Cross-Portfolio, including Departments of Social Services, Health, Education and Training, Immigration and Border Protection

Background

Governments and civil society groups around the world are under sustained and increasing pressure to address one of the greatest challenges of our times: providing protection and assistance to the rising number of people displaced across the globe. Worldwide displacement from war, conflict, and persecution is at the highest level ever recorded by the UNHCR, and it continues to accelerate. More than 65 million people are now forcibly displaced – including 21 million refugees. Alarming, over half of the world’s refugees are children.¹⁰⁸ If the world’s displaced people formed a country, it would be the 21st most populous nation – larger than the United Kingdom, and nearly three times as large as Australia, but it would be one of the worst nations when it comes to access to education and health.¹⁰⁹ The war in Syria, currently the world’s single largest driver of displacement, has forced millions into neighbouring countries and throughout Europe, in the process challenging border security and nations’ capacity and willingness to help.

While Australia has one of the most generous voluntary resettlement programs in the world both in per capita terms and in overall numbers,¹¹⁰ the number of resettlement places available for refugees around the world is grossly inadequate to respond to the need. Currently, resettlement is available to only 1.19 million people, less than 1% of all refugees globally, and only 14% of the refugees identified by UNHCR as in greatest need of resettlement.¹¹¹

As the number of displaced people continues to rise, there is an urgent need for collective action in responding to this global challenge. Australia has the social and economic capacity to absorb more refugees. Moreover, as outlined in this submission, it can apply significant cost savings from the closure of offshore processing of asylum seekers in Nauru and Papua New Guinea towards finding more humane and durable solutions for those forcibly displaced, particularly in our immediate region. In particular, Australia could play a much greater role in addressing this need by:

1. Increasing the Humanitarian Intake of Refugees.
2. Expanding the Community Pilot Proposal.
3. Protecting Refugees on Nauru and Manus Island from Harm.
4. Supporting the protection of forced migrants in the region through increased support for UNHCR and non-government organisations providing.

4.1 Increasing the Humanitarian Intake

Australia currently offers resettlement to 13,750 persons per year under its humanitarian intake program. This number is set to increase to 16,250 by 2016–17 and then to 18,750 by 2018–19, an increase which the Government has committed to maintain into the future.¹¹² In addition, the Government is in the process of resettling an additional 12,000 people from Syrian and Iraq, pursuant to a one-off emergency intake announced in September 2015. At the same time, however, Australia

¹⁰⁸ See <http://www.unhcr.org/en-au/figures-at-a-glance.html>

¹⁰⁹ Save the Children, 2016. Forced to Flee: Inside the 21st Largest Country.

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¹¹¹ See UNHCR, *Projected Global Resettlement Needs 2017* and UNCHR, *Global Trends: Forced Displacement in 2015*

¹¹² Stephanie Anderson and Dan Conifer, ‘UN refugee summit: Australia to take in Central Americans and maintain annual intake’, *ABC News*, 21 September 2016 (available at <http://www.abc.net.au/news/2016-09-21/un-refugee-summit-australia-intake-upped-to-19,000-per-year/7863712>)

has adopted a 'zero-tolerance' approach to the arrival of asylum seekers by boat which places very precise limitations on the number of people that have access to protection within Australia's jurisdiction and so these humanitarian intake figures represent the full extent of the country's intake of persons fleeing persecution.

As noted above, Australia has one of the most generous voluntary resettlement programs in the world both in per capita terms and in overall numbers.¹¹³ However, the number of resettlement places available for refugees around the world is grossly inadequate to respond to the need.¹¹⁴

In light of the scale of the current global refugee crisis, Australia can and must do more. Australia has scope to scale up its humanitarian programme commensurate with our population and prosperity and has done so before. In 1979–80, Australia's refugee and humanitarian program granted 19,954 visa places and in 1980–81, approximately 22,545 visa places were offered.¹¹⁵ Restoring the intake to 20,000 simply puts Australia in the same position as at the start of the 1980s, which is when the world faced the Vietnamese refugee crisis. We are now in a crisis of a global scale not seen ever before. Australia has the social capacity to absorb more refugees, and we have successfully done so in the past. We also have the economic capacity – our economy is three times the size it was in the 1980s.

Accordingly, in the last 12 months Save the Children and a number of other international organisations including UNICEF have consistently called on the Government to increase the humanitarian intake to 30,000 by 2018–19 and maintain this level as a permanent increase. This level would be well within our social and economic capacities. We also consider that the Government should retain flexibility to respond to unforeseen events with emergency intakes, as it did in announcing the additional 12,000 places for Syrian and Iraqi refugees.

4.2 Expansion of Community Proposal Pilot (CPP)

To complement an increase in the humanitarian intake, Save the Children also encourages the Australian Government to expand the CPP.

Save the Children considers that the capacity and goodwill of the Australian community towards those fleeing persecution is currently underutilised in our country's response to the challenge of global forced migration. Many private individuals, civil society groups and even corporate actors in Australia have expressed an interest in doing more to help asylum seekers and refugees around the world.

We support the concept which underlies the CPP which, as we understand it, is being engaged to allow 500 people access protection in Australia based largely on the financial support of non-government actors. We understand that when the CPP was launched, expressions of interest were received in relation to over 10,000 applicants,¹¹⁶ indicating that the need for such a program, and the capacity of the community to answer that need, is far in excess of the size of the pilot.

In this context, there appears to be a significant opportunity for the Australian Government to increase the number of people who can obtain protection within Australia, without imposing significant additional pressure on the Federal budget, by increasing the number of places available under an up-scaled version of the CPP. However, we would urge the Australian Government not to take the number of places made available under the CPP from the overall humanitarian intake quota given that non-government actors are bearing vast majority of the financial responsibility for those entering Australia

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¹¹⁴ See UNHCR, *Projected Global Resettlement Needs 2017* and UNCHR, *Global Trends: Forced Displacement in 2015*

¹¹⁵ Refugee Council of Australia, *National and Global Statistics*.

¹¹⁶ Refugee Council of Australia, *Australia's Response to a World in Crisis: Community views on planning for the 2016-17 Refugee and Humanitarian Program*, p 45.

under the CPP. Places made available under the CPP (or an up-scaled version of it) should be in addition to the number made available under the government-sponsored humanitarian intake quota.

4.3 Protecting and Resettling Refugees on Nauru and Manus Island

We welcome the Government's recent announcement of an arrangement reached with the United States in relation to the resettlement of refugees transferred by Australia to Nauru and Papua New Guinea (PNG). We urge the Government to use every effort to ensure that this arrangement is implemented swiftly and to pursue all possible avenues to ensure that every person transferred by the Australian government to Nauru or PNG has access to a safe, humane and sustainable solutions taking into account their individual circumstances.

We urge the Government to pursue this resettlement deal with the United States, and put in place other necessary arrangements, with a view towards the closure or 'mothballing' of all offshore processing centres in Manus and Nauru. Pursuing humane solutions for every member of the affected cohort would not only be in the best interests of the individuals involved, but also potentially save the Federal Government significant expenditure by avoiding the high costs associated with offshore processing arrangements.

We note that in the three years to 2016, the Federal Government spent more than \$9.6 billion implementing policies which have sought to deter asylum seekers from arriving by boat including offshore processing of asylum seekers in Nauru and PNG, boat turn-backs and onshore immigration detention of asylum seekers.¹¹⁷

This expenditure is now set to decrease as the number of people attempting to seek asylum by boat or held in detention centres reduces. For example, expenditure on onshore detention is likely to decrease from \$5.6 billion (three years to 2016) to within the range of \$1.9 to \$3.5 billion (2016–17 to 2019–20).¹¹⁸ In particular, if the Government is successful in implementing the agreement that it has reached with the United States in relation to the resettlement of those transferred to Nauru and PNG, and processing centres on Nauru or Manus closed or 'mothballed', we could see a savings of up to \$2 billion (refer to Section 5 Offsets).¹¹⁹ Save the Children considers that these significant savings could be more effectively invested in supporting asylum seekers and refugees residing in the region as explored further in (iii) below.

4.4 Supporting the Protection of Forced Migrants in the Region

While much of the world's attention has been focused on the large-scale movement of people into Europe, there has been comparatively less attention given to the large refugee flows in the Asia Pacific region. The Asia Pacific region is home to some 3.8 million refugees and other forcibly displaced persons.¹²⁰ The Asia Pacific is also home to some of the longest protracted crises in the world, leading to high levels of ongoing forced displacement.

Of the region's millions of forced migrants, a great many live outside camps, mainly in urban environments where they often find inadequate protection. At law, asylum seekers and refugees

¹¹⁷ Save the Children and UNICEF, *At What Cost? The Human, Economic and Strategic Cost of Australia's Asylum Seeker Policies and the Alternatives*, September 2016 (available at http://www.savethechildren.org.au/_data/assets/pdf_file/0009/159345/At-What-Cost-Report-Final.pdf), p 7, 41.

¹¹⁸ Ibid

¹¹⁹ In an interview with Radio Australia, Vince McMahon – former head of border security at the Department of Immigration – quoted a cost of \$150,000 per month to maintain facilities on Manus Island in a 'mothballed' state. Applying the same cost for Nauru, the estimated cost of mothballing both centres would be around \$3.6 million per year. (Interview available at: <http://www.radioaustralia.net.au/international/radio/onairhighlights/detainees-from-centre-arrive-in-melbourne>)

¹²⁰ UNHCR, *Global Trends: Forced Displacement in 2015*, 14.

residing in region are typically classified as illegal migrants and subject to arrest and detention in connection with their lack of visas. They are typically unable to legally work and have great difficulty accessing essentials such as food, shelter, education and healthcare. These factors have typically compelled many to make onward journeys by sea to third countries. For example, in 2015, according to UNHCR, approximately 33,600 refugees and migrants travelled through South-East Asia in mixed maritime movements¹²¹ seeking safety and protection.

Save the Children considers that having pursued policy choices which show ‘zero tolerance’ towards the arrival of asylum seekers by boat, it is incumbent upon Australia to do more to support those who have travelled to the region seeking protection. Our resettlement intake should not be the beginning and end of our country’s response to the challenge posed by forced migration, particularly when our less-developed neighbours in the region are bearing the lion’s share of responsibility for providing temporary shelter to those fleeing persecution. Those seeking protection in South-East Asia are prime candidates for increased support from Australia, given their proximity to Australia and traditional migration pathways within the region which have historically engaged Australia.

In our recent report on the human, economic and strategic costs of Australia’s asylum seeker policies we outlined recommendations in relation to the role that Australia should play in supporting the establishment of a regional protection framework in the region.¹²² There are foreign policy as well as budgetary ramifications of this proposal. As a first key step towards establishing a regional framework, we recommend the Australian Government to cost the establishment and delivery of a regional protection framework in consultation with governments in the region.

Until a regional protection framework is established, significantly more funding must be provided to the UNHCR and NGOs in the region, who play a significant role in providing on the ground support and protection to asylum seekers and refugees in the region and are under significant pressure to respond to ever-increasing needs.

Increased Support for NGOs Delivering Support and Services in the Region

As we have emphasised elsewhere in this submission, the Australian Government needs to strike a balance between the funding it gives to UN agencies relative to NGOs. Australia must do more to support frontline NGOs providing assistance to asylum seekers and refugees in the region. Domestic and international NGOs, including Save the Children, have developed a wide range of support services to meet the needs of asylum seekers in the region but lack the necessary funding to meet the scale of need that presently exists. As a result, children and their families are going without access to vital services for months and years at a time and often living in extreme poverty, at times even resorting to requesting detention just to access food and shelter¹²³ and leaving children, already vulnerable, at heightened risk of many forms of exploitation and abuse. As noted above, the Australian Government is likely to improve its impact and ensure great value for money if it increases its direct funding of NGOs. DFAT has recognised that working directly with Australian NGOs will ensure humanitarian aid is spent in a more efficient, effective and transparent manner and has prioritised this approach under the new Australian Humanitarian Partnership agreement, noting it will aim to increase the share of response funding being channelled through NGOs from the current 10% to 18–20%.

Increased support for UNHCR in the region

While we have called for the Australian Government to provide more funding to NGOs in general, Save the Children recognises that the UNHCR has a unique and specific mandate to provide critical

¹²¹ UNHCR – Mixed Maritime Movements in South-East Asia in 2015

¹²² Save the Children and UNICEF, *At What Cost? The Human, Economic and Strategic Cost of Australia’s Asylum Seeker Policies and the Alternatives*, September 2016 (available at http://www.savethechildren.org.au/_data/assets/pdf_file/0009/159345/At-What-Cost-Report-Final.pdf)

¹²³ Ibid

assistance to millions of refugees and displaced persons every year. As the number of people fleeing crises continues to grow, the role of the UNHCR has never been more critical. Consequently, in addition to increasing funding support to NGOs, we also call on the Australian Government to allocate more funding to the UNHCR in the 2017–18 budget in line with the Good Humanitarian Donorship (GHD) principles.

Any sustainable response to the global displacement crisis will rely on the important work of UNHCR and yet the UNHCR is stretched and faces a major funding gap. The multiplication of large-scale emergencies has been the main factor behind the sharp rise in UNHCR's budget, which has more than doubled over the past five years.¹²⁴

Australia contributed US\$40 million to the UNHCR in 2016 (AU\$55 million), compared with US\$51 million in 2015 (AU\$70 million).¹²⁵ This contribution equates to around US\$2 per capita compared to US\$21 per capita from Norway, US\$18 per capita by Luxembourg and Norway, and US\$5 per capita by the United States – more than twice the per capita contribution of Australia.

Australia's current contribution represents less than 1% of the UNHCR's estimated 2017 budget and less than 8% of UNHCR's budget for the Asia and Pacific region for 2017.¹²⁶ The UNHCR's projected budget for 2017 is US\$6.74 billion with 8% of this budget earmarked for Asia and the Pacific region.¹²⁷

Australia must do more. The work of the UNHCR is critical to better managing protection and processing needs in the region. It is also critical to any regional response to humanitarian crisis resulting in forced migration. Additional support for UNHCR could also be directed towards improving support services and local integration programs for asylum seekers and refugees in countries of first asylum and transit countries.

UNHCR fulfils an essential role in the promotion of refugee protection and orderly processing of refugees in the region. It is the only organisation with the mandate to carry out refugee status determinations (RSDs) in countries such as Malaysia, Indonesia and Thailand which are not signatories to the Refugees Convention and which accordingly do not conduct RSDs themselves. By making RSDs, the UNHCR facilitates the formal recognition of individuals as 'refugees' (thus paving the way to their resettlement or local integration) as well as providing certification which provides informal legal status as well as access to certain services or support, to a greater or lesser extent (depending on the context).

The lack of funding for UNHCR's work in the region causes significant delays in its performance of its core function of conducting RSD determinations. This delay can act as an unfortunate 'bottleneck' for asylum seekers attempting to access protection and services in the region. In Indonesia, for example, UNCHR reports that '[t]he average waiting period from first registering [with UNHCR] to obtaining a first instance interview of 8 to 20 months depending on the priority and complexity of the case.'¹²⁸ This waiting period does not include the additional months or years that individuals must wait before they receive their RSD decision.

Analysis undertaken for this budget submission calculates Australia's 'fair share' of UNHCR funding. Two methods for calculating a high and low estimate of shares are considered.¹²⁹

¹²⁴ UNHCR Global Appeal 2016–17, Needs and Funding Requirements, page 19 Available at: <http://www.unhcr.org/564da0e20.html>

¹²⁵ UNHCR, *Donor Profiles* (available at <http://reporting.unhcr.org/donor-profiles>)

¹²⁶ UNHCR, *Budget* (available at <http://reporting.unhcr.org/financial#tabs-financial-budget>)

¹²⁷ *Ibid*

¹²⁸ [Indonesia Factsheet]

¹²⁹ Fair share calculations reflect the percentage of UNHCR's proposed budget in 2017 (*ibid*) based on Australia's share of total, combined gross national income (GNI). The low estimate is based on Australia's share of global GNI. The high estimate is based on Australia's share of GNI of members of the OECD Development Assistance Committee (DAC) and high-income non-DAC countries. Both the low cost and high cost contributions are in addition to Australia's current contribution to UNHCR. The baseline for Australia's

- Low estimate: Based on Australia’s share of global Gross National Income (GNI) (low estimate), Australia’s contribution to the UNHCR should increase from around \$60 million per annum to \$120 million in 2017–18. This equates to an additional commitment to UNHCR of around \$510 million over four years.
- High estimate: Based on Australia’s share of GNI amongst OECD DAC and non-DAC high income countries (high estimate), Australia’s contribution should increase from around \$60 million per annum to \$235 million in 2017–18. This equates to an additional commitment to UNHCR of around \$1.037 billion over four years.

The high estimate more closely reflects the nations able to afford the contributions required to fund the UNHCR’s 2017–18 budget appeal and consequently is the basis for Save the Children’s call for increased funding.

The lack of transparency around the inclusion of expenditure associated with the humanitarian intake and UNHCR costs makes it difficult to determine the proportion of this additional spending that would be ODA eligible. For the purposes of this submission, Save the Children has conservatively assumed that 50% of the proposed additional funding for UNHCR would be treated as ODA. The need for greater transparency in the reporting of ODA eligible expenditure is discussed further below in section 4.1.

Australia’s current contribution to UNHCR represents less than 25% of Australia’s fair share¹³⁰ to the UN-led agency responsible for supporting refugees fleeing conflict and persecution. We therefore recommend that the Australian Government increase funding to UNHCR given that it is critical to not only supporting the life-saving work of UNHCR but also to Australia’s regional response to forced migration.

Recommendations

To meet the objectives outlined above, Save the Children recommends that the Government take the following actions

<p>Recommendations</p> <ul style="list-style-type: none"> • Increase humanitarian intake to 30,000 places by 2018–19 (increase to 23,125 by 2017–18 and 30,000 by 2018–19). <p>Budget implication: Estimated \$2.8 billion over four years.¹³¹</p> <p>Increase CPP program to 5,000 places per annum in addition to the humanitarian intake quota.</p> <p>Budget implication: Small to negligible impact on Departmental expenses under program 2.4 Refugee and Humanitarian assistance.</p> <p>Finalise resettlement of those in Nauru and PNG and close offshore processing centres.</p> <p>Budget implication: Savings of \$2 billion.</p> <p>Increase funding to frontline NGOs supporting asylum seekers and refugees in South-East Asia.</p> <p>Budget implication: Nil additional – savings from closing offshore detention diverted to this recommendation – see Section 6 Offsets.</p>
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contribution is projected using a three year moving average of Australia’s proportion of funding. The UNHCR budget is projected beyond 2017-18 based on the compound annual growth rate over the past five years.

¹³⁰ Based on the high estimate (see methodology description in footnote above).

¹³¹ Own calculations based on additional expenditure to reach 23,125 by 2017–18 and 30,000 by 2018–19. This excludes places for Syrian refugees.

Increase funding to UNHCR

Budget implication: \$518 over four years (total is \$1,037 million of which 50% (or \$518) is included as ODA eligible and part of the proposed growth in the aid budget. \$1.04 billion over four years.

Increase funding to frontline NGOs supporting asylum seekers and refugees in South-East Asia.

Budget implication: Nil additional – savings from closing offshore detention diverted to this recommendation – see Section 6 Offsets.

SECTION C: OFFSETS

5. Savings and Revenue Measures

In this section we have identified savings and revenue measures to offset our calls for increased expenditure. There are several larger-scale revenue options the Government could consider including reforms to superannuation tax concessions, capital gains taxation and negative gearing, as well as re-thinking the Fuel Tax Credit Scheme. The latter of these represents a \$6 billion a year cost-to-revenue and could afford an opportunity to implement a corrective tax on emissions that would enable Australia to tackle an import global challenge. However, as each of these revenue measures requires careful policy analysis and consultation to ensure the settings take into account the full social impacts, we offer them as suggested areas for urgent review and do not study them further here.

Save the Children's view is that modest expenditure reductions from our refugee and asylum seeker, and defence targets will serve to meet the additional spending that have been proposed to date in this submission. These are outlined below.

Save the Children has demonstrated we are ready to play our part. In the past, we argued for changes to Fringe Benefits Tax for meal entertainment and cars which directly impact our staff. The Government announced changes in both of these areas. We call on the Government to ensure these and other savings measures are directed to children and families that need them most.

5.1 Close Regional Processing Centres

Portfolio: Department of Immigration and Border Protection

Expenditure on the Government's offshore Regional Processing Centres on Manus Island and Nauru is forecast to decrease as the number of people attempting to seek asylum in Australia by boat or held in detention centres reduces. For example, expenditure on onshore detention is likely to decrease from \$5.6 billion (three years to 2016) to within the range of \$1.9 to \$3.5 billion (2016–17 to 2019–20).¹³² If the Government is successful in implementing the agreement that it has reached with the United States in relation to the resettlement of those transferred to Nauru and PNG then processing centres on Nauru or Manus Island could be closed or 'mothballed'.

The best estimate of the expenditure that would be required to maintain a Regional Processing Centre in a 'mothballed' state is \$150,000 per month.¹³³ Applying the same cost for Nauru, the estimated operational cost of both centres would be around \$4 million per year, or \$16 million over

¹³² Save the Children and UNICEF, *At What Cost? The Human, Economic and Strategic Cost of Australia's Asylum Seeker Policies and the Alternatives*, September 2016 (available at http://www.savethechildren.org.au/_data/assets/pdf_file/0009/159345/At-What-Cost-Report-Final.pdf), p 7, 41.

¹³³ In an interview with Radio Australia, Vince McMahon – former head of border security at the Department of Immigration – quoted a cost of \$150,000 per month to maintain facilities on Manus Island in a 'mothballed' state. Interview available at: <http://www.radioaustralia.net.au/international/radio/onairhighlights/detainees-from-centre-arrive-in-melbourne>

four years. By closing the Regional Processing Centres, the Government would save up to \$2 billion over the same four years.

Recommendations

Close the Regional Processing Centres on Manus Island and Nauru and maintain in a 'mothballed' state.

Budget impact: Estimated up to \$1,984 million in savings over the next four years

5.2 No Escalation in Defence Spending

Portfolio: Department of Defence

We have argued for restoration of the aid budget and an increase in Australia's humanitarian intake. Along with economic and social benefits, these measures are an important part of our national security armoury. We are not alone in this view; Australia's foremost defence think-tank, the Australian Strategic Policy Institute (ASPI) classifies foreign aid as national security spending along with funding for agencies such as the Australian Security Intelligence Organisation (ASIO).

Yet while foreign aid expenditure has undergone drastic cuts, defence spending has been steadily increasing. While the 2016 Budget increased the defence budget by just \$400 million to \$32.9 billion, expenditures are set to ramp up by more than \$1 billion per year over the forward estimates.¹³⁴ Currently at 1.9% of GDP, defence spending appears firmly on a path to meet 2% of GDP by 2023–2024 – a commitment reaffirmed in the 2016 Defence White Paper.¹³⁵ While the 2% target mirrors a NATO target and has been reiterated by the incoming Defence Minister, there is no clear basis for Australia to target 2% and indeed, Peter Jennings, Executive Director of ASPI, has consistently argued against such a target.¹³⁶

In order to reach 2% of GDP in 2023–2024, defence spending will need to continue to increase by 2.8% in real terms per year.¹³⁷ This increase is hard to fathom given:

- Only 3% of Australians think terrorism/wars/security/safety is the most important problem facing Australia (compared to nearly half of Australians worried about economic/financial issues)¹³⁸
- Only 38% of Australians supported higher defence spending in 2013, down from 60% in 2001.¹³⁹

Save the Children acknowledges it is important that Australia has a well-equipped air force, army and navy with the latest technology to maintain national security and participate in peacekeeping missions. However, as with all other portfolios, spending must be within our means. In addition, we

¹³⁴ Based on 'Total Defence Funding', 2016–17 Defence Portfolio Budget Statement, Table 1.

¹³⁵ Australian Department of Defence, 2016 Defence White Paper, Canberra, para. 1.5 pg. 30.

¹³⁶ North Atlantic Treaty Organisation – Europe plus USA and Canada. Australia is not a member of NATO.

¹³⁷ Author's calculations.

¹³⁸ ASPI (2015) The Cost of Defence: ASPI Budget Brief 2015-16, quoting Ray Morgan Research, April 2015.

¹³⁹ ASPI (2014) The Cost of Defence: ASPI Budget Brief 2014-15, quoting research from McAllister et al: Trends in Australian political opinion: results from the Australian election study, 1987-2010; Lowy Institute Poll 2013.

should have a mixed portfolio approach to security which recognises the combined importance of our aid, humanitarian and national security spending towards achieving peace and stability.

At around \$33 billion in 2016–17, the defence budget is more than eight times the aid budget (\$3.8 billion in 2016-17). By 2023, defence expenditure is projected to be around \$50 billion in nominal terms. This amounts to thirteen times the aid budget (if maintained at around \$4 billion a year).

We therefore argue that defence spending should be maintained at the current ratio of expenditure to GDP to allow space for other spending areas to be maintained.

Recommendations

Maintain defence spending at current ratio to GDP and do not increase to 2% of GDP by 2023–2024.

Budget impact: Estimated \$11.1 billion in savings over the next four years ¹⁴⁰

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¹⁴⁰ Based on maintaining defence spending at current ratio to GDP against expenditure increasing at 2.8% p.a. (in real terms) to hit target of 2% GDP by 2023–2024.