



Australia's International Development Contractors Community

2021-22 Budget Submission

IDCC Board calls on the Australian Government to:

Sustain and strengthen Australia's intensified international efforts

As the government prepares the 2021-22 budget, we recognise the intense demands it faces on multiple fronts. **Continuing strong and effective management of our COVID response is the most pressing task**, especially getting Australians back to work, while also protecting their health and well-being. Our international policies and programs have a major bearing on both.

As an open, tolerant, trading nation that earns a quarter of its income from overseas, **we need early and safe restoration of trade, tourism and international education**. Simultaneously, we also need to **strengthen the rules-based system** for open and transparent trade and investment; promote health security; and address climate change, so that our citizens can continue to prosper.

We recognise that beyond COVID, Australia also **contends with heightened geopolitical competition and contestation**, including countries trying to coerce us into actions that are inconsistent with our interests and values. Consequently, we need to draw upon all of the tools at our disposal to enhance our relationships in the region so that we can build new alliances and networks of influence for shared prosperity and security, including our soft power and development cooperation.

The IDCC commends the Federal Government's rapid, flexible and appropriate response to the evolving COVID situation in the Indo-Pacific region over the course of the last 14 months, including:

- The **early pivot** of international cooperation to meet new COVID-related needs that our members helped to make happen;
- Australia's participation in the **COVAX multilateral vaccines financing initiative**;
- The sound policy directions set out in the Government's **Partnerships for Recovery** Strategy;
- The **extra resources in the October 2020 budget for South East Asia, as well as the Pacific**, in recognition of the even deeper impacts COVID has had on our neighbours;
- Provision of a **large loan to Indonesia** to help it manage the budgetary consequences of the economic slowdown; and
- The **strategic foresight embodied in the QUAD's** recent announcement of an Australia-US-India-Japan **deal to expand vaccine availability** for developing countries by up to a billion doses.

We applaud these measures and **recognise the extraordinary efforts of DFAT**, dealing with an unprecedented consular workload, while working overtime to be a proactive regional partner and responding to highly challenging strategic circumstances.

We encourage the Government to recognise that this level of effort and achievement will need to be sustained over the medium-longer term and that **DFAT will need to be better resourced for these demanding circumstances**.

Australians are looking forward optimistically, foreseeing a time in the not-too-distant future when our population is vaccinated, and we can resume activities that have had to be curtailed. To sustain that optimism, we will need to **expand and accelerate vaccination rollout** in countries that will otherwise be unable to achieve high rates of inoculation for 2-4 years.

The cost of inaction will **see those countries unable to re-join the international economy**. Bankruptcy, poverty and hunger will stalk our region and the inequality it highlights will undercut our claims to represent a better system of government, that protects human rights and promotes social solidarity. **Social instability and a preference for autocrats may follow, making us less secure.**

Countries that are unprotected against the virus may become **reservoirs for mutated variants** that could spread to Australia, despite our best efforts. It is possible some of the first-generation vaccines will not be fully effective against new strains. Such a scenario could **take us back to lockdowns with all of the devastating economic consequences** that entails. Therefore, **as we ramp-up at home, we must work to do so abroad**. Otherwise, no-one will be safe.

We believe the **risks are well understood, particularly in regard to PNG and the Pacific, even if the solutions are currently elusive**. Australia has risen to the occasion in protecting a vulnerable region from calamitous health impacts. Expanding production of vaccines and ensuring more equitable and effective distribution is an enormous challenge. There are **major risks of supply bottlenecks and diversion of medicines** from their important ends.

The IDCC encourages the Australian government to continue to explore how constraints may be lessened, enabling developing countries to get much earlier access to vaccines.

In terms of specific government programs, the **IDCC does not hold with providing a long list of discrete areas for investment** with specific price tags attached. Where possible, priorities should be determined together with our partners. **We see the biggest development returns coming from assisting countries to grow, deliver health, education and other essential services, expand access and accountability and generate sufficient revenue** so that they are largely self-reliant and more resilient.

We fully support the Australian Government in its **championing of inclusive and transparent democratic decision making**; growing **social and economic opportunities for women and girls** that makes countries richer economically, politically and culturally; and pursuing the **rule of law** as a fundamental tenet of a fair, stable and well-functioning society. **Better functioning states**, able to resolve their own problems, cooperate with others and resist coercion may represent the **most important regional public good of all**. Peace and stability, trust and confidence, expanding commerce and tighter relations more broadly weave our interests together in powerful ways.

Hence, for the IDCC, **restoration of regional growth is amongst the most critical goals** for us to pursue. We see scope for Australia expanding its programs, skills and capability in economics and governance so that it is able to become a more highly valuable international partner.

We see room for DFAT to acquire greater capability and to work differently to pursue these ends. **For policy reforms to take hold they need local ownership and leadership**. We need the ability to work with partners to shape and reshape the approaches that will work.

Many of our ASEAN neighbours are experiencing or are at risk of getting stuck in the 'middle income trap' where the early gains of development are not continued because the challenges of growth become more complicated and political.

If Australia is banking on a continuation of high rates of growth in East Asia, we may be disappointed. **In several countries, growth has slowed or stalled at income levels per head that are often a tenth of ours.** That robs people of the improved futures they expected, reduces foreign direct investment and contributes to self-perpetuating stagnation.

If, on the other hand, the ASEAN region continues to become more vibrant, with greater openness and higher growth, our ability to forge much-needed economic and security partnerships will also grow. **It will provide new markets and new opportunities for Australia and for our Pacific friends.**

Australia must make its own future. We cannot take it for granted. Much of our prosperity relies on what happens off-shore.

We cannot fix all the problems we see – at home or abroad – with more money. That said, **resources help determine what can get done.**

We **applaud the Australian government for doing more and urge it to build on this base**, increasing our international development efforts in the national interest.

We **also urge that DFAT's resource base be rebuilt** so that it has the people, the knowledge, the skills and vision to help us make our way in more difficult times.

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