

Summary and responses to new International Development Policy

The Australian Government's new international development and aid policy set the stage for Australia's development cooperation agenda moving forward, and is the first substantive development policy for nearly a decade. The policy is underpinned by a new Performance and Delivery framework and the Development Finance Review.

First, AIDN was pleased to see how the policy was deeply contextualised and attuned to the rapidly shifting contemporary global context that our world now faces. Mirroring an oft quoted AIDN rallying cry, Minister Conroy noted that “the world and our region are more interconnected than ever before” and climate change, gender inequality, technology, security and changing systems of finance immediately set the tone of the policy.

The policy was also noteworthy for its active focus on poverty alleviation and incorporating First Nations leadership and agency. Indeed, even though the policy was underpinned by a strong and united voice - there was a concurrent chorus of diverse and local voices at the centre of the policy. For example, there was a clear sense that it is time for Australia to take its cue from our neighbours and “harness the valuable connections, knowledge and expertise that reside in local communities”.

Once again aligned to AIDN's own core policies, the new policy was also notable in its “whole-of-country approach” - or that moving forward all Australian entities, beyond Government, will be required to support positive development impact. In particular, AIDN was pleased to witness and endorse the twelve key findings and eight key recommendations of the Development Finance Review including a new focus on impact investing and the role of philanthropic bodies in this process; an enhanced role for blended and climate finance; the requirement that new development finance investments must have a gender equality objective and, at least consider, incorporating a stronger focus on disability, social inclusion, and First Nations peoples; and that all such processes will be done with a commitment to not placing unsustainable debt on our partners.

AIDN also welcomed a renewed focus on transparency in the Development Finance Review through the recommendation that there must be periodical reporting to the International Development Finance Advisory Committee on the performance and gaps in Australia's development finance approach, in addition to a periodic public development finance portfolio update. The overall, enhanced focus on robust Monitoring, Evaluation and Learning (MEL) to support broader accountability and transparency of development program operations was vital.

AIDN was also glad to see the creation of new enabling development financial bodies and committees, such as a dedicated unit within DFAT to support enhanced engagement and collaboration with the private finance community, including philanthropic organisations and impact investors; and the establishment of an 'International Development Finance Advisory Committee'.

However, AIDN regrets that there is no major policy change within this Review. Instead, there is a focus on existing mechanisms rather than innovation (such as the awaited creation of Australia's own development finance institution). AIDN also sees that the changes proposed within the existing mechanisms could be enhanced. For example, even though AIDN was glad to see that the Emerging Markets Impact Investment Fund trust (EMIIIF) was provided with a funding increase from \$40m to \$250m in the May 2023 budget, we believe that this must not represent the cap for the government's investment as it is insufficient to make genuine impact and pales in comparison to the broader, global impact investment market. It will also be essential that the proposed dedicated unit within DFAT is tasked with genuine engagement before, during and after investments and does not simply become a 'sales and marketing' arm for already developed proposals.

AIDN also believes there is scope to leverage pre-existing expertise within the Australian private, NFP and development market further to achieve the overall policy goals. For example, AIDN believes the International Development Finance Advisory Committee should simultaneously include or be actively supported by members beyond Government - including private finance actors and actors in the charitable sector who are already undertaking development finance, like Save the Children and Opportunity International.

Finally, the proof will be in the pudding and it will be how, and if, these recommendations are put into practice that matters.

[click here to read the entire International Development Policy](#)

[click here to read the entire Development Finance Review](#)

[click here to read the International Development Performance and Delivery Framework](#)

AIDN summary and responses to 8 key recommendations in the Development Finance Review



The Review has examined whether Australia’s current financing mechanisms and capabilities adequately support economic development in the region, reinforce Australia’s relationships with partner countries to support regional stability and prosperity, and manage risks to the Commonwealth.

The Review concludes that Australia’s existing mechanisms and financing tools are likely to be sufficient to respond to most strategic objectives and foreseeable needs in the short term. However, rapid evolution over the last five years, the anticipated magnitude of challenges facing the region and Australia’s standing within it, and potentially a higher level of Australian Government ambition for the role of development and climate finance, mean changes will be needed to ensure Australia’s development finance tools remain fit for purpose.



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Recommendation 1 p.24

Expand use of development finance through existing mechanisms to respond to key development challenges in Southeast Asia and the Pacific. This should be done without placing unsustainable debt burdens on our development partners or excessive risk on the Commonwealth’s balance sheet.

AIDN is pleased to see the expansion of the Australian Government’s existing development financial mechanisms. AIDN has previously called for such expansion.

AIDN is pleased to see that this will be done with a focus on doing so **without** placing unsustainable debt on our partners.

However, AIDN believes there is still more scope to implement innovative mechanisms beyond existing structures. For example, the rise of state development policy banks are increasingly playing a significant role in the global political economy of development. In the future, Australia may be required to build their own to retain a stake in the power scale.

Recommendation 2
P. 25

Australia should continue to have the capability to deploy concessional development finance for climate-resilient infrastructure in the Pacific. This should be accompanied by appropriate consideration of the expected achievement of foreign policy objectives and the impact on the Commonwealth's budget and balance sheet.

AIDN agrees that deploying concessional finance is key to achieving appropriate foreign policy objectives and managing the Commonwealth's balance sheet. Concessional funding generally includes below-market interest rates, grace periods in which the loan recipient is not required to make debt payments for several years or a combination of low interest rates/grace periods.

Indeed, AIDN has previously called for more flexible and untied forms of funding that allow our development partners to be both agile and responsive.

However, the interest rate at which the concessional loans will be given will be key to ensuring that unsustainable debt burdens are not placed on our partners.

Recommendation 3
P. 26

In Southeast Asia, Australia should expand its use of development finance and strengthen connections with private investors, like-minded agencies and MDBs. To support this, Australia should scale up existing blended and climate finance mechanisms, including lifting EMIIF's investment cap to AUD250 million at the earliest opportunity, with a focus on climate finance and gender impact investment. EMIIF should be renamed to strengthen its brand recognition and support public diplomacy.

AIDN is pleased to see that the mobilisation of private capital has been emphasised in the Finance Review. AIDN has long called for the increased mobilisation of private finance - to both complement and increase the overall ODA flow from Australia to development partners and Majority World.

In particular, AIDN is pleased to see the emphasis on both blended and climate finance mechanisms. This aligns with AIDN's own strategies - as we also see blended finance or "the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development" (Convergence Finance, [2023](#)) as a key strategy moving forward. In particular, we see that the crowding-in of private markets and philanthropic funds can play an important role. Essential to this is the manner in which these stakeholders are engaged

AIDN is also pleased to see that the Emerging Markets Impact Investment Fund trust (EMIIF) has been provided with a cap increase. However, we believe that an increase to AUD \$250m is not enough and pales in comparison to the broader, global impact investment market.

AIDN also agrees that the name of the Fund should be changed to strengthen brand recognition. Indeed, at AIDN we aim to raise the case for global giving. An important part of this strategy is the use of both accessible and inclusive language and ID concepts that can be recognised by public audiences (or actors beyond a sophisticated ID space).

Recommendation 4
P. 27

Establish an 'International Development Finance Advisory Committee' consisting of whole-of-government representatives to provide advice to the Government on its portfolio of development finance investments, including financial performance, opportunities, and risk and portfolio contribution to foreign, trade, investment and development policy objectives.

AIDN is pleased to see the establishment of an 'International Development Finance Advisory Committee'. However, AIDN believes this Committee should also include or be actively supported by members beyond Government - including private finance actors and actors in the charitable sector who are already undertaking development finance, like Save the Children and Opportunity International.

Recommendation 5
P. 28

Support greater transparency of Australia's development financing through a periodic public development finance portfolio update that includes reporting on development impact.

AIDN is pleased to see the establishment of a periodic public development finance portfolio update that includes reporting on development impact. Any increase of reporting mechanisms are fundamental for a more aligned and transparent international development system and enhanced public support.

Recommendation 6
P. 30

Commit to introduce a requirement that new development finance investments have a gender equality objective. Commit to introduce a gender equality performance target that 80 per cent of new development finance investments effectively address gender equality in implementation. Support global approaches for gender lens investing at scale by joining 2X Global and consider options to incorporate a stronger focus on disability, social inclusion, and First Nations peoples.

AIDN is pleased to see the requirement that most new development finance investments must have a gender equality objective and, at least consider, incorporating a stronger focus on disability, social inclusion, and First Nations peoples.

AIDN believes that our diverse and rich NGO/NFP sector, which already has expertise in these issues, can assist in this strategy. Consequently, AIDN believes the Government will concurrently be required to focus on uplifting and supporting Australia's NGO/NFPs to do this.

Recommendation 7
P. 32

Establish a dedicated unit within DFAT to support enhanced engagement and collaboration with the private finance community, including philanthropic organisations and impact investors.

AIDN is pleased to see the establishment of a dedicated unit within DFAT to support enhanced engagement and collaboration with the private finance community, including philanthropic organisations and impact investors.

AIDN has long called for this - to both complement and increase the overall ODA flow from Australia to development partners.

However, AIDN believes the current Australian impact investing market is small and fragmented. Greater overall support and fostering of Australia's emerging impact investment market will need to occur for this recommendation to flourish. Moreover, it should be noted that initiatives that are distinctly 'in the national interest' can pose difficulties with attracting philanthropic funding due to independence or neutrality requirements.

In particular, AIDN is pleased to see the emphasis on philanthropic organisations within the discussion about enhanced engagement with private finance - for too long philanthropy and private finance have been thought of as separate and unrelated spheres of influence and impact.

Recommendation 8

Australia should position itself in the region to help tackle the climate challenge and broader infrastructure needs by building capability to draw in complementary project preparation support and financing to meet critical partner needs in the region. DFAT should periodically assess and report to the International Development Finance Advisory Committee on the performance and gaps in Australia's development finance approach.

AIDN is pleased to see the recommendation to increase periodical assessment and reporting to the International Development Finance Advisory Committee. Any increased reporting mechanisms are fundamental for a more aligned and transparent international development system and key for public support.

The increased emphasis on the role of the state in infrastructure building, and infrastructure building itself, is also a well placed strategic mechanism to position Australia against countering powers in the Pacific.