



## **Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005**

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## **Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005**

### **Appropriation (Tsunami Financial Assistance) Bill 2004-2005**

**Date Introduced:** 9 March 2005

**House:** House of Representatives

**Portfolio:** Finance and Administration

**Commencement:** 22 March 2005, on receipt of Royal Assent

### **Purpose**

The Bills appropriate money to fund the Federal Government's response to the tsunami in the Indian Ocean on 26 December 2004.

### **Background**

The Bills were passed by Parliament on 15 March 2005.

On 26 December 2004 a severe earthquake in the ocean off the coast of northern Sumatra caused tsunamis that devastated communities in neighbouring countries and other countries in the Indian Ocean. The earthquake measured 9.0 on the Richter Scale, the world's most severe in 40 years. The tsunamis resulted in a disaster of extraordinary proportions. The death toll is now put at more than 225,000 (United Nations and media estimates). The casualty list continues to grow and it is acknowledged that an exact death toll will never be known. The United Nations estimates that the tsunamis displaced one million people and deprived five million of basic services.<sup>1</sup>

Indonesia was particularly hard hit by the tsunami, with over 124,000 people confirmed dead and over 111,000 missing, presumed dead.<sup>2</sup>

The Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005 establishes the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD), a five-year program comprising two components:<sup>3</sup>

- \$500 million in grant funding, and
- up to \$500 million in loans for reconstruction and development.

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The Appropriation (Tsunami Financial Assistance) Bill 2004-2005 provides approximately \$130 million in appropriations for Government agencies (primarily AusAID and the Department of Defence) to replace money diverted from current programs to fund the tsunami relief and recovery work of those agencies. The Bill also contains an appropriation for the purposes of AIPRD.<sup>4</sup>

### **Basis of policy commitment**

On 5 January 2005, Prime Minister Howard announced a \$1 billion contribution to a newly formed Australia-Indonesia Partnership for Reconstruction and Development (AIPRD). These funds would be in addition to Australia's existing development cooperation program and would 'bring Australia's commitment to Indonesia to a total of \$1.8 billion over five years'. The Prime Minister called it 'an historic step in Australia-Indonesia relations ... the single largest aid contribution ever made by Australia, focused on the long-term and founded in partnership'.<sup>5</sup>

### **ALP/Australian Democrat/Greens policy position**

All opposition parties have expressed their support for the Government's \$1 billion aid package to Indonesia.<sup>6</sup>

However, while the quantum of the appropriation is supported by the opposition and minor parties, there were concerns regarding the effective expenditure of the money and how decisions about funding were to be made.<sup>7</sup> A further issue was the provision of approximately half of the aid as a loan, rather than as a straight-out donation.<sup>8</sup>

### **Commentary**

Following the announcement of AIPRD, one issue of concern was that the administration of the aid package would be such that contracts for the five-year program would be awarded exclusively to Australian and New Zealand companies, in effect putting in place a package of 'boomerang' aid.<sup>9</sup>

### **Further developments**

In March 2005, the first meeting of the Joint Commission for AIPRD was held in Canberra. At that meeting there was agreement on the following:<sup>10</sup>

- the arrangements under AIPRD to guide priority setting and decision making, to ensure joint management and to govern tendering and contracting
- the terms and conditions for the \$500 million loan program
- that work would begin immediately on a \$50 million 'Aceh Rehabilitation Program', which would include assistance to renovate the Zainoel Abidin Hospital in Banda

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Aceh and rebuild the health workforce, provide essential education equipment and teacher training, and help restore essential government services to Aceh

- development of a \$10 million program to strengthen Indonesia's disaster management and response systems and build a closer partnership between Indonesia's disaster coordination authority and Emergency Management Australia
- a \$5 million package of assistance measures to address needs arising from the recent earthquakes in Alor and Nabire
- a \$50 million five year program to assist Indonesia in economic, financial and public-sector management, through the exchange of skills and expertise between Australian and Indonesian Government agencies.

Recent media reports on the progress of the AIPRD made the following comments:<sup>11</sup>

- \$10 million of the \$1 billion package has been spent
- AIPRD officials conceded they may have difficulty spending the entire amount of the package
- Australia's efforts are focussed on the smaller-scale projects such as health, education and governance programs.

## Main provisions

### **Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005**

**Clause 6** sets out the total appropriation in the Bill: \$1,001,526,000.

**Clause 7** provides that for administered items (that is, the amounts set out in Schedule 1 as 'New Administered Expenses') the Finance Minister may issue from the Consolidated Revenue Fund amounts that do not exceed in total, the lesser of:

- the amount listed in the Schedule to the Bill, and
- the amount determined by the Finance Minister in relation to the item, having regard to the expenses incurred that year in relation to that item.

**Subclause 7(2)** provides that where money is appropriated from the Consolidated Revenue Fund for an administered item, the money can only be used for activities which have the purpose of contributing to, or achieving, that outcome.

**Clause 8** deals with the administered assets and liabilities items (that is, an amount listed in Schedule 1 in relation to an entity opposite the heading 'Administered Assets and Liabilities'). **Subclause 8(1)** provides that for administered assets and liabilities the Finance Minister may issue from the Consolidated Revenue Fund amounts with a total not exceeding the amount in the Schedule to the Bill. **Subclause 8(2)** provides that where

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money is appropriated from the Consolidated Revenue Fund for an administered assets and liabilities item, the money can only be used for activities which have the purpose of contributing to, or achieving, that outcome.

**Clause 9** provides for appropriations in relation to other departmental items (effectively, amounts in Schedule 1 of the Bill listed as ‘Equity Injections’).

**Clause 10** sets out the procedures for the Finance Minister to reduce administered assets and liabilities items and other departmental item appropriations on request by a Minister.

**Clause 11** provides for appropriations additional to the amounts set out in the Bill. In order for the provisions of clause 11 to apply, the Finance Minister must be satisfied that:

- there is an urgent need for expenditure that is either not provided for, or insufficiently provided for in Schedule 1 of the Bill, and
- the additional expenditure is either not provided for, or insufficiently provided for,:
  - because of an erroneous omission or understatement, or
  - because additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in this Bill before it was introduced into the House of Representatives.

**Subclause 11(3)** limits the total amounts determined by the Finance Minister under clause 11, and under sections 13 of the *Appropriation Act (No. 2) 2004-2005* and the *Appropriation Act (No. 4) 2004-2005*<sup>12</sup> to \$215 million.

**Schedule 1** provides for the following appropriations:

- Department of Defence: \$488,000 for equity injections,
- Health Insurance Commission: \$94,000 for equity injections, and
- Australian Agency for International Development:
  - \$1,000,830,000 to advance Australia’s national interest by implementing a partnership between Australia and Indonesia for reconstruction and development, and
  - \$114,000 for administered assets and liabilities.

### **Appropriation (Tsunami Financial Assistance) Bill 2004-2005**

**Clause 6** sets out the total appropriation in the Bill: \$131,375,000.

**Clause 7** provides that for departmental items (that is, the amounts set out in Schedule 1 as ‘Departmental Outputs’), the Finance Minister may issue from the Consolidated Revenue Fund amounts that do not exceed that listed in the Schedule to the Bill, and that such funds must be used for the departmental expenses of the relevant entity.

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**Clause 8** provides that for administered items (that is, the amounts set out in Schedule 1 as ‘Administered Expenses’) the Finance Minister may issue from the Consolidated Revenue Fund amounts that do not exceed in total, the lesser of:

- the amount listed in the Schedule to the Bill, and
- the amount determined by the Finance Minister in relation to the item, having regard to the expenses incurred that year in relation to that item.

**Subclause 8(2)** provides that where money is appropriated from the Consolidated Revenue Fund for an administered item, the money can only be used for activities which have the purpose of contributing to, or achieving, that outcome.

**Clause 9** sets out the procedures for the Finance Minister to reduce departmental item appropriations on request by a Minister.

**Clause 10** provides for appropriations additional to the amounts set out in the Bill. In order for the provisions of clause 11 to apply, the Finance Minister must be satisfied that:

- there is an urgent need for expenditure that is either not provided for, or insufficiently provided for in Schedule 1 of the Bill, and
- the additional expenditure is either not provided for, or insufficiently provided for:
  - because of an erroneous omission or understatement, or
  - because additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in this Bill before it was introduced into the House of Representatives.

**Subclause 10(3)** limits the total amounts determined by the Finance Minister under clause 11, and under sections 12 of the *Appropriation Act (No. 1) 2004-2005* and the *Appropriation Act (No. 3) 2004-2005*<sup>13</sup> to \$175 million.

**Schedule 1** provides for the following appropriations:

- Attorney-General’s Department: \$20,000 for coordinated federal criminal justice, security and emergency management activity, for a safer Australia
- Australian Federal Police: \$4,920,000 for the investigation and prevention of crime against the Commonwealth and protection of Commonwealth interests in Australia and overseas
- CrimTrac: \$643,000 for coordinated national policing information systems for a safer Australia
- Department of Defence: \$50,453,000 for command of operations in defence of Australia and its interests
- Department of Family and Community Services: \$2,446,000 for services and assistance that encourage communities to be self-reliant and to connect with their

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- members and that promote partnerships between business, communities and government
- Health Insurance Commission: \$409,000 for improving Australia's health through payments and information
  - Department of Foreign Affairs:
    - \$277,000 to protect and advance Australia's national interests through contributions to international security, national economic and trade performance and global co-operation, and
    - \$17,047,000 to keep Australians informed about and to provide access to consular and passport services in Australia and overseas
  - Australian Agency for International Development:
    - \$50,640,000 to advance Australia's national interests by assistance to developing countries to reduce poverty and achieve sustainable development, and
    - \$1,632,000 to advance Australia's national interest by implementing a partnership between Australia and Indonesia for reconstruction and development.
  - Department of Health and Ageing:
    - \$144,000 for promoting and protecting the health of all Australians and minimising the incidence of preventable mortality, illness, injury and disability, and
    - \$2,392,000 to provide access through Medicare to cost-effective medical services, medicines and acute health care for all Australians
  - National Blood Authority: \$352,000 for improved quality, integration and effectiveness of health care.

## Concluding comments

While the Bills provide for generous appropriations to provide financial aid following the Boxing Day tsunami, it will be necessary to follow the progress of the AIPRD to ensure that the funds are spent effectively and appropriately.

## Endnotes

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- 1 AusAID Hot Topics, 'Indian Ocean Disaster: Background to the Indian Ocean Disaster', AusAID website, available at [http://www.aisaid.gov.au/hottopics/topic.cfm?Id=9562\\_2054\\_7529\\_7688\\_4864#history](http://www.aisaid.gov.au/hottopics/topic.cfm?Id=9562_2054_7529_7688_4864#history) (accessed 8 August 2005).

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- 2 Hon. Peter Costello, Treasurer, 'Second reading speech: Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005', House of Representatives, *Debates*, 9 March 2005, p. 1.
- 3 *Ibid.*, p. 2.
- 4 Hon. Peter Costello (Treasurer), 'Second reading speech: Appropriation (Tsunami Financial Assistance) Bill 2004-2005', House of Representatives, *Debates*, 9 March 2005, p.3.
- 5 Hon. John Howard (Prime Minister), *Australia-Indonesia Partnership for Reconstruction and Development*, media release, 5 January 2005, available at: [http://www.pm.gov.au/news/media\\_releases/media\\_Release1195.html](http://www.pm.gov.au/news/media_releases/media_Release1195.html), accessed on 9 August 2005.
- 6 See for example Kevin Rudd, 'Second reading speech: Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005 and Appropriation (Tsunami Financial Assistance) Bill 2004-2005', House of Representatives, *Debates*, 10 March 2005, p. 24; Senator Andrew Bartlett, 'Second reading speech: Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005 and Appropriation (Tsunami Financial Assistance) Bill 2004-2005', Senate, *Debates*, 14 March 2005, p. 115; Senator Kerry Nettle, 'Second reading speech: Appropriation (Tsunami Financial Assistance and Australia-Indonesia Partnership) Bill 2004-2005 and Appropriation (Tsunami Financial Assistance) Bill 2004-2005', Senate, *Debates*, 15 March 2005, p. 2.
- 7 See Kevin Rudd, *ibid.*, p. 25.
- 8 See for example, Senator Kerry Nettle, *op. cit.*, p. 3.
- 9 For more information on this point see Dr Ravi Tomar, 'Australia's \$1 billion tsunami-related aid package to Indonesia: progress on the eve of the March ministerial meetings', *Research Note*, no. 36, Parliamentary Library, Canberra, 2004-05, available at: <http://www.aph.gov.au/Library/pubs/rn/2004-05/05rn36.pdf>, accessed on 9 August 2005.
- 10 Hon. A. Downer (Minister for Foreign Affairs), *Australia Indonesia Partnership for Reconstruction and Development – Inaugural Joint Commission Meeting*, joint media release, Canberra, 17 March 2005, available at [http://www.foreignminister.gov.au/releases/2005/jointpr170305\\_aus-ind.html](http://www.foreignminister.gov.au/releases/2005/jointpr170305_aus-ind.html), accessed on 9 August 2005.
- 11 John Breusch, 'Downer backs wave-aid', *Australian Financial Review*, 23 June 2005, p. 7.
- 12 Sections 13 of the *Appropriation Act (No. 2) 2004-2005* and the *Appropriation Act (No. 4) 2004-2005* provide for advances by the Finance Minister for unforeseen circumstances.
- 13 Sections 12 of the *Appropriation Act (No. 1) 2004-2005* and the *Appropriation Act (No. 3) 2004-2005* provide for advances by the Finance Minister for unforeseen circumstances.

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