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ACF Submission: Inquiry into the Great Barrier Reef 2050 Partnership Program

About ACF

ACF is Australia's peak national environmental organisation. We represent a community of more than 500,000 people who are committed to achieving a healthy environment for all Australians. For more than 50 years, ACF has been a strong advocate for the nation's forests, rivers, people and wildlife. ACF is proudly independent, non-partisan and funded by donations from our community.

Key Points

- The Great Barrier Reef is facing multiple existential threats to its long-term health. The most serious being the ongoing impact of climate change. An urgent acceleration in action is required to protect and regenerate the Reef.
- The Government's entire \$444 million donation to the Great Barrier Reef Foundation ("The Foundation") announced in the 2018-19 budget was booked in the 2017-18 budget year. However, the Foundation has indicated it will spend the money over the next six years. This creates a disconnect between actual spending on *Reef 2050 Plan* actions and the accounting of overall Reef investment in the Federal budget.
- The Foundation faces significant scale, capacity and expertise challenges to deliver *Reef 2050 Plan* outcomes. This risk is exacerbated by the fact that the Foundation now becomes the key vehicle for delivering investment through the *Reef 2050 Plan*.
- The Foundation's existing operating model presents questions regarding both the pipeline of viable projects for it to invest in and whether the Foundation is the best vehicle, rather than Government, to directly deliver funding. Particularly if a large amount of the funding is going to be given to public entities.
- Limited public information has been provided about oversight and accountability frameworks that will govern the new funding arrangement. Similarly, little information is available surrounding the budget process, grant application and tender procedure that was used to determine the donation to the Foundation.
- Considering the scale and capacity challenges facing the Foundation there is likely to be a significant delay in their ability to mobilise funding to 'on ground' projects and activities. This puts at risk the Federal Government's 2020 investment commitment made to the World Heritage Committee through the *Reef 2050 Plan*.

Recommendations

- With reference to the substantial scale, delivery and accountability challenges outlined, consider reducing, either in part or entirely, appropriations to the Foundation.
- Redirect research and program funding to public entities already engaged in protection and regeneration activities on the Reef directly, through standard budget procedure.

Current **state of the Reef** and the need for **urgent action**

The Great Barrier Reef is facing serious threats to its health. Many key health indicators have declined dramatically in recent years, primarily due to the impact of climate change. The Australian Marine Conservation Society detailed some of the key indicators in their World Heritage 2018 Update:

- Hard coral cover has shown a steep decline throughout the Great Barrier Reef.¹
- In 2016 and 2017, 50% of shallow water corals died due to two consecutive marine heatwaves driven by climate change.
- The loss of coral in all three regions (northern, central, southern) of the World Heritage property is unprecedented. Many reefs now have very low coral cover.
- The geographic scale of recent bleaching means that breeding populations of corals have been decimated over large areas.
- Outbreaks of coral diseases, related to high ocean temperatures, are now occurring. These are likely to result in further coral death.
- In March 2017, a severe category 4 tropical cyclone struck the World Heritage property. Approximately 28% of the total reef area was within the ‘catastrophic damage zone’.² Cyclones are likely to increase in intensity due to climate change.
- Major outbreaks of Crown-of-Thorns Starfish continue to occur in several parts of the property, linked to poor water quality.
- About 36,600 hectares of old-growth forest have been earmarked to be bulldozed in Reef catchments under “high value agriculture” permits. This includes the controversial Kingvale property proposal to clear almost 2000ha of pristine forest on Cape York.³

Despite many of these issues being exacerbated or caused directly by climate change, there are still significant policy gaps in Australia to appropriately address our contribution to global climate change:

- Australia’s total carbon emissions increased for a third year in a row (2015-2017).⁴
- The Federal Government does not have an energy policy that will deliver our commitments under the Paris Agreement.
- Australia has no renewable energy target beyond 2020.
- The current *Reef 2050 Plan* does not address climate change – the greatest threat facing the Reef. The independent Expert Panel advising the Government on its implementation has recommended including steps to cut emissions and help the Reef adapt to the existing impacts of global warming.⁵

Urgent action is required to prevent further coral death and regenerate areas that can still be saved. This requires an acceleration in the delivery of tangible ‘on ground’ projects to improve the health and resilience of the Reef. Investment must be mobilised immediately to enable this acceleration in action. Further, the Australian Government must deliver stable policy settings that address the ongoing impact of climate change and promote and swift transition to clean energy.

¹ Australian Institute of Marine Science, Long Term Reef Monitoring Program, Annual Summary 2017/18

² Great Barrier Reef Marine Park Authority, <http://www.gbrmpa.gov.au/about-the-reef/reef-health>

³ <https://www.smh.com.au/politics/federal/government-urged-to-stop-great-barrier-reef-tree-clearing-frenzy-20180527-p4zhr0.html>

⁴ <http://www.environment.gov.au/climate-change/climate-science-data/greenhouse-gas-measurement/publications#quarterly>

⁵ <https://www.news.com.au/technology/environment/climate-change/half-the-great-barrier-reef-may-have-died-in-last-two-years/news-story/d1a7e2974597f40d04700d7313c9f713>; <https://www.environment.gov.au/system/files/pages/abff0d5e-b94d-4495-b79b-90dc52274f69/files/expert-panel-communique-5may2017.pdf>

Funding announced in the 2018-19 Budget

In the 2018-19 Federal Budget, the Government announced a new funding package to accelerate the delivery of *Reef 2050 Plan* activities.⁶ The majority of this new funding, \$444 million, was allocated to the Great Barrier Reef Foundation.⁷

Great Barrier Reef 2050 Partnership Program		Entire disbursement to the Foundation booked in the 2017-18 budget year				
Expense (\$m)	2017-18	2018-19	2019-20	2020-21	2021-22	
Department of the Environment and Energy	443.8	10.1	0.7	0.5	0.5	
Great Barrier Reef Marine Park Authority	-	-	3.9	7.8	10.6	
Australian Institute of Marine Science	-	-	-	-	-	
Total - Expense	443.8	10.1	4.7	8.3	11.1	

The Government booked the entire \$444 million disbursement to the Foundation in the 2017-18 budget year.⁸ However, this funding had no 'on ground' impact on Reef programs in the 2017-18 budget year. The Foundation noted in its 2017 Annual Report that it was expecting to receive the donation in the 2018-19 financial year for the delivery of outcomes over the following six years, inclusive of 2023-24.⁹ Great Barrier Reef Foundation Chief Executive Officer, Anna Marsden, also independently confirmed that the new funding will be spread over six years and that the organisation would be seeking advice on how to manage the surge in funding.¹⁰

By accounting for the entire donation to the Foundation in the 2017-18 budget year, the Government has stated it has made the "largest ever single investment to protect the Reef".¹¹ However, there is now an obvious disconnect between tangible spending through *Reef 2050 Plan* actions and the accounting of overall Reef investment in the Federal budget. As a result, the 2018-19 budget papers do not provide an

⁶ Portfolio Budget Statements 2018-19, Budget Related Paper No. 1.7 Environment and Energy Portfolio Table 2.1.1 Budgeted expenses for Outcome 1

⁷ 29 April 2018, Media release, 'Record investment in Great Barrier Reef to drive jobs', link: <http://www.joshfrydenberg.com.au/guest/mediaReleasesDetails.aspx?id=563>

⁸ Portfolio Budget Statements 2018-19, Budget Related Paper No. 1.7 Environment and Energy Portfolio Table 2.1.1 Budgeted expenses for Outcome 1

⁹ Great Barrier Reef Foundation, Annual Report 2017, Profit and Loss Statement for year ended 31 December 2017

¹⁰ <https://www.smh.com.au/environment/conservation/like-winning-lotto-reef-foundation-minnow-braces-for-444m-windfall-20180511-p4zeud.html>

¹¹ <http://www.joshfrydenberg.com.au/guest/mediaReleasesDetails.aspx?id=563>

accurate expression of the spending commitments made to the Reef through the Great Barrier Reef 2050 Partnership Program.

As detailed above, the Great Barrier Reef is facing a multitude of serious, urgent threats. Investment in tangible 'on ground' work is required immediately. More detail on how and when the money earmarked for the Foundation will be spent is required to provide public confidence in the ongoing delivery of *Reef 2050 Plan* outcomes.

Scale, capacity and expertise issues at the Great Barrier Reef Foundation

At present, the Great Barrier Reef Foundation has six full-time and 5 part-time employees.¹² For the year ending 31 December 2017, the Foundation received \$8 million in grants and donations while spending \$6 million on science investments and research.¹³ The Government's disbursement of \$444 million, if spread equally over the Foundation's proposed six-year timeframe (\$74 million per year), would amount to more than a ten-fold increase in the organisation's revenue.

The organisational challenges associated with this kind of rapid increase in revenue are vast. Particularly, given the speed at which this funding is required to be mobilised into *Reef 2050 Plan* activities. Organisational strategy, program delivery, technology and operations infrastructure, human resource management, finance and risk controls will all have to materially change to manage the dramatic shift in scale. This will take time and expose the Foundation to substantial execution risk. These risks are exacerbated by the fact that Foundation is now the primary delivery mechanism for *Reef 2050 Plan* actions. Failure on behalf of the Foundation to appropriately manage these risks will result in negative outcomes for the Reef and the erosion of international confidence in Australia as managers of the Great Barrier Reef World Heritage Area.

Historically, the Foundation has primarily functioned as a grant making institution – issuing research funding to third party beneficiaries. This is the principal way in which the Foundation has delivered programs and activities related Reef restoration and protection. It remains unclear whether a pipeline of viable research and other projects exists at the scale required to match the Foundation's increase in funding capacity. A shortage of viable projects ready and able receive funding may restrict the Foundation's ability to deliver *Reef 2050 Plan* outcomes through its existing operating model.

Further, in 2017, five of the top seven beneficiaries of funding from the Foundation were public entities. If this trend is likely to continue with the increase in Foundation's revenue, it calls into question why these institutions are not being funded directly by the Government through standard budget processes.

¹² <https://www.smh.com.au/environment/conservation/like-winning-lotto-reef-foundation-minnow-braces-for-444m-windfall-20180511-p4zeud.html>

¹³ Great Barrier Reef Foundation, Annual Report 2017, Profit and Loss Statement for year ended 31 December 2017

Principal beneficiaries of research funding by the Foundation in 2017:¹⁴

Institution	Expenditure (\$)
1. Bureau of Meteorology	1,225,000
2. Department of National Parks, Sports and Racing (Qld)	1,170,000
3. Queensland University of Technology	620,000
4. Australian Institute of Marine Science	571,063
5. CSIRO	565,482
6. The University of Queensland	509,186
7. Great Barrier Reef Marine Park Authority	200,000
8. UNSW Australia	107,370
9. James Cook University	104,800
10. Cooperative Research Centre for Polymers Ltd	30,000
11. Other	24,080
12. Yuka-Baja	20,000

*Public entity

In its announcement of the new funding the Government indicated that the Foundation would be required to deliver outcomes across the majority of the *Reef 2050 Plan* priority areas. These priority areas include water quality improvement, reef restoration, crown-of-thorn starfish mitigation, indigenous ranger traditional knowledge and enhancing monitoring and tracking of reef health. This amounts to a material increase in the historical scope of the Foundation's work. As a result, the Foundation will also be required to substantially broaden its organisational expertise and program delivery capacity.

Ongoing **accountability** and **oversight** of the Great Barrier Reef Foundation

To date, there has been little public information provided regarding the budget process that led to the decision to provide the Foundation with a \$444 million donation. There has also been limited discussion of the governance and accountability arrangements that will manage the execution of this funding. Details of a formal grant agreement, a competitive tender process, organisational assessment criteria or formal terms of reference for the agreement are not publicly available.

Given the scale of funding and significant implications for the delivery of national funding for the Great Barrier Reef, this information is vital for public accountability and to ensure the Australian Government's international credibility as the manager of the Great Barrier Reef World Heritage Area.

The Reef belongs to all Australians. Ongoing management and monitoring of Reef protection and restoration is an Australian Government obligation. The Government has shifted a significant proportion of delivery obligations under the *Reef 2050 Plan* to a single private organisation. By shifting responsibility to the

¹⁴ Great Barrier Reef Foundation, Annual Report for the year ended 31 December 2017

private sector, many of the standard tools to ensure public accountability are no longer available – e.g. freedom of information requests, and public scrutiny through Senate Estimates Hearings. As a result, the Government must ensure that a robust, transparent reporting and monitoring framework is installed to manage the ongoing performance of the Foundation. Such a system must be strong enough to ensure public accountability and confidence in the Government’s continued role in managing the protection and restoration of Reef through the *Reef 2050 Plan*.

Honouring our **existing commitments** to the World Heritage Committee

In submissions to the World Heritage Committee in 2016, the Australian Government made a commitment to invest \$2 billion in the protection and regeneration of the Great Barrier Reef by 2025 through a combination of Federal, State and private sector funding. For its part, the Federal Coalition Government promised to deliver \$1.3 billion of the total investment, with \$716 million to be delivered by 2020. This commitment was made, in part, to avoid a “World Heritage in Danger” listing for the Great Barrier Reef. Investment was promised across several priority areas such as water quality, field management, monitoring and reporting, crown-of-thorns starfish control and Traditional Owner groups.

In 2015-16 Federal investment in *Reef 2050 Plan* activities totalled \$20.7 million. Investment increased to \$44.7 million in 2016-17. Both years included \$3.1 million disbursements to the Great Barrier Reef Foundation.¹⁵ The 2017-18 Federal Budget forecasted a further \$41.7 million investment in *Reef 2050 Plan* activities for the year. This would have brought total government investment in *Reef 2050 Plan* actions for the three years from 2015 to \$107.2 million.¹⁶

Since 2015-16, including the funding allocated in the recent budget, the Federal Government has spent \$554.5 million on *Reef 2050 Plan* activities, with a further \$127.6 million in funding forecasted for 2018-19 and 2019-20. This will result in total Federal Government investment of \$682.1 million in *Reef 2050 Plan* actions by 2020, \$34 million short of its commitment to the World Heritage Committee. Further, funding given to the Great Barrier Reef Foundation accounts for two-thirds (\$450.1 million) of the Government’s total investment in *Reef 2050 Plan* actions from 2015-2020.

It is important to note that delivering a total investment of \$682.1 million by 2020 is predicated on the assumption that the Great Barrier Reef Foundation will spend the entirety of the \$444 million in the next 18 months. As already stated by the Foundation itself, this will not occur. Further, given the Foundation’s significant scale, capacity and expertise challenges outlined in this submission, it is highly likely that the majority of the \$444 million will not be spent on *Reef 2050 Plan* actions before 2020. Even if the Foundation is able to spend the donation equally across their proposed six-year timeframe, this would only amount to the delivery of \$148 million in investment by 2020. Such an outcome would increase the Federal Government’s shortfall in funding committed to the World Heritage Committee by 2020 from \$34 million to \$385 million.

¹⁵ Portfolio Budget Statements 2016-17, Budget Related Paper No. 1.7 Environment Portfolio Table 2.1.1 Budgeted expenses for Outcome 1; Portfolio Budget Statements 2017-18, Budget Related Paper No. 1.7 Environment and Energy Portfolio Table 2.1.1 Budgeted expenses for Outcome 1

¹⁶ Portfolio Budget Statements 2017-18, Budget Related Paper No. 1.7 Environment and Energy Portfolio Table 2.1.1 Budgeted expenses for Outcome 1

The Government has outsourced most of its investment commitment to *Reef 2050 Plan* actions to the Great Barrier Reef Foundation. In doing so it has laden a single not-for-profit organisation with significant organisational scale, expertise and program delivery challenges. In doing so, the Federal Government has put at risk its 2020 investment commitment made to the World Heritage Committee.

Key Reef 2050 Plan budget figures	\$'000 (AU)
Federal Government spending commitment on Reef 2050 Plan actions from 2015-2020	716,000
Actual expenditure from 2015-16 to 2017-18 on Reef 2050 Plan actions (included \$450,050 allocated to Great Barrier Reef Foundation from 2015-16 to 2019-20)	554,534
Forecasted expenditure in current forward estimates period on Reef 2050 Plan actions	127,559
Total committed Reef 2050 Plan funding	682,093
<i>Current funding shortfall to 2015-2020 against Reef 2050 Plan funding commitment</i>	<i>(33,907)</i>
Total funding invested by Great Barrier Reef foundation by 2020 under six-year straight-line amortisation scenario	147,933
Funding shortfall to 2015-2020 commitment under a six-year straight-line amortisation of the \$444 million funding for the Great Barrier Reef Foundation	<i>(386,226)</i>

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