

The unexamined gift: Australia's aid relationship with Indonesia



Robin Davies, Development Policy Centre

1a. Confrontation of April-May 2015



1b. 2015-16 aid budget outcome

2015-16 vs. 2014-15 aid budget allocations	2014-15 budget, \$m	2014-15 program share	2015-16 budget, \$m	Change 2014-15 to 2015- 16	2015-16 program share
1. Country & regional excl. Indonesia & PNG	1,545.7	31%	1,071.6	-31%	26%
2. PNG country program	502.1	10%	477.3	-5%	12%
3. Multilateral Development Banks	363.2	7%	456.8	26%	11%
4. Cross-regional programs	386.8	8%	348.0	-10%	9%
5. Aid via other government agencies	392.0	8%	335.6	-14%	8%
6. Humanitarian, emergency & refugee	338.6	7%	329.0	-3%	8%
7. Indonesia country program	542.5	11%	323.0	-40%	8%
8. UN & other international organisations	567.6	11%	323.0	-43%	8%
9. Aid program administration	251.3	5%	251.3	0%	6%
10. NGO & volunteer programs	203.9	4%	176.0	-14%	4%
(Adjustments)	- 61.8	-1%	- 40.0	-35%	-1%
TOTAL	5,031.9	100%	4,051.6	-19%	100%

1c. Indonesia: 'aid us if you want to'



economy **federal budget**

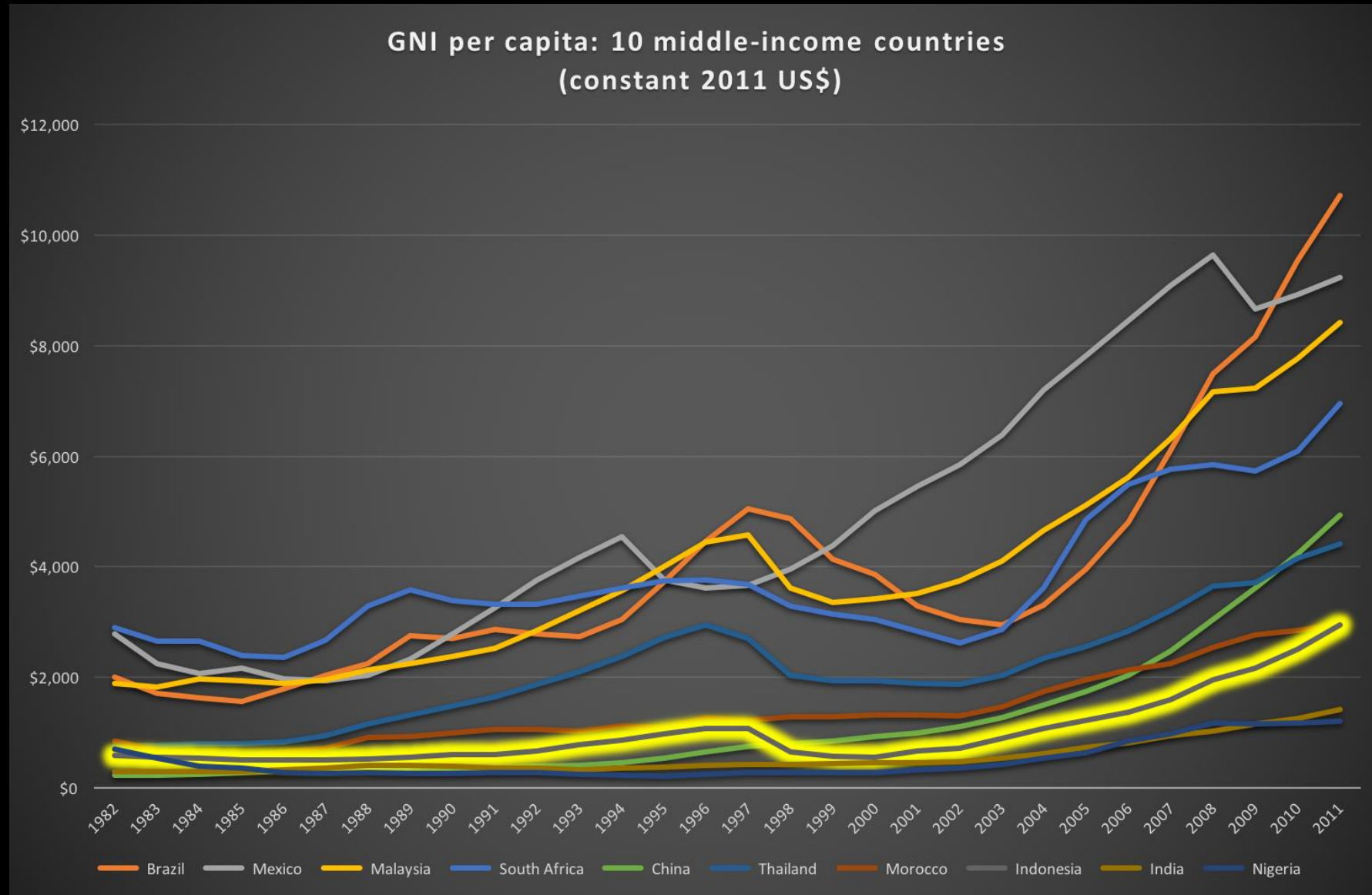
Indonesia unconcerned about foreign aid cuts



1d. The tsunami man



2a. Global context: the rise of MICs

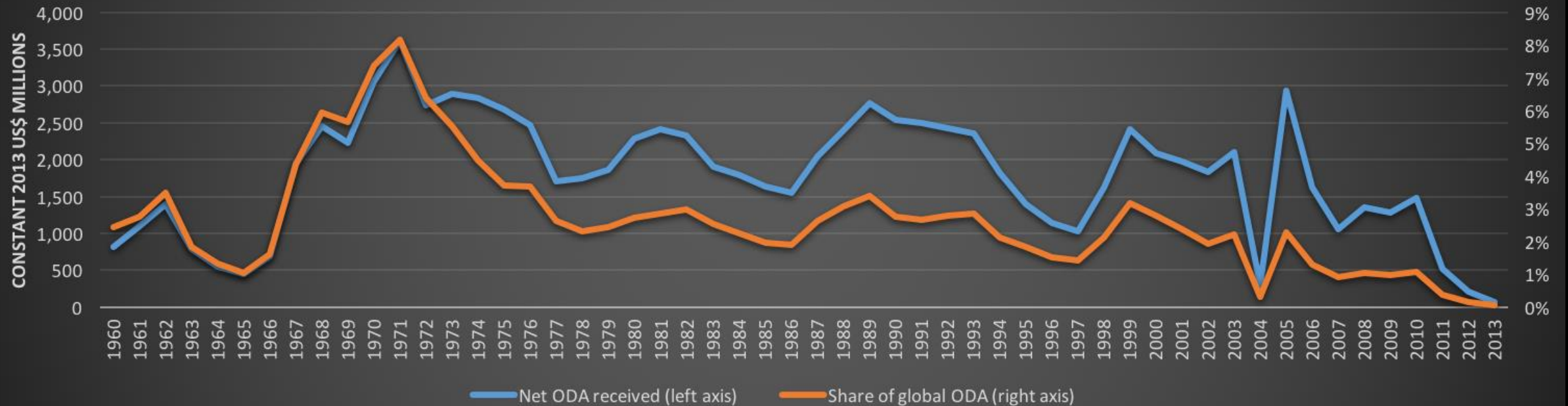


2b. Global context: role of ODA in MICs

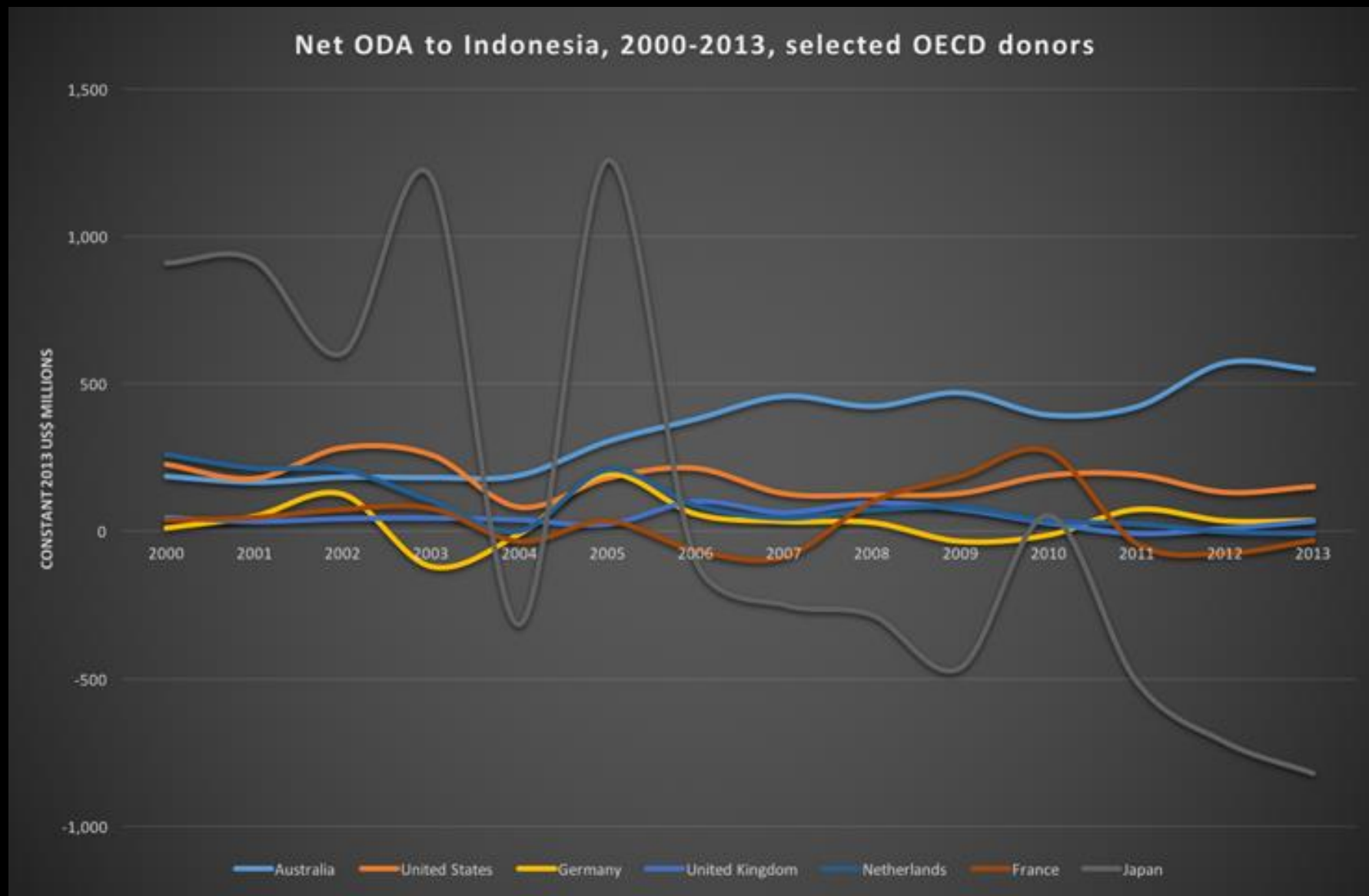
- a) Abruptly cease aid, i.e. 'graduate' the recipient, once the threshold is crossed *OR* phase out grant aid, perhaps also shift to loan financing
- b) Restrict financing to regional and global public goods *AND/OR* restrict financing to mutual goods (trade facilitation and the mitigation of transboundary problems) *AND/OR* look for niches (public policy, private sector, civil society)

2c. Global context: ODA

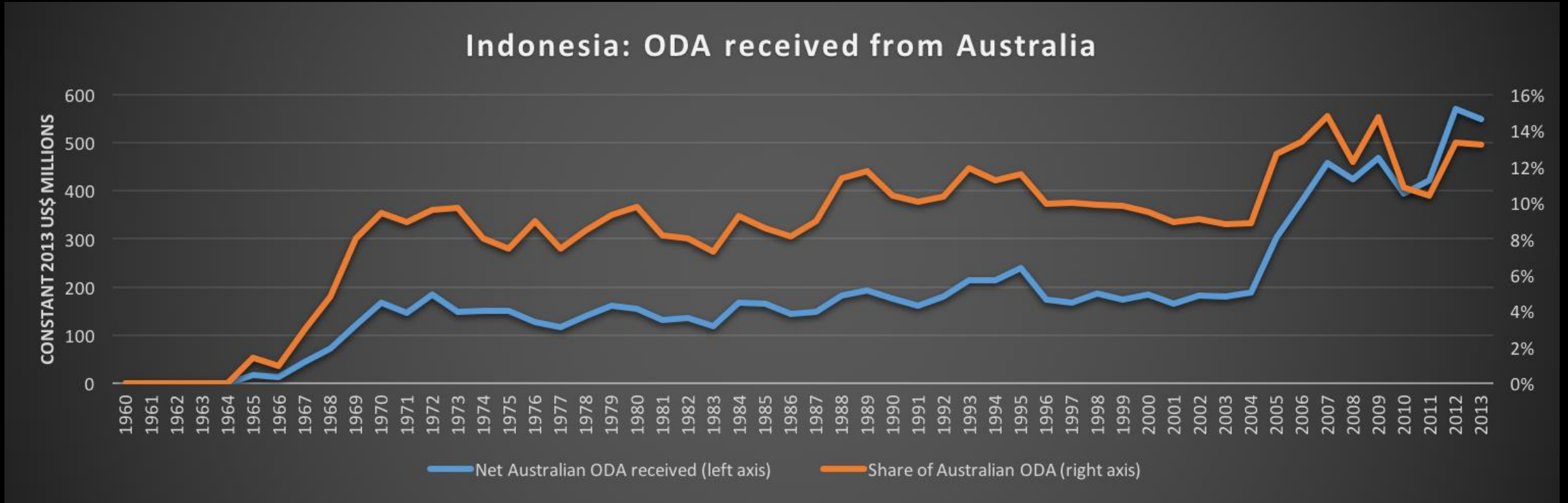
Indonesia: ODA received from all sources



2d. Global context: ODA



3a. Australian aid over time



3b. Australian aid: down, up, up, down



3c. Preoccupations of Australian aid

Australian eyes

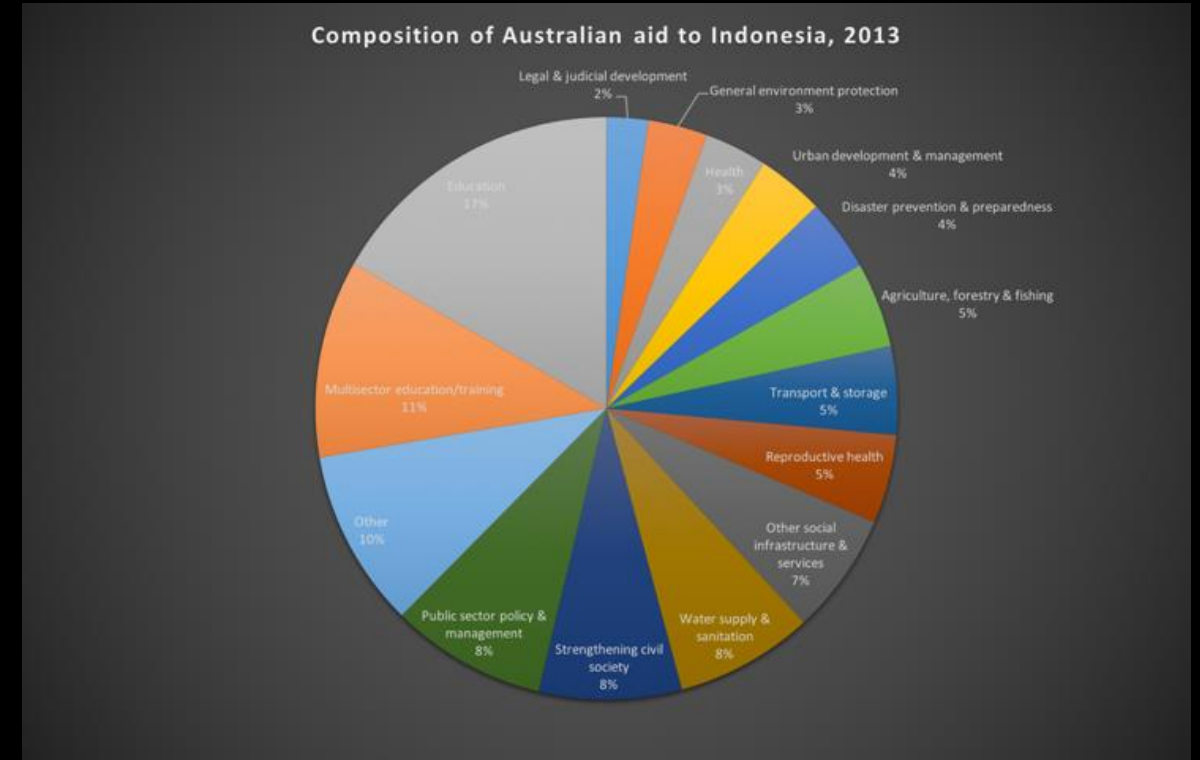
- Prehistory, 1950s-70s: Colombo Plan, food aid, ad hoc projects
- Tiger, early 80s to mid-90s: country programming, mixed credits, anticipated graduation
- Tortoise, late-90s to 2002: 30% cut, post-crisis stagnation, TA, ballast
- Threat, 2002 on: incubator/moderator (disease, terrorism, carbon)

Indonesian eyes

- Contracts
- Cops
- Cattle
- Carbon
- Christians: Eastern Indonesia
- Civil society

3d. Impact

- Some lasting infrastructure
- Scholarships: 18,000?
- Public policy, but not public sector management
- Dispersion: not without impact but hard to find traces; emphasis on eastern provinces illusory
- Association with successful large programs, but specific contributions?
- Reliance on large contractors or multilateral agents: expensive, and remote



Conclusion

- The governments of Australia and Indonesia have tended to focus only on isolated and often small parts of the bilateral aid program, engaging to pursue quite specific interests
- Australia was, for a long time and despite a lack of demand from the Indonesian side, overly concerned to increase the size of the program to ultimately incongruous levels – and not sufficiently concerned to adapt it to new circumstances
- The confrontation of 2015 proved that Indonesia, at the most senior levels, could hardly be less concerned about the quantity of Australian aid
- But we should not conclude that there is no place for a considerable quantity of Australian aid, or that it should be restricted to a few cross-border concerns – Australia is a major grant donor, even after the 2015 cut, so offers a scarce resource
- Both sides should devote more effort to determining where Australia can make a specific contribution, drawing on Australian strengths and filling gaps
- Priorities could include public policy, private sector development and civil society service delivery: people-to-people links would be advanced in all cases (humanitarian assistance will always be there)