

2013: a year of aid uncertainty?

by Stephen Howes and Robin Davies

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2012 was a wobbly year for Australian aid. The biggest aid casualty of the year was the previously strong bipartisan consensus in favour of increasing aid. Both major parties had gone into the 2010 election with a commitment to increase aid to 0.5% of GNI (Gross National Income) by 2015 (an approximate doubling from 2010 levels). But in the May 2012 [budget](#), Labor pushed back its commitment by a year, and the Coalition removed the timetable from its commitment altogether.

Aid has increased significantly in recent years. Adjusting for inflation, Australian aid in 2002 was \$2.6 billion, and 2012 \$5.2 billion. Will aid continue to increase? Labor has promised an increase of \$600 million in aid in the next budget, but it has a history of pushing out promised aid increases: it was meant to increase aid in this budget by \$700 million, but only did so by \$300 million.

It was the Howard Government which began the scaling-up of Australian aid, but a Coalition Government, if elected this year, may be less favourably disposed towards further increasing aid. A Coalition Government will be looking for savings across the board, and, judging by Shadow Minister Julie Bishop's [remarks](#) during 2012, will be less inclined to believe that Australian aid is being effectively spent.

One plausible scenario is that under Labor aid remains constant as a percentage of Gross National Income (requiring increases of about \$300 million a year) while under the Coalition it remains constant in real terms (requiring annual increases of about \$150 million a year). Neither scenario involves aid cuts, but neither takes us anywhere near the 0.5% of GNI commitment.

In terms of aid effectiveness, the year started well, but ended badly. In April 2012, the Government released its [Comprehensive Aid Policy Framework](#), which contained, among other things, the results it would seek to achieve with its aid program. The Government promised to release the first annual progress report on aid effectiveness in October 2012, but failed to do so.

A delay of a couple of months might not sound much, but there are several reasons to be worried. The Government has had a long time to prepare this report. The recommendation that it produce one was made by the [Independent Review of Aid Effectiveness](#) in April 2011, and [accepted by the Government](#) in July 2011. There is

also a history of delaying reports on aid effectiveness, with the release of an earlier variant of the new annual progress reports being delayed by as much as 18 months. And the Opposition has called for the Government to be more explicit about setting benchmarks or “hurdles” for the aid program to scale-up. As the Independent Aid Review noted, “The annual review would be the occasion for the government to make its judgment about whether hurdles have been met.” (p. 247).

Another unfortunate late-year development was the December [announcement](#) that \$375 million has been taken from programs administered by AusAID to pay for asylum seeker costs. Whatever you think of the decision to count asylum seeker costs as aid – much more information needs to be made public before it is possible to reach a firm conclusion on this – cutting the AusAID budget by almost 10% mid-year is both unprecedented and bad for aid effectiveness.

Perhaps the oddest thing about aid in 2012 was its almost complete absence from the Government’s [Asian Century Report](#), released in October. The Report stays away from the [debate](#) between those who claim that Asia should be graduated from aid, and those who argue that Asia still needs aid. In fact, aid hardly rates a mention in the entire report. It is covered off in just a couple of pages, and the only aid-related recommendation is that perennial favorite, scholarships. Given that the Government spends more of its aid budget on Asia than any other region, the lack of a narrative around aid in relation to Asia is a major gap.

Which brings us to 2013. The wash up from 2012 means that there is significant uncertainty on both the aid quantity and quality fronts. Of the challenges facing the Government in relation to aid in 2013, we highlight five.

The first is to follow through on the \$600 million aid increase promised in its next budget. Getting to 0.5% of GNI by 2016 will require on average an extra \$1 billion of aid a year every year between now and then. From this perspective, even a \$600 million increase will imply a further back-end loading of the scale-up, but it at least keeps the 0.5% commitment alive.

The second challenge is to redouble efforts around transparency, evaluation and consolidation to ensure that aid effectiveness continues to improve, and is seen to continue to improve. Releasing the overdue 2012 progress report on aid effectiveness early in the year would be a good start.

The third is to articulate and release a policy in relation to the use of aid for asylum seekers, explaining the basis for determining which costs are counted as aid, in line with OECD guidelines, and which are not. Most OECD countries charge some of their asylum seeker and/or refugee costs to their aid budgets. If aid is about helping

poor people overcome poverty, and if that is the purpose for which these costs are incurred, that seems fair enough. But Australia's decision to increase, massively and abruptly, this charge to the aid program creates a very large contingent liability for the aid budget. How much of Australia's very large asylum seeker bill will the aid budget be expected to pay? Was last year just a toe in the water? Clarity around this issue is urgently required.

The fourth challenge is to put some real policy heft behind Australia's increasing prominence on the multilateral aid and development stage. Australia will assume leadership of the G20's development agenda at the end of this year and has just taken up its non-permanent seat on the UN Security Council. In both capacities it will be required to exercise policy leadership on international development issues. Australia's recent history of aid increases has seen it channel greatly increased levels of funding to multilateral development organisations such as the World Bank, the Asian Development Bank and the World Food Programme. Hopes will be high for large Australian contributions to the upcoming replenishment of the World Bank's concessional financing arm (IDA), and to the new Green Climate Fund. Tough and well-argued choices will need to be made about how to allocate resources between a multitude of funds and programs of highly variable quality.

The fifth and final, but perhaps the most important and long-term, challenge is to articulate a role for Australian aid in the Asian century. There are ample and strong grounds for Australia to continue to provide large or even increasing amounts of aid to Asia, but the case needs to be made – in relation both to a humanitarian recognition that while Asia might be booming it is still poor, and to a strategic recognition of aid as an important tool for pursuing mutual interests.

With this an election year, the positions taken on aid by the Opposition will be as important as those taken by Government. But analysis of Opposition policy is a task for another post. We'll finish here by noting that the more uncertainty there is over the prospects for aid the more interesting the year should be. 2013 should be a corker.

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