
Prime Minister Scott Morrison and Treasurer Josh Frydenberg

Government cuts aid in the middle of the pandemic

By Stephen Howes
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Yesterday, I set down on Twitter three tests by which I said I would judge Australia's 2021-22 aid budget. They were:

1. Will there be any further increases in aid next year?
2. Will the government sustain any aid increases beyond this year and next?
3. Will DFAT provide an estimate of this year's and next year's ODA?

Unfortunately, all the answers came back negative last night. Here they are.

1. Aid will fall in 2021-22.

After inflation, aid is being cut by 4.9% in 2021-22 relative to 2020-21. Australia's economy is doing better than expected. Many parts of the world are doing worse than expected. This year, the government did increase aid (on budget night last year and over the course of the year) by an amount that is now estimated to be 6.3%. (All growth rates are after inflation.) But next year's aid budget wipes away most of that increase with that 4.9% cut. Most initiatives announced this year are wound down next year, no new initiatives have been put in place (except for a very small one for India), and there is no indexation for inflation.

2. Aid cuts continue through the forward estimates.

The forward estimates for aid show that it is set to fall every year to 2024-25, by a total of 12% from the current year: as mentioned, 4.9% in 2021-22; then 5.5% in 2022-23; 0.3% in 2023-24; and finally 1.9% in 2024-25.

3. No aid total is presented for 2020-21 or 2021-22.

The third test I set because last year's DFAT aid budget summary didn't actually (for the first time ever) tell you how much aid the Australian government was planning to provide in aid that year. Instead it mentioned one amount, a "$4 billion ODA [Official Development Assistance or aid] program" and then a second amount, $304.7 million to be spent over two years on a COVID-19 response package. The rest was left for the reader to work out.

Unfortunately, almost the same format has been followed this year: for 2021-22, a $4 billion "Australian Aid Total" and then a $0.335 billion supplement. The only improvement is that an annual rather than two-year amount is given for the supplementary, temporary COVID-19 related amount.

What is the point of putting out an aid summary without the actual total? While the reader can work it out for themselves, it is confusing, and we don't have accurate budget figures for aid by country any more (since they exclude the supplementary amount which is about 10% of the total).

Clearly DFAT is acting on political directions from a government keen to impress that it is not increasing aid more than strictly temporarily. But the contortions involved undermine the Department's credibility as an aid manager.

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There were some small amounts of good news in last night's budget. I had estimated the 2020-21 aid budget to be $4.416 billion. The new official estimate of $4.480 billion is 4% higher. This reflects faster vaccine expenditure this year than expected, which is a good thing, but, by the government's logic, more aid this year simply means less aid next. The support for India of $36 million over two years is small, but worthwhile.

Overall though, it was definitely a disappointing budget. Despite our improved economic position and despite the worsening health and economic situation in many countries, we have decided to sit on our hands.

There are plenty of useful ways we could spend more money to help other countries and to protect ourselves. So far we have contributed 0.6 of one percent to the global fund to respond to COVID-19 (the ACT [Access to Global Tools] Accelerator). The United Kingdom has contributed 72 times as much to that fund.

Australia will certainly come under pressure, both from the G7 and regionally, to do more. The government has decided not to increase aid through the budget but may do so again through the year via specific announcements. Is it feasible for us to be one of the OECD's most successful economies, and, in the midst of a global pandemic, remain one of its stingiest donors? I doubt it.

About the author/s

Stephen Howes
Stephen Howes is Director of the Development Policy Centre and Professor of Economics at

DEVPOLICYBLOG

the Crawford School of Public Policy at The Australian National University.

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