2024 aid budget breakfast

15 May 2024

#2024aidbudget
2024 Events

• PNG Update
  21-22 August, UPNG Port Moresby

• Pacific Migration Workshop
  3 September, Canberra

• Australasian AID conference
  3–5 December, Canberra
Aid and the budget
Budget context: the second boom

Terms of trade (2015=100)
Budget pressures

ODA is 2.5%.
Aid and defence

[Bar chart showing trends in Aid and Defence from 2024-25 to 2033-34. The chart includes bars for ODA, Defence, and a line for the Ratio.]
Australian aid in the 2024-25 budget (1)
Australian aid in the 2024-25 budget (2)
Sectoral funding

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24 (est)</th>
<th>2024-25 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
<td>21%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Agriculture, trade and production</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Economic infrastructure and services</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Humanitarian</td>
<td>15%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Health</td>
<td>18%</td>
<td>24%</td>
<td>23%</td>
<td>19%</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>Multi-sector and general support</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Education</td>
<td>13%</td>
<td>12%</td>
<td>15%</td>
<td>14%</td>
<td>13%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Health funding squeezed
Delivery partners
Major budget initiatives

- Tuvalu: $17 m 23-24 to $87 m 24-25 ODA
  - Cf $102 m ODA for SSA
- Fiji’s: $88 m 23-24 to $123 m 24-25 ODA
  - Budget support and grant-funded port expansion
- Indonesia: $326 to $354 m
  - Flagship climate and energy initiative.
- Green Climate Fund and Pacific Resilience Facility commitments ($65 million combined)
- Budgeting for grant-equivalent of AIFFP.
Aid effectiveness
Pre-2020 measure of aid performance

Percentage of ongoing investments rated satisfactory

- 76% (2014)
- 80% (2015)
- 76% (2016)
- 81% (2017)
- 85% (2018)
- 88% (2019)
- 89% (2020)
- 91% (2021)
- 91% (2022)
- 89% (2023)
2023 onwards: hedging your bets

Percentage of ongoing and completed investments read satisfactory

- Ongoing and Completed investments from 2014 to 2023.
Isn’t the disconnect a problem?

Difference between ongoing and completed “satisfactory rates”
The pure disconnect ("ratings effect")

Comparing the satisfactory rates of completed projects with the same projects the year before
### 2022-23 unsatisfactory investments

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name</th>
<th>Amount ($AUD)</th>
<th>Period</th>
<th>Eff’ness</th>
<th>Eff’ncy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Afghanistan</td>
<td>Afghanistan Ending Violence Against Women Phase 2</td>
<td>22,376,866</td>
<td>2018-23</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2 Cambodia</td>
<td>Knowledge Sector</td>
<td>14,107,895</td>
<td>2019-27</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3 Pacific Regional</td>
<td>Pacific Connect</td>
<td>4,157,739</td>
<td>2019-23</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>4 Pakistan</td>
<td>Khyber Pakhtunkhwa Education Sector Program</td>
<td>57,451,127</td>
<td>2012-21</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>5 Samoa</td>
<td>Health Program (Samoa)</td>
<td>7,765,870</td>
<td>2014-23</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6 Samoa</td>
<td>Women in Leadership in Samoa</td>
<td>3,004,112</td>
<td>2018-23</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>7 Solomon Islands</td>
<td>Solomon Islands Governance Program 2017-2021</td>
<td>62,938,024</td>
<td>2017-23</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>8 Timor-Leste</td>
<td>Timor-Leste Police Development Program</td>
<td>26,931,000</td>
<td>2019-23</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>9 Thematic</td>
<td>Private Sector Development Partnerships</td>
<td>5,958,570</td>
<td>2014-23</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>10 Thematic</td>
<td>Other Extractive Governance Assistance</td>
<td>9,978,543</td>
<td>2013-23</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>11 Thematic</td>
<td>Global Extractives Transparency and Governance</td>
<td>14,806,628</td>
<td>2015-24</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>12 Thematic</td>
<td>Developmental Leadership Program Phase 3</td>
<td>3,600,000</td>
<td>2018-23</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>13 Thematic</td>
<td>World Bank Disaster Reduction and Recovery (GFDRR)</td>
<td>12,300,000</td>
<td>2017-23</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

- For 6 investments, M&E weaknesses cited as main explanation for failure; and for another 4, it was one of the reasons.
Localisation: Budget support is increasing

Funds to partner governments as % of the aid program

2010-11: 6.9%
2011-12: 8.9%
2012-13: 6.9%
2013-14: 6.4%
2014-15: 6.9%
2015-16: 3.9%
2016-17: 3.3%
2017-18: 3.2%
2018-19: 3.1%
2019-20: 5.9%
2020-21: 9.0%
2021-22: 8.2%
2022-23: 9.3%
Managing contractors hiring local staff

• 3,842 local staff and subcontractors in 2022-23, an increase of 15%.

• Impact in fragile and small states
  – Is this localisation or de-localisation?
  – Donors “subvert administrative capacity” when “donors’ presence is large and skilled labour is extremely scarce” (Knack and Rahman, JDE 2007)

• Implied average salary of $37,740
  – 9 times PNG minimum wage
  – Does the aid program have a salary policy?
Funding passed on to local organisations

- 20% of managing contractor funding
- Virtually no Australian NGO development funding but 36% of Australian humanitarian NGO funding (HPA)
- All this adds up to about $290 million, only two-thirds of budget support.
Australian aid tracker

www.devpolicy.org/aidtracker
Trends: projecting Australia’s aid generosity

Generosity: Australian aid as a percentage of GNI

Official development assistance (ODA) in current $AU as a percentage of gross national income (GNI)

Source: ODA from DFAT statistical summaries and budget documents, actual GNI from ABS, and forward estimates of GNI based on nominal GDP growth forecasts from Treasury budget documents • Created with Datawrapper
Comparisons: multiple measures

Australia's ranking among OECD DAC countries

<table>
<thead>
<tr>
<th>Year</th>
<th>ODA/GNI</th>
<th>Aid per capita</th>
<th>Aid volume</th>
<th>Size of economy (GNI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>26/31</td>
<td></td>
<td></td>
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<tr>
<td>2019</td>
<td>19/31</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2016</td>
<td>13/31</td>
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<tr>
<td>2013</td>
<td>9/31</td>
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<tr>
<td>2010</td>
<td>10/31</td>
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<td>2007</td>
<td>15/31</td>
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<tr>
<td>2004</td>
<td>10/31</td>
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<td>2001</td>
<td>16/31</td>
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<tr>
<td>1998</td>
<td>9/31</td>
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<td></td>
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<tr>
<td>1995</td>
<td>10/31</td>
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</tbody>
</table>

All rankings are calculated using current prices.
Source: OECD Data Explorer • Created with Datawrapper
Sectors: focusing on gender and climate

Australian aid targeting gender equality

Australian aid targeting climate change

Data are sourced from OECD Data Explorer. Only bilateral allocable aid is included. Constant prices are based on 2021 USD.

According to OECD, “Principal” means gender equality is an explicit objective of the activity and fundamental to its design. “Significant” means gender equality is an important, but secondary, objective of the activity, and “Not targeted” means an activity is not found to target gender equality.

Data are sourced from OECD Data Explorer. Only bilateral allocable aid is included. Constant prices are based on 2021 USD.

Score definitions are similar to that of gender equity, but for climate change objectives. Mitigation refers to efforts to reduce or limit greenhouse gas emissions or to enhance sequestration, while adaptation refers to efforts to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change. Individual projects can be reported to the OECD DAC as having both mitigation and adaptation objectives.
Global and multilateral aid
Global aid, 2023: generosity ranking

ODA as % of GNI for DAC countries, 2023

Australia:
2022 = 27/30
2023 = 26/31

Source: OECD DAC
Minus in-donor refugee costs

ODA adjusted for in-donor refugee costs as % of GNI for DAC countries, 2023

Australia’s ranking shifts from 26/31 to 24/31

Source: OECD DAC
Australia’s multilateral aid: crunch time?

Source: Janeen Madan Keller, Clemence Landers and Nico Martinez, *The 2024–2025 replenishment traffic jam: are we headed for a pileup?*, Center for Global Development, 8 February 2024.
Australia: **not** a big multilateral core funder

Multilateral grants and subscriptions as a proportion (%) of total ODA, 2022

Source: OECD DAC
Australia: multilateral core funding over time

Australia’s multilateral core funding: volume and proportion (%) of aid, 2016-2022

- Official Development Assistance (ODA), grant equivalent (USD millions)
- Multilateral ODA, grant equivalent (USD millions)
- %

Source: OECD DAC
ADB Asian Development Fund

Source: ADB
World Bank International Development Association

Source: World Bank
Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria

Source: Global Fund
Others

- WHO Investment Round (2024)
- Global Partnership for Education (2025-26)
- UN Fund for Responding to Climate Change Loss and Damage?
- International Fund for Agricultural Development?
- New “Collective Quantified Goal on Climate Finance” 2025 - ? (bilateral/regional & multilateral; ODA + official + private)
This research was undertaken with support from the Bill and Melinda Gates Foundation.