

2025 Australian aid update

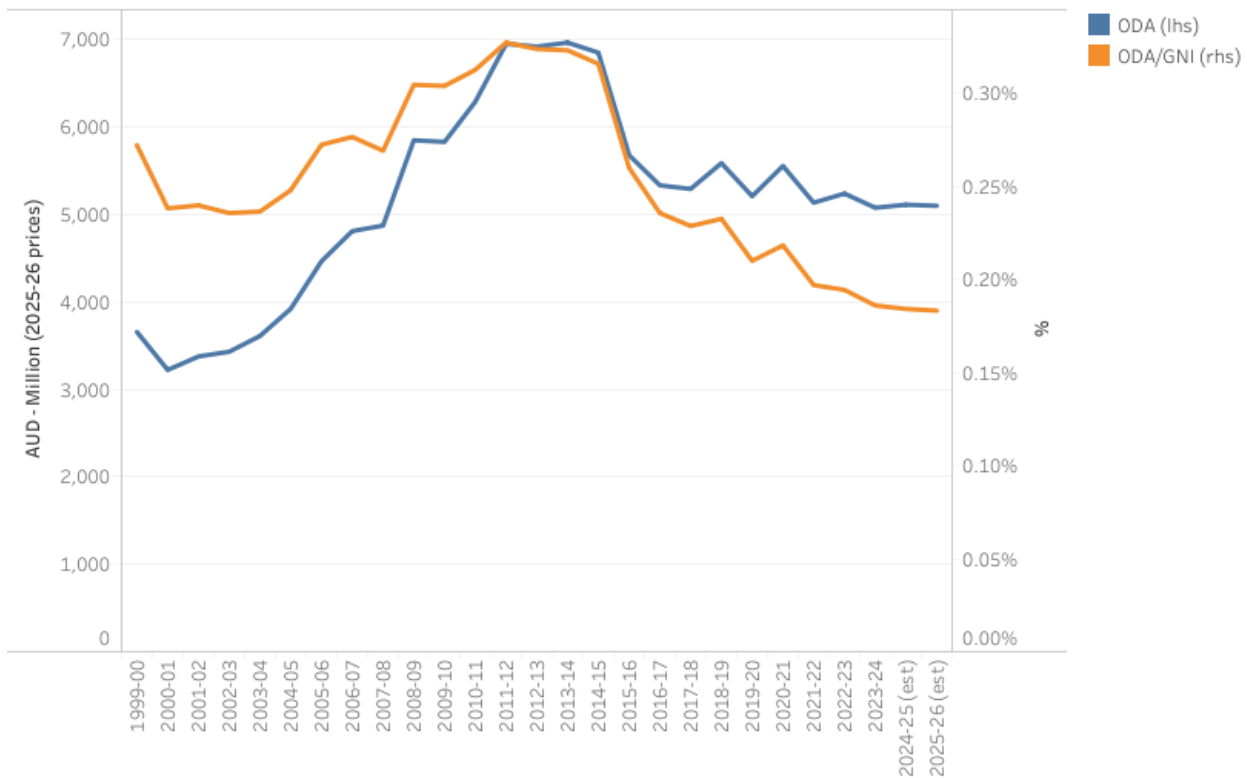
by Stephen Howes
26 March 2025



Australian Treasurer Jim Chalmers delivers the 2025 Federal Budget
Photo Credit: [YouTube/AUSParliamentLive](#)

Australia’s foreign aid (Official Development Assistance or ODA) for 2025-26 is budgeted at \$5.097 billion, a 2.7% increase over the 2024-25 aid budget of \$4.961 billion. With inflation projected at 3%, there is a tiny year-on-year decline in real aid.

Figure 1: Australia's ODA and ODA/GNI



tableau

Labor plans to continue to increase aid, if re-elected, **by about 2.5% a year for the next decade**. In a context in which **many countries are cutting aid**, holding the aid program steady may seem like a victory. However, even after other countries have cut their aid, Australia will remain one of the stingiest OECD donors. There are still very few in the “0.2 club”, those donors who give 0.2% or less of their Gross National Income (GNI) as foreign aid. Australia joined that club in 2022-23. In 2023-24, our aid/GNI ratio fell to 0.19%, and this year it will fall to 0.18%.

Among traditional OECD donors, only two were in the 0.2 club in 2023: Greece and

Portugal. Now we will be joined by the US (a former member of the 0.2 club, which briefly exited as a result of the Ukraine war but now, thanks to Elon Musk, will be joining again). However, other aid cutters will remain out of the club even after they have slashed their aid. For example, the UK has said it is reducing its aid budget from 0.5% to 0.3% of GNI.

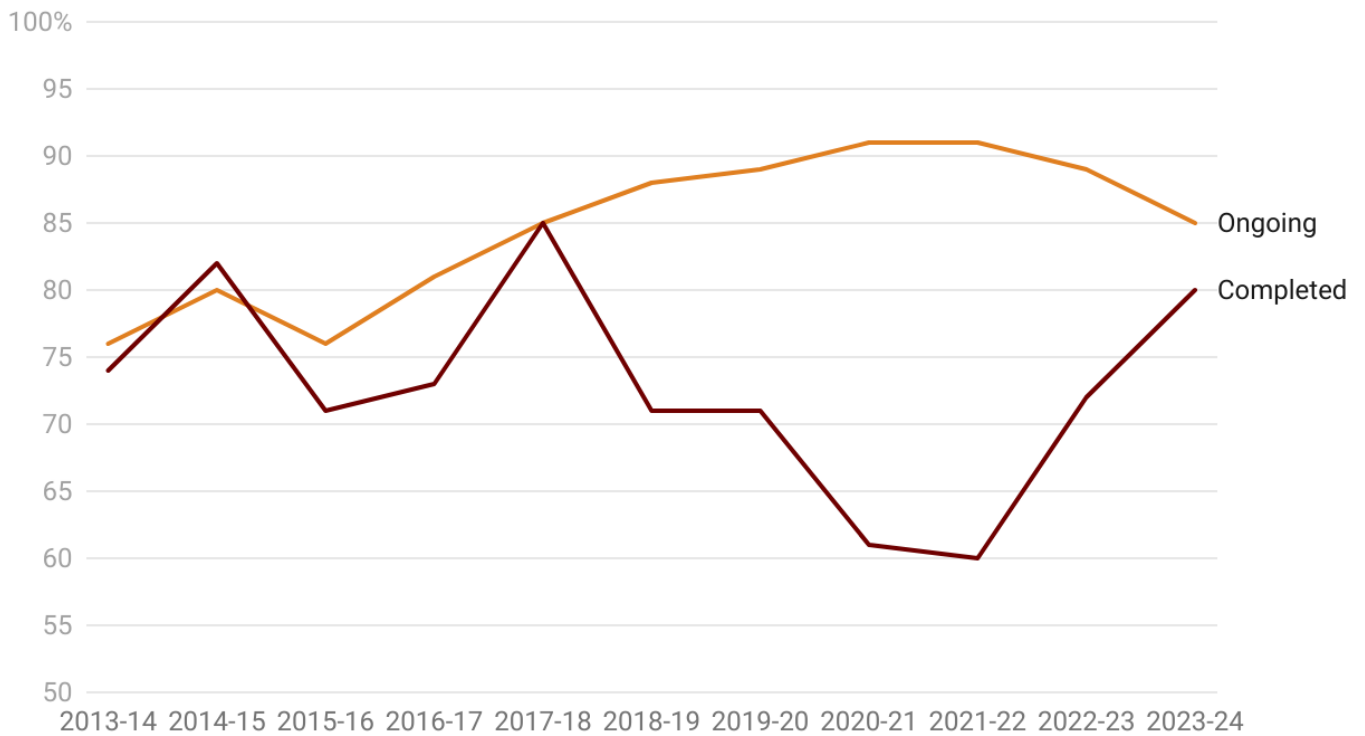
And not all countries are cutting. [Korea is rapidly expanding its foreign aid](#). A decade ago, Australia's ODA was twice Korea's. In 2022, they were equal. In 2025, Korea's aid program will be about 50% bigger than Australia's.

Australia's sectoral and country allocations are stable. The [aid budget](#) makes the bold claim that Australia is "reprioritising our development investments to bolster support to our region". But this is more spin than substance. The increase is marginal. Aid to Asia and the Pacific as a share of total aid increases from 73.5% in 2024-25 to 74.4% in 2025-26.

While funding to some UN agencies has been cut, other global commitments have been increased. Australia's latest three-year contribution to IDA, the World Bank's concessional arm, which was decided on last year but was only made public with the budget, is \$660 million, significantly up on the previous \$488 million commitment made in 2021-22.

On the aid quality side, [we rang the alarm bell a couple of years ago](#) on the gap between project performance as recorded by project managers during the life of the project and project performance as recorded by independent checkers at the end of the project. That gap or disconnect, which was as big as 30 percentage points just a couple of years ago, has now fallen to only five percentage points. Has the aid portfolio quality really improved by as much as this suggests? Or have the final checks become easier to pass?

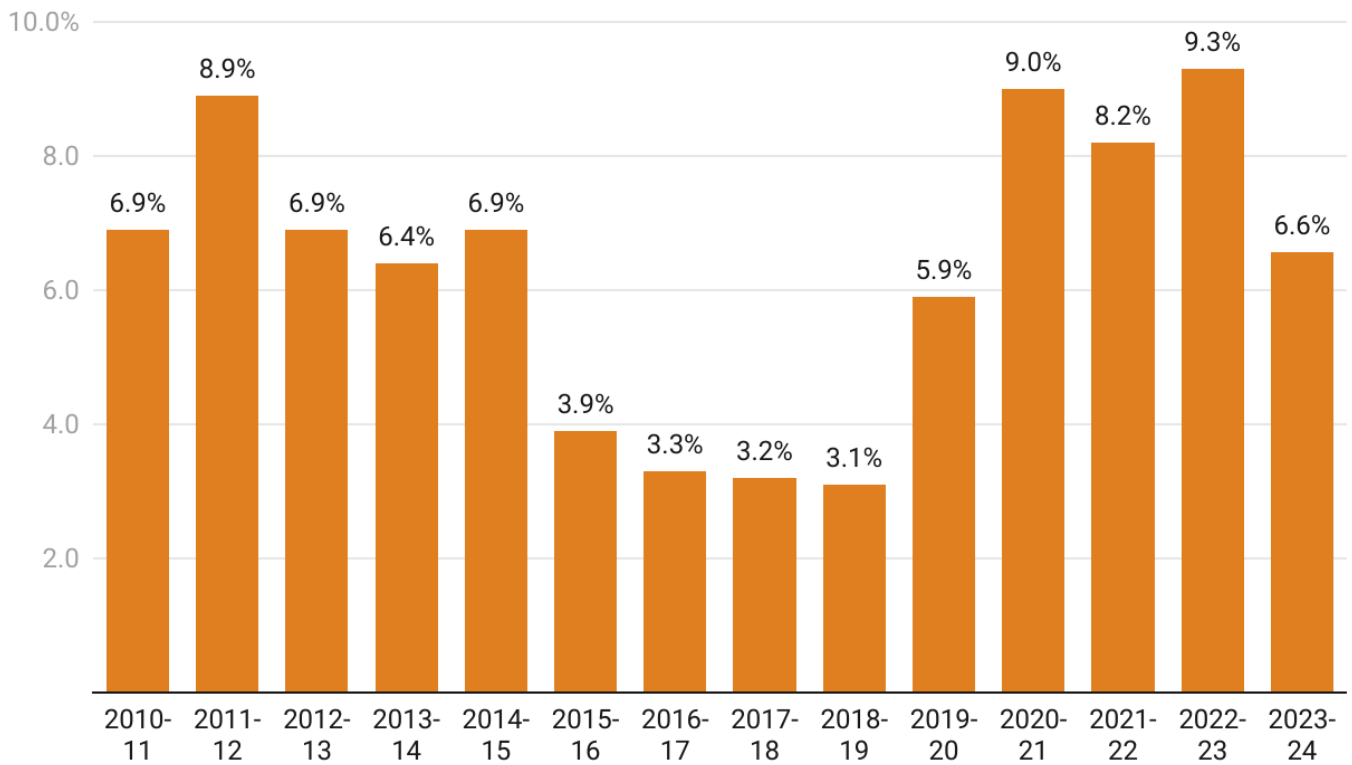
Figure 2: What disconnect? Percentage of ongoing and completed investments rated satisfactory



Source: DFAT performance data. • Created with Datawrapper

One of the biggest themes of [Australia's 2023 development policy](#) is localisation, or what was called “country ownership” back in the glory days of the 2005 Paris Declaration. Although it is not one of DFAT’s localisation indicators, arguably transferring funds to partner governments, for example through budget support, is one of the best ways to support locally-led development. This boomed during COVID, and seemed to hold up in 2022-23, but fell last year. It is now back at 6.6% of the aid program, down from its pandemic high of 8-9%. There is talk in the aid budget of \$75 million a year for the next four years for budget support to the Pacific, but that is not a lot of money.

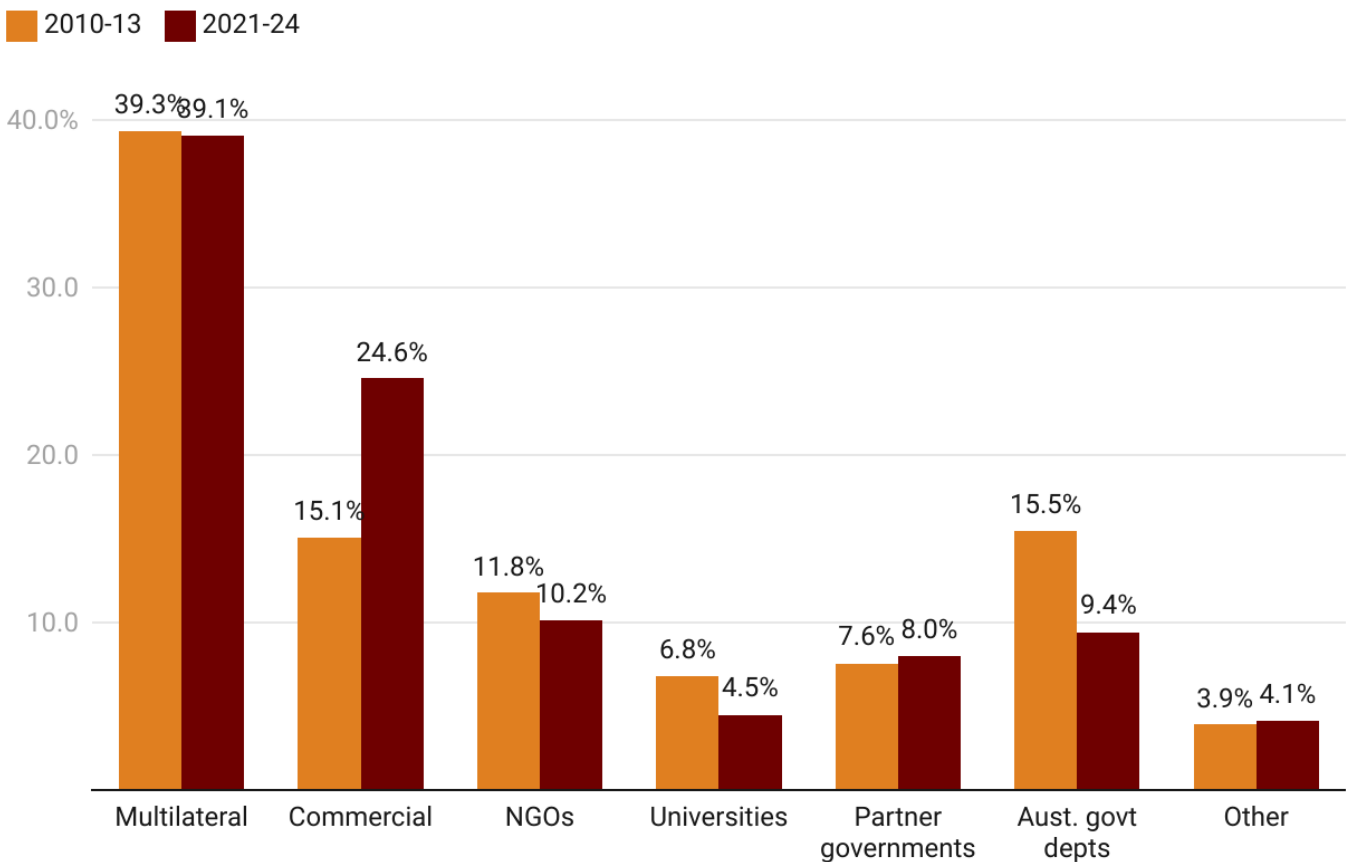
Figure 3: Funds to partner governments as a share of the aid program



Source: DFAT statistical summaries • Created with Datawrapper

Taking a longer-term view, what strikes one is the lack of change in how the aid program is delivered. The next and final graph looks at how aid was delivered in 2010 with how it is delivered today: three-year averages are used to avoid volatility. Then, as now, almost 40% of the aid program went to the multilateral aid system. The big winners have been commercial suppliers whose share of the aid program has increased from 15% to 25%. Those extra 10 percentage points has come at the expense of other government departments (six percentage points), NGOs (two percentage points), universities (also two points).

Figure 4: Share of the aid program allocated to different delivery partners, 2010 and 2024



Three-year averages are used to reduce volatility (2010-11 to 2012-13 and 2021-22 to 2023-24).

Source: DFAT statistical summaries. • Created with Datawrapper

If DFAT is serious about localisation, I would suggest two targets: funds to partner governments and funds to partner-country NGOs. (One could also aim to increase funds to local contractors, but arguably they should compete with international companies in a competitive market.) Unfortunately the former, as showed, has declined, and the latter — funds to partner-country NGOs — is not being measured.

To end on a positive note, if you want to see a practical example of how localisation can work, read [this brief](#) just put out by BRAC, Bangladesh’s and the world’s largest NGO, on the core funding DFAT has been providing the organisation since 2011. Or listen to our latest [Devpolicy Talks podcast](#) with the BRAC CEO. According to the brief, “Australia broke new ground with the partnership, which equipped the people closest to the challenges with flexible, long-term core funding, and the trust that they knew best how to use it.” Now that’s effective aid.

Devpol’s [Australian Aid Tracker](#) has been updated with the new budget numbers.

[Download the slides](#) and view [the event recording](#) for the 2025 Devpol aid budget

breakfast held on 26 March.

Disclosures:

This research was undertaken with the support of the Gates Foundation. The views are those of the author only.

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Link: <https://devpolicy.org/2025-australian-aid-update/>