The 2019 Aid Budget Breakfast
Structure

Global context
Budget context
Aid volumes
Countries, sectors, partners and performance
Party policies
Global context
In general, other countries are increasing aid

Source: OECD DAC
The global generosity index at a relative high

Source: OECD DAC
Record number of countries giving generously

Number of countries above 0.5%, and above 0.7%

Source: OECD DAC
The recent increase is not just about in-country refugee costs

Source: OECD DAC
Budget context
Goodbye to deficits

Underlying cash balance

$ billion, current prices

-60 -50 -40 -30 -20 -10 0 10 20 30


Budget 2019-20  Actual
On the back mainly of better revenue performance
Changed budgetary position should be relevant for foreign aid

– “[O]ur aid budget is under pressure because we have a massive debt and deficit situation” (14 Feb 2015)
– “The official rationale for cuts to ODA is the need to control the deficit and improve fiscal discipline to achieve a budget surplus.” (2018 DAC Review, p.53)
Aid quantities
Details

• This year and next (2018-19 and 2019-20) kept the same in total but about $150 brought forward in multilateral payments, presumably to enhance the 2019-20 surplus.

• The nominal aid freeze lifted in 2022-23, as foreshadowed in last year’s aid budget.
The new Coalition aid trajectory

![Graph showing ODA expenditures from 2012-13 to 2022-23](devpolicy.org/support-devpolicy/)
After inflation, 27% cut by 2019, with more to come

<table>
<thead>
<tr>
<th>Year</th>
<th>Aid ($m)</th>
<th>Current prices</th>
<th>2018-19 prices</th>
<th>Cumulative change ($)</th>
<th>Cumulative change (%)</th>
<th>Current prices</th>
<th>2018-19 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>4,856</td>
<td>5,540</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2013-14</td>
<td>5,052</td>
<td>5,594</td>
<td>195</td>
<td>54</td>
<td>4.0%</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>5,054</td>
<td>5,514</td>
<td>198</td>
<td>-27</td>
<td>4.1%</td>
<td>-0.5%</td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>4,210</td>
<td>4,546</td>
<td>-647</td>
<td>-995</td>
<td>-13.3%</td>
<td>-18.0%</td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>4,034</td>
<td>4,273</td>
<td>-823</td>
<td>-1,267</td>
<td>-16.9%</td>
<td>-22.9%</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>4,077</td>
<td>4,231</td>
<td>-779</td>
<td>-1,309</td>
<td>-16.0%</td>
<td>-23.6%</td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>4,329</td>
<td>4,427</td>
<td>-527</td>
<td>-1,114</td>
<td>-10.9%</td>
<td>-20.1%</td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>4,044</td>
<td>4,044</td>
<td>-812</td>
<td>-1,496</td>
<td>-16.7%</td>
<td>-27.0%</td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>4,000</td>
<td>3,902</td>
<td>-856</td>
<td>-1,638</td>
<td>-17.6%</td>
<td>-29.6%</td>
<td></td>
</tr>
<tr>
<td>2021-22</td>
<td>4,000</td>
<td>3,807</td>
<td>-856</td>
<td>-1,733</td>
<td>-17.6%</td>
<td>-31.3%</td>
<td></td>
</tr>
<tr>
<td>2022-23</td>
<td>4,100</td>
<td>3,807</td>
<td>-756</td>
<td>-1,733</td>
<td>-15.6%</td>
<td>-31.3%</td>
<td></td>
</tr>
</tbody>
</table>
The long view
ODA/GNI will hit 0.2% next budget
The 0.2% club

Australia will hit 0.2% in 2020-21; GDP per capita is $44,000
Aid has not been cut as a result of fiscal austerity

- From 2012-13 to 2021-23 aid falls by 31%; everything else increases by 34%

<table>
<thead>
<tr>
<th>Year</th>
<th>Aid ($b, 2018-19 prices)</th>
<th>Aid Cumulative change (%)</th>
<th>Non-aid</th>
<th>Non-aid Cumulative change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-2013</td>
<td>5.54</td>
<td>1.0%</td>
<td>413</td>
<td>-2.9%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>5.59</td>
<td>-0.5%</td>
<td>401</td>
<td>-1.5%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>5.51</td>
<td>-18.0%</td>
<td>407</td>
<td>1.4%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>4.55</td>
<td>5.3%</td>
<td>419</td>
<td>10.3%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>4.27</td>
<td>-22.9%</td>
<td>435</td>
<td>15.7%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>4.23</td>
<td>-23.6%</td>
<td>456</td>
<td>18.4%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>4.43</td>
<td>-20.1%</td>
<td>478</td>
<td>22.7%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>4.04</td>
<td>-27.0%</td>
<td>489</td>
<td>28.0%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>3.90</td>
<td>-29.6%</td>
<td>507</td>
<td>33.9%</td>
</tr>
<tr>
<td>2021-2022</td>
<td>3.81</td>
<td>-31.3%</td>
<td>529</td>
<td></td>
</tr>
<tr>
<td>2022-2023</td>
<td>3.81</td>
<td>-31.3%</td>
<td>554</td>
<td></td>
</tr>
</tbody>
</table>
It is rather much further down the priority list
Defence to aid now at 9:1

Defence/GNI up from 1.6% in 2012-13 to 1.95% in 2019-20

Source: World Bank and budget documents
Countries, sectors, partners & performance
Winners and losers

- Pacific regional up from $278 to $336
- DFAT aid programs cut to Bangladesh, Cambodia, Indonesia, Nepal, Pakistan, and South-West Asia Regional
  - Pakistan DFAT program: $39 million to $19 million.
  - Nepal: $16 to $9 million.
Pacific > Asia

$A million (2019 prices)

PNG and the Pacific

Asia

Africa and the Middle East

Winners and losers in this year’s budget by major region

Total ODA in 2019-20 budget minus 2018-19 estimated outcome

- PNG and the Pacific: $A million
- East Asia: $A million
- South, West and Other Asia: $A million
Winners and losers in this year’s budget by country/regional program

Total ODA in 2019-20 budget minus 2018-19 estimated outcome

- Pacific Regional
- Papua New Guinea
- Bangladesh
- Fiji
- Timor-Leste
- East Asia Regional
- Vanuatu
- Afghanistan
- Myanmar
- Niue and Tokelau
- Cook Islands
- Tuvalu
- Vietnam
- Other Pacific
- Other East Asia
- Maldives
- Other Asia
- Iraq
- Palestine
- ME/NA Regional
- Kiribati
- Bhutan
- Nauru
- North Pacific
- Samoa
- Mongolia
- Sub-Saharan Africa
- Tonga
- Philippines
- South and West Asia Regional
- Laos
- Nepal
- Cambodia
- Pakistan
- Solomon Islands
- Indonesia

[Graph showing the total ODA in 2019-20 budget minus 2018-19 estimated outcome for various regions and countries.]
Incoherence

• Little attempt to justify the continued cutting of Asia to fund the Pacific
  – PM: we’ll cut multilaterals
  – FM: South East Asia countries “transition[ing] from developing countries”
• The problem will continue as the step-up unfolds.
• With no fiscal constraint on the aid budget, would make far more sense to fund the Pacific step-up with new aid money. Alternatively, a much clearer justification and trajectory for declining aid to Asia needed.
A longer term perspective
Some recovery in health spending

Humanitarian up from $400 to $450 million.
DFAT finding it increasingly expensive to administer the aid budget

Source: AusAID/DFAT departmental costs relative to AusAID/DFAT ODA (excluding departmental costs)
Delivery partner changes

ODA by partner (%)
Contractors

<table>
<thead>
<tr>
<th>Year</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>800</td>
</tr>
<tr>
<td>2014-15</td>
<td>850</td>
</tr>
<tr>
<td>2015-16</td>
<td>800</td>
</tr>
<tr>
<td>2016-17</td>
<td>900</td>
</tr>
<tr>
<td>2017-18</td>
<td>900</td>
</tr>
</tbody>
</table>
Multilaterals

![Bar chart showing spending on multilaterals from 2013-14 to 2017-18.](chart.png)
NGOs

![Bar chart showing funding for NGOs from 2013-14 to 2017-18.](devpolicy.org/support-devpolicy/)
Public donations heading south

Actual donations
Donations adjusted for inflation (2017 prices)

Asian tsunami
Nepal earthquake and Cyclone Pam
Public generosity in decline

- NGO donations/GNI (LHS)
- NGO donations per capita (RHS)
No refresh of strategic targets
Election policies
Aid volumes

• Coalition: As per forward estimates
• ALP: New position adopted at national party. Aid/GNI to increase over time.
• Greens: 0.7% GNI by 2030.
Labor’s position

• Prior to last election, Labor committed an additional $800 million over the forward estimates, or $200 million a year.

• This time, “At Labor’s National Conference in December, the party adopted an amendment to our Platform to commit to increasing Official Development Assistance as a percentage of Gross National Income every year that we are in office, starting with our first Budget....”
ODA in the next budget?
Either way, significant additional funds

Extra aid under Labor relative to Coalition

A$ million

2020-21  2021-22  2022-23  2023-24

ALP-min  ALP-strict
Possible future trajectories for aid

![Graph showing possible future trajectories for aid](devpolicy.org/support-devpolicy/)
Beyond aid volumes: Labor

Analysis based on Penny Wong’s two speeches, this year and last:

• Fresh approach to PNG
  – Also called for by Julie Bishop in 2015
• Recognise importance of aid to middle-income countries
• Priority themes: health, education, gender, climate change, and, more recently, infrastructure
• Abolish the innovationXchange?
  – “Unconvinced”, operating in “relative isolation”
• Reform the Health Security Initiative
  – “looks bureaucratic and disconnected”
Beyond aid volumes: Labor (cont.)

• DFAT reforms
  – “structural inadequacies, management failings, ...growing dependence on managing contractors, ... expertise and skills in decline”
  – “We want to rebuild and reward aid and development skills within the Department, encouraging and attracting people with development skills – those who have expertise in specific sectors or thematic areas – and who understand what works in low- and middle-income countries.”

• [Ensure] transparency standards are sufficient ... providing project-level information for all projects and programs above $1 million.”

• “We will also better communicate results of Australia’s investment in international development to the Australian public.”
Beyond aid: Refugee/humanitarian intake left behind in the migration boom

[Graph showing the trend of total permanent migration (excl. hum.) and humanitarian intake from 1984-85 to 2016-17.]
Humanitarian intake never above one in one thousand

Humanitarian intake/
total permanent migrants

Humanitarian intake/population

devpolicy.org/support-devpolicy/
Parties promising different humanitarian intakes

![Graph showing historical and political party promises from 1988 to 2025.](devpolicy.org/support-devpolicy/)
Relative to population, Coalition promising average intake; Labor promising a historic high
Climate change: Australian emissions targets

Coalition target with "Kyoto carryover"
Coalition target without "Kyoto carryover"
ALP target (with international purchases)
Conclusion
Conclusion

• High level of continuity with earlier budgets
• No respite for aid in the budget, despite surplus.
• Continued Pacific step-up, Asia step-down makes for an incoherent aid program.
• A lot to play for in the elections, with development policies becoming increasingly partisan
  – Aid and humanitarian intake bipartisan till around 2012.
  – Climate change targets bipartisan till 2015
Thank you
Aid Tracker

www.devpolicy.org/aidtracker