

# The 2020 Aid Budget Breakfast

#aidbudget2020



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# Structure

Australian government aid

Australian NGO aid

Global context: aid and debt

Beyond Australian aid

# Australian government aid: volumes



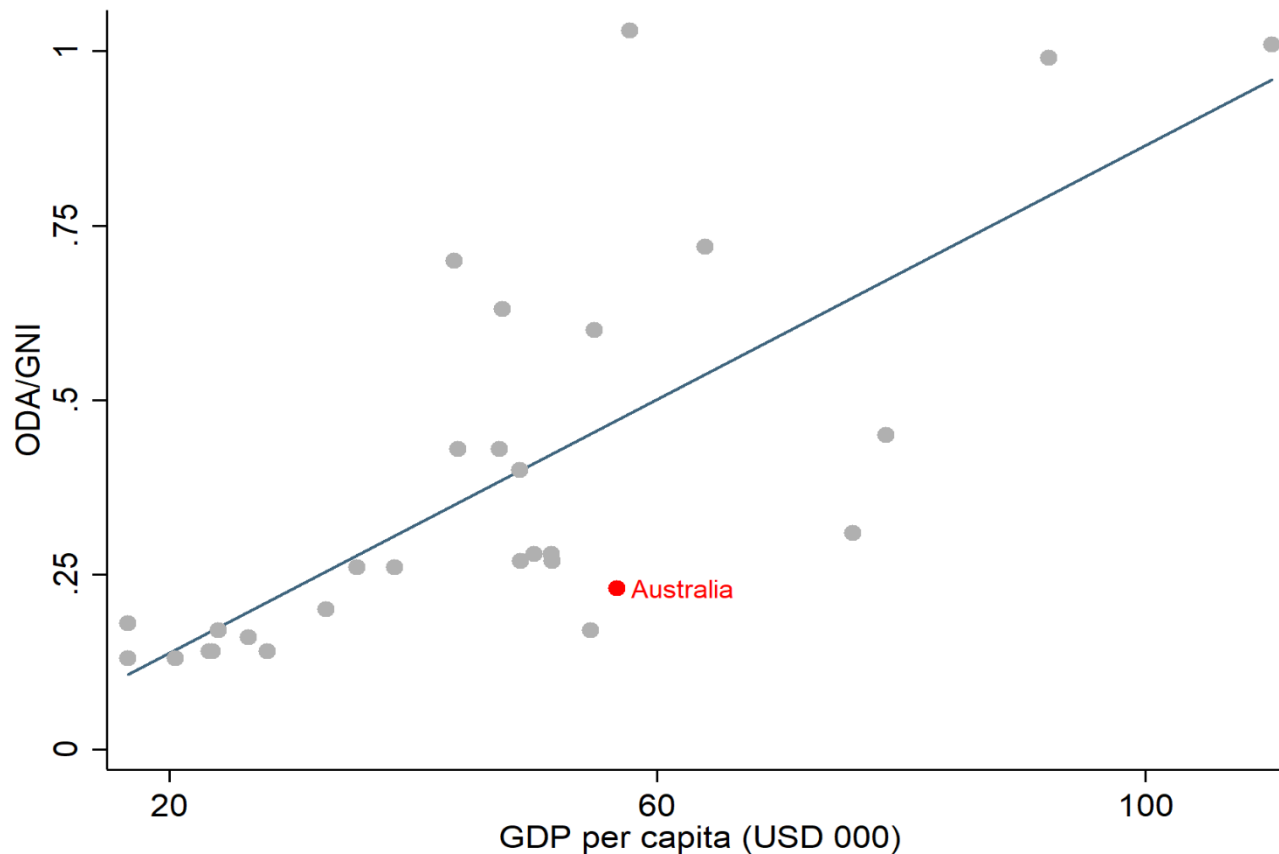
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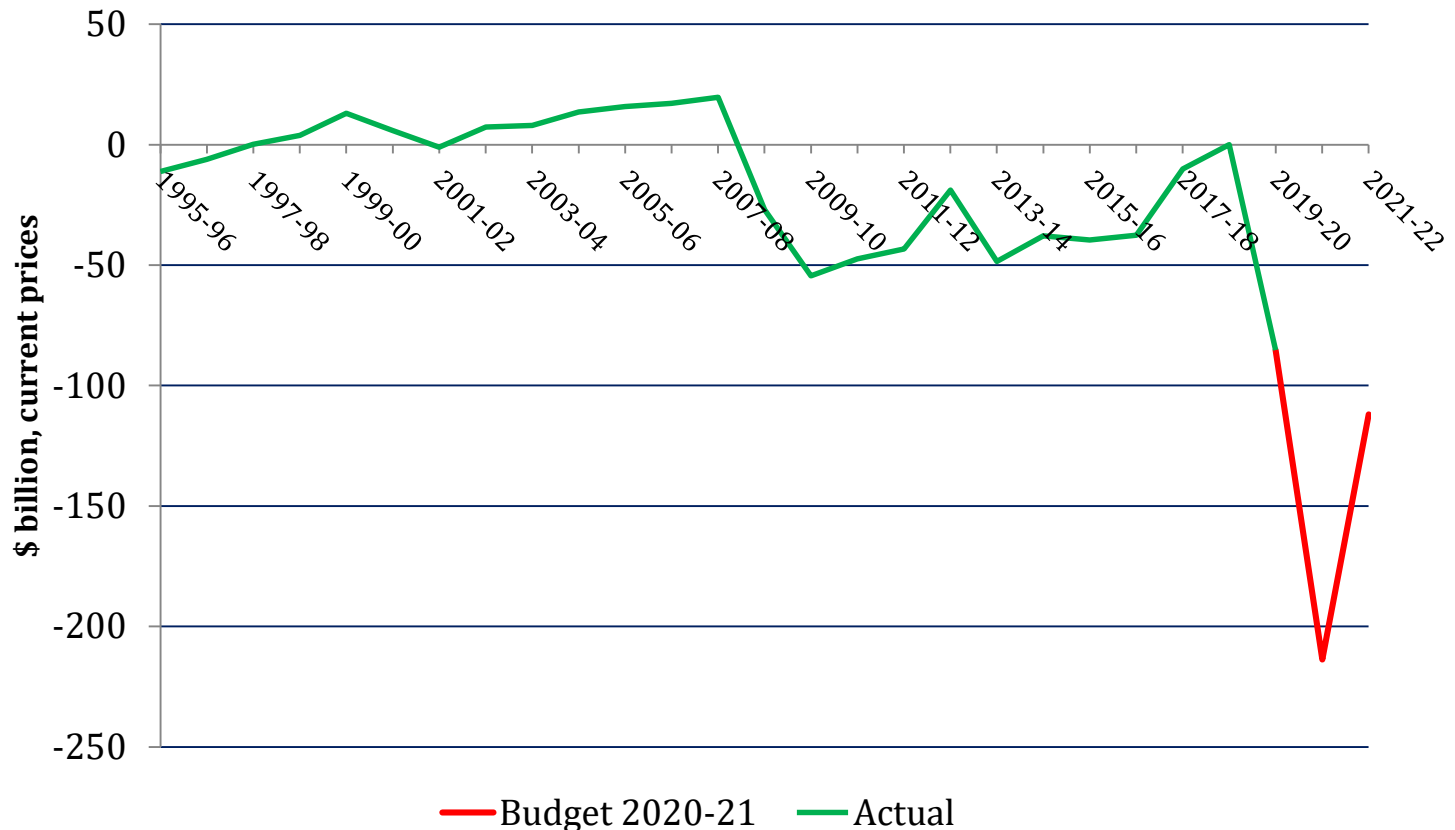
# Australian aid in international perspective

2017-19 averages

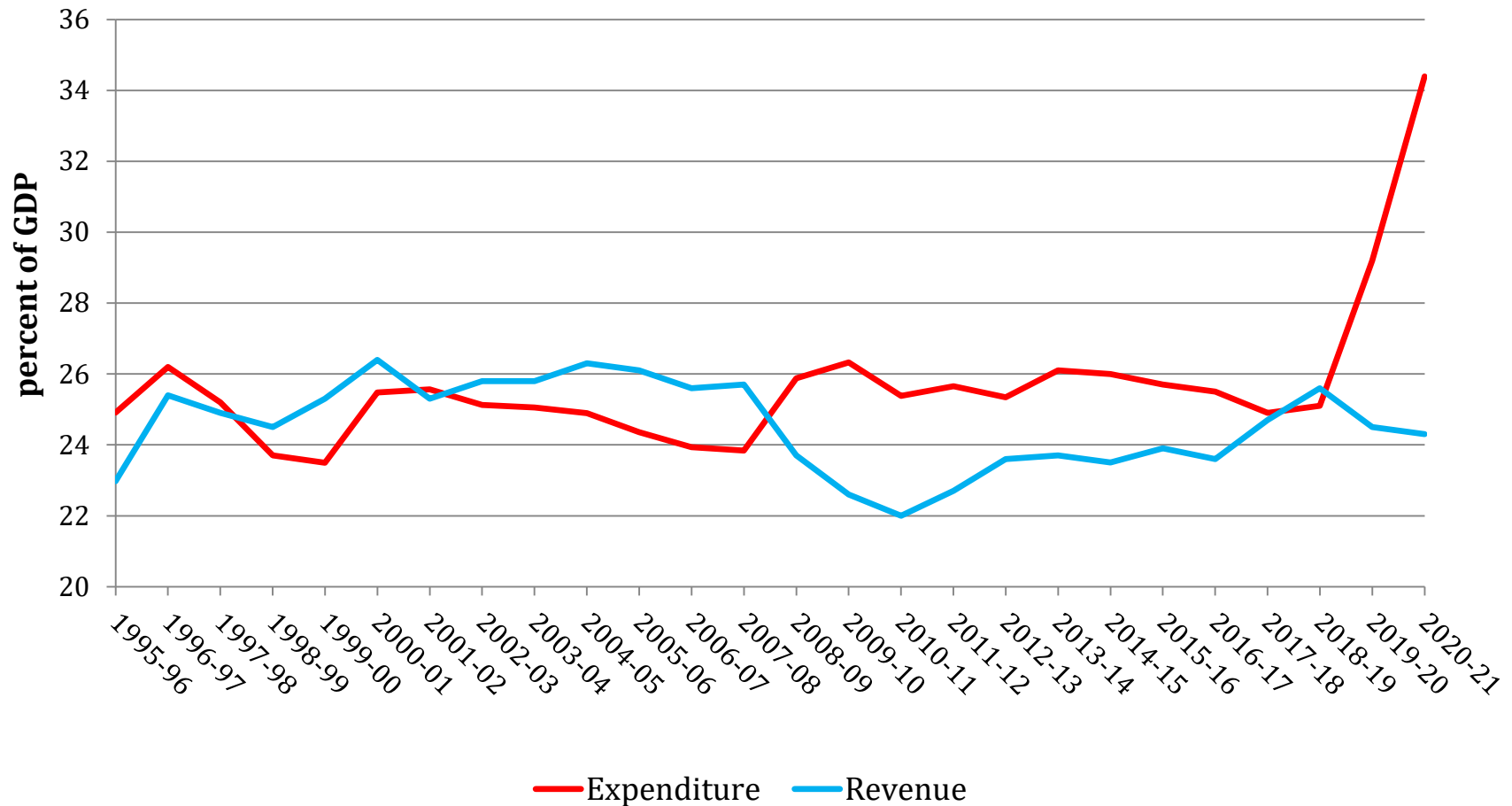


# Hello to deficits again

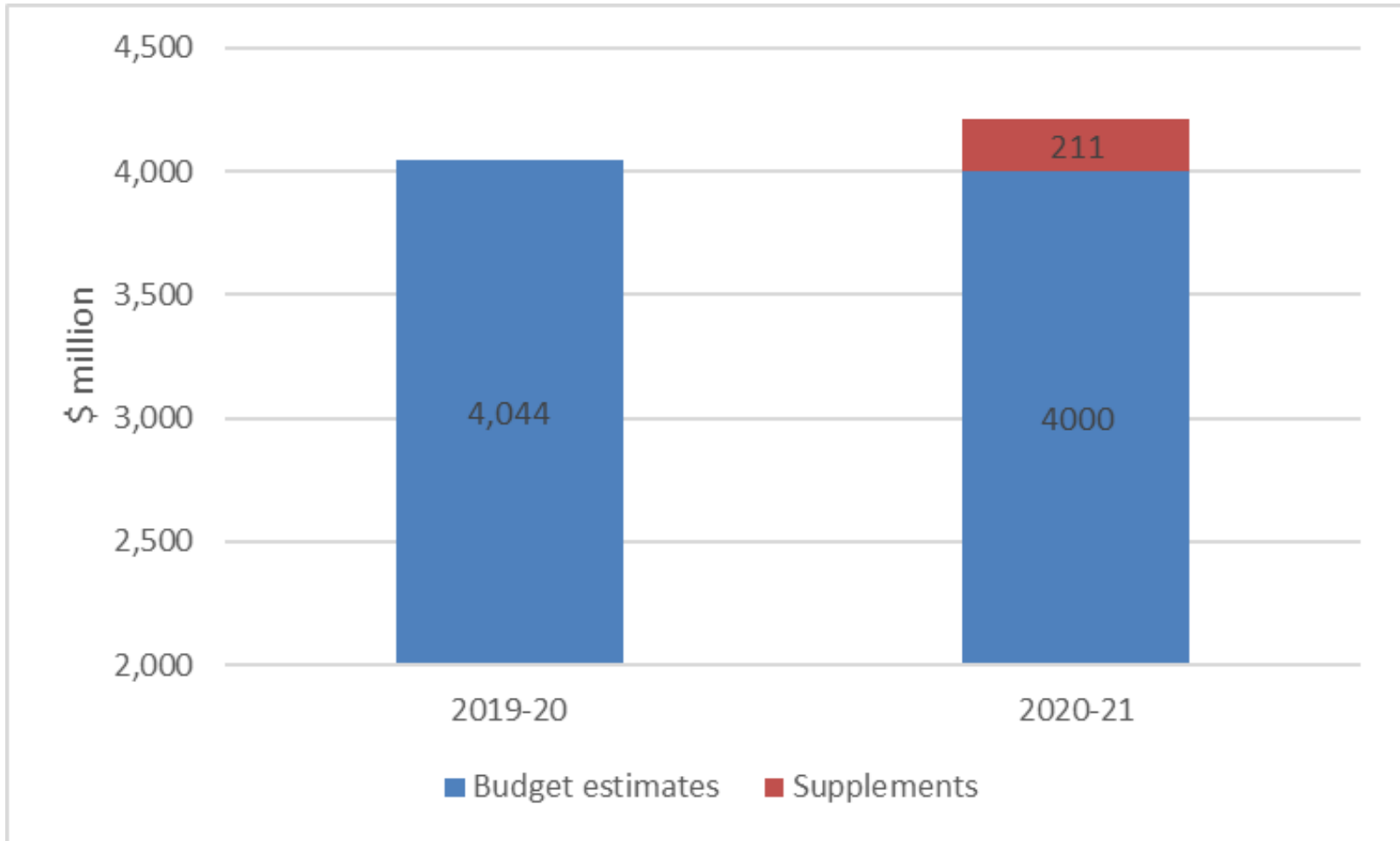
## Underlying cash balance



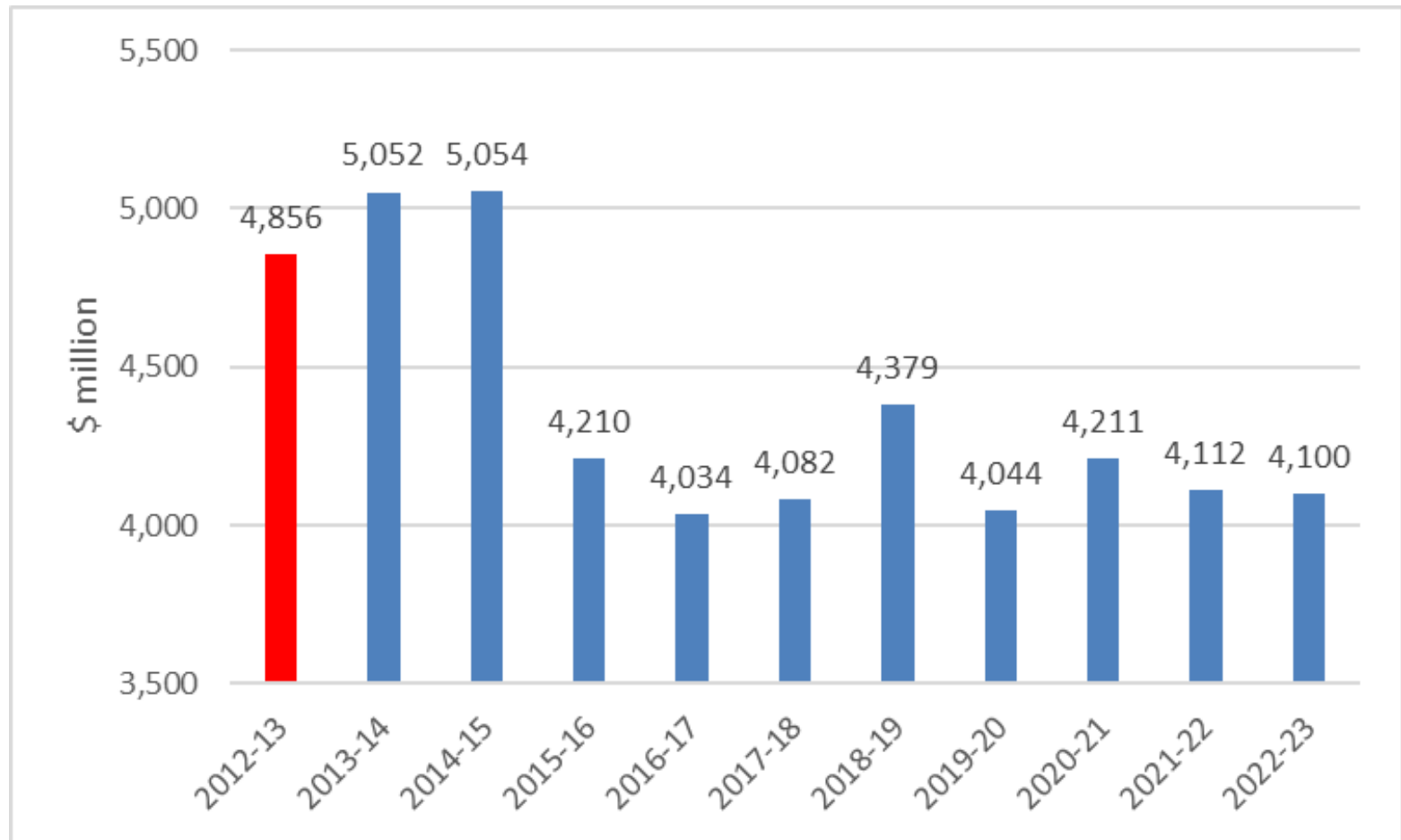
# As revenue falls, and (mainly) expenditure balloons



# Aid in this year's budget

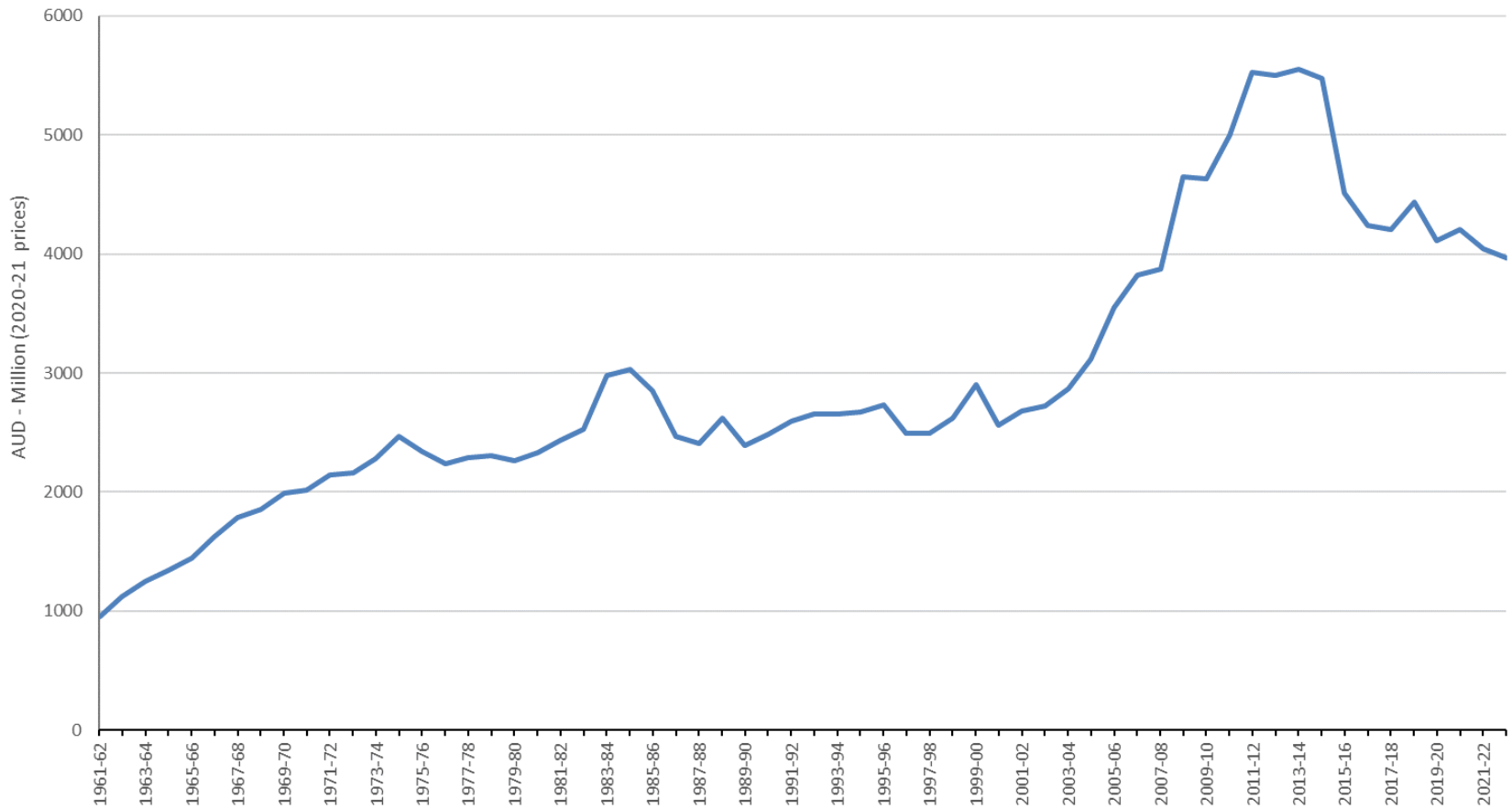


# The aid trajectory under the Coalition

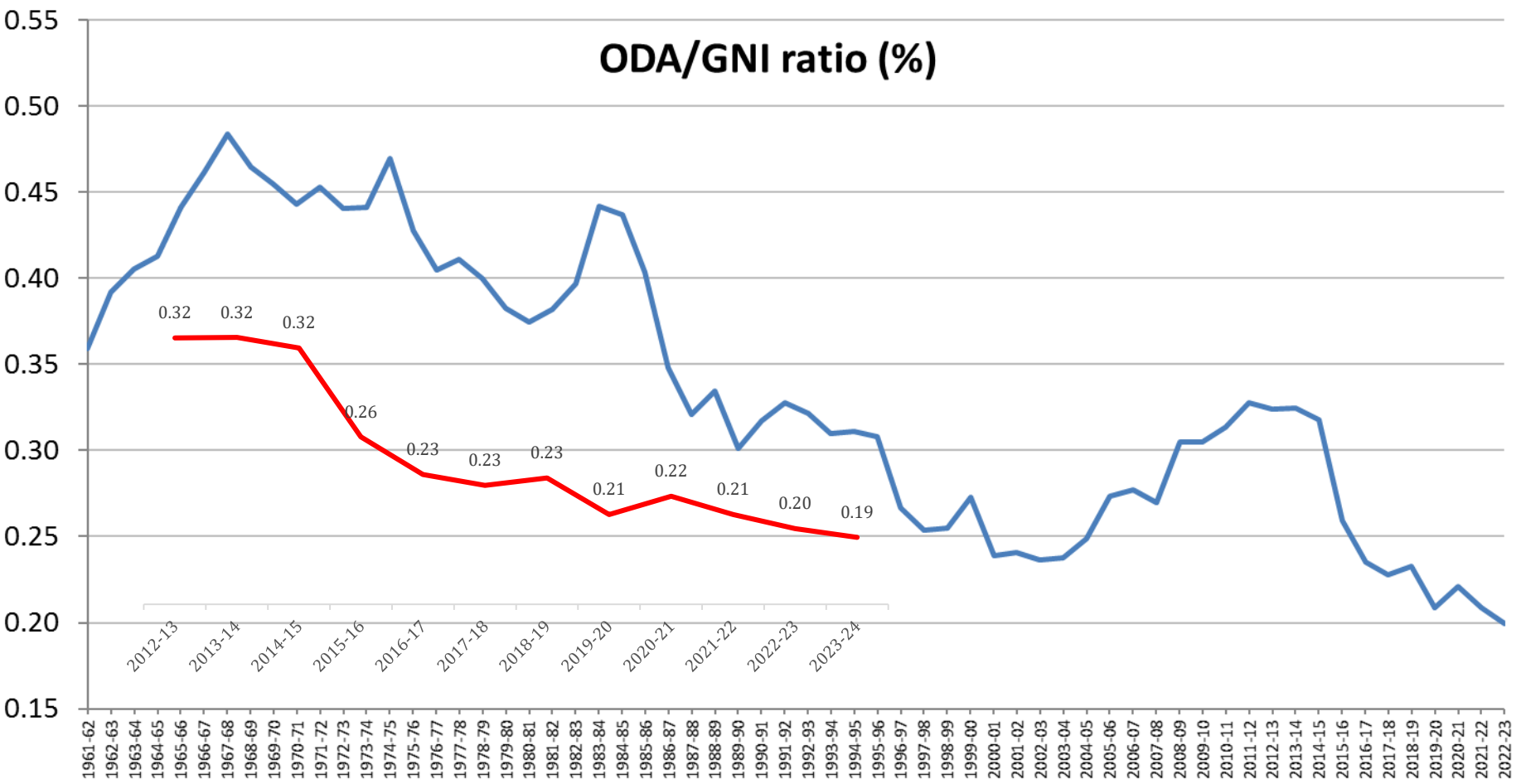




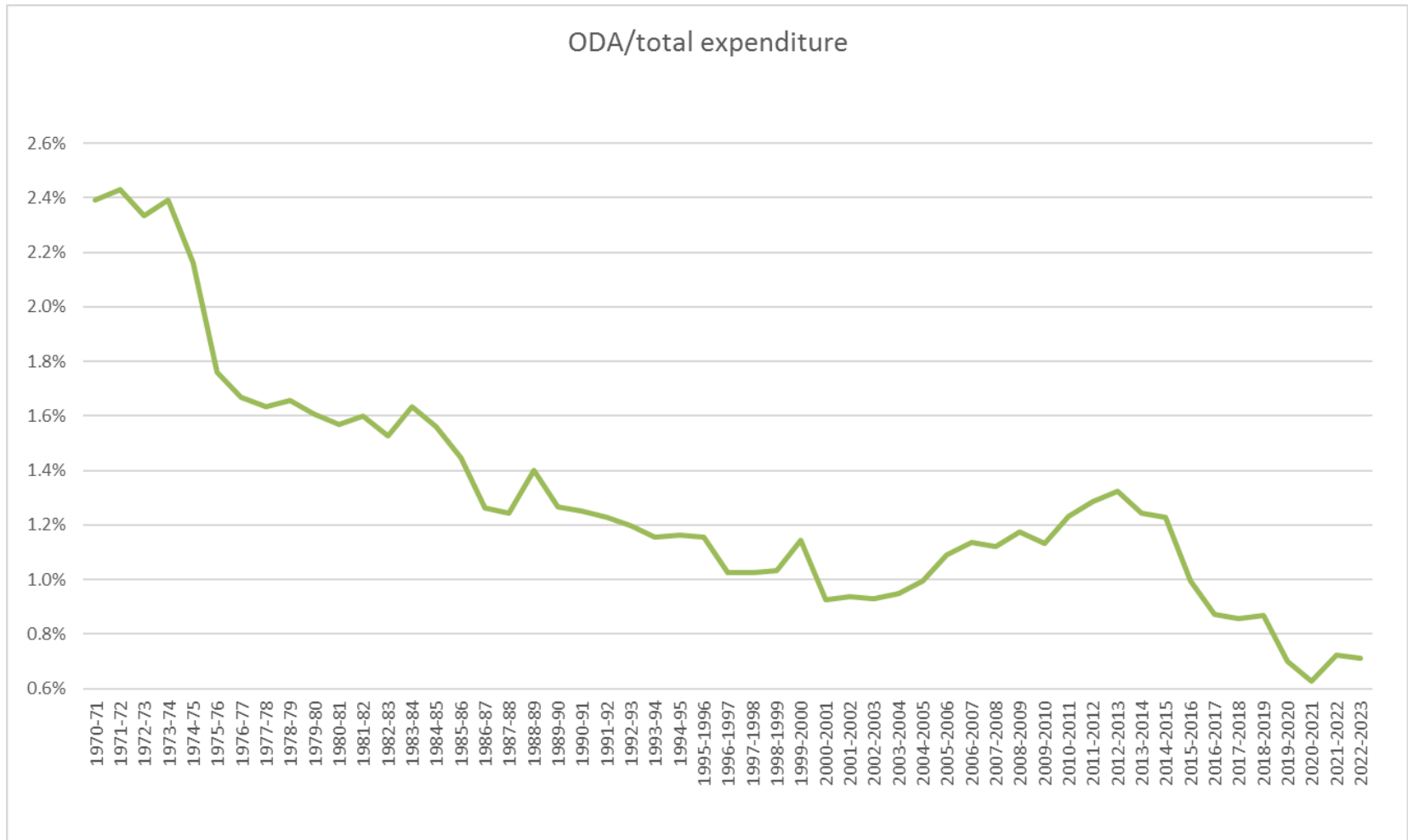
# The long view



# ODA/GNI: a little climb on a long descent?



# Aid has never been a lower priority



# Australian government aid: allocations and performance



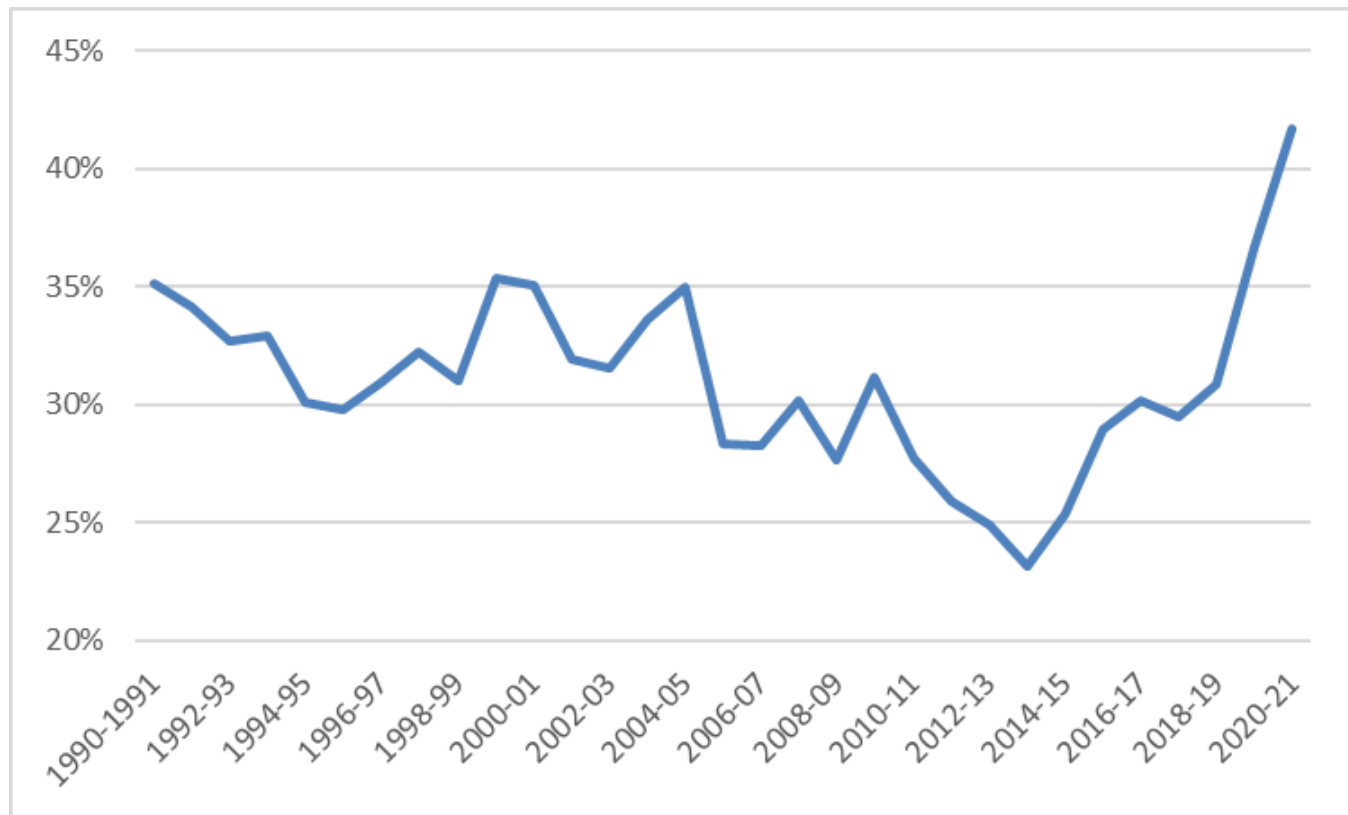
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# The Pacific Step-Up continues

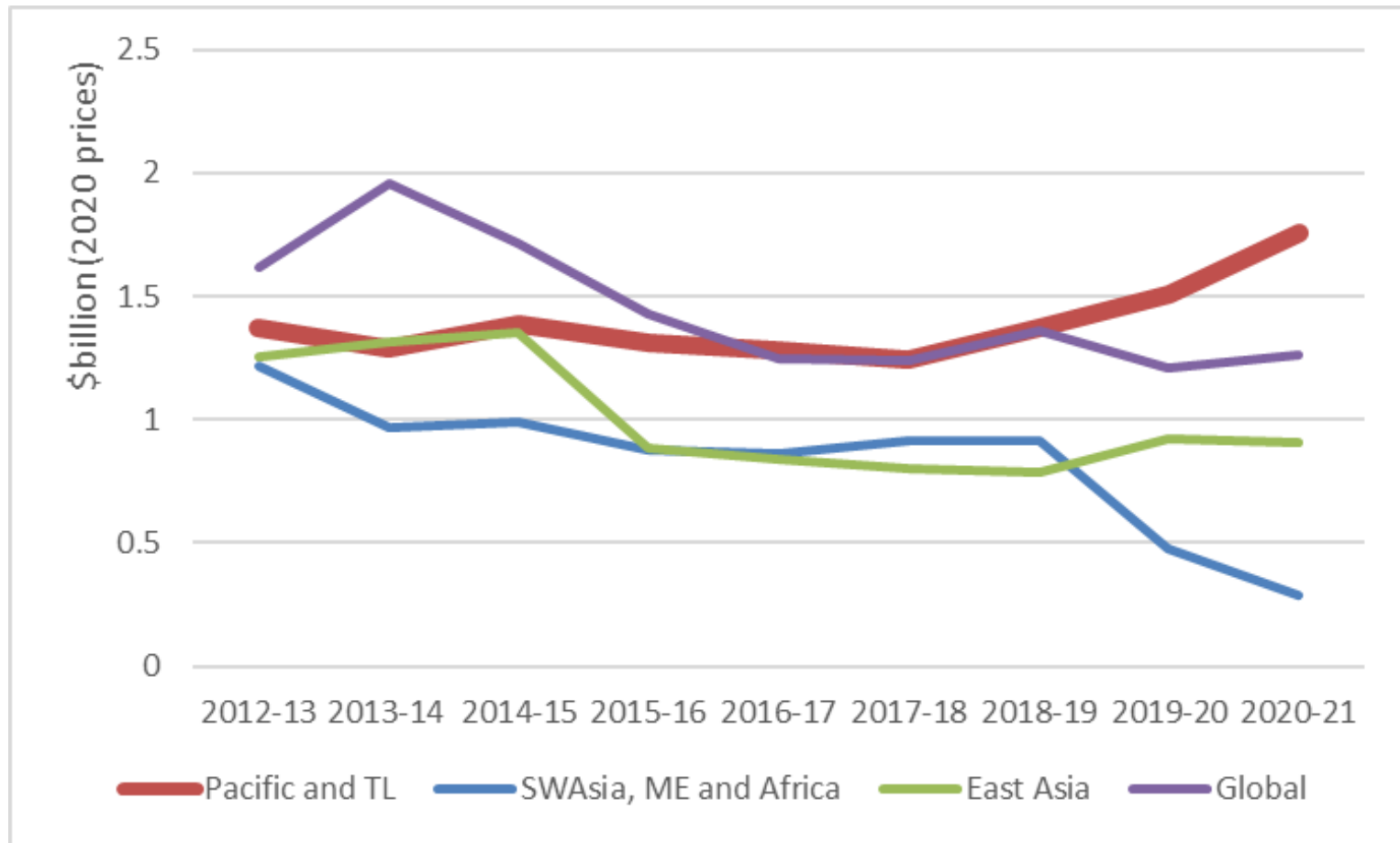
The share of the aid program going to the Pacific and Timor-Leste



# Cuts elsewhere

- Southeast Asia (excl TL) flat.
- South and West Asia cut by 27%
  - Afghanistan 35%, Paksitan 66%
- Middle East and North Africa cut by 61%
- Sub-Saharan Africa cut by 48%
- But all these cuts free up only \$180 million
  - \$44 m aggregate cut
  - 73 m additional for global programs
  - Leaving only \$63 million extra for the Pacific and TL

# Not much left to cut...



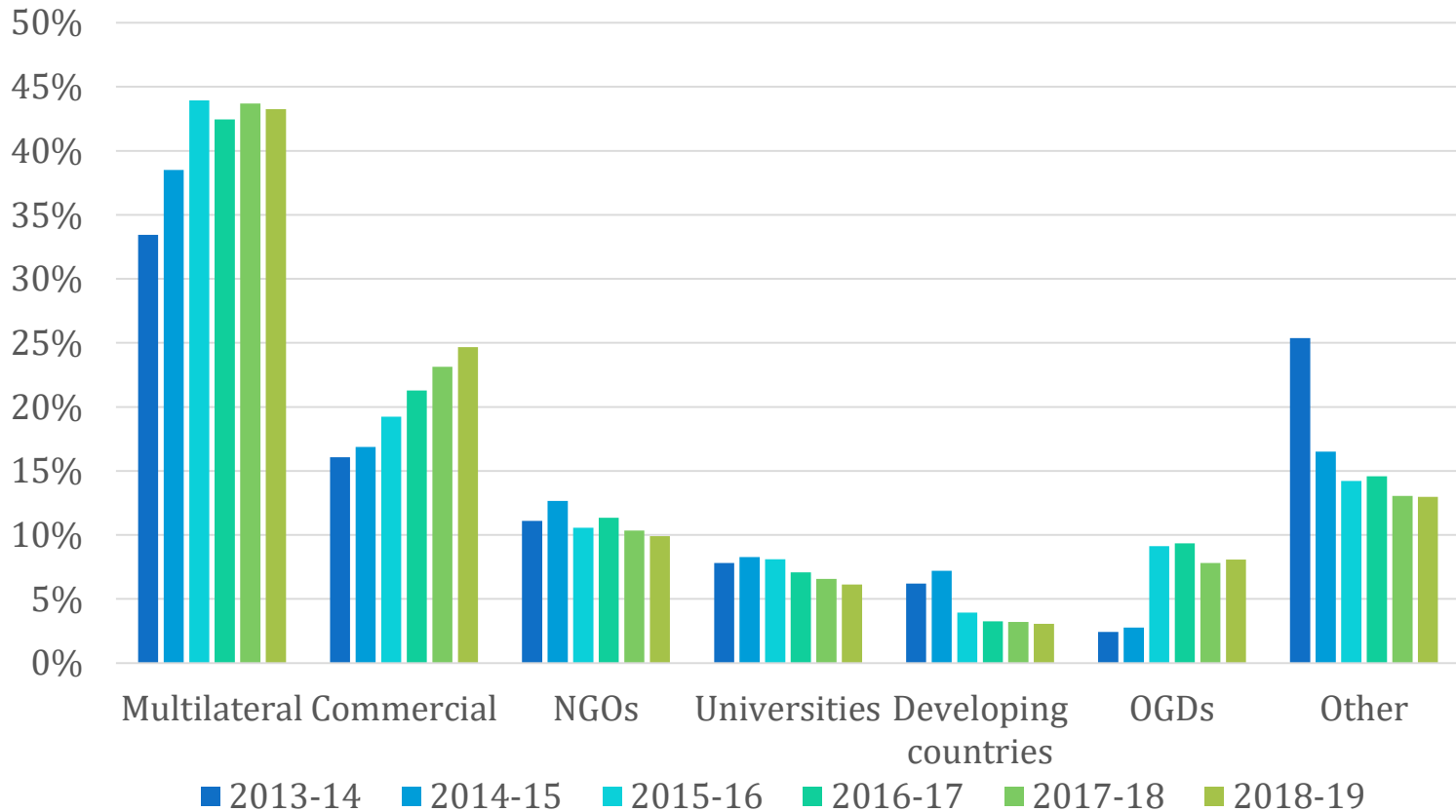
# Humanitarian

- Reductions in Global Humanitarian Partnerships (e.g. ICRC, WFP) from \$133.5 to \$106 m, but increase in “Humanitarian Emergency and COVID-19 Response Fund” from \$150 to \$200 m.
  - Total humanitarian up from \$450 to \$476, but also pivoting to the Pacific?



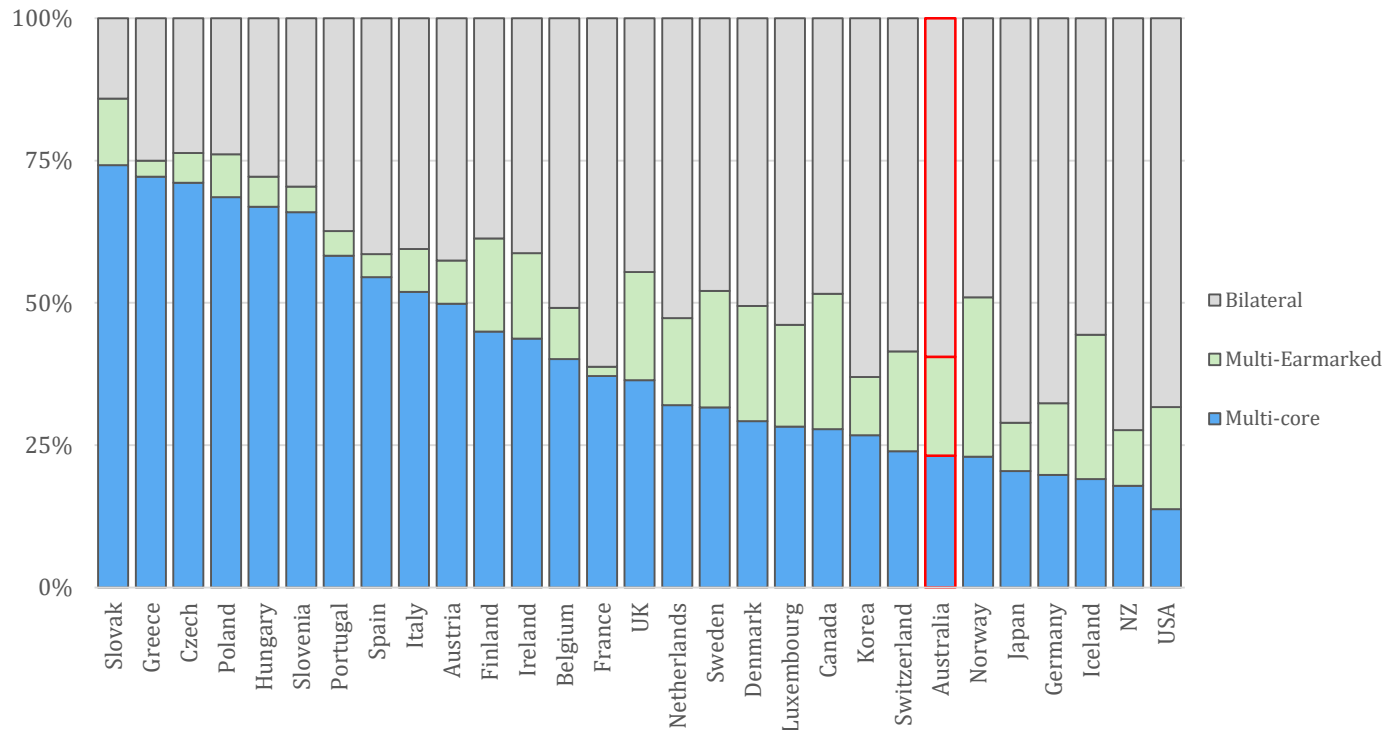
# Delivery partner changes

ODA by partner (%)



# Australia's reliance on multilateral system not excessive by international standards

Australia: 7<sup>th</sup> smallest share of spend on m/lat core support; 10<sup>th</sup> biggest on earmarked m/lat support; 7<sup>th</sup> smallest combined



# MDBs are the major beneficiaries

Organisation	Contributed 2016-18 (USD M)	% of all Australian multilateral funding
World Bank Group (WB)	\$1,049	26.5%
Asian Development Bank	\$550	13.9%
Asian Infrastructure Investment Bank	\$526	13.3%
United Nations Development Programme	\$206	5.2%
World Food Programme	\$185	4.7%
World Health Organization	\$112	2.8%
Global Alliance for Vaccines and Immunization	\$106	2.7%
United Nations Children's Fund	\$95	2.4%
UN Women	\$90	2.3%
Global Fund to Fight AIDS, Tuberculosis and Malaria	\$72	1.8%
Secretariat of the Pacific Community	\$62	1.6%
UNHCR	\$58	1.5%
United Nations Framework Convention on Climate Change	\$53	1.3%
UNRWA	\$49	1.2%
Green Climate Fund	\$47	1.2%

# Recent multilateral replenishments

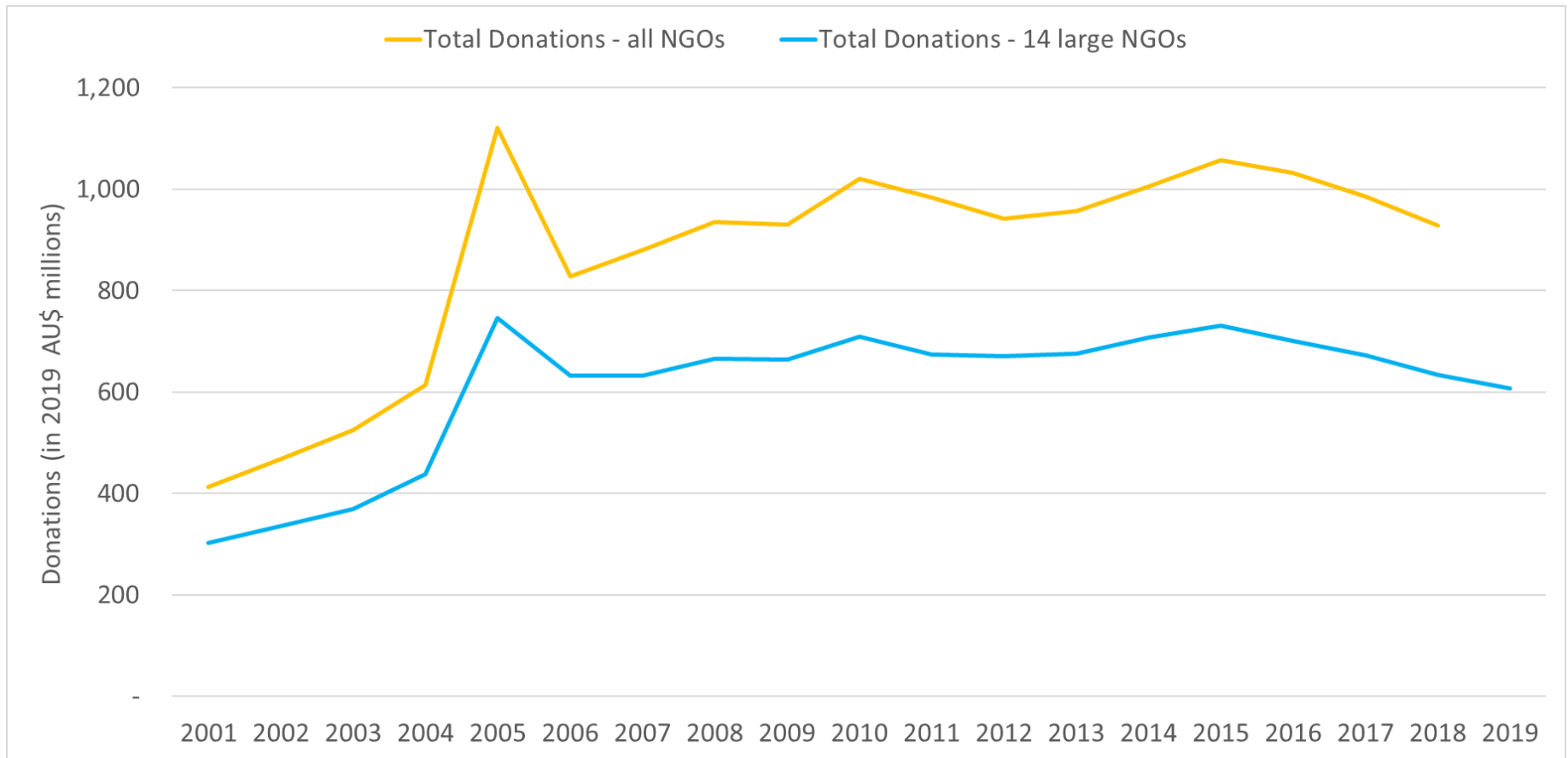
- Global Fund: Up from \$73 to \$81 million p.a.
- Gavi: Up from \$50 to \$60 million p.a.
- World Bank (IDA): Down from \$215 to \$166 million p.a.

# Strategy and performance

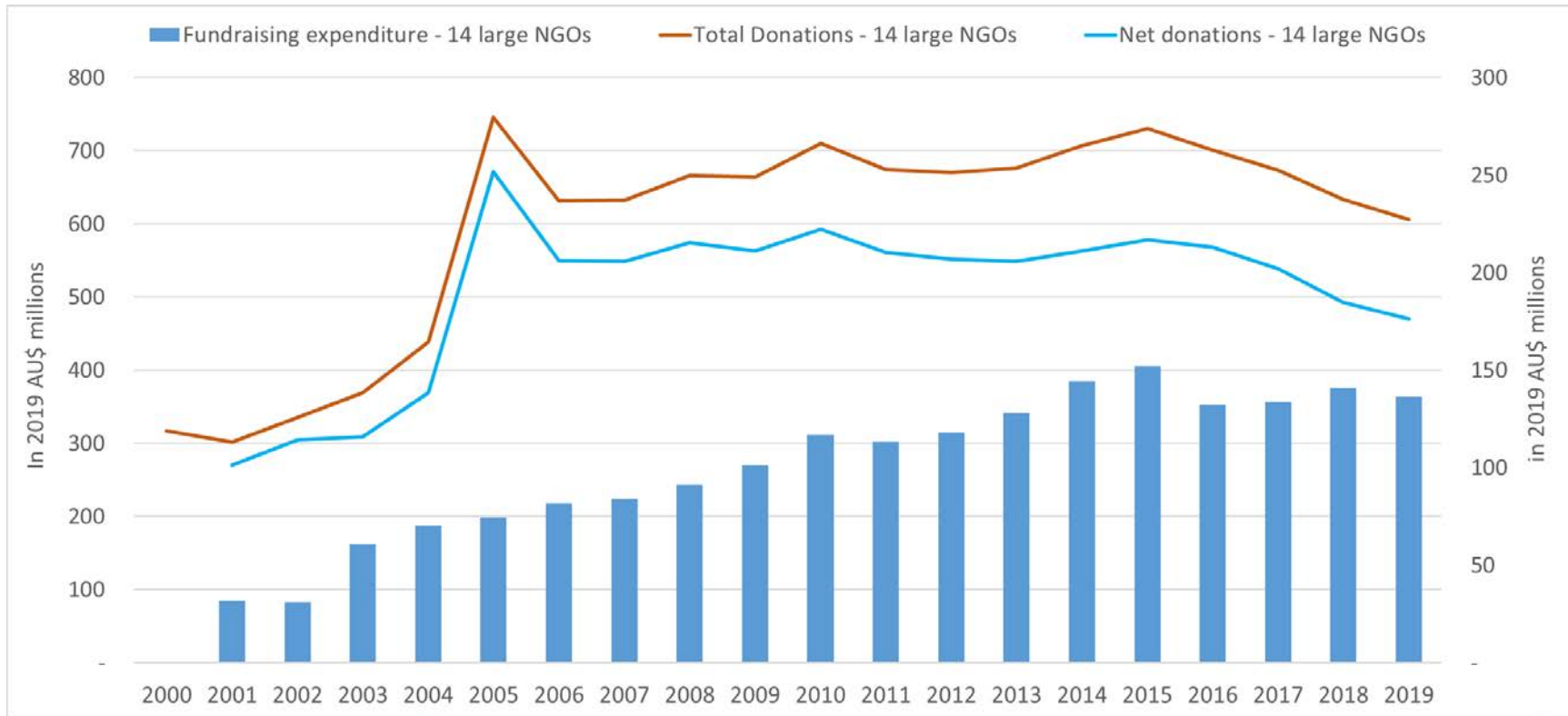
- New strategy and performance framework
  - Promising more support “to deliver critical services” and more funding of “local organisations”.
- Last *Performance of Australian Aid* report from 2017-18
- Office of Development Effectiveness and Independent Evaluation Committee abolished.
- ANAO Facilities audit.

# Australian NGO aid update

# Public donations in decline for four straight years in a row

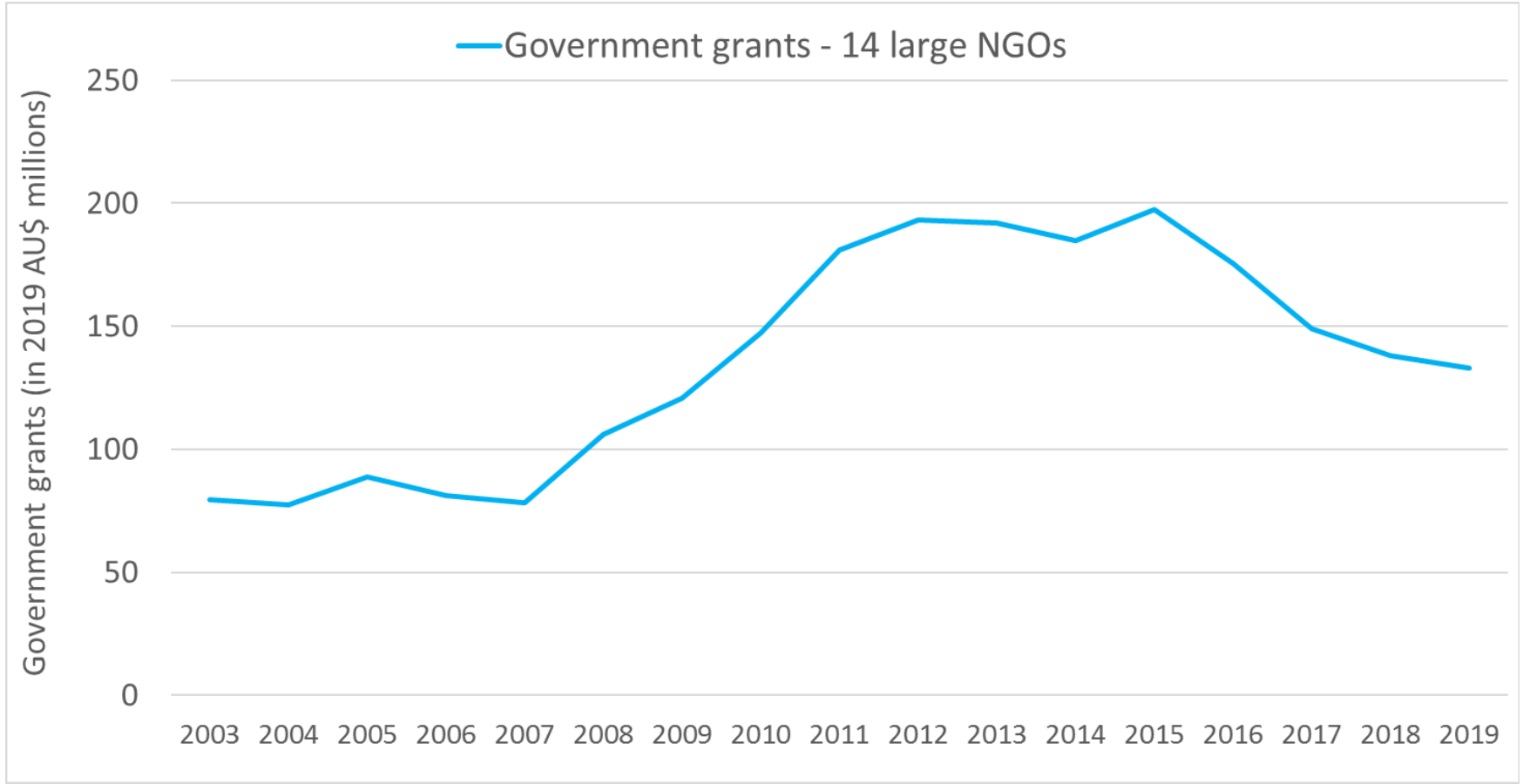


# Net funding heading back to pre-Tsunami levels





# And government funding to NGOs is in reverse



# Global context: aid and debt



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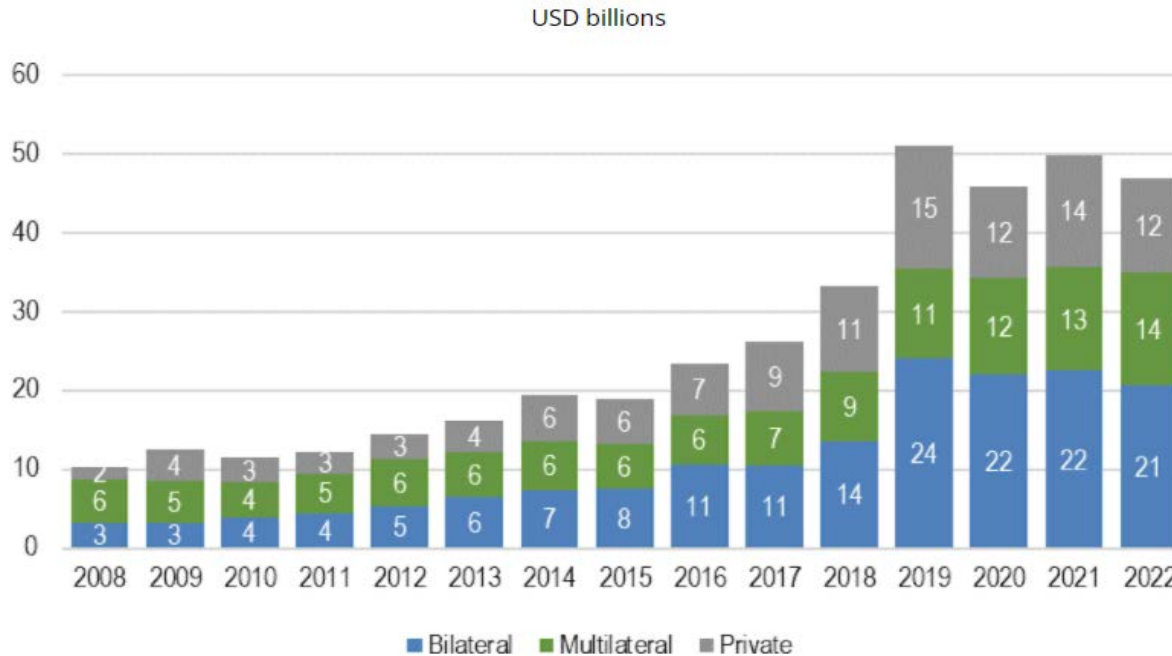
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# Three types of donors

- Those cutting aid: UK (GDP down by 14%?)
- Those reallocating aid: NZ, France
- Those increasing aid: Australia, Canada  
(additional \$740 m or 0.47% of domestic response – equivalent in Australia would be \$534 m)

# Growing debt-stress

## Debt service for DSSI countries



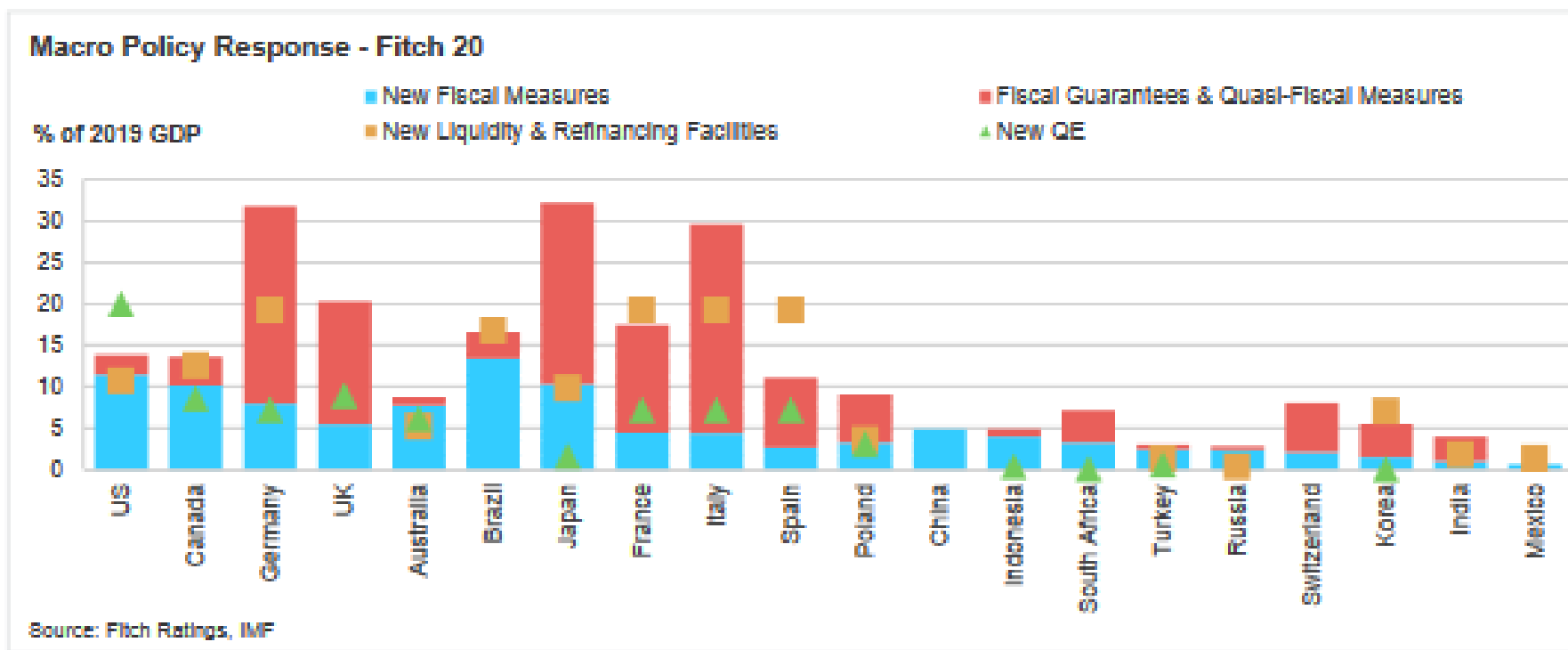
Source: [OECD](#)

- Public debt in low- and middle-income countries totalled 51 percent of GDP in 2018—up 5 points since 2013.
- In 2018, global debt reached a record high of about 230 percent of global GDP in 2018 and total Emerging Market Developing Economy debt reached an all-time high of almost 170 percent of GDP, an increase of 54 percentage points of GDP since 2010.

# Debt service suspension initiative

- Status
  - 73 countries eligible: LDC and IDA
  - Maximum amount for suspension \$11.5 billion
  - 39 countries have requested to participate, deferring US\$1.8 billion.
- Limitations
  - Many middle-income countries not covered.
  - Just a standstill – may be extended to next year.
  - Coordinated by Paris Club: 77% of debt owed to non-Paris Club lenders (62% China).
  - Private sector debt restructuring very difficult

# Fiscal responses to COVID-19 very different in developing and developed countries



<https://www.fitchratings.com/research/sovereigns/coronavirus-macro-policy-responses-unprecedented-03-06-2020>

# Beyond Australian aid

# AIFFP and related infrastructure

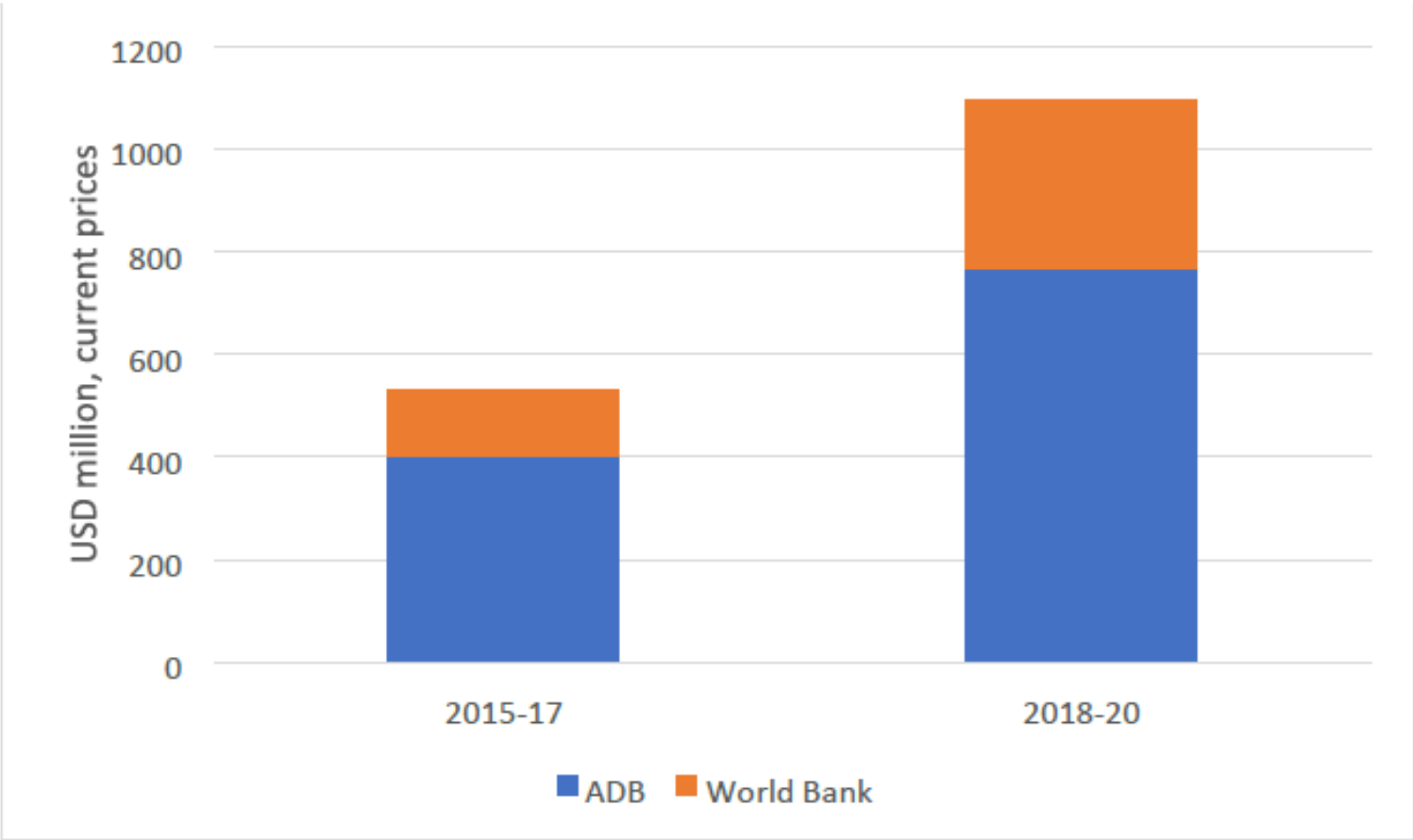
- Coral Sea Cable: \$137 m
  - [System commissioned Dec 2019](#)
  - [No change in mobile data prices](#) in first half of 2020
  - PNG's state owned telecom companies (including CSC part-owner DataCo) "facing insolvency" [according to](#) SOE Minister; most recent annual financial report 2015.
  - According to the [World Bank](#) (July 2020), "There is an active dispute [in PNG] over access to the Coral Sea Cable. One ISP consulted estimated that data flowing over the Coral Sea Cable is of reduced quality 90 percent of the time because of mismanagement of the cable termination."
  - Development impact to be [audited](#) by ANAO



# AIFFP projects

- PNG: Markham Valley Solar Plan
  - Announcement of (unspecified) funding in August 2020
  - 11 MW solar farm: About \$1 million per MW (in Australia)
- Solomon Islands: Tina River hydropower
  - Announcement of (unspecified) funding for transmission Aug 2020
  - Transmission cost of US\$22.8 million (\$US10.6 m loans)
- Timor Leste: Submarine cable
  - Announcement of \$1.5 million for cable design
- Another five projects endorsed by AIFFP Board

# Pacific is awash in infrastructure funds



# PNG and Australia: variable fiscal responses and contexts

	<b>PNG</b>	<b>Australia</b>
Extra expenditure (% change)	-4%	33%
Extra borrowing (% GDP)	2%	10%
Cost of debt	12%	0.82%

# Australia lending to PNG

- Loan last year through EFA (EFIC) of \$441 m to PNG.
- That loan was for one year. Debt-service on that loan has been suspended, and and new loan **announced** this year for \$135 million.
- **Transparency:** “The World Bank fully discloses the objectives, conditions, and terms of every loan when it is made, and think this is important in getting good development outcomes. When countries enter into debt-creating contracts, they should make them public.” – [World Bank President, July 2020](#)
- **Multi-year lending:** One-shot lending of limited value. What about instead a large multi-year lending program to PNG and Fiji coordinated with the IMF and the Banks?

## Details of \$442m PNG loan kept secret

**EXCLUSIVE**  
By BEN PACKHAM  
FOREIGN AFFAIRS AND  
DEFENCE CORRESPONDENT  
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8:57PM NOVEMBER 27, 2019  
14 COMMENTS

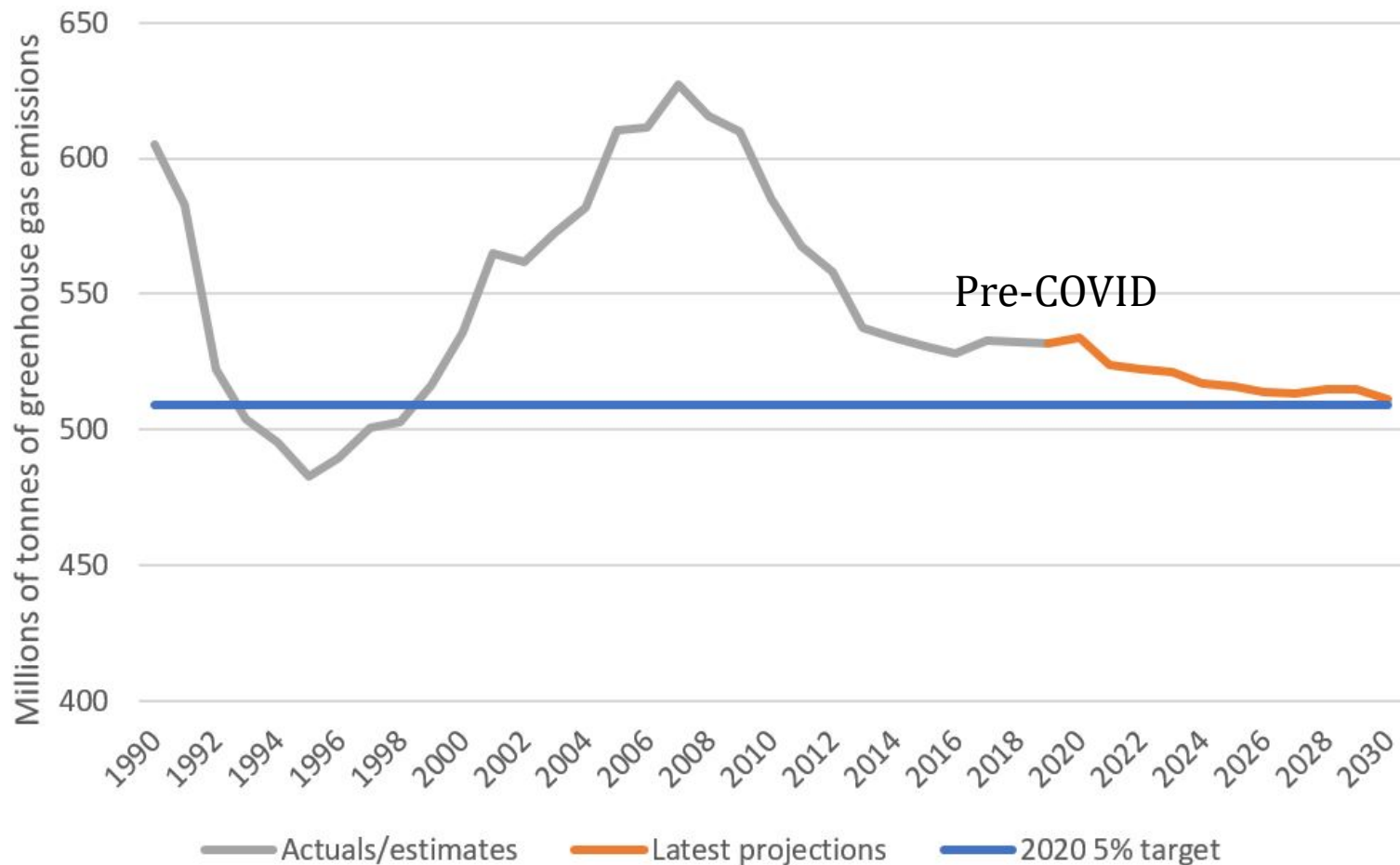


Papua New Guinean Prime Minister James Marape. Picture: AAP

# Pacific labour mobility

- The pandemic not a good time for labour mobility, but
  - SWP much better known.
  - Lots of pressure for aged care reform (PLS).
  - In the recovery, the Pacific will be a safe place to recruit from.

# Australian emissions performance against 2020 target



# Countries/states with a 2050 net zero emissions target

Austria (2040), Bhutan (now), California (2045), Canada, Chile, China (2060), Costa Rica, Denmark, EU, Fiji, Finland (2035), France, Germany, Hungary, Iceland, Ireland, Japan ( $\geq 2050$ ), MI, NZ, Norway, Portugal, Singapore ( $\geq 2050$ ), Slovakia, SA, SK, Spain, Sweden (2045), Switzerland, UK, Uruguay (2030)

<https://www.climatechangenews.com/2020/09/17/countries-net-zero-climate-goal/>

# Conclusion

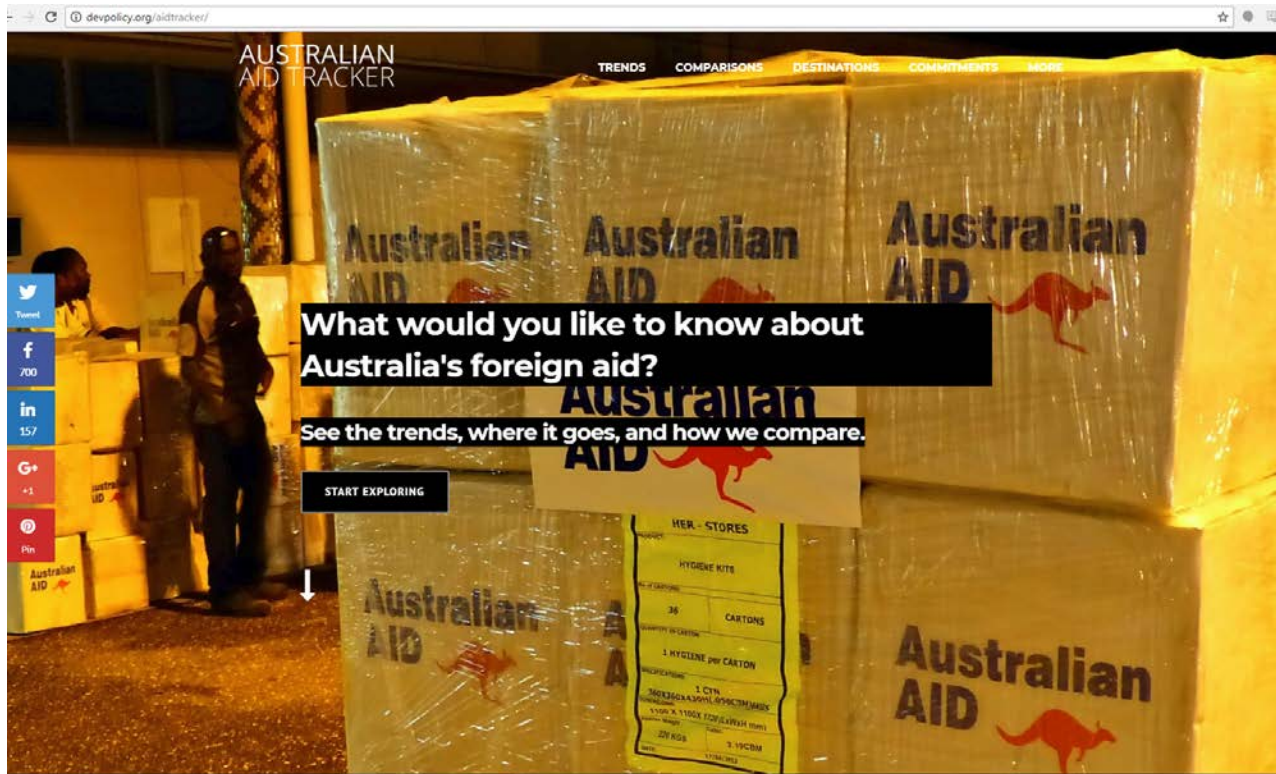


# Conclusion

- Good to see an increase in the aid budget, albeit hidden and confusing.
- Unfortunate to see continued aid cuts to areas in need.
- Important aid and non-aid challenges in the year ahead.

# Thank you

# Aid Tracker



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