



Australia slashes World Bank funding – falls from 12th to 18th

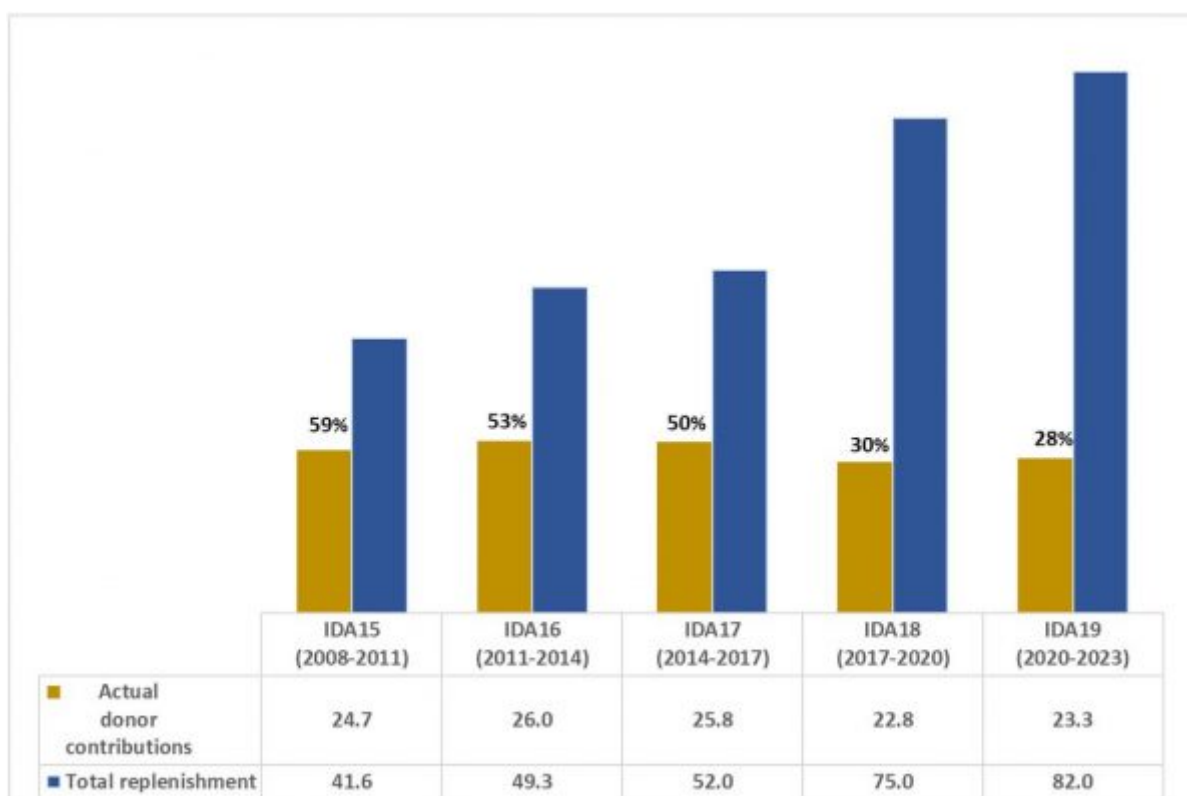
By Sherman Surandiran and Stephen Howes
17 July 2020

As one of the World Bank's [five development financing agencies](#), the [International Development Association](#) (IDA) focuses on the world's poorest countries by providing them with grants or highly concessional loans to help them meet their development needs. IDA supports a broad range of development activities across various sectors and relies on replenishment cycles to raise funds to finance its development programs.

Trends in total funding

The latest round of fundraising – IDA19, which actually concluded in December 2019, but has gone unnoticed in Australia – delivered a record-breaking [US\\$82 billion](#) in total. While the total amount of funds raised by the IDA has increased in nominal terms over the last five replenishment cycles, the proportion of contributions from donor countries has fallen each cycle, as Figure 1 illustrates.

Figure 1: IDA replenishments (in current US\$ million)



Note: Percentages indicate the ratio of actual donor contributions to the total funds raised. 2008 to 2011 means July 2008 to June 2011.

How can IDA be growing, when donor countries are becoming no more generous? The growth in total funds raised is due to greater support from the World Bank Group itself, via IDA reflows (amounts paid back from recipients of earlier IDA loans), International Bank for Reconstruction and Development profits, and, since IDA18, market borrowings.

Australia's contributions

With Australia's shrinking aid budget, it is not surprising that Australia's IDA contributions have declined in recent replenishment cycles - both in absolute and relative terms. Since IDA17, seven countries - Austria, Belgium, China, Denmark, Norway, Saudi Arabia and South Korea - have surpassed Australia in their generosity to IDA, and Australia has dropped from the 11th in IDA17 to 12th in IDA18 to the 18th most important donor in IDA19. Notably, China's nominal contributions have quadrupled from US\$300 million in IDA17 to US\$1.2 billion in IDA19.

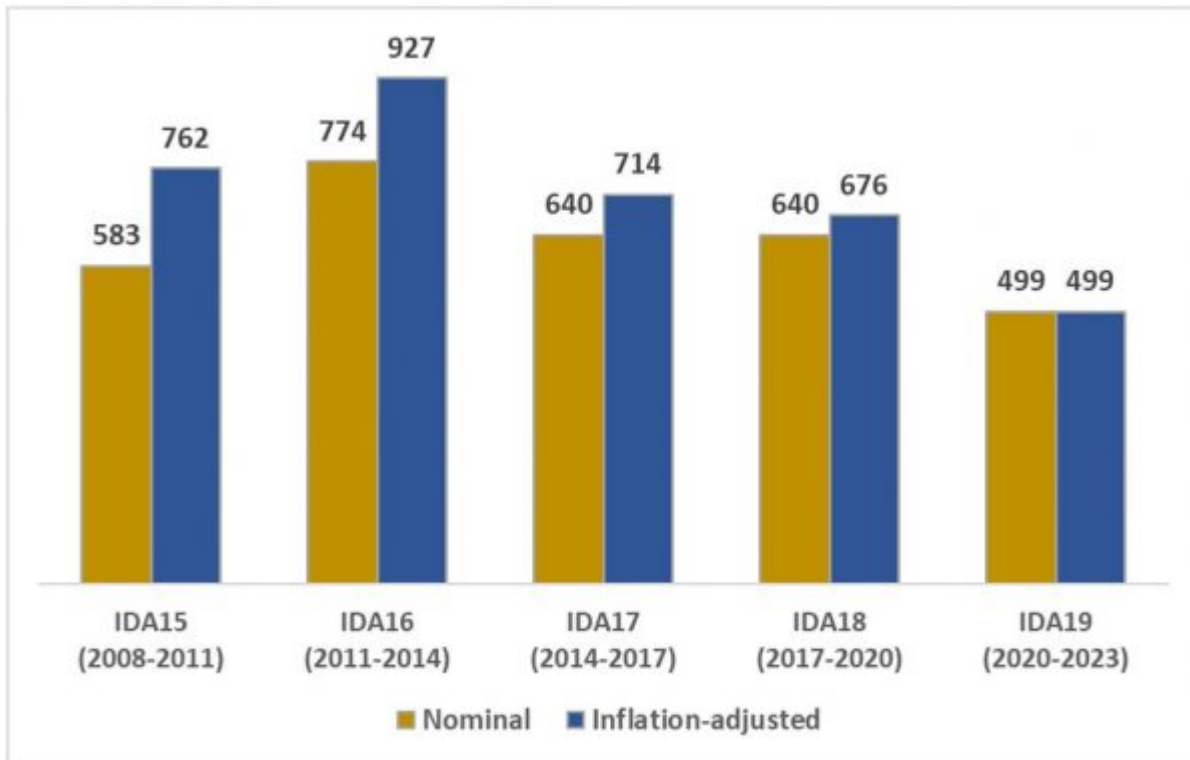
Figure 2: Countries that have contributed more to IDA than Australia

IDA17 ranking	IDA18 ranking	IDA19 ranking
1 United Kingdom	1 United Kingdom	1 United Kingdom
2 United States	2 United States	2 Japan
3 Japan	3 Japan	3 United States
4 Germany	4 Germany	4 Germany
5 France	5 France	5 France
6 Canada	6 Canada	6 China
7 Sweden	7 Sweden	7 Canada
8 Netherlands	8 Netherlands	8 Sweden
9 Switzerland	9 Switzerland	9 Netherlands
10 Italy	10 Italy	10 Switzerland
11 Australia	11 China	11 Italy
	12 Australia	12 Belgium
		13 Austria
		14 Korea
		15 Saudi Arabia
		16 Norway
		17 Denmark
		18 Australia

Australia's falling ranking is consistent with our declining burden share, from 1.8% in IDA16 and IDA17 to 1.55% in IDA18 and 1.07% in IDA19. Although, due to IDA's arcane accounting (explained in the endnotes), burden shares combined do not necessarily add to one, their total is largely unchanged over the last three rounds. We have reduced our share of total country IDA funding by 42%: from 2.5% of the total in IDA17 to 1.5% in IDA18.

One can also simply look at changes to the absolute level of Australia's contributions to IDA. The Coalition managed to avoid major cuts to IDA in the 2014-17 and 2017-20 rounds, but not this time. Adjusting for inflation, the IDA19 cut is 26% compared to IDA18 (2017-20), and 46% compared to IDA16 (2011-14).

Figure 3: Australia's IDA contributions (in A\$ million)



Note: Columns in blue indicate Australia's inflation-adjusted contributions with 2019 as the base year.

Cutbacks in programs across Asia and the rest of the world are an inevitable consequence of Australia's Pacific pivot and a declining aid budget. [Multilateral funding has overall been kept high](#), but with ongoing aid cuts, and increases to more popular global institutions, [Global Fund](#) and [Gavi](#), something had to give. Australia can [talk](#) about the importance of the multilateral system, but if we start defunding it, and becoming a less important donor, it will remain just talk. In 2014, the Coalition [boasted](#) that it was maintaining Australia's IDA burden share. Why does it now make sense to cut that share almost by half?

Even from a narrowly Pacific perspective, this cut seems short-sighted. Australia has negotiated over the years for an increasing proportion of IDA to flow to the Pacific. All Pacific countries have an income (GNI) per capita far above the [IDA threshold](#) of US\$1,185 currently. But, due to a small-island carve out, a large number are nevertheless eligible for IDA, including relatively prosperous ones such as Fiji. (The full [list](#) of Pacific countries eligible for IDA on account of this special exemption are: Fiji, Kiribati, Marshall Islands, Micronesia, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.) Not only are these countries all eligible, but IDA guarantees them at least US\$21 million a year, up from only US\$5.5 million before 2017. Other countries have to compete for IDA funding on the basis of their poverty, size and performance. Having secured such a

good outcome for the Pacific, does it make sense for Australia to reduce its funding of and therefore influence within IDA?

Note: [DFAT-reported figures](#) include Australia's MDRI (Multilateral Debt Relief Initiative) contributions. To enable cross-country comparisons, we used figures from the IDA replenishment reports, which exclude MDRI contributions. A donor country's burden share is the ratio of its contribution to the replenishment cycle to the total targeted funding volume set by all donor countries. Donor burden shares initially summed to one in the first replenishment cycle but have fallen in subsequent cycles. If the reduction in the burden shares of some donor countries is not offset by a commensurate increase in the burden shares of others, the total donor contributions fall below 100% of the targeted funding volume set by countries in a replenishment cycle, resulting in what is known as the structural financing gap. For coverage of previous IDA replenishment cycles, see [this](#), [this](#), [this](#) and [this](#), as well as Devpol's [Australian Aid Tracker](#).

Correction, 8/2/2022: The phrase '(the blue columns)' was deleted from the paragraph below Figure 1 in this blog as it did not correctly describe the graph.

About the author/s

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