Scott Morrison’s second Federal budget is, thankfully, a pragmatic one. It is a reset budget which clears the decks of previous budget measures stuck in the Senate, and puts forward new measures that are relatively Senate friendly. It also signals the potential end to the budget emergency with the Treasurer announcing that government recurrent spending is under control and, by 2018-19, all of it will be paid out of revenue rather than debt. Has the debt and deficit issue that has plagued aid allocations gone away, and can we expect a more certain and stable aid budget in the future?

A key emphasis in this year’s budget was on “good” and “bad” debt. Good debt, according to the Treasurer, is one that is used to fund assets that earn a positive return over time (think capital spending), whereas bad debt does not (think recurrent spending). This distinction helps to frame the $51bn of proposed spending on infrastructure in the budget, largely funded by “good” debt, in a much more favourable light.

This framing also allows the government to focus on a new measure, the adjusted Net Operating Balance (NOB), which indicates the extent to which the government relies on (bad) debt to fund recurrent spending. In contrast, the underlying cash balance, which is equal to government cash receipts minus payments, indicates the extent to which additional good and bad debt is relied on to fund all government spending.

Figure 1: Adjusted Net Operating Balance and Underlying Cash Balance
Figure 1 shows that the government was racking up large amounts of both bad debt and total debt after the global fiscal crisis (as indicated by a negative adjusted NOB and negative underlying cash balance, respectively). However, this reliance on bad debt is set to rapidly diminish. By 2018-19, the adjusted NOB is projected to enter positive territory, two years prior to achieving a projected underlying cash surplus.

The projected return to budget surplus across both measures reflects a strong rebound in projected government revenue and controls over government spending, the latter limited to growth of around 2% per year in real terms. Figure 2 shows projected year-on-year real spending growth in education and health sectors that are in line with this 2% limit, although this is not the case in other sectors: defence and Official Development Assistance (ODA) spending is set to grow at above 4% and below minus 2% per year, respectively, beyond 2018-19.

Figure 2: Annual real growth in Commonwealth government spending in selected sectors (%)
The budget’s improving position, particularly on an adjusted NOB basis, appears to indicate that the budget emergency is over. Despite this improvement, it is particularly perplexing that aid has been cut again in this budget, in real terms, exactly when the budget is projected to be in surplus. The continuation of aid cuts, totalling 33% in real terms since 2012-13, indicates that there is a lack of support for aid spending that seems to go beyond the budget emergency explanation.

Two alternate explanations for the real aid cuts were discussed at the Development Policy Centre’s Aid Budget Breakfast. The first is that the budget emergency is not over, and that the real cuts to the aid budget provide some sort of insurance in case revenue projections prove to be overly optimistic. Indeed, the underlying cash balance projections in this budget are as bullish as in previous budgets. As Figure 3 shows, these previous projections were overly optimistic, and so achieving a budget surplus anytime soon is highly questionable.

**Figure 3: Underlying cash balance, actual and projected**
The second explanation is that the aid budget was not specifically targeted by Treasury for real cuts, but instead spending priorities within the Department of Foreign Affairs and Trade (DFAT) portfolio have favoured non-ODA spending, such as those related to national security, at the expense of ODA.

If this is the case, and national security issues continue, then the likelihood further cuts to ODA will in part depend on the perception within the department that aid can help reduce risks to Australia’s security. From this perspective, aid advocates might want to better emphasise the aid program’s role in countering underlying causes of violent extremism and conflict abroad that pose a threat to national security.

The good news in this budget is that the government is prepared to raise revenue to meet key spending commitments, rather than relying on finding savings in other areas, such as the aid budget. The bad news is that the conditions that created the budget emergency, which have in the past been used to justify cuts to the aid budget, have not yet gone away. Any additional pressure on DFAT to increase its contribution to national security in the future may also result in further reallocations away from ODA.

Anthony Swan is a Research Fellow at the Development Policy Centre. This post is based on his presentation given at the 2017 Aid Budget Breakfast; watch the
Has the budget emergency gone away? Implications for future funding of Australian aid

By Anthony Swan
19 May 2017

The O’Neill government has done its best to protect its flagship Tuition Fee Free (TFF) policy during the current fiscal crunch in Papua New Guinea (PNG). Despite substantial funding cuts to many core government services in recent years, government funding of around 600 million kina for the TFF policy has been maintained in the 2017 budget at much the same level (in nominal terms) since its introduction in 2012. But there is a difference between budget allocations and actual release of government funds in a timely matter, as is becoming increasingly apparent in PNG.
Cash flow problems have meant that salary payments to public servants have been late, teacher holiday leave fares unpaid, road funding delayed, and payments of MP funds delayed. TFF payments to schools have not been immune; for example the Department of Treasury only released the warrants for the release of the last quarterly TFF payment of 2016 in December, only days before the end of the school year (see also here and here). The problem is that schools in PNG have been directed by the National Department of Education (NDoE) to not charge school fees, and so delayed TFF payments to schools have resulted in reports of schools closing and students sent home.

In May 2016, one of us - Grant - witnessed the impacts of problems with school funding first hand in Central province. On the way back from fieldwork in Gulf province, he and other researchers came across a throng of young people clutching bags and slowly walking along the Hiritano highway, which links Port Moresby to the capital of Gulf province, Kerema (see photo above). In response to questions about why they weren’t in school, students said that their teachers had sent them home to collect money for school fees from their parents. Students in lower secondary school were asked to bring back 50 kina, and those in higher grades were to return with 100 kina. According to the students, the school had run out of money; this, it was suggested, was likely due to late payment and poor management of TFF subsidies.

Recent research in Gulf and East New Britain provinces showed that some schools are also quietly charging fees, including school and project fees.

In expectation of TFF payment delays continuing, the Education Board in PNG’s largest province, Morobe, has now announced that all schools in the province will be required to impose school fees in 2017 to make up for shortfalls in TFF funding.

This decision certainly makes sense as a short-term solution to ensure that schools are able to access resources (such as water, classroom materials, and electricity) to keep them functioning. The question now is whether other
provincial administrations will come out and defy the national government’s official position and reinstate school fees. If more provinces join Morobe then this will likely result in a broader unravelling of the TFF policy.

There is some dispute about the ability of provinces to themselves set school fees independent from the national government. A letter contesting NDoE’s ban on any imposition of schools fees was published in the Post-Courier newspaper by the Catholic Church in May this year. The letter – addressed to the prime minister and signed by the President of the Catholic Bishop’s Conference of PNG, Bishop Arnold Orowae – argued that NDoE’s order transgressed the national Education Act, and Provincial Education Acts in the 13 provinces where these are in place.

With the NDoE’s 2016 TFF policy promising to redirect 60 per cent of school payments to districts and national administrators, it is likely that many more schools will feel a need to charge school fees (if they are not already). There are also reports that some are finding other ways to make up for lost revenue through unofficial transfers. The school fees imposed by Morobe’s administration is just another indication that parents are increasingly being expected to pay for the cost of schooling, whether the charges are official or not.

To some degree, sorting out the problems associated with TFF payments will fall to the NDoE. The department’s bureaucrats should be directly engaging with Morobe’s administrators as well as Treasury officials, and looking for ways they can help ensure payments get to schools on time. The decision earlier this year to disperse TFF payments on a quarterly basis is a step in the right direction but, on its own, not enough.

While bureaucrats explore potential fixes, there are likely to be broader consequences for the current government. With the 2017 national election looming large, an unravelling of the TFF policy could result in significant reputational damage, and hamper some MPs’ chances of re-election. In addition, it may result in instability amongst the large coalition of MPs in government.
The TFF policy’s unravelling would likely impact on post-election wheeling and dealing associated with forming a coalition government. The current TFF policy was a key part of the government’s 2012 Alotau Accord [pdf] (which laid out the priority areas for the new then government), and was a likely (but certainly not the only) factor in current Prime Minister Peter O’Neill securing a strong coalition of MPs to form government in 2012. The TFF policy also helped O’Neill differentiate himself from his predecessor, Sir Michael Somare. If the TFF policy is seen to be failing, this may give MPs one more reason not to back O’Neill to head the government after the 2017 election.

Previous governments in PNG have lived and died on their ability (and subsequent inability) to sustain “free education”. Will this fourth attempt at free education go the same way as the previous three failed attempts? For now, we will just have to wait and see.

Anthony Swan and Grant Walton are Research Fellows at the Development Policy Centre.

Disclosure

About the author/s

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The Millennium Development Goal (MDG) for education was seen by many as a success. It was primarily focused on one key educational outcome: ensuring that all children completed a full course of primary education by 2015. But now the goal posts have shifted. With commitment to the new Sustainable Development Goals (SDGs), the international community has set itself a dual objective of ensuring children finish secondary school and improving student learning outcomes by 2030. SDG 4 (Quality Education) has ten targets, and the first calls for:

*All girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.*

There is no doubt that this goal is ambitious. Are developing countries economically and politically in a position to achieve this dual objective? In this blog we draw on evidence from Papua New Guinea (PNG) to shed light on this question.

We first focus on estimating the public financial cost of only increasing enrolments in primary and secondary schools in line with SDG 4. To do so we keep levels of education quality constant over time. We later estimate the additional cost of increasing enrolments and improving educational quality in line with SDG 4’s first target.
Our model incorporates changes brought about by recent policies aimed at increasing enrolments; this includes PNG’s Tuition Fee Free (TFF) policy introduced in 2012 and the expected removal of academic standards for entry into lower and upper secondary school. Our enrolment projections, based on actual data up to 2014 (see workings in this Excel spreadsheet), allow for gradual improvements in grade transition rates and net enrolment consistent with SDG 4’s target (100% grade transition, 90% grade specific net enrolment). We call this the “SDG” scenario.

We then project student enrolment under a “counterfactual” scenario which is aimed at measuring what student numbers would have been without interventions to improve access to schooling. This scenario begins in 2012 because the TFF policy, introduced at that time, was in line with international efforts to increase enrolment numbers. It is based on student numbers growing at the long run average growth rate (3.5%) prior to the introduction of the TFF. The difference between the two projections represents additional student enrolments from policies designed to meet MDG for education (over 2012-2015) and to meet SDG 4 (2016-2030). The following analysis examines changes over the SDG period only.

Figure 1 shows that this difference is modest for primary school enrolment but is much larger for secondary school enrolment, the latter reflecting improved transitioning of students from primary to secondary school, and better student retention within secondary schools.

**Figure 1: Primary and Secondary school enrolment projections under “SDG” and “counterfactual” scenarios**
Data and workings for all figures in this blog can be found in this spreadsheet.

How much are these additional enrolments likely to cost?

To answer this question, we hold key education inputs related to education quality constant on a per student basis; in particular, we keep constant over time (and across SDG and Counterfactual scenarios) the ratio of students to: school revenue (after inflation), teachers, classrooms, teacher houses, toilets and water tanks. We also account for the public cost of school subsidy payments, administration and school inspections.

Figure 2 shows that at the beginning of the SDG period the cost of extra enrolments is projected to be, initially, around 30% higher compared to the counterfactual, but by 2030 the additional cost is 85% higher (the average cost increase is 64%).

**Figure 2: Projected public financial costs of education quantity, and % increase in costs relative to counterfactual**
The projected average additional cost of increasing enrolments over the SDG period is 1.3 billion kina (AUD 543 million) per year in constant 2016 prices. (Remember this is compared to costs in the counterfactual scenario). This is equivalent to 10% of PNG’s total national government expenditure in this year’s budget, and is roughly the same size as Australia’s entire annual aid budget for PNG. In turn, PNG is faced with significant economic challenges in trying to meet the enrolment side of SDG 4’s first target, even if there were to be a substantial increase of resources provided by the international community.

To get a sense of the costs involved in improving educational quality we’ve augmented our model to include two components. First, we allow for increased teacher salaries. We now assume salaries (in real terms) grow in line with projected changes in real gross national income per capita, rather than holding them constant over time. Second, we assume that class sizes will be reduced to an average of 30 students per teacher by 2020 (down from 35 and 31 students per teacher in primary and secondary schools, respectively, in 2014). These measures are likely to result in schools attracting better qualified and motivated teachers, and, with less overcrowding, better learning environments.
On average, these measures, together with increased enrolments in the SDG scenario, are estimated to cost an additional 2.14 billion (2016 real) kina (AUD 877 million) a year over the counterfactual scenario (a 102% increase). While there is always uncertainty when modelling such projections, it is clear that, without significantly more resources, PNG will not be able to afford costs associated with SDG 4’s first target. Figure 3 shows a breakdown of the additional costs, which also suggests that policy makers will need to make trade-offs between improving access to schooling (mostly at the secondary level) and providing students with a quality education (the majority of costs at the primary level). This also raises the question about which school level policy makers should focus their efforts on to improve quality education. In PNG these trade-offs are particularly acute because of the very tight fiscal situation facing the country.

**Figure 3: Distribution of total additional costs relative to the counterfactual scenario**

And this is where political challenges come into play. As previously argued, politicians and voters in PNG and elsewhere are incentivised to support improved access rather than improvements to educational quality. The PNG government
has vigorously promoted efforts to improve school enrolments; and free education is popular with PNG’s citizens.

In a different context, research has shown that voters in Africa prefer the immediate and measurable benefits of lower costs of schooling, rather than the long-term and uncertain benefits of improved learning outcomes. Voters are also likely to be sceptical about promises made by politicians about quality improvements because educational quality is hard to measure, there are few instruments to track quality improvements, and there are uncertainties about how to best improve learning outcomes.

Globally, the MDGs were considered a success for education, in part because the target (increasing enrolments) was in line with the incentives of politicians and voters. This “political will” is unlikely to help achieve the more ambitious SDG 4 that focuses on both improving quality and access.

Many are pessimistic about the SDGs, and our analysis gives weight to these concerns, particularly as PNG will likely find that just one of the 169 SDG targets is unaffordable.

Given the huge costs involved, and the fact that the SDGs are supported by a range of international development organisations, it is imperative that the international community commits to funding the excess costs associated with the SDGs. Donors can also assist by supporting measures to track and report on education quality – this is particularly the case in PNG where efforts to monitor quality are being threatened. In addition, our analysis suggests that civil society groups, researchers, and governments urgently need to meaningfully debate the trade-offs between improving access and quality in PNG, and in other developing countries facing similar constraints.

Anthony Swan and Grant Walton are Research Fellows at the Development Policy Centre.

Disclosure
Has the budget emergency gone away? Implications for future funding of Australian aid

By Anthony Swan
19 May 2017

How we receive information and how it is used to shape our views is a battle played out every day by tweeters, bloggers, journos and their executives, advocacy groups, corporations and politicians, to name a few. From this perspective, together with my general interest in Papua New Guinea, I became curious about how Australians form perceptions of our nearest neighbour and how they are influenced by Australian media.

According to Sean Dorney,

“Fewer and fewer Australians have any real knowledge of this fascinating country to Australia’s north, which we were responsible for bringing to nationhood. This lack of understanding affects our dealings. The Australian
Last year, PNG’s High Commissioner to Australia, Charles Lepani, was also critical of the level of Australian engagement and understanding of PNG issues,

“Australia remains substantially ignorant of Papua New Guinea. You cannot dig any deeper than the ongoing Manus issue to see the vitriol and vilification borne out of ignorance by Australians of Papua New Guineans and our country.”

To what extent does the Australian media focus on PNG, and, when it does, what issues are focused on? Are there differences in the way PNG stories are reported across media outlets?

Before I present data that sheds light on these questions, I would like you to guess the average number of Australian newspaper articles on PNG per 1000 articles published. My focus is on newspaper articles because of their tractability and including other forms of media, particularly newswire services, could give meaningless results due to their relatively low levels of readership.

In terms of overall PNG focus, Factiva search results indicate that there were around 2 million Australian newspaper articles published over the last 5 years, of which 2660 were about PNG in some form. This represents an overall share of 0.13% or slightly more than one article per 1000 published. Looking beyond newspaper articles, including ABC (web-based) articles in the analysis does improve the PNG share to 0.21%, reflecting the ABC’s relative focus on our region.

If anything this number is probably higher than I expected. In comparison, the share of Australian newspaper articles over the last five years focused on Indonesia, New Zealand, and Fiji was 0.70%, 0.43% and 0.07%, respectively. The PNG share was only almost exactly the same as the share of articles about Kim
Kardashian.

What about the PNG share at the individual newspaper level? Figure 1 shows that readers of *The Age* received the highest share, more than four PNG related articles per 1000, closely followed by *The Sydney Morning Herald*. While readers of *The Australian* only receive about two articles on PNG per 1000, the raw number published on PNG was similar to *The AGE* or SMH (*The Australian* publishes a relatively large number of articles in general). Unsurprisingly, newspapers with low levels of circulation have a low PNG share, although the *Cairns Post* bucks this trend, reflecting Cairns’ proximity to PNG and high number of Papua New Guineans living there.

**Figure 1: Share of articles on PNG over the last 5 years by newspaper source**

![Graph showing share of articles on PNG](image)

Is the focus of these articles contributing to a lack of understanding of PNG by
Australians?

In a previous blog post I described how Structural Topic Modelling (STM) can automatically discover topics across a large number of text-based documents, and map topics both in terms of prevalence over time and in relation to each other. My analysis of Australian newspaper articles on PNG indicated that around 30% of articles were related in some form to Australia’s offshore detention centre in PNG, and about 15% each dedicated to the prime ministerial dispute, and business reporting related to LNG/Oil Search. Around 10% of reporting was on crime and violence in PNG. That doesn’t leave much room for reporting on issues that might help Australians get any deep insights into PNG culture or development (which together account for about 20% of articles).

The STM approach can also be used to test whether there are differences in the amount of reporting on particular PNG topics across News Corp. and Fairfax owned newspapers. The results are shown in Figure 2 for the four topics that were highlighted in an earlier post in this series (the horizontal axis measures topic proportion, the dot shows the point estimate, and the band around each dot shows the 95% confidence intervals). Note that duplicate versions of the same article were deleted when published across a number of papers within each newspaper group, and the Australian Financial Review was separated from other Fairfax owned newspapers due to its relative focus on business issues.

An average of around 20-25% of all News Corp. articles related to PNG papers was estimated to be devoted to the PM dispute topic, as compared to an estimate of around 7-11% for Fairfax the group. News Corp. papers were also estimated to publish more frequently on the topic of economic development relative to the Fairfax group, although this finding is reversed for the asylum seekers topic. In contrast, there is no statistical difference in the prevalence of reporting on the crime/violence topic across these newspaper groups.

Figure 2: Estimated topic proportions (and 95% confidence intervals) across Australian newspaper articles on PNG over the last 5 years
STM can also show how newspapers talk about the same topic differently. For example, Figure 3 shows key words found within the Economic Development topic; words to the far left of the axis are more likely to be used within Fairfax articles, words to the far right are more likely to be used within News Corp. articles, and words around the dashed line are equally prevalent across both newspaper groups (words are randomly located vertically, the larger the word the more frequently it is used). The word cloud shows that News Corp. articles on PNG economic development are more likely to be associated with "business", "growth" and "China", whereas Fairfax articles on the same topic are more associated with "aid", "corruption", "money", and "land".

**Figure 3: Word cloud of key terms found within the Economic Development topic**
While it is certainly debatable, I wouldn’t say that Australian newsprint media ignores PNG. However, the analysis indicates that Australian newspaper reporting on PNG is variable, both in terms of its extent, the issues that are focused on, and the way those issues are reported. Nonetheless, it seems that the Australian media will tend to focus on dysfunction in PNG, whether it is PNG’s own-making (e.g., the PM dispute and crime/violence) or not (i.e., the Manus detention centre). Perhaps expecting the media to help Australians build any deep knowledge of PNG is putting the cart before the horse. It’s the people-to-people links between Australians and Papua New Guineans that are missing – improve that and Australian media reporting on PNG will improve.

Anthony Swan is a Research Fellow at the Development Policy Centre. This post is the second in a two-part series analysing coverage of PNG in Australian media; read the first part here.

Disclosure
Has the budget emergency gone away? Implications for future funding of Australian aid

By Anthony Swan
19 May 2017

Can transferring policing power to community members improve legal protection in Papua New Guinea?

This is the title of new research being undertaken in Bougainville by Jasper Cooper from Columbia University. Details can be found here.

It’s not often that we hear about randomised control trials (RCTs) being conducted in PNG - so please excuse my slightly elevated level of excitement. See a previous blog on the subject.

RCTs work by randomly selecting units of analysis (in this case 40 villages in Bougainville) into those that receive treatment (the treatment group) and those that don’t (the control group). This randomisation ensures that we can expect that
there are no differences across the two groups except for the treatment – any differences in average outcome measures across the two groups can then be attributed to treatment. Impact evaluation is not an easy thing to do and this is why RCTs are often referred to as the “gold standard”. That being said, there are a number of potential hazards inherent in RCTs, which hopefully this research will address.

It’s also exciting that the research is in the law and justice sector, which is not known for RCTs. In fact, a search of the 3ie Impact Evaluation Repository for “police” or “policing” turns up only 12 papers (out of a total of 4,260), of which only a handful of these are based on RCT methods.

The proposed treatment is for respected and locally accountable individuals to be trained to work as unarmed uniformed officers in the villages they are from as full-time police, conducting arrests, dispelling tension, investigating crimes, and mediating conflicts. Around 2,000 individuals across treatment and control villages will then be surveyed to examine the impact of the program on the quality of local policing, such as the reporting of crime, and changes in attitudes towards the state and other behaviours, such as domestic violence. Hopefully there will be positive effects and, even if there aren’t, at least we will know that money and effort is better spent elsewhere or in some other form.

Disclosure

About the author/s

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Has the budget emergency gone away? Implications for future funding of Australian aid

By Anthony Swan
19 May 2017

A recent update to 3ie’s Impact Evaluation Repository shows that there are 4,260 records of published development related impact evaluations in the world as of September 2015. The number of impact evaluations focused on PNG and Pacific island countries is 18, representing a less than a half of a percentage point share of the database. Why is this number so low? Should we be concerned?

The total number of published impact evaluations focused on development issues has rocketed up over the last 15 years (see chart below), reflecting an increased emphasis on development research focused on what works, what doesn’t, and reasons why (see here [pdf] for a primer on impact evaluations and experimental approaches to evaluation).

Number of development impact evaluations published each year
(1981-2015)
The main criterion for including impact evaluations in the 3ie repository is that they need to identify and quantify causal effects on outcomes of interest (see here [pdf] for 3ie’s repository screening criteria). It is important to note that most operational evaluations undertaken as part of donor based development programs are not able to meet 3ie’s repository criteria. This often reflects a focus on program inputs or outputs rather than outcomes; a lack of data collection on outcomes both before and after the life of the program; and an inability to make appropriate comparisons in outcomes data between those that received treatment from the program and those that did not.

Before trying to answer the questions posed above, it is useful to look at the 18 PNG and Pacific impact evaluations in more detail (you can download a summary of them here [pdf]).

A number of the papers are published by the same authors which indicates that there are significant hurdles for researchers focused on PNG and the Pacific to be
involved in impact evaluations. Also, the focus of papers is on health, labour and migration (the last two falling under the “Social Protection” sector), which partly reflects the concentration of authors and the likelihood that authors tend to focus on similar issues over time. It is also possible that these particular sectors are also more amenable for impact evaluation.

To see if there are major gaps in the sectors covered by the 18 impact evaluations focused on PNG and the Pacific, it is helpful to look at the distribution of sectors covered by the entire repository of impact evaluations (see Table 1 below; note that one paper can focus on a number of sectors). It indeed appears that there are major gaps; for example, the education sector is the second most frequent category in the repository, representing 15% of all sectors, yet none of the 18 impact evaluations are education focused. There is also only one paper focused on PNG, by far the most populous country in the region.

### Table 1: Topic distribution of papers in 3ie’s Impact Evaluation Repository

<table>
<thead>
<tr>
<th>Sector</th>
<th>Overall</th>
<th>PNG &amp; Pacific</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Share (%)</td>
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<td>Agriculture and rural development</td>
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<td>Economic policy</td>
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<td>Water and sanitation</td>
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</table>
I’ve focused on three reasons why there are so few impact evaluations focused on PNG and the Pacific.

First, it seems that there is little demand for impact evaluations in PNG and the Pacific, or that development policies or programs in the region are not usually implemented in ways which allow for an impact evaluation to take place. For example, at Devpolicy’s recent forum on aid evaluations by the Office of Development Effectiveness (ODE), we heard that a major finding in ODE’s report on investing in teachers [pdf] was that there was

“...almost no data on outcomes that could be attributed to DFAT’s teacher development investments. In most cases it was impossible to judge whether teacher development had led to improved teaching practices or improved learning outcomes for pupils.”

Second, even if an impact evaluation in PNG and the Pacific were to take place, the findings may not be seen as having much value. For example, an education research proposal I was involved in, which focused on a number of Pacific islands, was rejected partly because of issues to do with external validity: even if we were able to identify important policy impacts, there would be no guarantee that the findings would be applicable or scalable in other contexts around the world. It seems, at least in this case, that the Pacific islands are just not important enough when it comes to justifying funding for impact evaluations.

Third, the cost of impact evaluations can be very large. This is a problem in PNG and the Pacific because its people and geography are highly disbursed which means that research costs are higher than in most other parts of the world. At the same time, the region’s relatively small population means that the overall amount of funding available for research is also small.

Are 18 impact evaluations in PNG and the Pacific too low? It could be argued that most development policies, particularly those funded by international donors, are based on rigorous evidence on impact drawn from other parts of the developing
world, and hence there is little need for impact evaluations to be carried out on programs in PNG and the Pacific. However, I believe this number is too low because rigorously demonstrating the effectiveness of foreign aid in our immediate region is important for its sustainability (see here [pdf] for Australia). Furthermore, the political, geographic and economic challenges in PNG and the Pacific often mean that what works elsewhere in the world cannot be relied on to inform development policy in PNG and the Pacific.

How can more impact evaluations be encouraged? Greater recognition of the importance of measuring causal effects on outcomes would help. This would need to come in large part from international donors.

A small number of aid investments in PNG and the Pacific should incorporate a strategy at the concept and design phase to collect outcomes based data (before and after implementation) and include an appropriate comparison group so that impact on outcomes can be inferred. One way to encourage this would be for ODE to have greater involvement in concept and design across Australian aid investments, since the collection of this type of data would substantially improve the quality of operational evaluations that ODE supports.

Related to this, ODE should better recognise that the quality of operational evaluations suffers when appropriate outcomes based data are not available. For example, in ODE’s recent review of operational evaluations [pdf] of Australia’s aid investments completed in 2014, it found that 77% had adequate (or better) credibility of evidence. However, the lack of impact evaluations in PNG and the Pacific seems to indicate more generally that credible evidence is not being generated.

Beyond international donors, it is clear that developing country governments in the region need to play an increased role in facilitating impact evaluations. While these governments cannot be forced to do this, it is important that the international community highlights the benefits of finding out whether policies are having an impact or not, and devote resources and technical capacity for the
collection of outcomes based data to improve the evidence base of policy decisions in PNG and the Pacific.

Impact evaluations should be used as a key measure of performance in development. They cannot be substituted by in-house subjective based measures of aid quality, nor should they be an afterthought in the standard monitoring and evaluation process. If we’re serious about improving the effectiveness of aid to PNG and the Pacific, then impact evaluations cannot be overlooked.

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**Disclosure**

**About the author/s**

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By Anthony Swan  
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Sometimes all the hallmarks of an impending disaster are plain to see. The course of action has been charted and the engine is running at full steam, but a myriad of obstacles both big and small cover the tracks. Is there anything that can stop the train before it is too late?

In this case the proverbial train is PNG’s proposed rice policy which aims to make the country’s rice production self-sufficient by 2030. This is no small task. However, it seems that the PNG government is determined to press ahead.

The challenge is to increase domestic rice production by 20-fold, from around 15,000 tons currently to 300,000 tons by 2030, according to the Minister for Agriculture and Livestock, Tommy Tomscoll, in his introduction of the policy in parliament [pdf, p. 20 onwards]. Despite a poor track record of previous government attempts to increase rice production by smallholder farmers, the government seems convinced that a new super-sized approach of focusing on large-scale highly mechanised irrigated farming will generate success.

The current rice market in PNG is open and competitive, according to PNG’s Independent Consumer and Competition Commission (ICCC) in its 2015 Rice Industry Pricing Review [pdf], and so there is nothing in particular that would stop an interested party undertaking this scale of rice farming in PNG if it were expected to be profitable.

Of course large scale rice production in PNG would not be profitable on its own for many years to come (and may never be) and so any serious investment in rice production would need to come with serious incentives. And on this front, the government plans to deliver.

Under the proposal, pioneering status will be granted to the investor willing to commit a large amount of funds (at least K200 million but possibly over US$2 billion) to build large scale rice farms in PNG. The pioneer investor will then
receive **protection and concessions** to help it establish production, brand recognition and a customer base.

It just so happens that an Indonesian backed company – Naima Agro-Industry Ltd – has been negotiating with the PNG government over the last eight years to **invest US$2 billion in a Central Province rice project**. This project was approved earlier this year, and it may not come as a surprise that Naima has been slated to receive pioneer status. According to **Trukai Industries** [pdf], which currently commands an 80 per cent share of the PNG rice market, the PNG government is planning to implement an import quota system which would provide Naima with control over 80 per cent of the PNG rice market, clearly at Trukai’s expense.

There are two important points to note here. First, the proposed quota system will not require Naima to supply 80 per cent of the PNG rice market with *domestically* grown rice but instead allow it to supply it through *imported* rice. Second, Naima’s 80 per cent share of the PNG rice market would be the result of protective measures provided to it by the PNG government. This is in contrast to Trukai’s current 80 per cent market share, which according to the ICCC’s **Review** [pdf] reflects its product quality, strong distribution network, and marketing efforts, rather than any exercise of market power.

Under the proposal, total rice imports will be restricted, and because increases in domestic rice production are unlikely to occur for many years, the amount of rice supplied in PNG will fall relative to demand. The likely result will be an increase in rice prices in PNG.

The ICCC is currently able to regulate rice prices, and it has indicated that it would do this in the event a domestic rice monopoly was **created** [pdf, see p. 52]. However, the extent to which the ICCC limits price increases depends on how it defines a rice monopoly, the type of regulation it applies, and whether regulation applies to all types of rice (currently the ICCC only monitors the price of Trukai Roots rice, which is priced in the relatively cheaper end of the market). For example, if the ICCC were to apply regulation based on a “cost-based” pricing
regime, then PNG rice prices could still increase significantly due to higher cost domestically produced rice entering the market as a result of the quota system.

Naima’s exclusive right to source 80 per cent of total rice imports and sell it at potentially inflated prices in PNG will provide it with substantial earnings. There is no guarantee that these profits will be used to invest in domestic rice production in PNG at all, and if anything there may be a strong incentive for Naima to limit increases in PNG rice production to the extent that it keeps rice prices high.

How high can the price of rice in PNG go? Prime Minister Peter O’Neill recently responded to a question in parliament asking whether reports that the price could increase by 40 per cent were true by saying that he did not expect it to be that high, reflecting limits placed on it by potential ICCC price controls.

However, any actual restriction of rice prices by the ICCC, combined with a fall in the total amount of rice supplied in PNG (as can be expected under the quota system), would likely result in consumers facing rice shortages; rice demand would need to be rationed, and PNG could expect a black market for rice to result, in which prices are pushed above regulated prices. Ultimately, consumers are likely to face price increases but by how much is uncertain. Indeed, a 40 per cent increase may be on the low side given that Naima was previously reported to be seeking a 60-100 per cent increase in the rice price.

How long will PNG consumers have to pay higher rice prices for? Under the proposal, Naima would enjoy a near monopoly of PNG’s rice market for a 10-year period, although international evidence suggests that once domestic industries become dependent on protectionist measures there is substantial pressure put on government to maintain them indefinitely.

Why is the PNG government so determined to push ahead with the rice policy?

According to Prime Minister Peter O’Neill not enough rice is produced in PNG to provide it with sufficient food security. Reinforcing the point, the Minister for
Agriculture and Livestock even asserted in parliament [pdf, p. 21] that there is an imminent shortage of rice globally where “white rice will be traded as white gold and will even sell at a price forecasted to be higher than metal gold itself”.

However, according to the ICCC’s Review [pdf], food security concerns affecting rice supply in PNG are unfounded. In fact, the ICCC highlights that creating a reliance on a single supplier of rice and the supply failure risk that it entails will actually reduce food security in PNG. Indeed, it is not clear that Naima has any track record of any rice production at all, let alone successful rice production in PNG conditions. Furthermore, even if PNG was able to be self-sufficient in rice production, the tradable nature of rice means that Papua New Guineans would not be protected from price shocks in international rice markets.

Who gains and who loses from the proposal? We can expect consumers will pay significantly higher prices for rice, most likely to the detriment of health and nutrition outcomes in PNG. Naima, on the other hand, seems like a clear winner, especially since there is an expectation that it will receive substantial tax breaks on their earnings (see here [pdf] and here). Furthermore, Naima does not appear to face any significant financial penalty if it is not able to deliver on its promised levels of domestic rice production. Naima will also need to secure land for the project and so particular landholders in Central Province can also expect a windfall gain. Existing rice producers in PNG will also benefit, although the amount can be expected to be small compared to the overall cost to consumers.

Apart from PNG rice consumers, the clear loser from the proposal is Trukai. Two-thirds owned by Australia’s SunRice and one-third PNG owned, Trukai stands to lose hundreds of millions of dollars’ worth of revenue, potentially wiping out the value of the company. However, these potential losses to Australian interests have not gone unnoticed by the Australian government.

Last week, PNG media (see here and here) reported on a “strongly worded” letter from the Australian Trade Minister, Steven Ciobo, to his PNG counterpart, Richard Maru, in which he claimed that the proposed rice policy will amount to
unilateral expropriation of an Australian investment (Trukai). Concerns were also raised about the inconsistency of the proposed quota system with PNG’s obligations under World Trade Organisation rules, and that the proposal may be in breach of an agreement between Australia and PNG to protect cross-border investments.

The clear message from the Australian government was that it would be compelled to consider retaliatory action against PNG exports to Australia if the PNG government proceeded with its proposed rice policy.

Ironically, Richard Maru has recently threatened Fiji with a *trade war* if it did not remove controls that banned certain PNG products from entering Fiji’s market. Hopefully the PNG Trade Minister will be able to *convince* his colleagues in government that, like Fiji, PNG should embrace open and competitive markets, and seriously rethink its rice policy strategy.

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**Disclosure**

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Our lives are becoming increasingly saturated with text. Words convey information on events, opinions, ideology, preferences, ideas, and motivations – some of it useful and perhaps a lot of it not. The sheer volume of text poses problems on two fronts: important pieces of text can easily be missed or hard to find, and understanding the relationship of context across potentially hundreds or thousands of text-based documents can be mind-boggling. However, new advances in automated approaches to text analysis (also known as text mining) can help tackle these challenges. In this two-part blog post I highlight the strengths and limitations of text mining by drawing on my analysis of more than 2000 Australian newsprint articles (5 years’ worth) focused on Papua New Guinea and other examples in the literature relevant to development policy.

One of the strengths of text mining is the ability to discover topics in texts. In qualitative research, for example, many questions are open-ended and it can be very time consuming to code the topic(s) that respondents focus on in their answers. For my corpus of newsprint articles on PNG, I use Structural Topic Modelling (STM) which is a relatively new approach for automating the discovery of topics in texts and estimating the probability that an article is related to a particular topic. It follows that STM does not assume that each article belongs to just one topic but potentially any number of topics based on these estimated probabilities. While there are alternatives to STM in the field of topic modelling (such as latent Dirichlet allocation), STM has the distinct advantage of being able to control for other variables of interest, such as time or treatment effects, and
perform hypothesis testing based on these covariates.

In STM estimation (and most other forms of topic modelling), the total number of topics is user determined. The STM procedure outputs high probability terms associated with each topic and the user is required to interpret what each topic is about based on these terms. The figure below shows the results of STM estimation on my corpus of Australian newsprint articles on PNG based on a total of 10 topics: I have labelled each topic based on the associated terms for each topic (also shown) and the topics are ranked in terms of the estimated prevalence of each topic (i.e., the expected topic proportion) across the corpus.

**Australian newsprint topics on PNG: estimated topic proportions**

![Topic Proportions](image)

The most prevalent topic is the dispute over the prime ministership between Sir Michael Somare and Peter O’Neill (Topic 8), which has an average topic proportion of nearly 15%, closely followed by the asylum seeker and LNG/Oil Search topics (Topics 1 and 5, respectively). Economic development (Topic 6), culture/tourism (Topic 2), and Manus Island (Topic 7) are also relatively prevalent topics with an average topic proportion of slightly more than 10% each.
The relationships between the estimated topics can also be easily displayed. The figure below connects topics that include terms that are positively correlated with each other; connected topics imply that those topics tend to be discussed within the same article.

At this stage it is useful to verify the classification of topics based on STM. A good first step in this process is to (manually) read articles that are predicted to be most relevant to each topic. Below, I show the headings of these articles for four topics of interest.
How does the estimated prevalence of these topics vary over time?

Below I plot expected topic proportions smoothed over time (the middle red line) as well as the 95% confidence interval (bounded by the outer red lines). The PM dispute topic, for example, peaks at an expected topic proportion of near 50% at the beginning of 2012 (i.e., around half the content of articles were devoted to this topic at this time) but drops to around zero by 2013. The asylum seeker topic has a peak around the time of the Australian Federal election in 2013 and remains an ongoing issue of importance. Similarly, economic development and crime/violence topics hold their importance over time, although there is a noticeable peak for the crime/violence topic reflecting a spate of sorcery related violence in PNG in 2013.
In a follow-up blog post I will show how the STM approach can be used to estimate treatment effects on topic proportions, which is an incredibly useful tool when using qualitative research methods to conduct experiments. In the meantime, it is useful to highlight underlying assumptions of these methods and the limitations they imply.

A major limitation is that that text mining usually involves focusing on just keywords – punctuation and uninformative words are removed and remaining words are stemmed (so that “govern” and “governing”, for example, are treated identically). Importantly, this approach means that the order of words is ignored.

This is a problem when the focus of text mining is to try to understand the meaning of text or sentiments being conveyed. Sentiment analysis, for example, attempts to identify and categorise opinions contained in text by measuring the relative prevalence of words that reflect a positive or negative attitude towards a subject. Despite the growing popularity of sentiment analysis, ignoring the order of words, as well as the presence of sarcasm or double entendre, means that this aspect of text mining still faces major challenges. That being said, topic modelling is not particularly susceptible to these particular problems, although there are other challenges (as summarised here [pdf]), including validation of results to demonstrate that topics are assigned in a meaningful way.
Good data to inform policymaking, particularly in developing countries, is often scarce. The problem is in part due to supply issues – high costs, insufficient time, and low capacity – but also due to lack of demand: policies are rarely shown to be abject failures when there is no data to evaluate them. The wonderful phrase “policy-based evidence making” (the converse of “evidenced-based policy making”) comes to mind when thinking about the latter. However, technological innovations are helping to bridge some of the data gaps. What are the innovations in data collection and what are the trade-offs being made when using them to...
inform policy?

By far the biggest innovation in data collection is the ability to access and analyse (in a meaningful way) user-generated data. This is data that is generated from forums, blogs, and social networking sites, where users purposefully contribute information and content in a public way, but also from everyday activities that inadvertently or passively provide data to those that are able to collect it.

User-generated data can help identify user views and behaviour to inform policy in a timely way rather than just relying on traditional data collection techniques (census, household surveys, stakeholder forums, focus groups, etc.), which are often cumbersome, very costly, untimely, and in many cases require some form of approval or support by government.

It might seem at first that user-generated data has limited usefulness in a development context due to the importance of the internet in generating this data combined with limited internet availability in many places. However, U-Report is one example of being able to access user-generated data independent of the internet.

**U-Report** was initiated by UNICEF Uganda in 2011 and is a free SMS based platform where Ugandans are able to register as “U-Reporters” and on a weekly basis give their views on topical issues (mostly related to health, education, and access to social services) or participate in opinion polls. As an example, Figure 1 shows the result from a U-Report poll on whether polio vaccinators came to U-Reporter houses to immunise all children under 5 in Uganda, broken down by districts. Presently, there are more than 300,000 U-Reporters in Uganda and more than one million U-Reporters across 24 countries that now have U-Report. As an indication of its potential impact on policymaking, **UNICEF** claims that every Member of Parliament in Uganda is signed up to receive U-Report statistics.

*Figure 1: U-Report Uganda poll results*
U-Report and other platforms such as Ushahidi (which supports, for example, I PAID A BRIBE, Watertracker, election monitoring, and crowdmapping) facilitate crowdsourcing of data where users contribute data for a specific purpose. In contrast, “big data” is a broader concept because the purpose of using the data is generally independent of the reasons why the data was generated in the first place.

Big data for development is a new phrase that we will probably hear a lot more (see here [pdf] and here). The United Nations Global Pulse, for example, supports a number of innovation labs which work on projects that aim to discover new ways in which data can help better decision-making. Many forms of “big data” are unstructured (free-form and text-based rather than table- or spreadsheet-based) and so a number of analytical techniques are required to make sense of the data before it can be used.

Measures of Twitter activity, for example, can be a real-time indicator of food
price crises in Indonesia [pdf] (see Figure 2 below which shows the relationship between food-related tweet volume and food inflation: note that the large volume of tweets in the grey highlighted area is associated with policy debate on cutting the fuel subsidy rate) or provide a better understanding of the drivers of immunisation awareness. In these examples, researchers “text-mine” Twitter feeds by extracting tweets related to topics of interest and categorising text based on measures of sentiment (positive, negative, anger, joy, confusion, etc.) to better understand opinions and how they relate to the topic of interest. For example, Figure 3 shows the sentiment of tweets related to vaccination in Kenya over time and the dates of important vaccination related events.

**Figure 2: Plot of monthly food-related tweet volume and official food price statistics**

![Figure 2: Plot of monthly food-related tweet volume and official food price statistics](image)

**Figure 3: Sentiment of vaccine related tweets in Kenya**

![Figure 3: Sentiment of vaccine related tweets in Kenya](image)
Another big data example is the use of mobile phone usage to monitor the movement of populations in Senegal in 2013. The data can help to identify changes in the mobility patterns of vulnerable population groups and thereby provide an early warning system to inform humanitarian response effort.

The development of mobile banking too offers the potential for the generation of a staggering amount of data relevant for development research and informing policy decisions. However, it also highlights the public good nature of data collected by public and private sector institutions and the reliance that researchers have on them to access the data. Building trust and a reputation for being able to manage privacy and commercial issues will be a major challenge for researchers in this regard.

Even when the data is made available, a difficulty with using statistics based on crowdsourcing and big data is working out who is being represented and how reliable the figures are. For example, were 63% of households in Uganda on
average visited by polio vaccinators or were the U-Reporters for this poll unrepresentative of the general population, thereby giving a very biased result?

Indeed, it does seem that U-Reporters in Uganda represent particular parts of the population more so than others (e.g., two thirds are male, 90% under 35 years of age, and urban people are likely to be over-represented) so a lot of caution should be applied when interpreting U-Report statistics. However, it is possible to weight the data based on observed characteristics provided by users relative to the prevalence of those characteristics in census data, for example, in order to produce more representative results (Australia’s Vote Compass uses this approach).

Clearly, statistics based on Twitter activity or other social media data are rarely going to represent broad populations of interest. However, this does not significantly reduce their value as indicators of change, which is useful for time critical analysis and response. Crowdsourcing also has benefits beyond generating statistics, such as giving voice and empowering individuals to take action (e.g., taking action against a rapist) as well as improving public awareness (such as uncovering the market price of bribes in India: see here and here).

Many researchers, myself among them, have lamented the lack of data in our region (especially Papua New Guinea and the Pacific). The challenge is to look beyond traditional sources of data, cultivate relationships with relevant public and private sector institutions, and apply some of the innovative data collection and analytical methods described here. In the case of PNG, for example, crowdsourced data collection on corruption in the public financial management system is already underway. Is anyone else interested in taking up this challenge in our region?

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Disclosure
Has the budget emergency gone away? Implications for future funding of Australian aid

By Anthony Swan
19 May 2017

We’ve had three years of talk about “budget emergency” and a massive “debt and deficit” problem. The consequence has been huge cuts to the aid program in an attempt to bring the budget back to balance. Following the release of the 2016-17 Federal Budget, it is a good time to reflect on how the government has performed in its task of budget repair, and the implications for future funding of foreign aid.

Underlying cash balance
The chart above shows the Federal government’s underlying cash balance. I’m deliberately not showing projections because I want to focus on what has actually been achieved rather than what the government thinks will be achieved. The two are potentially very different, as we will see.

With a deficit of $40 billion expected at the end of this June, clearly not much budget repair has been achieved. Why is this?

Looking at actual government revenue and expenditure as a share of GDP (below) we see there is a large and persistent gap between the two in recent years. What efforts have been made to close the gap?

**Revenue and expenditure as share of GDP (actuals and projections)**
To help answer this question, the chart shows revenue and expenditure projections over the last four federal budgets. At the time of the last Labor government budget in 2013, there was an expectation of strong revenue growth and large cuts to spending (the black dashed and dotted lines). Compared to actual figures both measures failed, despite the Coalition winning government during that financial year with a mandate for budget repair. The revenue and expenditure projections in the first Abbott government budget in 2014 (the green dashed and dotted lines) contained an initial upwards spike in spending followed by reductions, as well as strong revenue growth, to bring the budget towards balance. Once again the measure failed, apart from the initial increase in spending.

Turning to revenue and expenditure projections in the 2015 and 2016 budgets (orange and pink dashed and dotted lines, respectively), we can see that the Coalition has essentially given up trying to cut spending. The plan for budget repair is not out the window though, with strong revenue growth, once again, expected to bring the budget back to balance.

At this point it is telling to look at the underlying cash balance again, but this time with the current and previous projections. Is budget repair really likely to happen
this time round?

Underlying cash balance

Failure to return the budget to surplus will further exacerbate government debt. Already government net debt as a share of GDP is expected to nearly double since the Coalition won government back in 2013.

Government net debt as a share of GDP
Why should the aid sector care about these numbers? I believe that the key to a growing real aid budget is a healthy government fiscal position. The question then is why isn’t budget repair happening? I have four reasons.

First, there are few actual revenue raising measures being implemented. While there is talk of tax reform, government is yet to make hard decisions. Meanwhile there is an over-reliance on relatively small tax changes (e.g., tobacco excise). Furthermore, where there have been new tax initiatives they have been offset by tax cuts elsewhere (e.g., superannuation concessions, income tax cuts, company tax cuts). Treasurer Morrison says that he would prefer to have an extra dollar in the hands of the public rather than in the hands of government. While he is entitled to this view, it is not consistent with the Coalition’s mantra of budget repair.

Second, slow wages growth is limiting growth in tax revenue. This is partly a result of disappointing labour productivity growth over many years, reflecting in large part a lack of productivity enhancing reforms both at federal and state
levels. A low inflationary (and now deflationary) environment has also meant that personal incomes are not being pushed into higher tax brackets, so government revenue is not benefiting from so-called bracket-creep. The decision in the 2016 budget to increase the upper limit on the 32.5c marginal tax rate bracket (from $80,000 to $87,000) to reduce the effects of bracket-creep makes little sense from a budget repair perspective. A lower number of working-age people (by 150,000 in 2019) is also expected to restrict wages growth. This effect is due to lower than expected net migration – an apparent policy decision by government.

Third, there has been a lack of control on spending. Yes, this year’s budget is on the eve of an election. However, little has changed over the last three budgets. Cuts to spending in one area, such as in the aid sector, have been offset by new spending elsewhere. An important point, which may not be so obvious to the casual observer, is that the Treasury’s poor record on projecting revenue has likely contributed to government overspend. Would spending have been as high if revenue projections in past budgets were not overly optimistic?

Fourth, there seems to be a continued expectation that the economy will pick up by itself. However, many economies (think Japan, for example) have for a long time struggled with a low growth and low inflationary environment, similar to what Australia is currently experiencing.

What does this mean for the aid budget? We can already expect a squeeze on the volume of aid over the long term due to expanding funding in other sectors, particularly defence and health. The chart below illustrates the share of government expenditure across selected sectors, including Official Development Assistance (foreign aid), at different points in time.

**Share of total government expenditure**
From an aid budget perspective it’s important for the government to strengthen its fiscal position before this squeeze occurs, otherwise the aid sector might be targeted again when the next “budget repair” comes along.

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Disclosure

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