

Bad maths: Why the cutting aid to Indonesia's schools doesn't add up

by Terence Wood

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I spoke too soon. Right about the time that I was writing the words, “[c]urrently Australia is in the enviable position of having something akin to bipartisan agreement on aid, both with regards to increasing the aid budget and with respect to making aid work”, one of the partners in that ‘bipartisan agreement’ appears to have gotten cold feet.

Prompted, if **reports are to be believed** by an anti-aid email campaign, the Liberal Party has made the call to defer **\$448 million dollars of a \$500 million dollar aid package for schools in Indonesia**. The deferral is part of a suite of cuts that Tony Abbott has proposed in order to allow Australia to foot the bill for recent flood and cyclone damage without resorting to a temporary tax increase, which is what the Labor government is proposing with its flood levy.

I get the basic argument behind the suggested aid deferral — Australia is suffering right now and is no longer in a position to help its neighbours — but it's a bad one. It doesn't add up, even on its own terms, and it's an awful way to run an aid programme.

\$448 million dollars might seem like a lot of money, and useful chunk of the \$1.8 billion dollars that the Gillard government hopes to raise from their levy. But this figure is derived from the total multi-year cost of the schools funding package (which is approximately \$500m over 6 years). It is not the total amount to be spent in the 2011/12 financial year (the year of the levy that the Liberals are so keen to avoid). That amount is much smaller, approximately \$88m (figure calculated from information on page 66 of **this** report [pdf]). Or 5 percent of the amount to be raised by the levy. In other words, as far as alternatives to the tax go, the cut really doesn't help, at least in the short term. It's true the remaining savings would help with the deficit in future years, but even then — year on year — the impact will be small.

Even if you do accept the argument that aid cuts are needed, simply singling out a

project for axing because it looks big, and [has recently come in for criticism](#) is a bad way to run an aid programme. Ad hoc political decisions shouldn't determine where Australian aid is directed. If cuts really have to be made, it would be far better to revise the aid programme's budget and let aid AusAID decide what is to go based on what they know about the effectiveness of the individual projects they oversee.

If that were to happen I think it unlikely that the funding for Indonesian schools would top the list of areas to be cut. The work serves a clear need: while Indonesia is developing rapidly, approximately half its population live off less each day than could have been purchased with \$US2.50 in the United States in 2005. For people experiencing this sort of poverty, education is an important pathway to a better life. And while the school funding programme is [not beyond critique](#), the defenses of it published on this blog ([here](#) and [here](#)) leave me to think that, by the imperfect standards of aid, it's probably a reasonably effective undertaking.

What's more it's an undertaking that has been developed over time and is being worked on in partnership with the government of Indonesia and other donors. Suddenly curtailing aid to it would do more than simply deprive the work of funding, it would also seriously disrupt the work of the other partners involved. Good aid is about partnerships; is this how a responsible partner behaves?

The schools work is also a good example of aid that is in Australia's own interest too. It's [valued by the government of Indonesia](#), and so is helping strengthen that relationship. The school funding, as commentators [have pointed out](#), is also a potential counter to the rise of schools that teach more extreme forms of Islam and which might, potentially, serve to recruit students to terrorist organisations. And, most importantly, human capital is an essential element of economic development, and if the school work does help educate Indonesian children, it will be aiding the country's economic lift-off, and aiding the development of a growing market for Australian goods and services.

No one likes new taxes. And it's fair enough that the Liberals are looking for alternatives. The trouble with their current list of potential savings, on the aid front at least, is that they will do little to help with the deficit, while at the same time potentially doing considerable harm. Harm to children in Indonesia, harm to the relationship with Indonesia, harm to the operation of AusAID, and harm to Australia's economic interests. These are savings that cost too much. Bring back the bipartisan agreement, please.

Terence Wood is a PhD student at ANU. Prior to commencing study he worked for the New Zealand government aid program.

Author/s:

Terence Wood

Terence Wood is a Fellow at the Development Policy Centre. His research focuses on political governance in Western Melanesia, and Australian and New Zealand aid.

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