Flaws in the glass: allocation quirks in the 2015-16 Australian aid budget

by Robin Davies

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In allocating the aid cuts announced in December 2014, Australia's 2015-16 aid budget for the most part followed a simple and implacable logic: protect the immediate neighbourhood and humanitarian programs, pay the bills that have to be paid, all but eliminate aid to far-flung places and reduce everything else by 40 per cent to achieve the required average cut of 20 per cent. As Stephen Howes and Matt Dornan have shown, Australia effectively took a $16 billion detour into terrain normally occupied by more generous second-tier donors and is now returning to its former path, apparently unchanged by its experiences.

The Australian aid program can be divided into ten exclusive and exhaustive components, which are listed below together with the 2015-16 budget allocations to each component, and a comparison with allocations to the same components in 2014-15.

2015-16 vs. 2014-15 aid budget allocations	2014-15 budget, $m	2014-15 program share	2015-16 budget, $m	Change 2014-15 to 2015-16	2015-16 program share
1. Country & regional excl. Indonesia & PNG	1,545.7	31%	1,071.6	-31%	26%
2. PNG country program	502.1	10%	477.3	-5%	12%
3. Multilateral Development Banks	363.2	7%	456.8	26%	11%
4. Cross-regional programs	386.8	8%	348.0	-10%	9%
5. Aid via other government agencies	392.0	8%	335.6	-14%	8%
6. Humanitarian, emergency & refugee	338.6	7%	329.0	-3%	8%
7. Indonesia country program	542.5	11%	323.0	-40%	8%
8. UN & other international organisations	567.6	11%	323.0	-43%	8%
9. Aid program administration	251.3	5%	251.3	0%	6%
10. NGO & volunteer programs	203.9	4%	176.0	-14%	4%
(Adjustments)	- 61.8	-1%	- 40.0	-35%	-1%
TOTAL	**5,031.9**	**100%**	**4,051.6**	**-19%**	**100%**

Perhaps it was not considered feasible, diplomatically or practically, to use this year's savagery to alter the balance of allocations in favour of the countries and the international organisations, funds and programs most likely to use aid effectively. Certainly it would have been desirable to see aid allocated more along these lines, particularly by extending the cuts to at least some countries in the Pacific so that cuts in higher-impact areas of the aid program might have been less. Performance-based allocation was in fact a central theme in foreign minister Julie Bishop's mid-2014 'new aid paradigm'. (It might be recalled that she promised, in launching that policy framework, to establish a Performance Incentive Fund in the 2015-16 budget, but this idea has now been dropped, and not only because it can no longer be afforded.)

However, changing allocation shares is clearly a lot easier with a growing aid program. It is understandable, at a tactical level, that a government would like the idea of being able to say to its various partners that they were in some sense treated alike. With these aid cuts, the desire to be able to say this has prevailed over some other quite glaring considerations, most notably the stark difference between Asia's fast-growing middle-income countries and its least-developed countries, including Afghanistan and Myanmar. The latter, like the former, lost 40 per cent of their Australian aid.

In fact, though, not all consumers of Australian aid were treated alike, or in line with the logical schema above. Seven instances of this are detailed below.

1. The **Department of Foreign Affairs and Trade** (DFAT) no longer faces a cap on the costs of aid administration. The 'five per cent rule' imposed in the 2014-15 budget process only lasted one year. Departmental funding for aid administration in 2014-15 was $251.3 million, exactly five per cent of the aid budget. In 2015-16 it will the same, $251.3 million, which is 6.2 per cent of the reduced aid budget. While it's good that more people will not lose their jobs, this allocation calls into question the logic used to justify previous job cuts — i.e. large reductions in planned aid levels mean that DFAT doesn't need as many aid administrators. Thus it seems the 'merger dividend' is now being realised by DFAT, which also received funding in this budget to expand its diplomatic network. The $22 million Direct Aid Program, which gives DFAT Heads of Mission a handy capacity to make small, discretionary and visible grants to development-related activities, was also not cut at all despite being a conspicuous beneficiary of the aid scale-up that ended in 2013. Not so many years ago, it was under $5 million per annum.
2. While mainstream NGOs were largely shielded from cuts, **volunteer-sending agencies** were not. NGOs will lose five per cent of their centrally-administered funding relative to 2014-15; volunteer-sending agencies 30 per cent. DFAT's web site states that just over 2,000 volunteers were funded for assignments in 2013-14, so a rough guess would be that 650 fewer volunteers will be supported in 2015-16. Given that volunteer-sending agencies are few and for the most part now operate essentially as contractors, presumably they were considered unlikely to squawk. There is no other obvious reason why the cuts would fall disproportionately on volunteers, and of course reluctance to squawk is not a good reason.
3. **Cambodia** is protected, with a cynical-looking same-nominal allocation, but gets none of the additional aid promised to it last year. Australia promised Cambodia $40 million over four years in connection with the bilateral refugee resettlement arrangement agreed last year. This was to fund ordinary development programs, not programs related to resettlement (which will be separately funded). Cambodia can hardly be held responsible for the reluctance of people on Nauru to resettle there, and in any case some have now agreed to do so. So, whatever one might think of the bilateral refugee resettlement arrangement, this looks to be a case of holding out on a deal.

4. **UN Women** is largely protected, with a cut of only five per cent, yet other UN organisations including UNDP, UNICEF, UNFPA, UNAIDS and WHO will all be cut by 40 per cent. The cuts to these latter organisations, aside from being severe in themselves, are hardly good news for women, or children. Protecting the allocation to just one UN organisation seems rather token. A further point here is that the distinction between humanitarian and non-humanitarian UN organisations, protected and mostly not protected, respectively, is not real. UNDP and UNICEF, in particular, do a great deal of their work in response to emergencies and protracted humanitarian crises. (Disclosure: I'm on the board of UNICEF Australia). And of course the WHO cut is either odd in the context of the 2014-15 Ebola outbreak, or else a comment on WHO's performance in response to it — but we know it can't be the latter because the cut, like so many others, is 40 per cent.
5. **Nepal** is alone in South and West Asia in being protected from bilateral program cuts. The six other programs in that region all took 40 per cent hits. Emergency response and reconstruction assistance could have been provided to Nepal in any quantity regardless of the size of the bilateral program. Obviously no minister would wish to be accused of slashing aid to a country in Nepal's current predicament, so the outcome was inevitable. However, it is worth recalling that we saw something similar happen with Australian aid to the Philippines after Typhoon Haiyan, which hit in November 2013. The bilateral allocation to the Philippines was increased by 10 per cent in January 2014 at a time when other programs were being reduced as part of an in-year aid cut of $650 million. But now the Philippines has suffered a 40 per cent cut in the 2015-16 budget. Such could be Nepal's fate next year.
6. The amount of aid allocated to other **government agencies other than DFAT** dropped by only 14 per cent, such that their share of the aid program grew from 7.9 per cent to 8.3 per cent. This is very hard to defend at a time when organisations like UNICEF and country programs like the Myanmar program are being cut by 40 per cent. At the very least, it's to be hoped that Julie Bishop is able to trade on her generosity to other portfolios in this budget when they come looking in future for bites from the aid program. (In another case of DFAT exceptionalism, the Australian Centre for International Agricultural Research, an aid-funded statutory agency that sits within the foreign affairs portfolio, experienced a cut of only five per cent from $96.1 million to $91.7 million.)
7. **Centrally-funded tertiary scholarships** are down 30 per cent, and many of the country programs that fund scholarships from bilateral allocations are down by more (much more, of course, in the case of Africa). So, on the one hand, it looks like Australian universities might expect to receive at least 30 per cent fewer aid scholars. On the other hand, it seems this was a rare case in which the government could not quite bring itself to apply the axe consistently with a 40 per cent cut.

Other departures from the logical schema are less significant. For example, it is not possible to read anything into reductions in funding to **global health, education and environment** programs. Payments to the relevant organisations are lumpy and likely to have been concentrated in 2014-15, when more funding was available. This, for example, explains the big drop in funding for the Global Partnership for Education in 2015-16. Likewise, **cash payments to Multilateral Development Banks** jumped by 26 per cent, but this is just a case of the past asserting itself in the present. Large replenishment commitments under the previous government, and in the early days of this one, are coming home to roost.

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