

# Is Labor rebuilding the aid program?

by Stephen Howes

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Humanitarian supplies en route to the 2024 Mulitaka landslide response effort in Enga province, PNG

*Photo Credit: DFAT/Nicholas Kittel*

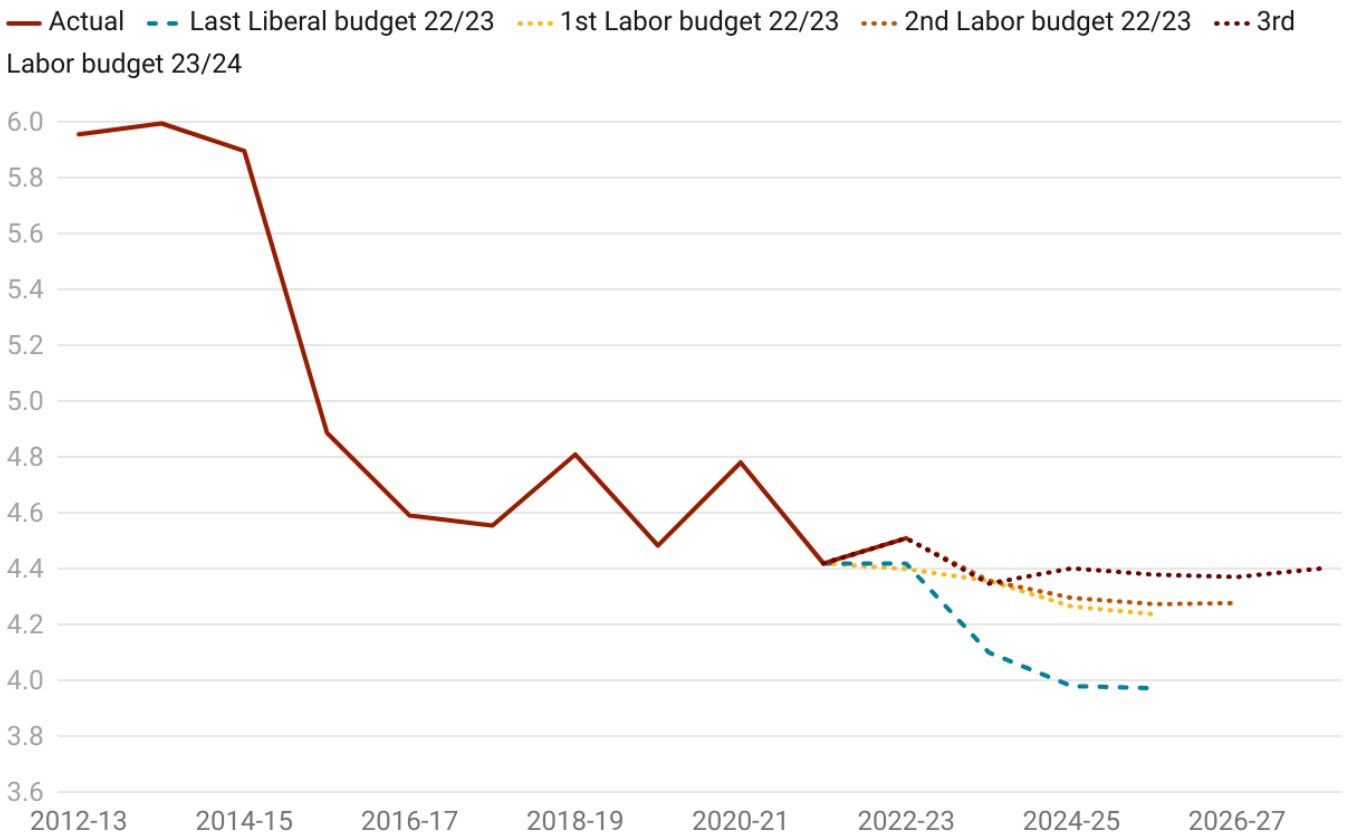
I was struck on budget night last month by the contrast between, on the one hand, the [Foreign Minister Penny Wong's 2023 claim](#) that Labor was rebuilding the aid program and the fact that, adjusting for inflation, [the aid program is budgeted to flatline](#) for the foreseeable future.

Since then, we've had time to take a deeper look. It is certainly the case that Labor has stopped the cuts. The Coalition cut the aid program savagely between 2013 and 2016 from, in 2021-22 prices, about \$6 billion to just \$4.5 billion per year. The aid program was then more or less stabilized at its lower level, but it was projected to fall again post-COVID to as low as \$4 billion.

That is a fate from which Labor has saved aid, with its three budgets since coming to power all promising to stabilise aid at between \$4.2 and \$4.4 billion.

## Figure 1: Total Australian Overseas Development Aid

A\$ billions, 2021-22 prices



Notes: Forward estimates are based on the budget inflation estimates and projections provided at the time.

Source: DFAT Official Development Assistance Budget Summary • Created with Datawrapper

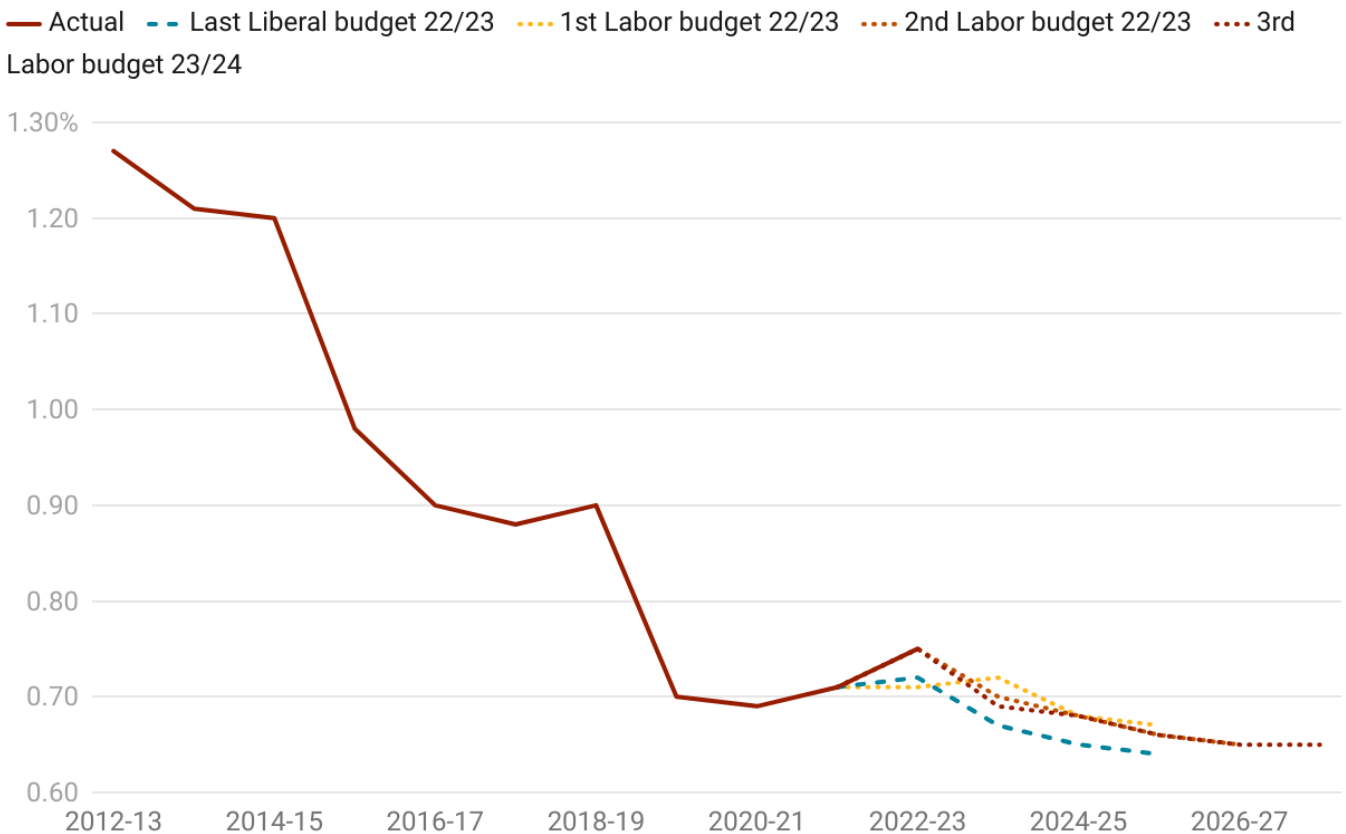
Avoiding cuts, while commendable, is not the same as rebuilding. Aid was (again in 2021-22 prices) between \$4.5 and \$5 billion each year between 2015-16 and 2020-21. It is now stuck at \$4.4 billion.

There is some hope for the optimists. Each Labor budget has been slightly better for aid, with successive endpoints of \$4.2, \$4.3 and \$4.4 billion (again, in 2021-22 prices). This is despite higher inflation: 2022-23 to 2025-26 cumulative inflation was projected at 11.5% in the Coalition’s last budget, then at 15.0% in Labor’s first budget, 15.3% in the second, and 15.8% in the third. Moreover, some would argue that Labor’s new aid policy and commitments to aid effectiveness should be counted as rebuilding.

However, looking at the above graph, for Labor to be said to be rebuilding aid, we’d need to see the total volume get up above \$4.5 billion heading in the direction of \$5 billion in 2021-22 prices. That would require an aid budget (in current prices) of some \$6 billion by 2027-28 rather than the \$5.4 billion currently indicated in the forward estimates for that year.

Rebuilding would require that the share of the total Commonwealth budget allocated to aid increases or at least that its decline is stopped. The Coalition cut aid in the context of an expanding government budget. The share of total government spending on aid almost halved from 1.3% in 2012-13 to just 0.7 in 2021-22. That 2023-24 budget set a new record minimum for the share of the budget spent on aid: 0.68%. According to the forward estimates, that share will continue to fall, reaching 0.65% in 2027-28.

**Figure 2: Aid as a share of the Australian federal budget**



Source: DFAT and Treasury budget documents • Created with Datawrapper

In reality, Labor has many higher priorities than foreign aid, with massive expenditure pressures in health, defence, and disability and aged care. It also faces a mounting interest bill.

One would have to say it is good news for the aid budget that Labor is in government. Aid would almost certainly be lower if the Coalition had remained in office. However, while Labor has stopped the cuts, it is yet to rebuild the aid program. The “trajectory of trajectories” from Labor’s first three budgets gives some hope that it will in the future, but against that has to be set the fact that the priority given to aid continues to decline. Under Labor, rebuilding the aid program remains at best an aspiration rather than a reality.

## **Disclosures:**

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Link: <https://devpolicy.org/is-labor-rebuilding-the-aid-program-20240618/>