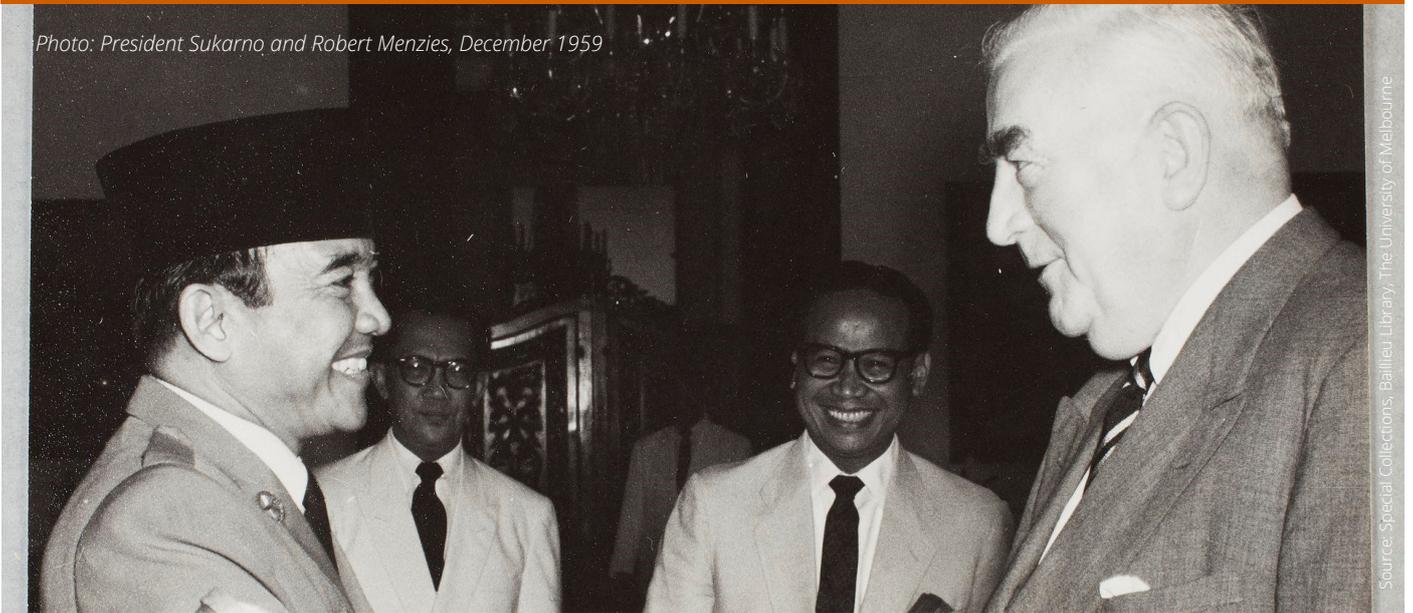


Photo: President Sukarno and Robert Menzies, December 1959



Source: Special Collections, Baillieu Library, The University of Melbourne

## Measuring Australia's foreign aid generosity, from Menzies to Turnbull

Robin Davies

### SUMMARY

Australia's foreign aid budget fell to 0.22% of Gross National Income (GNI) in 2016-17, an historic low. Some commentators, invoking OECD statistics, have claimed that in the 1960s under Prime Minister Robert Menzies, and into the 1970s, aid spending was regularly above 0.5% of GNI. A review of Australian government statistics, including some from lesser-known sources, indicates that the OECD inflates Australia's aid/GNI ratios from the early 1960s up to about 1995. The highest ratio achieved at any time was actually 0.48% in 1967-68. However, governments in the 1960s and 1970s did believe they were doing better than this, at a time when per capita incomes were less than half their present level in real terms.

### KEY POINTS

- OECD aid statistics turn out to be quite unreliable with respect to Australia's aid generosity from the early 1960s to the mid-1990s.
- The highest ratio of aid to GNI achieved by an Australian government was 0.48% under Holt, McEwen and Gorton, and not 0.65% under Whitlam as asserted by OECD statistics.
- Australian governments in the late 1960s and early 1970s did believe they were achieving spending ratios well in excess of 0.5%, at a time when real per capita income was less than half of its present level.

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# Measuring Australia's foreign aid generosity, from Menzies to Turnbull

## INTRODUCTION

Conventionally, and for good reasons, the ratio of [Official Development Assistance](#) (ODA or aid) to Gross National Income (GNI) is the principal measure of a country's generosity as a provider of foreign aid.

Based on the economic growth forecast contained in the Australian government's [December 2016 Mid-Year Economic and Fiscal Outlook](#), Australia's [2016-17 aid budget](#) of \$3.8 billion is estimated to amount to 0.22% of Australia's GNI—22 cents in every \$100, [lower than ever before](#). The 2016-17 budget is around one-third less in real terms than was spent in in [2012-13](#) when the aid budget peaked, in real and nominal dollar terms, at \$5.1 billion.

If we stick to recent times—going back, say, to the turn of this century—a graph of Australia's foreign aid generosity, in ODA/GNI terms, resembles an asymmetrical hill. It rises from what was at that time a historic low of 0.24% in 2000-01, reaches a 26-year high of 0.34% in 2012-13, then falls to its new historic low in 2016-17.

If we extend the same graph back several decades, though, the twenty-first-century hill seems more of a hillock. Considerably higher levels of generosity were seen during the 1960s and 1970s. How much higher, exactly?

Answers to questions of that kind are often drawn from Organisation for Economic Co-operation and Development (OECD) [aid statistics](#) because they are readily accessible, allow for easy comparisons between donor countries, and are presumed to be authoritative. In addition, the OECD holds information on Australian aid levels in the 1960s that is not easily found in Australian government publications.

World Vision Australia's Chief Advocate, the Reverend Tim Costello, was relying on OECD aid statistics when he [said](#), in December 2016 that, 'Aid was at its highest under Menzies, at 0.5% ... when per capita income was much lower.'<sup>1</sup>

<sup>1</sup> This policy brief expands on a [fact-checking article](#) and a related methodology note written at the request of The Conversation, and addressing the claim made by Tim Costello.

So was the Sydney Archdiocese of the Catholic Church when it issued a [statement](#) two years earlier, condemning aid cuts and saying that, 'Back in the 1960s and 1970s Australia's foreign aid budget stood at 0.65% of Gross National Income'.

Ditto *The Guardian* a year before that, when it [said](#), 'In the 1960s and 70s, Australia was seen as one of the world's most generous donors, spending up to 0.65% of its GNI on aid'.

The OECD statistics on which these various commentators relied, it turns out, are incorrect. Based on the most up-to-date Australian government data, the highest ODA/GNI ratio seen under any Australian government since annual reporting began was actually 0.48%. That was in 1967-68 under three Prime Ministers in quick succession: Harold Holt, John McEwen and John Gorton.

Costello's statement, unlike the other two just quoted, was only slightly inaccurate—out by no more than a couple of tenths of a percentage point and one prime minister. (His broader point was, it should be emphasised, entirely correct. Generosity under Menzies was twice as high as it is now, even though gross national income per capita was less than half of its present level in real terms.) The other two statements were quite inaccurate. And those inaccuracies, small and large, stemmed from problems with OECD data on Australia's ODA/GNI ratios from the 1960s right into the 1990s.

Against that background, the main purpose of the present policy brief is to present an accurate series of data on Australia's aid generosity over time, extending for the first time as far back as 1961-62, based on appropriate Australian government ODA and GNI data.

In the several sections that follow, I review the more readily available Australian government sources of information on foreign aid expenditure over time, introduce a lesser-known but very useful source of additional information, and point to the main source of the differences between OECD and Australian government data relating to Australia's aid generosity.

In the penultimate section, I provide a graphic comparison of Australia's actual ODA/GNI ratios with those asserted in OECD statistics. In the final section, lest it be thought that the recent decline in Australia's aid generosity has been grievously overstated, I place Australia's aid spending trajectory since the early 1960s in the context of the increase in Australia's wealth over the same period.

### READILY ACCESSIBLE AUSTRALIAN GOVERNMENT DATA SOURCES

The now-defunct Australian Agency for International Development (AusAID) habitually published a handy table at the back of its annual budget publication, the so-called '[Blue Book](#)', which detailed past spending on aid in current and constant prices, and gave ODA/GNI ratios. That table in its earlier incarnations extended back to 1971-72, just before Whitlam took office, but never further back in time. It is no longer published.

The Australian Department of Foreign Affairs and Trade (DFAT) has continued the publication of historical aid statistics in the long-running '[Green Book](#)' series but, again, the Green Books have never reported on flows prior to 1971-72.<sup>2</sup>

The [Development Policy Centre's Aid Tracker](#) already brings together the most readily accessible Australian government statistics on Australian aid flows over time, which come from the two sources just indicated, as well as Treasury budget papers.<sup>3</sup> It provides an interactive view of Australia's aid spending and generosity going as far back as 1971-72.

Over the 45-year period covered by the Aid Tracker, according to Australia's own statistics, the highest ODA/GNI ratio was 0.47% in 1974-75. OECD statistics, by contrast, put the ratio at 0.55% in the calendar year 1974 and 0.65% in the calendar year 1975. (OECD statistics are organized on a calendar year basis.)

<sup>2</sup> The 2013-14 Green Book, which was published after the integration of AusAID into DFAT, followed previous editions in publishing data on past aid budgets and ODA/GNI ratios up to 2013-14. The 2014-15 edition of the Green Book omits these data but DFAT has made them available in a [downloadable spreadsheet](#).

<sup>3</sup> The Aid Tracker will be updated shortly after the publication of this policy brief to incorporate the data here presented on aid expenditure and ODA/GNI ratios back to the early 1960s.

### ADDITIONAL AUSTRALIAN GOVERNMENT SOURCES

But what about the pre-Whitlam era? It's no straightforward matter to obtain statistics from Australian government sources on annual aid flows under any prime minister before Whitlam. But some can be found with a little detective work.

Fortunately, it happens that data on aid spending as far back as the early 1960s are buried in the 'International Relations' chapters of old editions of the Australian Bureau of Statistics (ABS) Year Book. The Year Book series (discontinued after 2012) can be [found](#)—though not particularly easily—on the ABS's web site.

The [1970](#) ABS Year Book was the first to provide systematic information on annual aid expenditure over a four-year period. That and the [1971](#), [1972](#) and [1974](#) editions of the Year Book contain good information on annual aid flows for all but one (1962-63) of the ten years from 1961-62 to 1970-71, a period that includes the last five years of the Menzies era. Figures for the seven years 1964-65 to 1970-71 were published in table form and rounded to the nearest thousand. Figures for 1960-61 and 1963-64 were mentioned only in narratives and rounded to the nearest million.

As expenditures were increasing in quite a steady fashion during the era in question, it is reasonably safe to assume that expenditure in 1962-63, the year for which information is missing, was at about the average of the expenditures reported for the two adjacent years. That means it would have been about \$75 million.

Aid flows for years prior to 1964-65, with the two exceptions just mentioned, were only reported in cumulative rather than annual terms in the Year Book. For example, the [1969](#) Year Book reported that Australia had spent a total of \$160 million under the [Colombo Plan](#) from its inception in 1950 through to June 1968, together with \$179 million in other economic aid and a cash grant in an unspecified amount 'for the development of Papua and New Guinea'. Earlier editions of the Year Book took a similar approach.

The [1973](#) Year Book, in addition to providing annual expenditure totals for the previous four years, stated that Australia had spent a total of \$2 billion as aid from 1945 to the end of June 1972.

OECD AID DATA

The OECD's [aid database](#) contains figures for Australian ODA, and for the ratio ODA to GNI, for each calendar year back to 1960. This [saved query](#) generates the relevant figures.

On the basis of data from the Australian government statistical sources described above, it is evident the OECD's ODA/GNI ratios for Australia are quite inflated over the three decades or so from the early 1960s to the mid-1990s. On average, the ratios published by the OECD are inflated by about 20% for the years up to 1995. For some individual years, including 1975, they are inflated by over 40%.

The inflation results mainly from large differences in the GNI denominators used. For example, the OECD puts Australia's GNI at \$121 billion in the calendar year 1980, whereas the average of the ABS figures for the two relevant financial years, 1979-80 and 1980-81, is \$143 billion.

For the period 1965 to 1995, the OECD understates Australia's GNI by an average of 14% each year. By contrast, for the period 1996 to 2015, the magnitude of the understatement averages less than 4% and is probably, like variations in reported aid levels, explained by the difference between fiscal and calendar year reporting.

It is likely that the GNI figures originally reported to the OECD by the Australian government, at least for the early decades of Australian aid, were subsequently revised upward by the ABS but not by the OECD.<sup>4</sup>

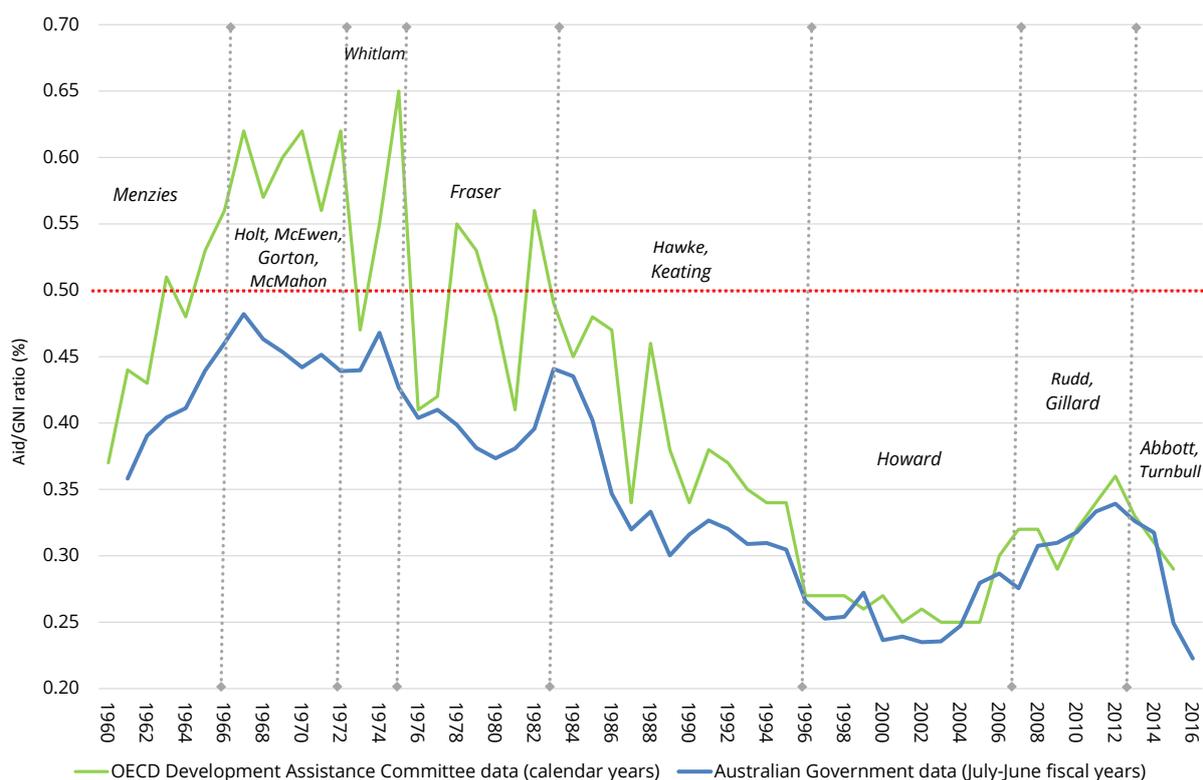
There is evidence for the above supposition. The 1973 ABS Year Book said, 'Australia has consistently been among the first three or four of the major aid donors, with a figure for direct government aid averaging 0.56% of gross national product over the last four financial years'.

That statement, even allowing for the [minor difference](#) between Gross National Product (GNP) and GNI, is broadly consistent with the ratios reported by the OECD for the same period, which implies that contemporary estimates of national income were lower than today's.

In short, it appears that the OECD's GNI estimates for Australia up to about the mid-1990s were made obsolete by ABS data revisions, rather than being entirely wrong.

4 Australia did not join the OECD Development Assistance Committee (DAC) until 1966, six years after it was formed, and did not join the OECD proper until 1971. This is probably why Australia started publicly reporting aid in annual rather than cumulative terms only in the latter part of the 1960s.

Figure 1: Ratio of Australian ODA to GNI—Australian government vs OECD



Note: See [this spreadsheet](#) for a collation of the data on which the above chart is based, with links to sources.

## AUSTRALIAN ODA/GNI RATIOS: ACTUAL VS OECD

On the basis of the ABS Year Book aid statistics, together with AusAID/DFAT statistics on flows since 1971-72, Treasury budget papers and the most recent [ABS time-series data](#) on Australia's gross national income, it was possible to construct the chart at Figure 1. This compares Australia's actual ODA/GNI ratios (blue graph) with those asserted in OECD statistics (green graph).

The 0.5% aid spending target represented by the red dotted line has some local relevance in Australia. In recent years, both major Australian political parties have made and subsequently [abandoned](#) time-bound commitments to achieve an ODA/GNI ratio of 0.5%. This ratio is obviously well below the [United Nations target](#) of 0.7% which was met or exceeded by [six OECD donor countries](#) in 2015.<sup>5</sup>

5 The United Kingdom, Netherlands, Denmark, Luxembourg, Norway and Sweden.

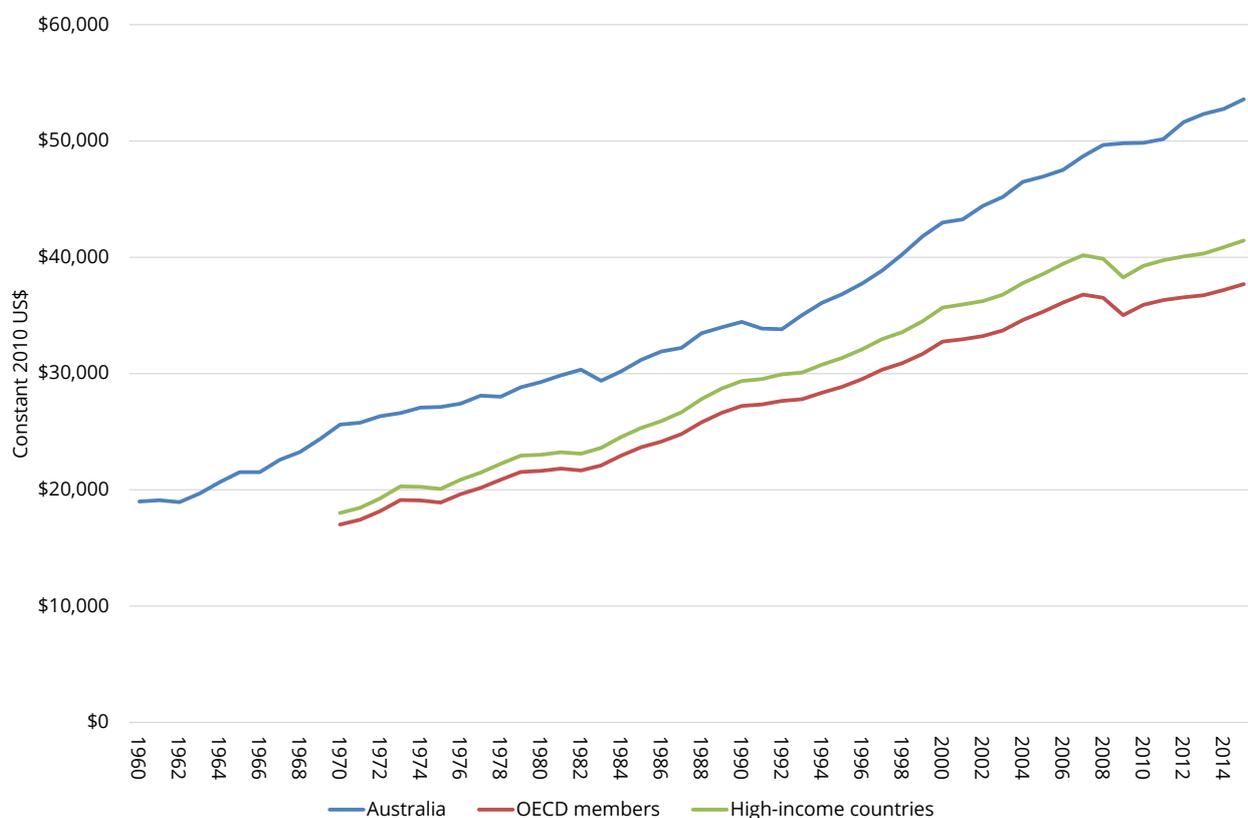
## WEALTH UP, GENEROSITY DOWN

The information presented above suggests that the decline in Australia's aid generosity has not been quite as dramatic as some commentators have suggested. But it has still been dramatic. As noted at the outset, Tim Costello was right to say per capita income was far lower in the Menzies era than it is now, even while ODA as a proportion of GNI was far higher.

To illustrate this point, Figure 2 shows the trajectory of Australia's per capita income since 1960. Growth in per capita income has [slowed lately](#), and household disposable income has [fallen](#) over the last several years. But Australia's per capita income remains well above the average of OECD member countries, and of all high-income countries.

As an alternative way of illustrating the same point, Figure 3 shows the strong growth of Australia's GNI—total rather than per capita—GNI in real terms since the early 1960s, contrasting it with the faltering and ultimately collapsing trajectory of Australia's aid expenditure, also expressed in real terms.

Figure 2: GNI per capita, 1960-2015



Source: World Bank, World Development Indicators database.

A final but important point is that policy intentions matter in assessing generosity. As noted in section 4, Australian governments in the late 1960s and early 1970s apparently believed they were allocating more than 0.5% of GNI (or more precisely GNP) to foreign aid, even if today's estimates of historical GNI indicate otherwise. To the extent that aid generosity is a matter of policy intentions, those governments should perhaps be considered as generous as the inaccurate OECD statistics say they were.

**CONCLUSION**

The highest ODA/GNI ratio under any Australian government was not in fact 0.65% under Whitlam in 1975, as asserted in OECD aid statistics. It was 0.48% under Holt, McEwen and Gorton in 1967-68. The ODA/GNI ratios asserted by the OECD appear to have been calculated on the basis of outdated GNI figures. Nevertheless, those were the figures on which governments in the late 1960s and early 1970s based their aid spending policies, believing they were consistently spending more than 0.5% of Australia's national income on aid.

And even when Australia's ODA/GNI ratios are correctly calculated, which substantially reduces those ratios relative to OECD statistics up to about 1995, the decline in Australia's generosity over time remains stark. Australia's per capita GNI has more than doubled since the early 1960s, while Australia's ODA/GNI ratio has fallen by more than half.

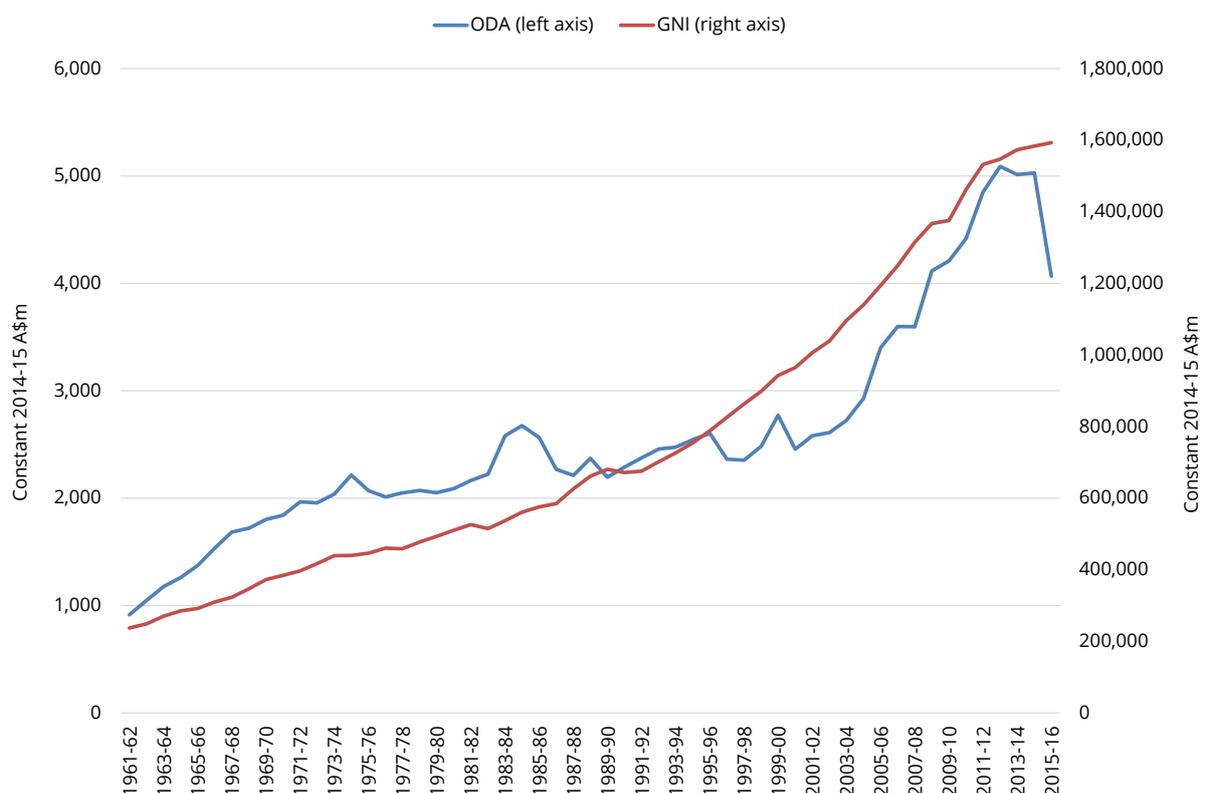
**ABOUT THE AUTHOR**

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The views expressed in this publication do not necessarily reflect the views of Crawford School of Public Policy or The Australian National University.

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**Figure 3: Australia's ODA and GNI in real terms, 1960-2015**



Source: ABS, AusAID/DFAT, Treasury.