

The defence–development divide: from gap to chasm

by Cameron Hill

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Five KC-30A Multi Role Tanker Transport aircraft at RAAF Base Amberley.

Photo Credit: *Defence Imagery/Peter Borys*

As in 2022, this year’s federal election is shaping up as one in which questions of foreign policy are playing a major role. It was [a surprise China–Solomon Islands security pact](#) that hit the headlines in 2022 and saw both major parties debating who was best placed to manage Australia’s relationships in a more contested Pacific region. This time around, the backdrop is the crumbling of [what is left of the postwar global order](#) as US President Donald Trump attempts to reconstitute it in his image and other great powers, like China and Russia, press for advantage amid the cacophony and chaos.

As in other Western countries, these dramatic events have prompted a renewed debate about whether Australia is spending enough on defence and, if not, how it might pay for any additional increases. Pointing to the UK’s recent decision, [some have suggested](#) that Australia should cut its aid budget to help meet the costs of increasing defence spending to 2.5% or even 3% of its Gross Domestic Product (GDP) by the end of the decade.

Apart from a failure to acknowledge that Australia is already one of the West’s [least-generous aid donors](#), what is missing from much of this commentary is the fact that the gap between Australia’s defence and development assistance spending is already at an unprecedented high. Moreover, under current budget settings — that is, even in the absence of more increases to defence and/or cuts to aid — this gap will continue to widen. Australia is projected to spend [2.33% of GDP](#) on defence by 2034 and [just 0.14%](#) on Official Development Assistance (ODA or “aid”). In comparative terms, Australia already has one of the highest defence-to-ODA spending ratios among its donor peers.

The widening gap between Australia’s defence and aid spending was first raised by Stephen Howes [on the Devpolicy Blog](#) in 2020. As Howes pointed out, during the Cold War the ratio of the two spending lines averaged around 7:1 and never exceeded 8:1, even at the height of our involvement in the conflict in Vietnam. It briefly exceeded 8:1 during the early stages of the second Gulf War in the 2000s. By contrast, under current budget settings, Australia’s defence-to-ODA spending

ratio will reach almost 12:1 in 2025–26 and increase to a new record of over 13:1 by 2030 (Figure 1). This is because, while defence expenditure is continuing to increase annually in real terms, real ODA spending **has been kept flat** until at least 2036-37.

On the basis of the 2025 budget estimates, if Australia were to increase defence spending to 2.5% of GDP by 2029–30 and not increase real ODA spending, the defence-to-ODA spending ratio would rise to a new record of 16:1, more than double the ratio during the height of the Vietnam War. If Australia were to increase defence spending to 3% of GDP by 2029-30 and not increase real ODA spending, the ratio would widen increase to a whopping 19:1, almost three times its Cold War average!

Figure 1: Australia’s defence-to-ODA spending ratio and projected scenarios, 1961-62 to 2029-30

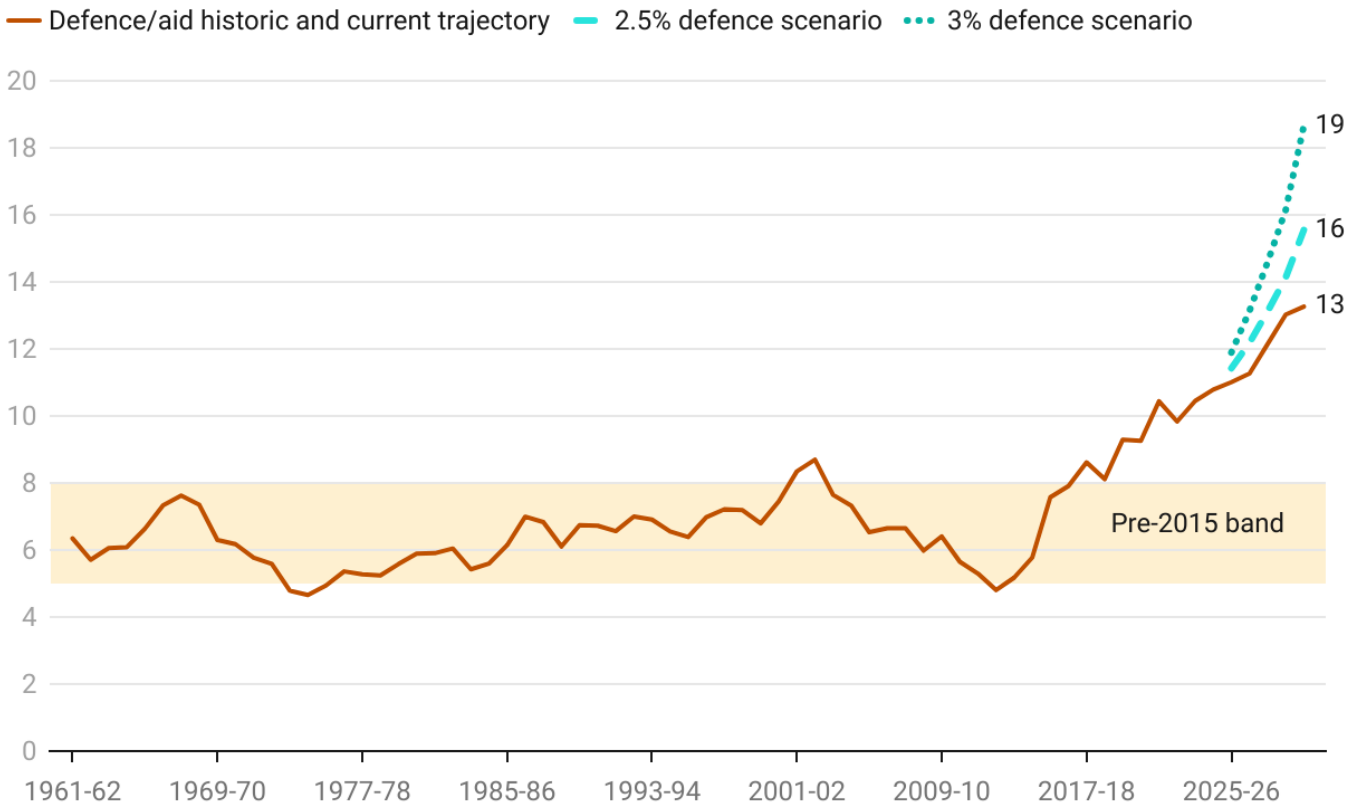
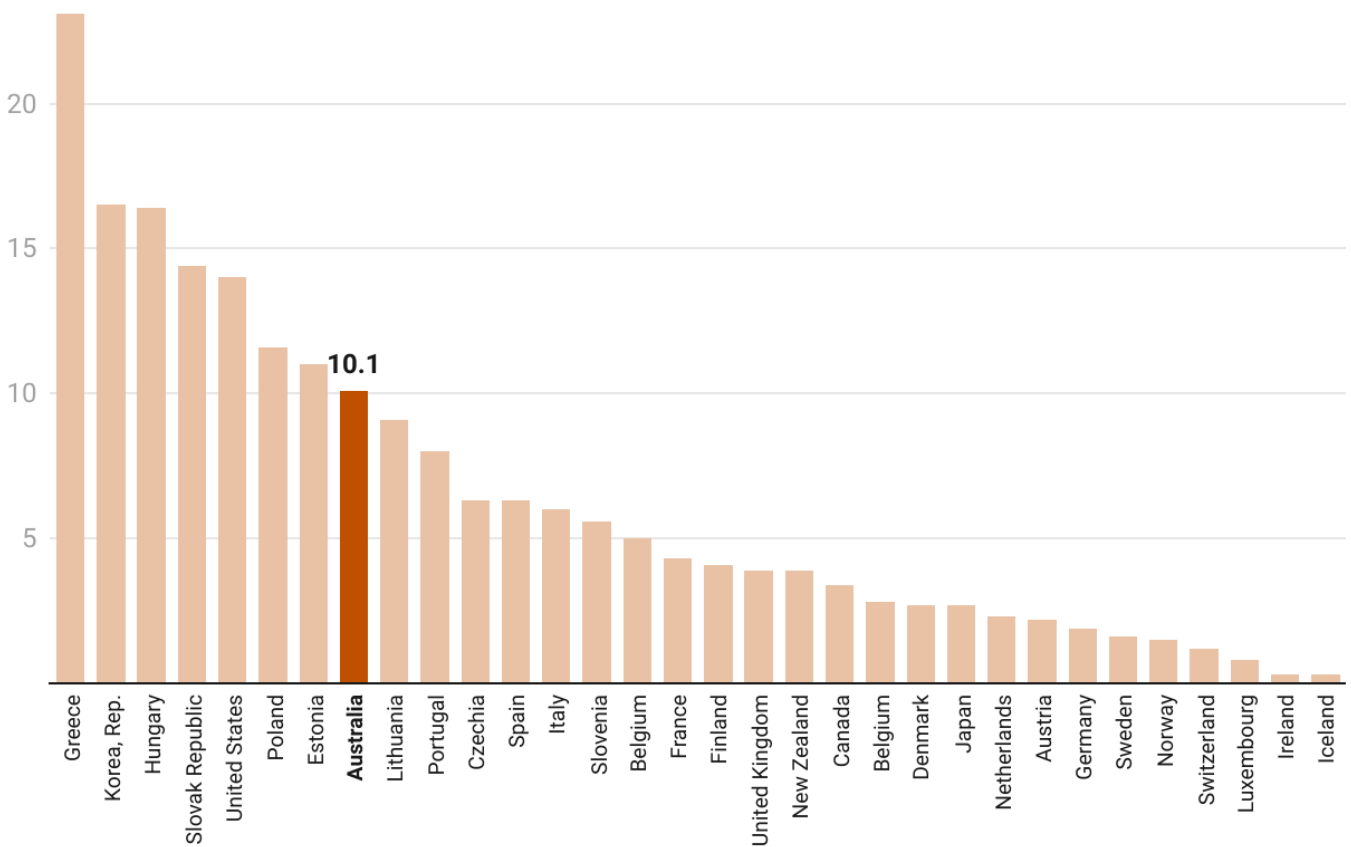


Chart: Australian National University's Development Policy Centre • Source: Historic defence expenditure figures are taken from the Australian Bureau of Statistics from 1961 up to 2001 and from budget documents thereafter. Historical aid data expenditure is from the Development Policy Centre's Australian Aid Tracker. Forward estimates and projections are based on 2025-26 federal budget documents. • Created with Datawrapper

The gap is also large when Australia is compared to other ODA providers. Using the latest available comparative data, in 2023 Australia spent 1.92% of its GDP on defence and 0.19% of its Gross National Income (GNI) on ODA (see Figure 2). This is a ratio of more than 10:1. The only other OECD donor countries with ratios above

10:1 in 2023 were: a global superpower (the US), several countries that share a border with or are near Russia (Estonia, Poland, the Slovak Republic and Hungary) and two donor countries that have active disputes with their neighbours (South Korea, Greece) and very small aid budgets — although South Korea has been rapidly increasing its aid spending and will soon overtake Australia in both dollar and ODA/GNI terms.

Figure 2: OECD Development Assistance Committee members' defence-to-ODA spending ratio as % GDP/GNI, 2023



Notes: GDP = Gross Domestic Product; GNI = Gross National Income. Traditionally, ODA is measured as a percentage of GNI, and defence as a percentage of GDP. For the purposes of this comparison, the differences aren't significant.

Chart: Australian National University's Development Policy Centre • Source: Stockholm International Peace Research Institute (SIPRI), Trends in World Military Expenditure, 2023 and OECD Development Assistance Committee, Official development assistance (ODA) 2023 final figures. • Created with Datawrapper

While some countries like the UK and Germany will move up the rankings on this metric as they increase defence spending and/or cut aid, Australia will continue to outpace them. For example, even after the UK fully implements its recently announced defence increases and aid cuts, its defence-to-ODA ratio will still be lower than Australia's, moving from about 4:1 in 2023 to around 8:1 in 2027.

What might explain this comparatively very large and growing spending gap?

The first possible explanation is that despite the “statecraft” framing, aid is just not seen by Australia’s foreign policy elite as very useful when it comes to dealing with the transactional politics of geopolitical competition. And, outside of a handful of aid-dependent countries, **they are probably right**. But aid, delivered effectively, can still help serve other important and legitimate policy purposes. Just as our strategic circumstances have deteriorated, so has the regional and global development outlook. Many of Australia’s developing-country neighbours suffered setbacks to their long-term growth and development trajectories during the COVID-19 pandemic and remain vulnerable to looming global economic and geopolitical shocks. And some of the biggest shared global problems that aid is designed to help address, like pandemic threats, climate change and humanitarian emergencies, have worsened.

A second, related possible explanation is that the domestic politics of supporting aid increases has just become too hard. That is, **the so-called “cautious consensus”** has morphed into a “pernicious paralysis” in which politicians who support increasing aid pre-emptively cite potential opposition as a reason for not doing anything beyond incrementalism, thereby handing their opponents a de facto veto over what is possible. However, the idea that the public is inherently hostile to aid is simply **not reflected in our data** on Australian public opinion. And, as leaders like former Australian Prime Minister John Howard, former US President Ronald Reagan and former UK Prime Minister David Cameron have all shown, there does not have to be an in-built aversion to increasing aid from centre-right parties.

A third possible explanation is that Australia’s defence costs are just much higher than they were during the Cold War. There have certainly been big advances in military technology since the 1990s, and large defence contractors have proven adept in their marketing of these technologies. But the costs of aid have also increased. This is particularly the case in the Pacific which remains one of the world’s most remote developing regions and one that is affected by more frequent and intense climate-related disasters, both factors which make aid to this region more expensive.

Back in 2020, Howes observed an “unprecedented divergence” between Australia’s defence and development spending, saying, “no Australian government in the last 60 years has ever before given defence such priority relative to foreign aid”. Others **have subsequently pointed** to Australia’s increasingly unbalanced statecraft. Whatever the explanation, the divergence between defence and aid spending is growing from a gap to a chasm.

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