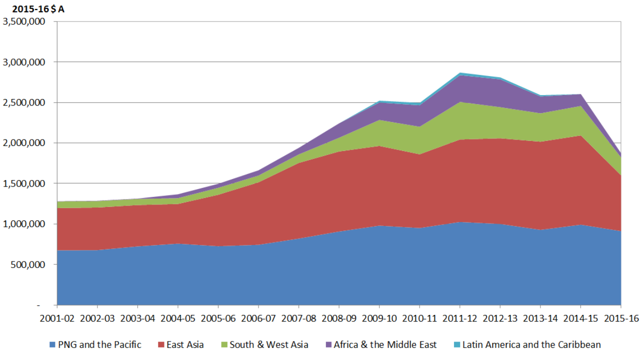

The same, the bad, and the ugly: country allocations in the 2015-16 budget

By Matthew Dornan
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With a 20 percent cut to Australia's aid budget, there were never going be any 'winners' on budget night this year. Instead, simply holding on to the same level of funding was a win, in a budget that has seen massive cuts to country and regional programs.

The regions that were worst hit, not surprisingly, were those deemed outside of Australia's traditional areas of interest, now defined as the Indo–Pacific region. Sub-Saharan Africa saw its budget cut by 70 percent. Aid to the Middle East, including the Palestinian Territories, declined by 43 percent.

The Pacific and PNG have been spared for the most part. Indeed, DFAT country allocations remain constant in nominal terms in all Pacific island countries, even in the North Pacific, which has not traditionally been a priority for Australia. Aid to Papua New Guinea has declined, but only marginally, by 5 percent. Funding for regional programs in the Pacific will be 10 percent lower in 2015-16.

The government has adopted an across the board 40 percent cut in other regions in order to meet the $1 billion of cuts to the aid budget. In East Asia, all but two countries suffered a cut to aid of 40 percent. Indonesia fared no worse than the Philippines or Mongolia, despite recent commentary suggesting that larger cuts were a possibility. Timor Leste was protected with a 5 percent cut. Aid to Cambodia will remain constant in nominal terms – the only country in East Asia where this is the case. Aid for regional initiatives was similarly cut by 40 percent.

The same approach was applied in South and West Asia, where all but one country saw a 40 percent decline in aid from Australia. That one country, Nepal, will receive the same level of funding as in 2014-15. The 40 percent cut was applied to regional initiatives in South Asia, just as in East Asia.

The year-on-year cuts for individual countries and regions are illustrated in the table below.

Table 1 Country allocations: change in 2015-16 budget compared to previous year

Pacific and PNG	
PNG	– 5 percent
Solomon Islands, Vanuatu, Samoa, Fiji, Tonga, Nauru, Kiribati, Tuvalu, Cook Islands, Niue, Tokelau, North Pacific	Steady (in nominal terms)
Pacific regional	– 10 percent
East Asia	
Indonesia, Vietnam, Philippines, Burma, Laos, Mongolia, East Asia regional	– 40 percent
Timor Leste	– 5 percent
Cambodia	Steady (in nominal terms)
South and West Asia	
Afghanistan, Pakistan, Bangladesh, Sri Lanka, Bhutan, Maldives, Regional South Asia	– 40 percent
Nepal	Steady (in nominal terms)
Africa and the Middle East	
Sub-Saharan Africa	– 70 percent
North Africa and the Middle East (excl. Palestinian Territories)	– 82 percent
Palestinian Territories	– 40 percent

Cutting the aid budget by 20 percent was never going to be an easy task. The government has pursued this task using a simple framework, which can be roughly summarised as follows:

1. Protect the Pacific – the region that is most dependent on aid and where Australia has traditionally been the dominant player.
2. Protect Timor Leste – a country which has more in common with the Pacific than with East Asia.
3. Protect Cambodia – which has agreed to form part of Australia's regional asylum seeker resettlement arrangement.
4. Obliterate aid to regions not deemed a priority – Africa and most of the Middle East.
5. Cut almost everything else by 40 percent (a nice, round number).

Nepal is probably an afterthought. It would be a bit mean to cut aid in the immediate aftermath of an earthquake, after all.

Whether this is the right way to go about cutting the aid program is highly debatable. The across the board cuts indicate that there has been next to no consideration of the individual initiatives being implemented in each country – not of the stage at which initiatives were at, and not of their effectiveness. This will inevitably mean that aid provided in the past for project development is discarded as a sunken cost. It will inevitably mean cuts to programs that are performing well.

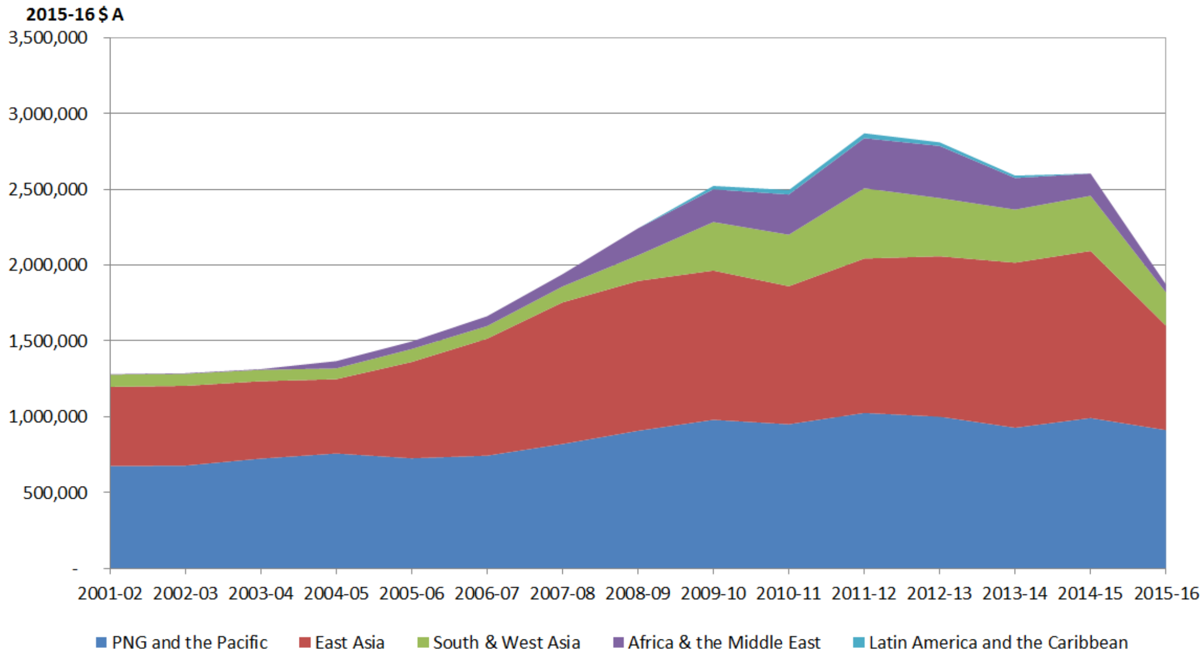
The aid allocations in the budget suggest that the government's talk about mutual accountability and providing aid to good performers has clearly been just that: talk. The government's new performance framework [pdf] for the aid program, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, emphasised that:

> *"The Australian Government has designed a new performance framework for the Australian aid program. It is simple; it links performance with funding; and it ensures a stronger focus on results and value-for-money."*

The way that country programs have been cut in this budget makes a mockery of this claim. The Performance of Australian Aid 2013-14 [pdf] report released by DFAT last month shows very clearly where aid is performing well – in East Asia, including Indonesia. These are the countries that have seen their aid programs cut by 40 percent. The only two countries spared such cuts in East Asia are the two worst performing ones: Timor Leste and Cambodia. Similarly, the worst performing region, the Pacific and PNG, is the only one to have been protected from the aid cuts.

Instead of basing cuts on considered analysis of country aid programs and initiatives therein, this budget has followed a simplistic formula. In doing so, the aid program has reverted to a state that is very similar to that before the scale up, both in terms of country allocations and total aid provided. This is visible in the graph, which shows DFAT country programs (the graph excludes aid for multilaterals, humanitarian aid, etc.). The very regions that benefited most from the scale up have now suffered the greatest cuts. It's almost as if the scale-up never happened.

Figure 1 DFAT country programs (by region)



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