

## Australia's \$5 billion aid program: 'most generous', 'above average' or what?

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Rowan Callick, [writing](#) in *The Australian* today, says the Abbott government's aid cuts 'have been lambasted as uniquely hard-hearted' and argues they are neither unique nor, comparatively, hard-hearted.

So, with an annual aid program which for the next few years is expected to remain constant in real terms at around \$5 billion, where will Australia stand in the donor rankings? According to foreign minister Julie Bishop:

We're one of the most generous per capita aid donors in the world, and this won't change.

That's from her [speech](#), last week, to the chairs and CEOs of the member organisations of the Australian Council for International Development.

And Callick's piece, drawing on the Development Policy Centre's recent policy brief, [Global aid in 2013: a pause before descending](#), emphasises that:

... the proportion of Australian spending on aid is expected to stay above the average for industrialised countries.

Let's look first at the minister's statement. Aid per head of donor country population is not normally used as a comparative measure for the obvious reason that there is great variation among donor countries in per capita incomes. Aid as a proportion of GNI is the canonical measure. That aside, if one looks at the data on aid per capita—which can be extracted from tables 1 and 38 [here](#)—Australia, at \$215 per head (US dollars, 2011 prices) ranks tenth among the 24 countries that were members of the OECD's Development Assistance Committee (DAC) in 2011. There are four countries that give more than twice that amount per head, namely Norway, Luxembourg, Sweden and Denmark. Norway gives \$989 per head. Indeed, the average DAC country gives \$263 per head.

The data, therefore, don't support the statement that Australia is one of the most generous donors in the world in terms of aid per capita. If we look at total DAC aid divided by the total population of DAC countries, then we get a number—\$139 per head—that looks more favourable to Australia. However, this latter number reflects the fact that four of the largest aid providers, including the US and Japan, all have aid per capita levels below \$100. These countries tug the average way down. Only nine of the 24 donor countries in question have per capita aid levels below \$139.

This brings us to Callick's statement. He focuses on the aid-to-GNI ratio, the conventional measure of donor effort. He rightly notes that even if Australia's ratio were to fall from its 2012 level of 0.36 per cent to something like 0.32 per cent, as seems likely, Australia will remain above the DAC average of about 0.29 per cent. So how could it be that Australia is ranked 13<sup>th</sup> among DAC donors on this measure? It's because the average Callick is talking about is like the one mentioned at the end of the previous paragraph: it is the result of dividing total DAC aid by total DAC GNI. It is tugged down by the low aid-to-GNI ratios of some of the biggest donors. If instead one looks at the average country effort—arrived at by averaging the aid-to-GNI ratios of the individual DAC donors—the overall ratio in 2012 was far higher at 0.47 per cent.

While there's no argument in favour of using aid per capita as a comparative measure of donor effort, there are arguments for and against using each of the two alternative aid-to-GNI averages for that purpose. One

measure, which averages countries' individual efforts, is inflated by the strong efforts of small countries; the other, which represents the collective effort, is deflated by the weak efforts of large countries. The OECD simply publishes both figures, though the big donors with lower ratios obviously prefer to emphasise the smaller of the two.

Regardless of one's choice of yardstick, Australia is certainly not a miserly donor and will not become one if the aid program is in fact maintained at around \$5 billion in real terms. But Australia is not one of the most generous per capita aid donors in the world. Nor is it above average in terms of country effort.

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