# Weak on quantity, strong on quality: the 2012 Australian aid budget

**Author :** Stephen Howes

**Date :** May 9, 2012

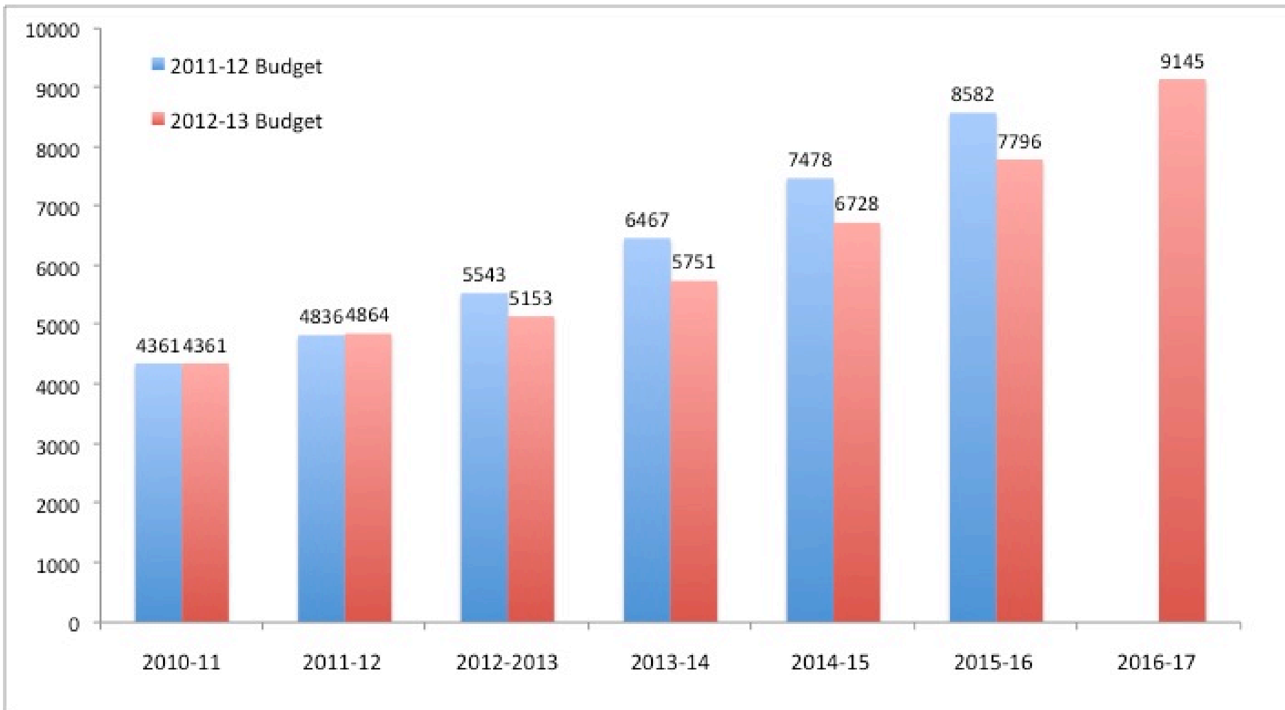
**Are we serious about 0.5?**

The 2012-13 Australian aid budget, delivered last night, pressed the pause button on the ascent of Australian aid as a percentage of our economy (GNI) towards the previously bipartisan target of 0.5% by 2015. That ratio was at 0.35% in 2011-12, and was meant to increase to 0.38% in 2012-13, but instead will stay at 0.35% for another year. This means an increase in aid not of $700 million as originally planned, but only $300 million. After inflation that is about a 4% increase. It is one of the lower growth rates we've seen in the Australian aid budget since it began its dramatic expansion in 2001-02. In the 12 years since, on average the aid budget has grown (after inflation) by 6% a year.

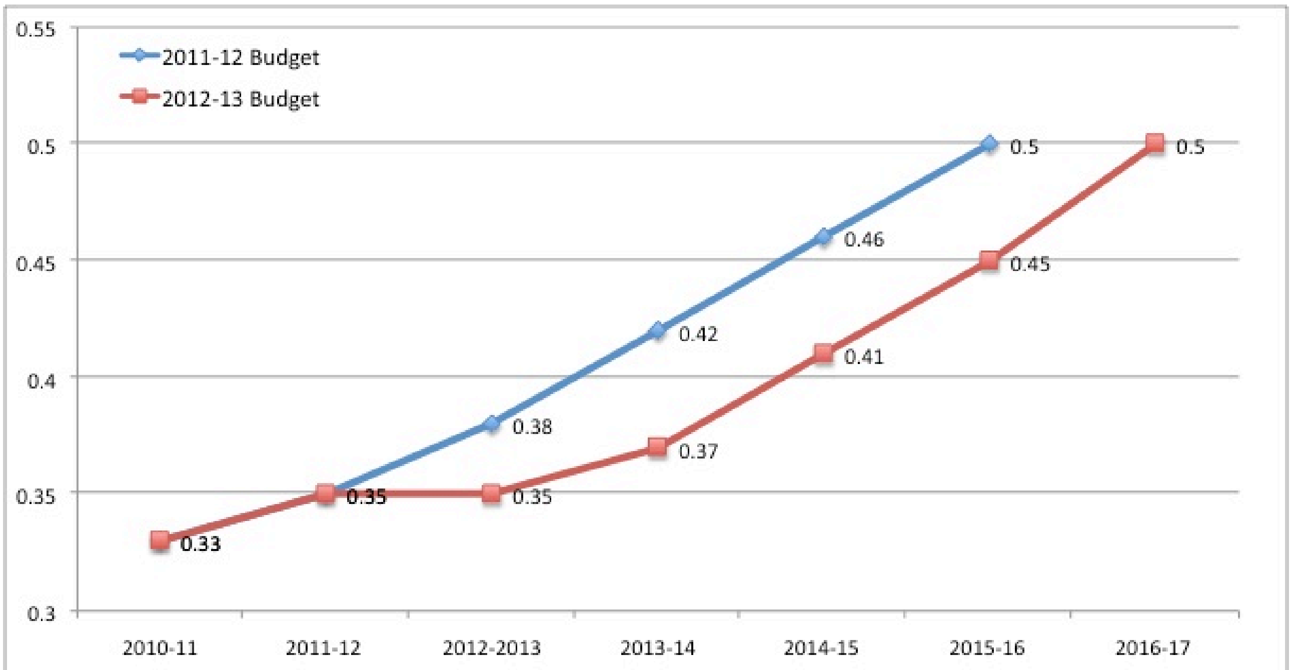
Back in 2000-01, just before the scale up began, the aid budget was just (in today's prices) $2.4 billion. In 2011-12, it was $4.8 billion and in 2012-13 it will be $5.1 billion rather than the $5.5 billion originally planned.

Because of the small increase in this budget, the government felt compelled to push the 0.5% target back by a year from 2015-16 to 2016-17. You can see how the scale up has been pushed back between the last budget and this budget in the graphs below, first in terms of dollars (our estimates), and then in terms of the aid/GNI ratio (official figures).

**Aid dollar comparisons ($ billion)**




**ODA/GNI comparisons (%)**




Even with a year's delay, it will be a steep climb to get to 0.5, requiring, on average, increases of about $1 billion for each of the next four years from 2013-14 to 2016-17. The aid program has never had an annual increase of anything close to $1 billion. The biggest increase was $626 million in 2008-09, the second biggest $500 million in 2005-06. Even with looser fiscal constraints, it will not be easy to sustain support for a single $1 billion increase, let alone for four such increases consecutively. Yet this is what it will take to get to 0.5% under the new timetable.

Are we serious about 0.5%? Not if this or recent past budgets is a guide. True, the government only delayed the target by a year. But if we are serious about it, we have to shift from modest aid increases of half a billion or less to large, one-billion-dollar increases. Whether a bipartisan consensus can be re-established around a delayed 0.5 target, and whether governments then have the courage to translate that target into large increases year after year remains to be seen. There will certainly be plenty for supporters of aid to campaign about.

**Are we serious about quality?**

Not all aid spending is equal, and aid quality is just as important as aid quantity. Though it will probably go little noticed, the budget did contain a number of aid reforms which push forward the aid effectiveness agenda. These require careful study before anything definitive can be said, but overall the budget seems to be several steps in the right direction on the effectiveness front.

Some of the details are explored in the two companion budget blogs by my colleagues, Matt Dornan (on geographical allocations) and Dinuk Jayasuria (on accountability reforms). Here's my brief checklist, with six positives, and two negatives: see my pre-budget blog for the background and the Independent Review of Aid Effectiveness (disclaimer: in which I participated) for many of the details.

First, the six **positives**:

- The Comprehensive Aid Policy Framework: a four-year strategy recommended by the Aid Review to provide the road-map for the scale up that has been missing so far; perhaps light on detail and numbers, and heavily skewed to a 2015-16 scale up that we might never achieve, but no doubt a major breakthrough.
- **The Results Framework**: Dinuk covers this in more detail, but this new statement of targets includes

important and monitorable commitments to reduce staff churn, and improve the management of aid projects.
- **Independent Evaluation Committee**: ditto an important reform – again see Dinuk's post.
- **Major expansion of global programs**: Another positive, and consistent with the Independent Review's recommendations. Most (60%) of the 2012-13 (admittedly modest) total aid expansion is through global programs: some core funding to NGOs, but mainly core funding to multilateral organizations.
- **Humanitarian aid:** Disaster aid is up about $50 million in the budget to about $500 million, with significant funding increases for future years. This is an effective form of aid, with strong public support.
- **Research:** Increased funding for agricultural research, though nothing on new funding for medical research.

And now the two **negatives**:

- Continued scaling up through **New Policy Programs (NPPs).** The Aid Review recommended discontinuation of the practice of scaling up through NPPs, but this has clearly been rejected, and the budget has some 8 NPPs worth $1.5 billion. NPPs might work for other parts of government, but they don't for aid, where the distinction between new and ongoing projects makes little sense, as projects are always turning over, and priorities and approaches changing.
- **Continuation of the Latin America program, and continued expansion of the Africa program.** The Aid Review recommended the Latin America aid program be scrapped and the Africa program be capped at $200 million. Instead the former is held constant at $50 million, and the latter is now at $350 million and growing. This suggests inadequate attention to the need for greater selectivity and consolidation.

In summary, I come away from the budget not that convinced that we will get to 0.5%, but reassured that aid effectiveness should improve. Perhaps lifting effectiveness will help generate more support for more aid. I live in hope.

*Stephen Howes is Director of the Development Policy Centre. This is part of our series on the 2012 aid budget. The other two parts are available here and here.*

*Details of the Australian aid budget can be found here on the AusAID website.*