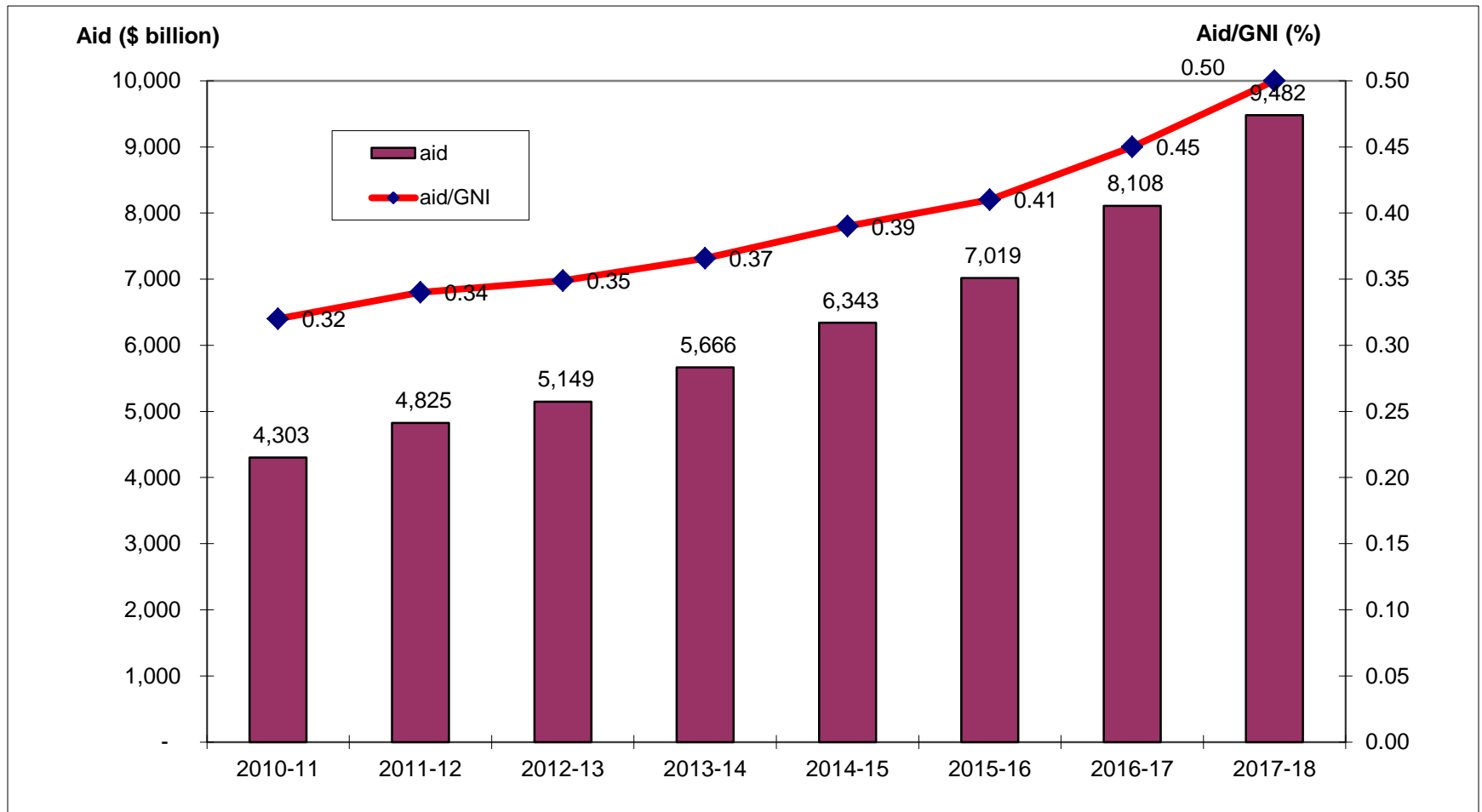


The 2013-14 aid budget:  
third time disappointed AND the  
third largest aid increase ever

Stephen Howes

15 May 2013

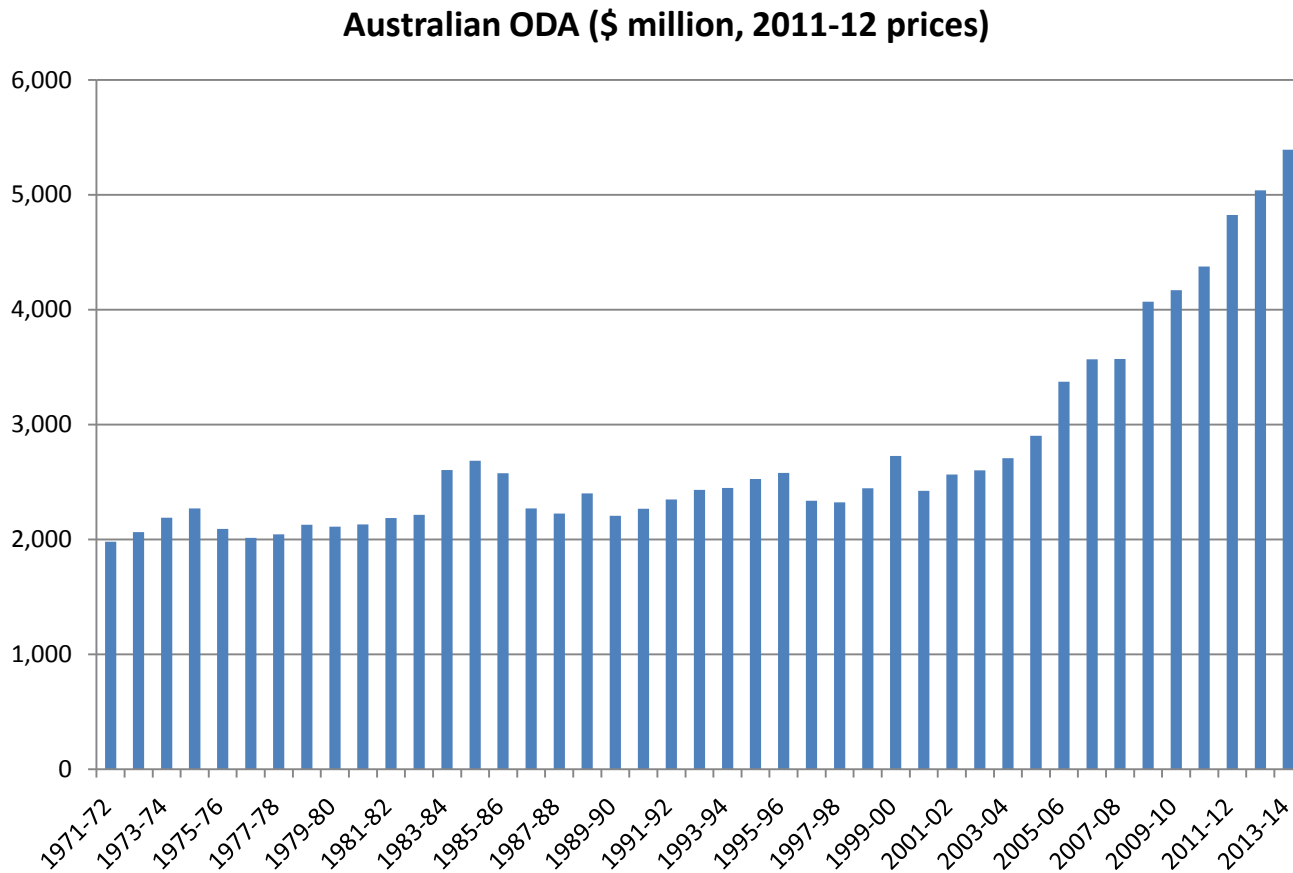
# The 2013-14 aid budget



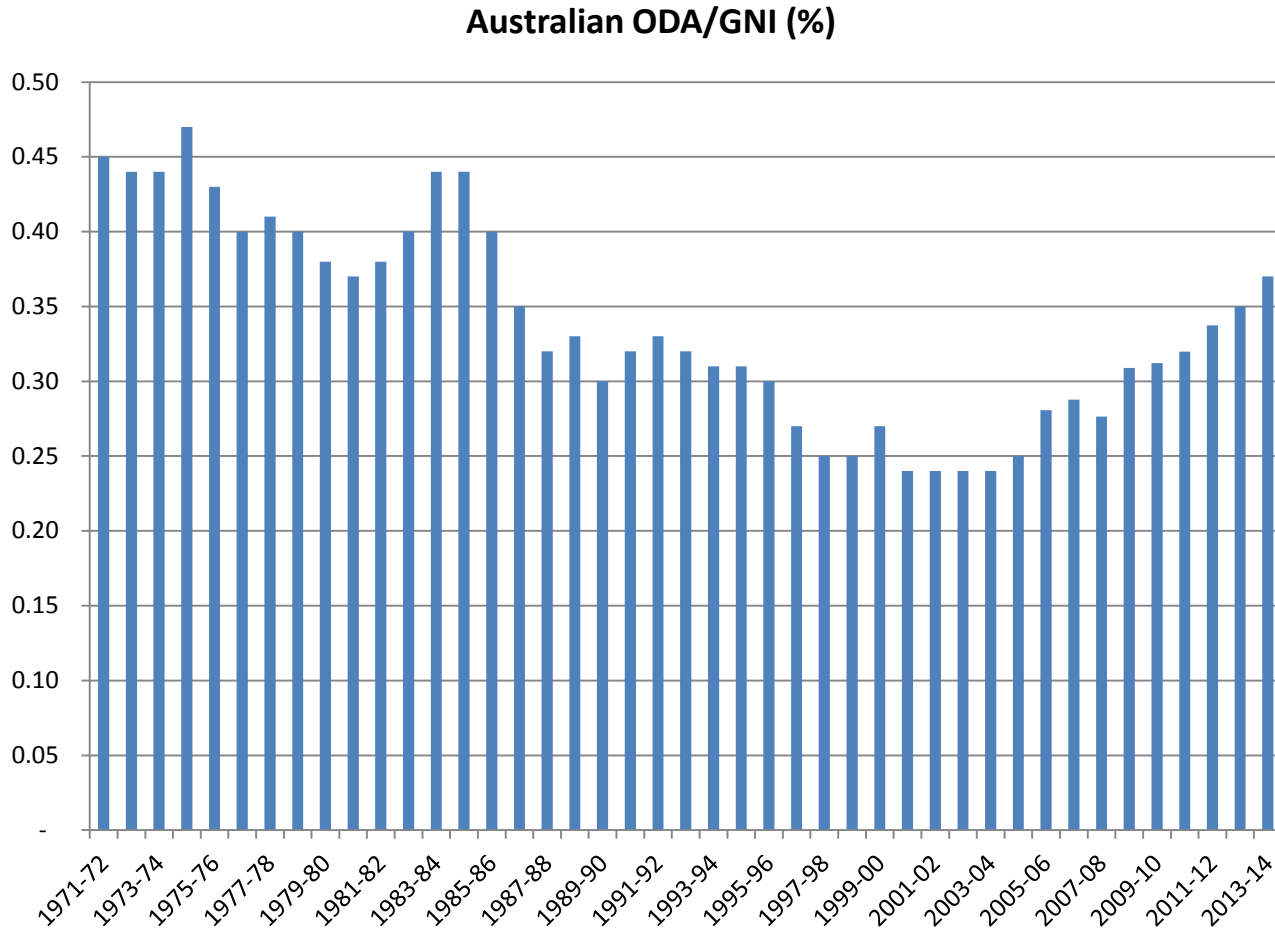
# 2013-14 aid

- \$5.7 billion up from \$5.2 last year
- Why \$500 million increase?
  - To get from 0.35% to 0.37% of GNI
- Last year we estimated this would cost \$600 m.
- But much slower nominal GNI growth than expected
- However, this is offset by higher GNI base in 2011-12 so 2011-12 ODA/GNI ratio only 0.34% and 2012-13 still only 0.35 despite the slower growth.

# Good times for Australian aid

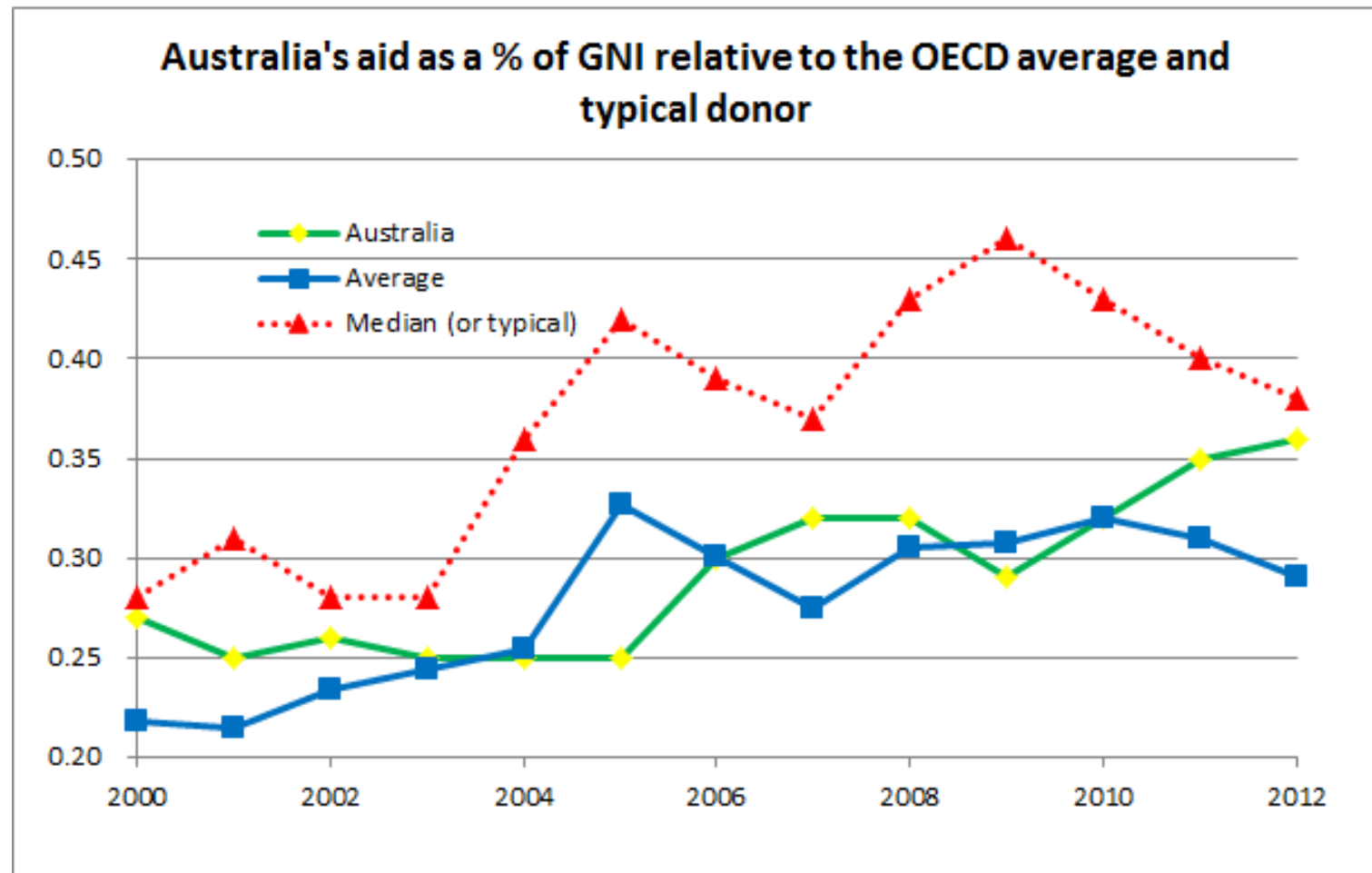


# Good times for aid/GNI

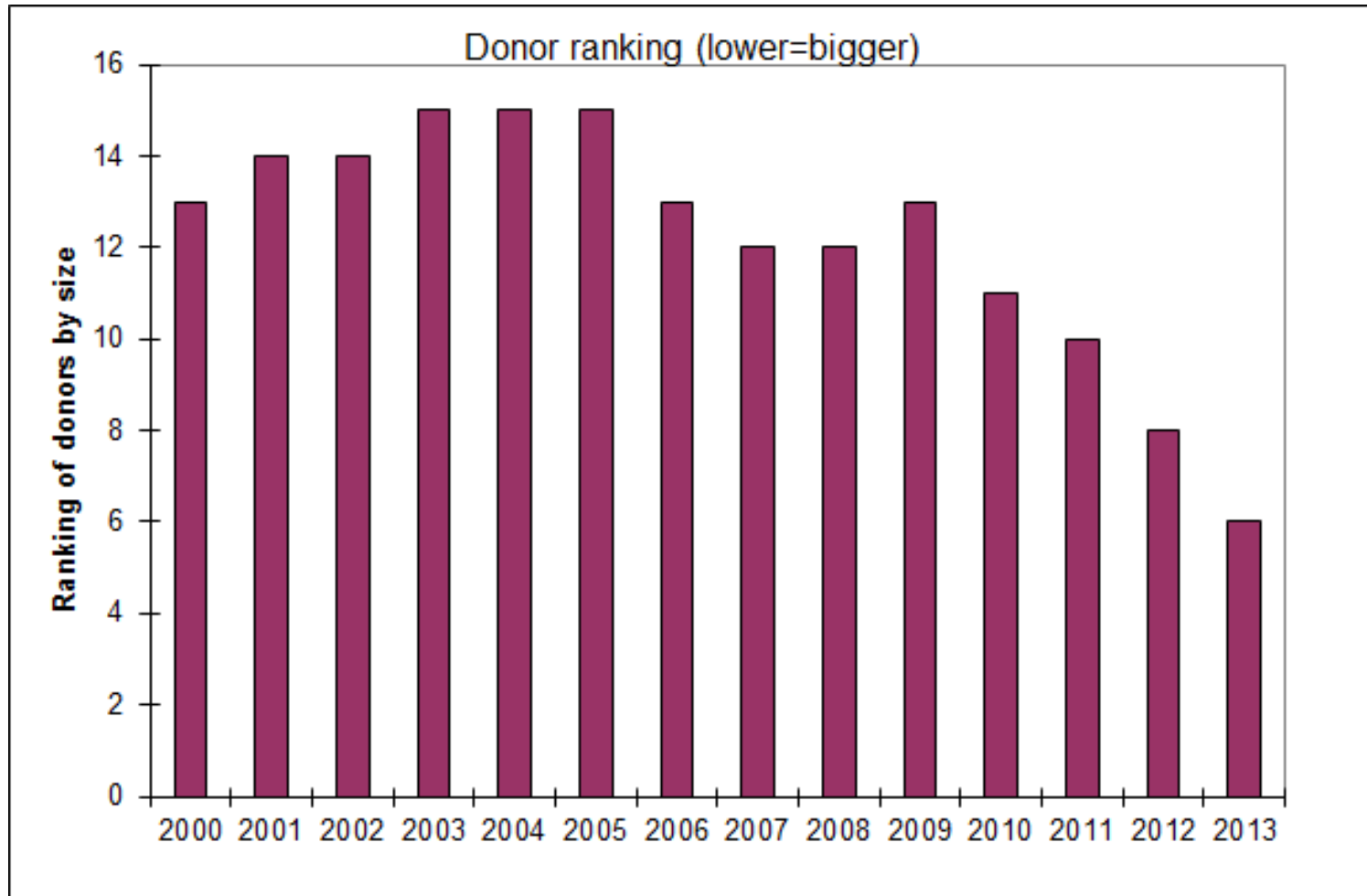


But note it took us 10 years to increase aid from .24% of GNI to .37%.

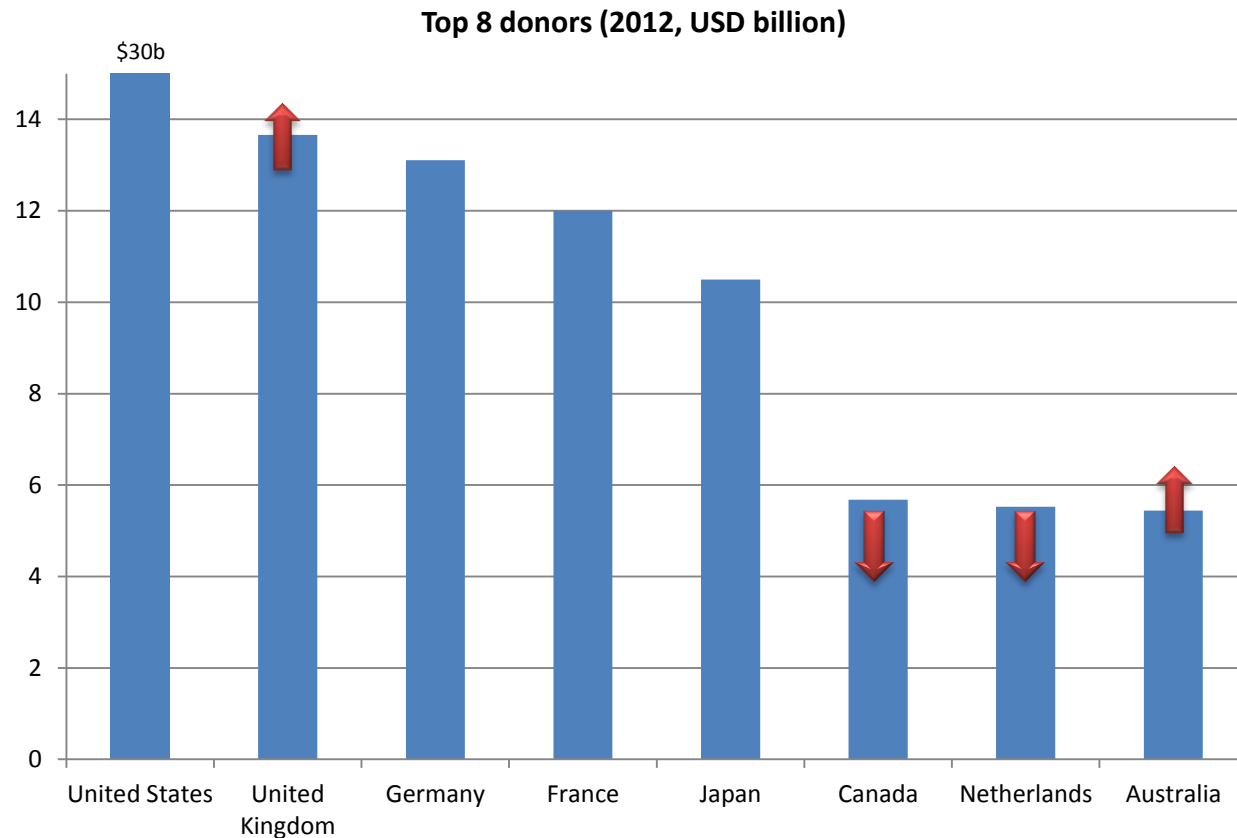
# Australia is becoming a more generous donor



# And a more important one



# Australia is now the 2<sup>nd</sup> tier donor leader, after the top 5

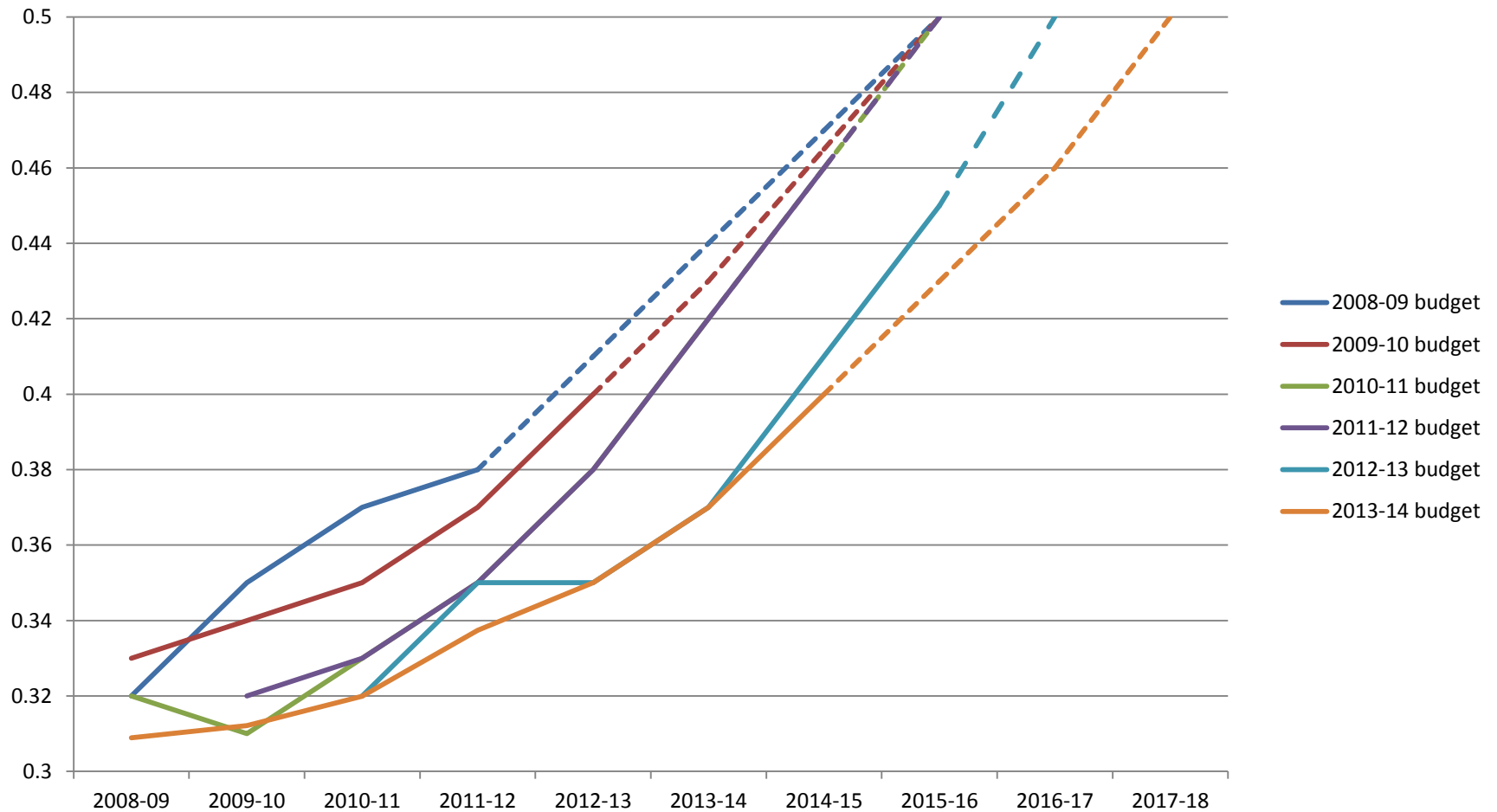




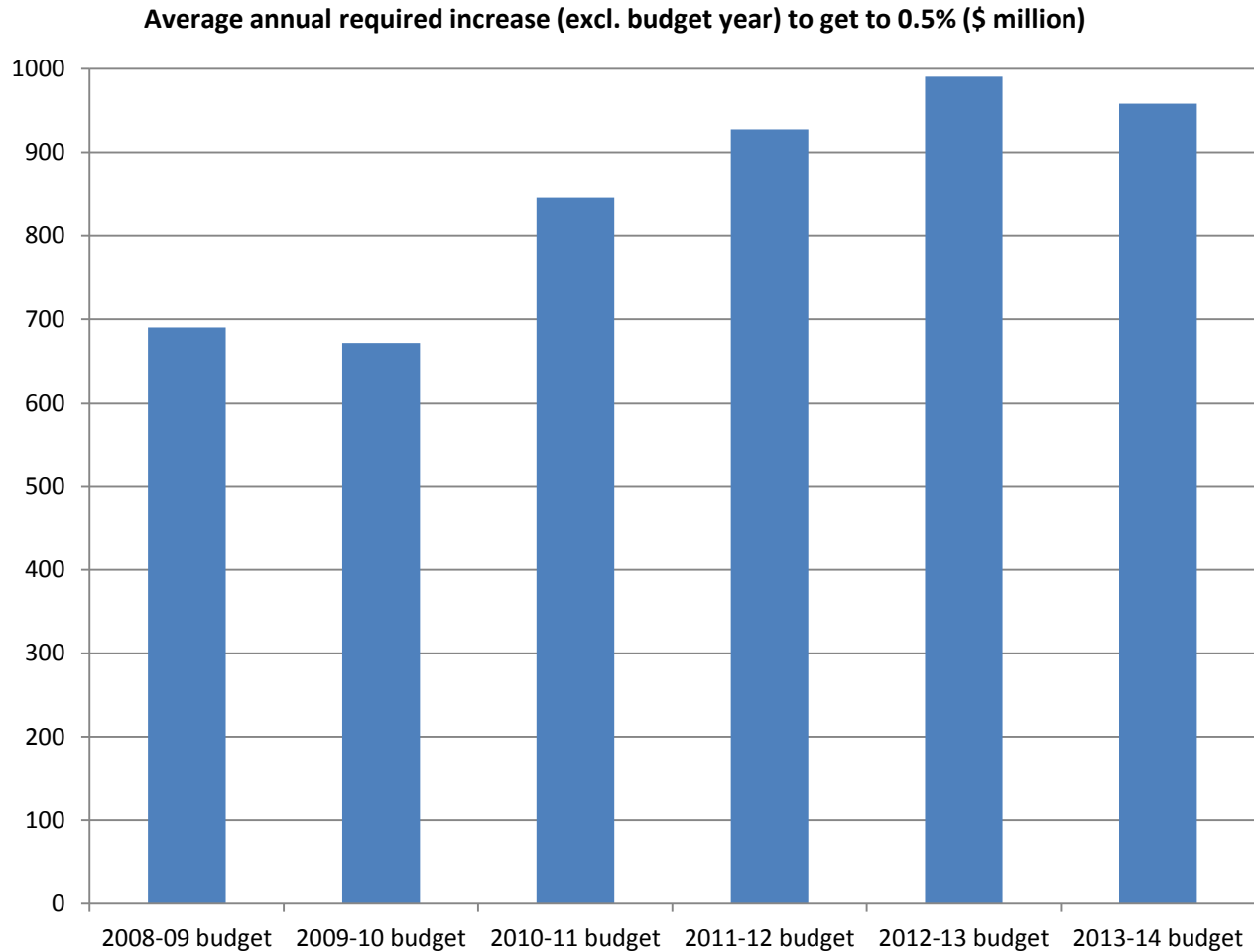
# So what's the problem?

- The 0.5% target.
- And asylum-seekers

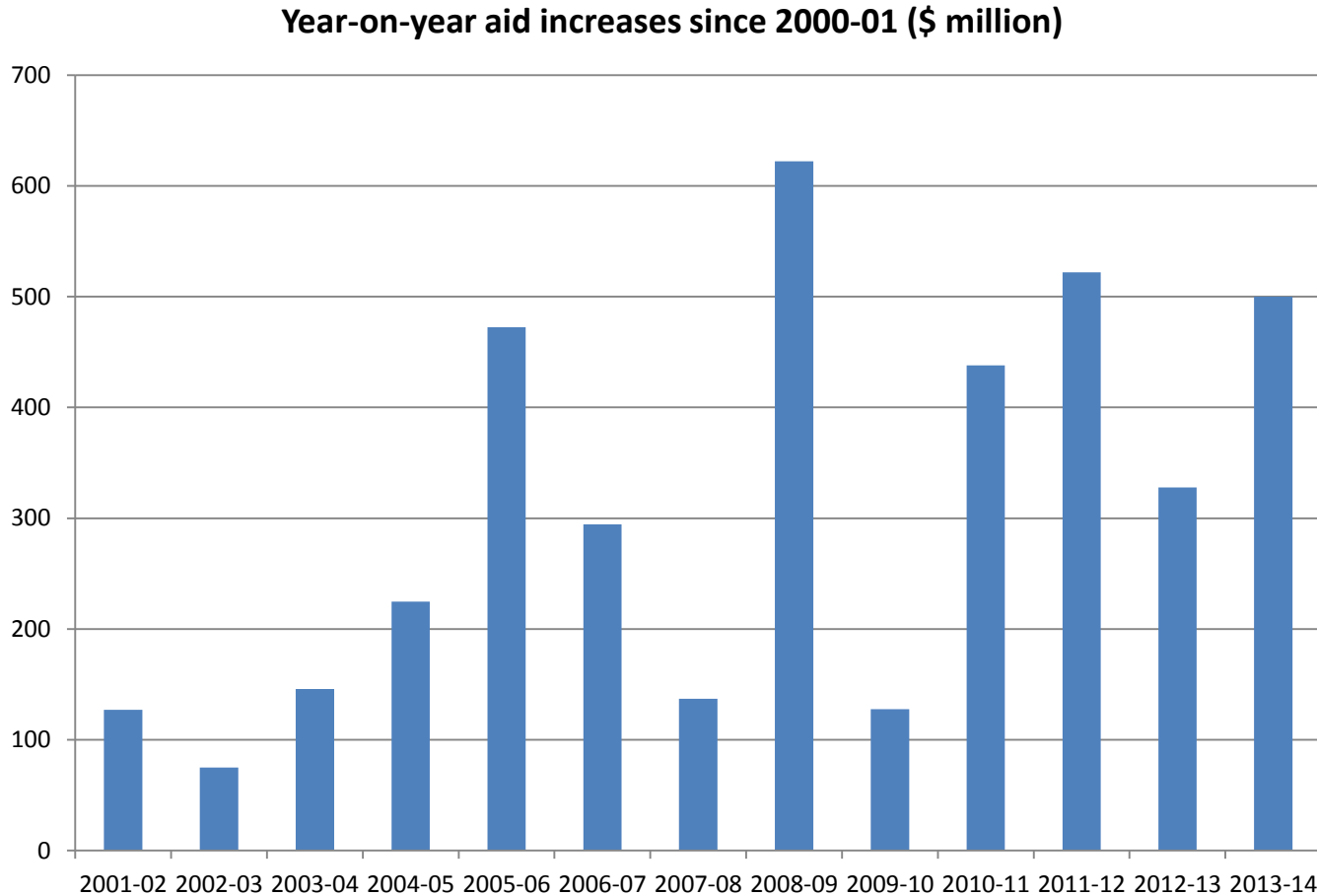
# Labour has been pushing back the scale-up in 5 of the last 6 budgets



# Making its achievement increasingly difficult

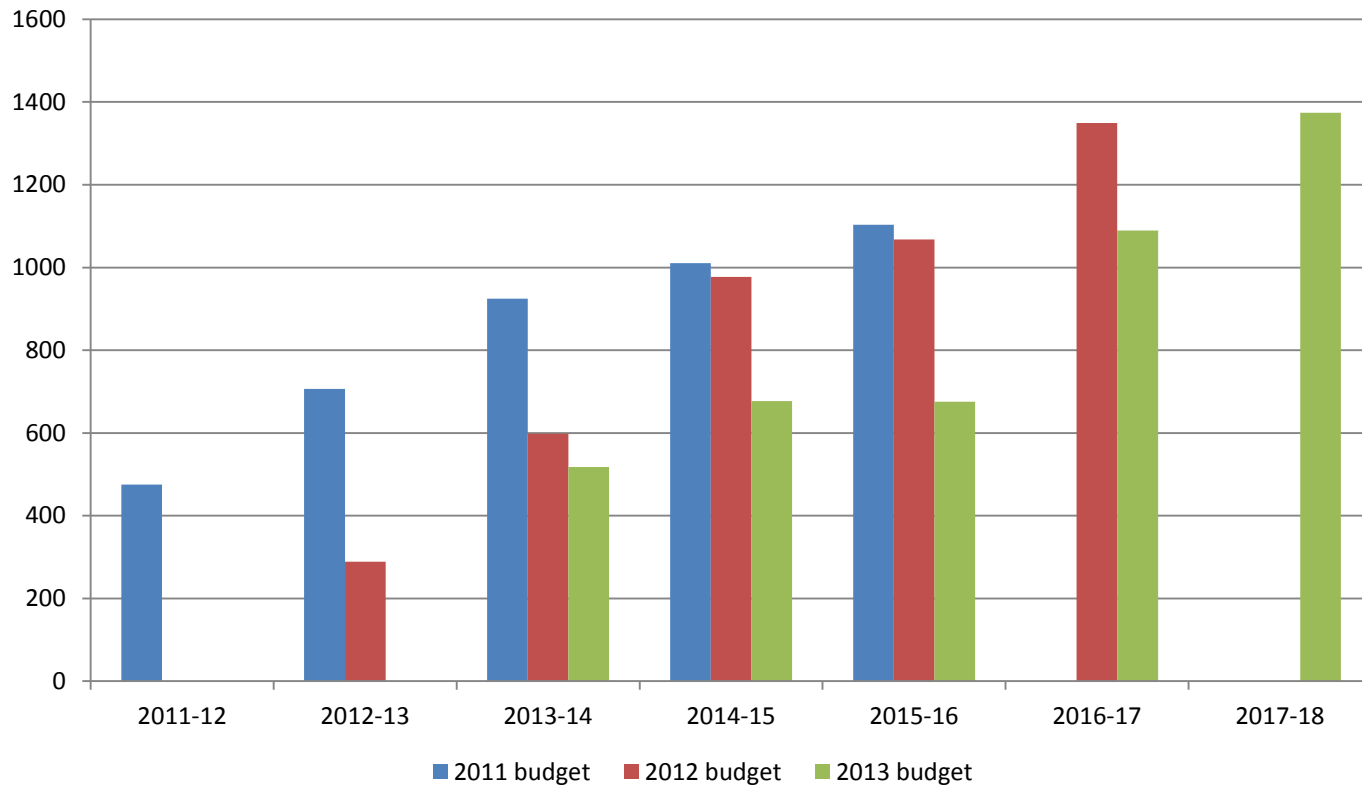


# A reality check on annual aid increases



# Consistent pattern of back-end loading also undermines credibility

Forward estimates for Australian aid in successive budgets (\$ million)



# What is the role of the 0.5% target?

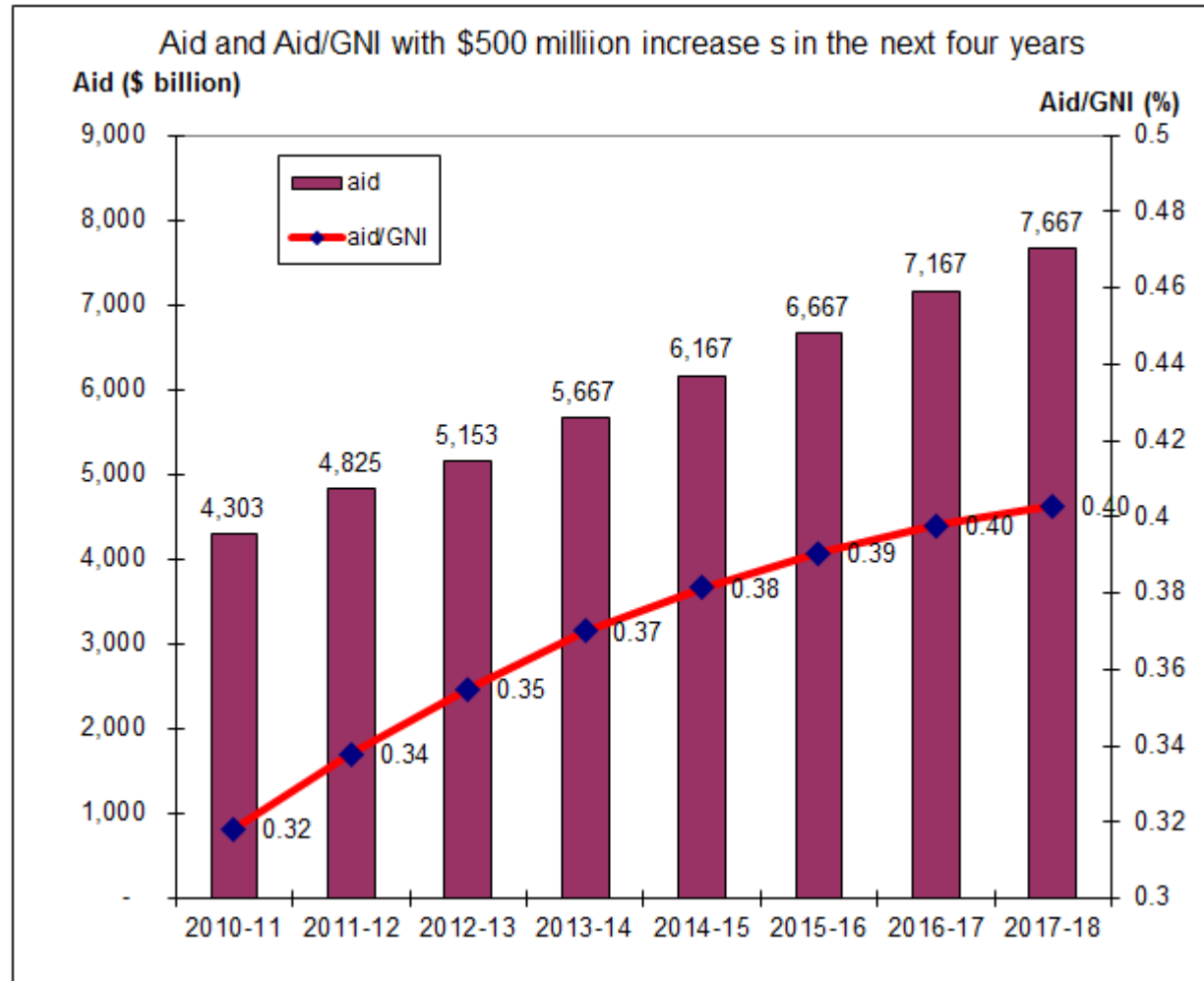
## Advantages:

- Not a firm commitment, but firmer than an undated 0.5% (let alone 0.7%) target.
- Right now it sets the benchmark for the next Government.
- The next Government can cut aid and still deliver a large aid increase.

## Disadvantages:

- Is not going to give you 0.5%.
- Source of major uncertainty for aid planning.

# Aid in 2017/18 with \$500 million increases

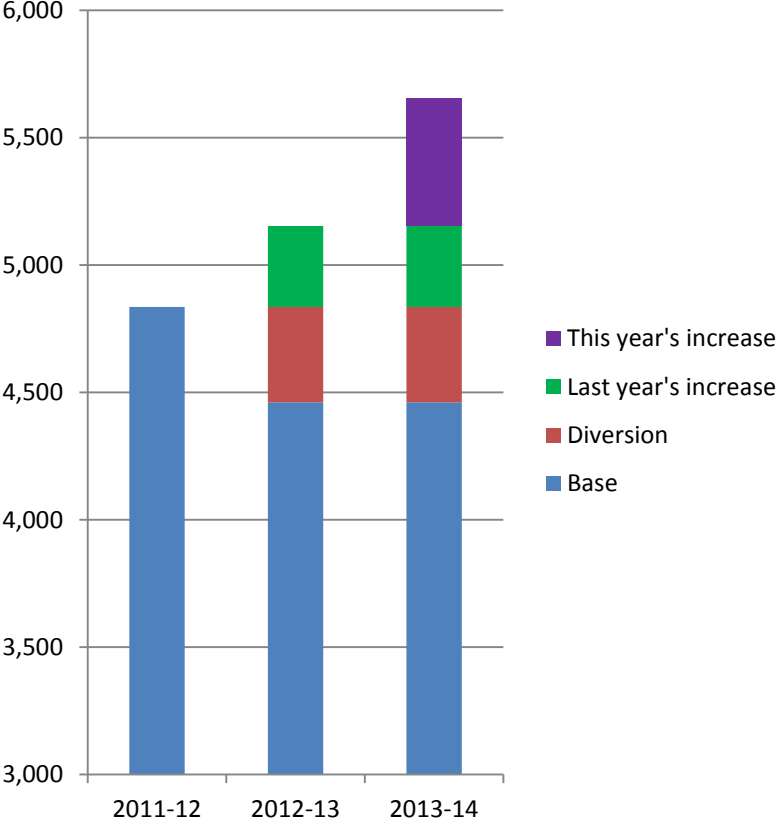


# What about that diversion?

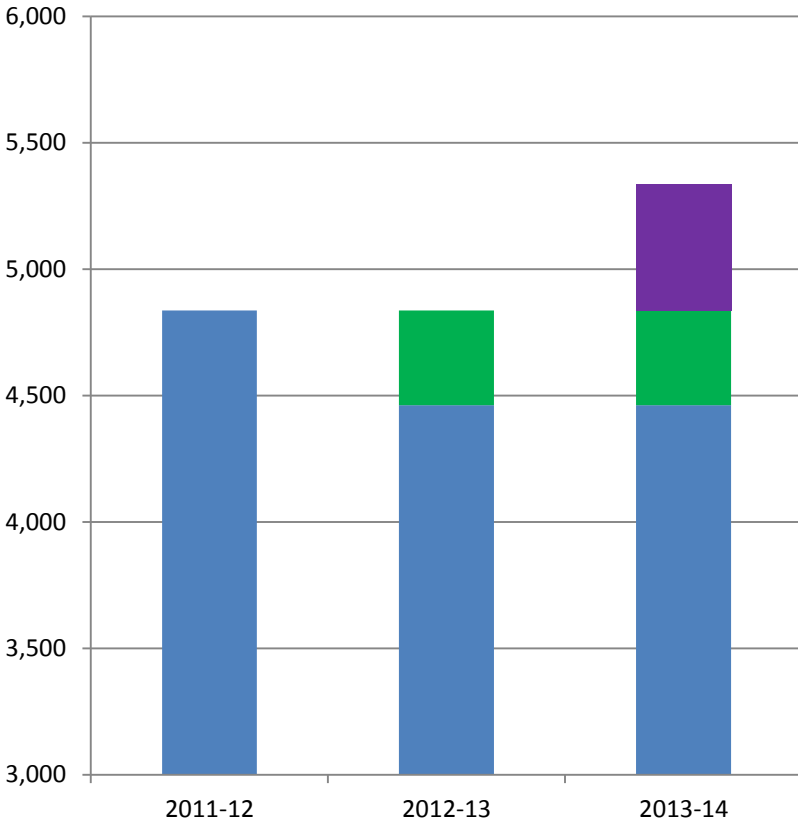
- \$375 million taken out of last year's aid budget for asylum seekers.
- \$375 million out of this year's budget.
- Whatever you think of that, aid is increasing by \$500 million increase next year.
- Let's not use the "Australia 3<sup>rd</sup> largest beneficiary argument"
  - Unless you are going to get stuck into scholarships (also about \$400 million) and all sorts of other aid.
  - Aid is foreign currency. Sooner or later, it has to be spent overseas.



### ODA including the diversion



### ODA minus diversion



# How Foreign is Foreign Aid?

Australia spends just 1.4% of its federal budget on foreign aid.

## So, who receives it?



**diverted from  
foreign aid to fund  
domestic refugee  
policies**

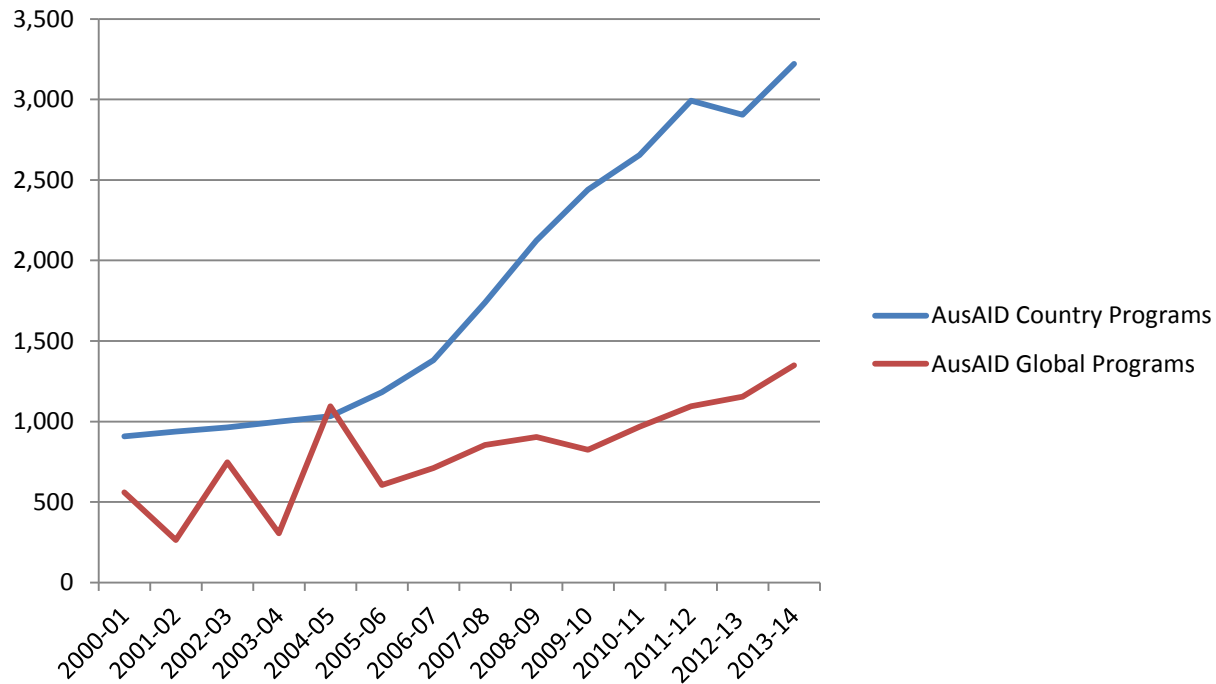
**This makes Australia the 3rd biggest recipient of its own foreign aid.**

# Is any diversion acceptable?

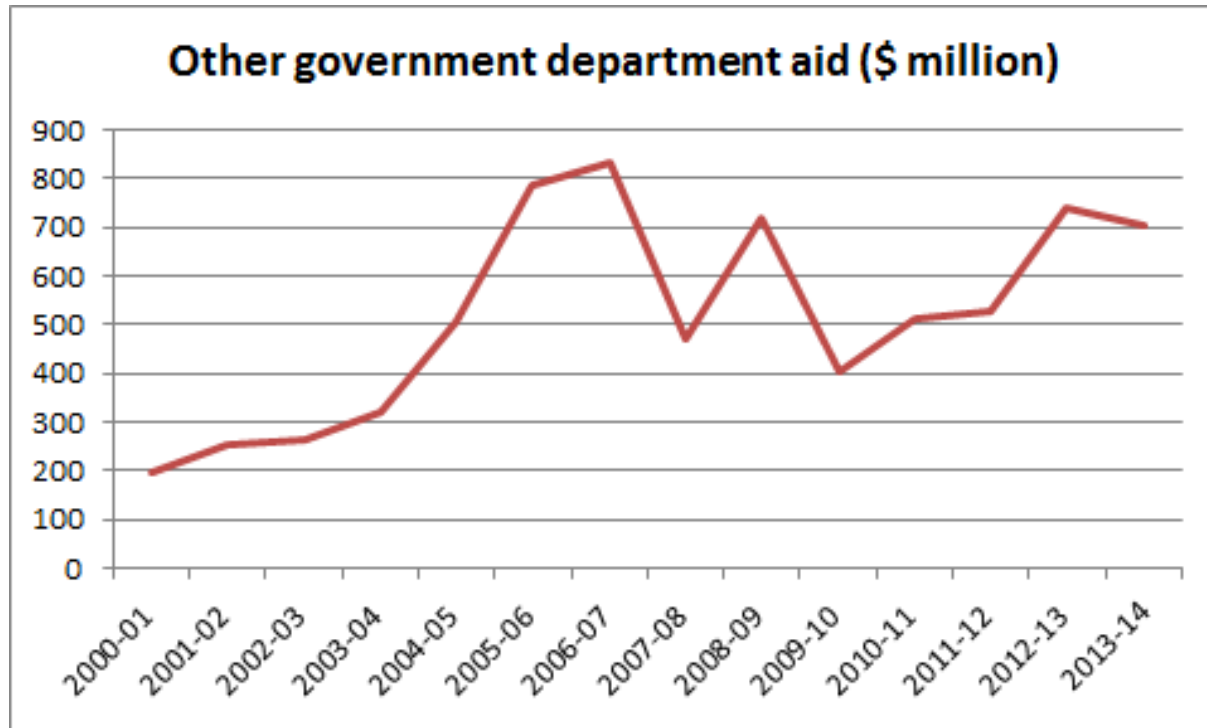
- Carr (Dec. 2012): “basic subsistence”
- DIAC Sec (Feb. 2013): “onshore processing [including] the held detention network”
- Budget (May 2013): “accommodation, food, clothing, and other basic necessities”
- Does this include the detention network?
- Cap of \$375 million “from existing ODA funding envelope in any one year.”
  - Sounds like a cap within the year, rather than a budget cap.

# Aid trends revert to norm in 2013-14

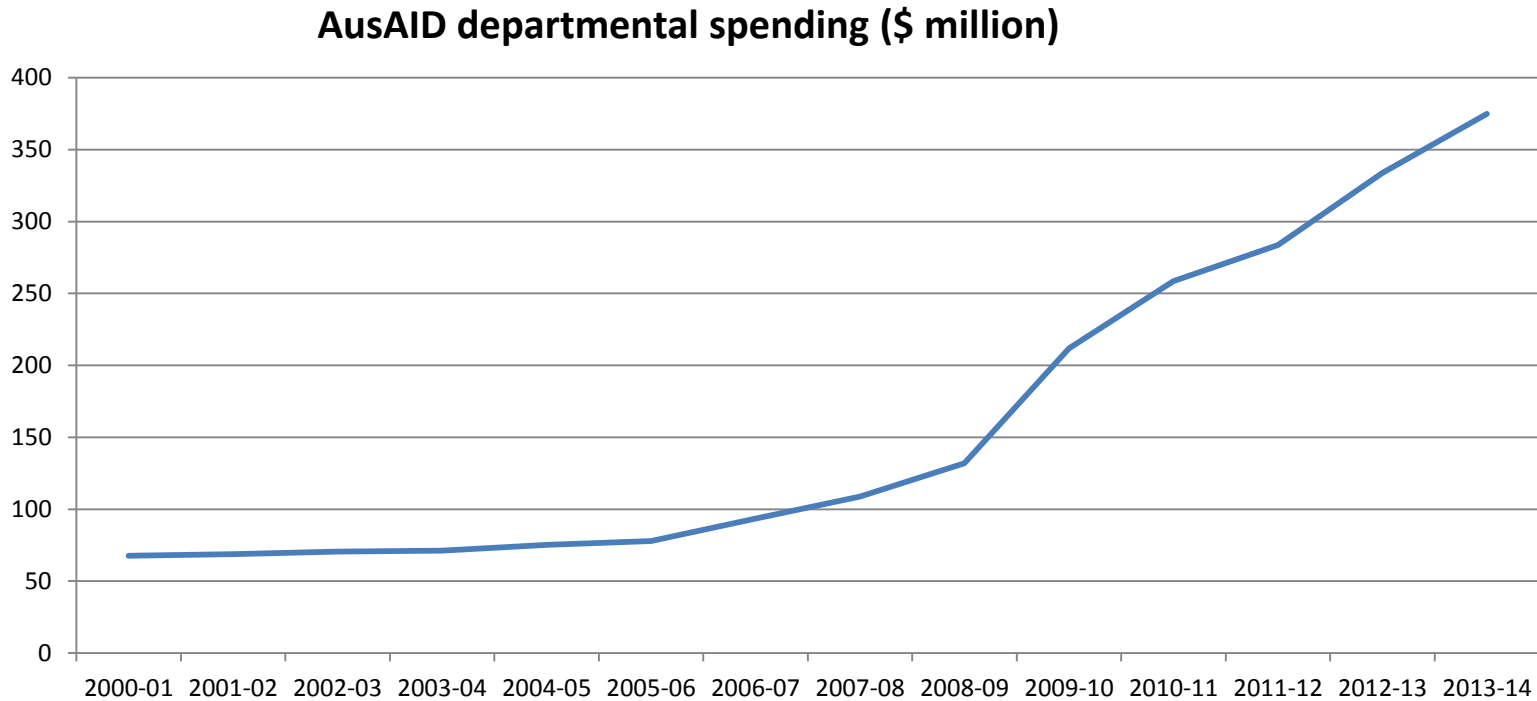
Country and global programs, \$ million



# OGD aid down apart from DIAC



# AusAID departmental (staff etc) spend continues to rise significantly



# Highlights

- Pacific flat at \$1.1 billion.
- East Asia up by \$100 million (Indonesia \$60 million).
  - East Asia clearly pulled ahead of Pacific (1.4 v 1.1) and Indonesia ahead of PNG (0.65 v 0.5)
- \$100 million of humanitarian cuts restored.
- NGOs up by \$35 million (33%).
- Global health up by \$60 million

# The *real* problem with the aid program

- Uncertainty
  - What is the future trajectory of aid?
  - Will there be future raids?
- CAPF: 2015-16 total ODA was (about) \$8.3 billion
  - Subtract \$375 for asylum-seekers
  - Subtract \$ 1.3 million for delaying the scale-up.
  - So now the CAPF target should be about \$6.6 billion.
  - Where is that \$1.7 billion being cut?
- We don't know, because an updated CAPF has not been released.
- Realistically, even with a new CAPF uncertainty will persist till after the election.
- This will slow decision making and undermine effectiveness
  - The cushion of large contingencies held back from the aid program has now gone.



“The crucial spine of predictability ...  
needed for multi-year aid projects” (IRAE, p.6)

Strategic clarity = Funding clarity and a plan

2010:            FUNDING CLARITY   
                      PLAN 

Now:             PLAN   
                      FUNDING CLARITY 

# Conclusion

- Last year's budget was strong on quality; weak on quantity. This one is the opposite.
- For campaigners:
  - Don't trust back-loaded aid scale-up plans.
  - The next 2 years represent stretch targets (\$700 million each; .37% to .39% to .41%).
- For the new government:
  - Whichever government wins will need a new **plan** and a new **funding trajectory**.

# Thank you

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