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# Official Development Assistance (ODA): a quick guide

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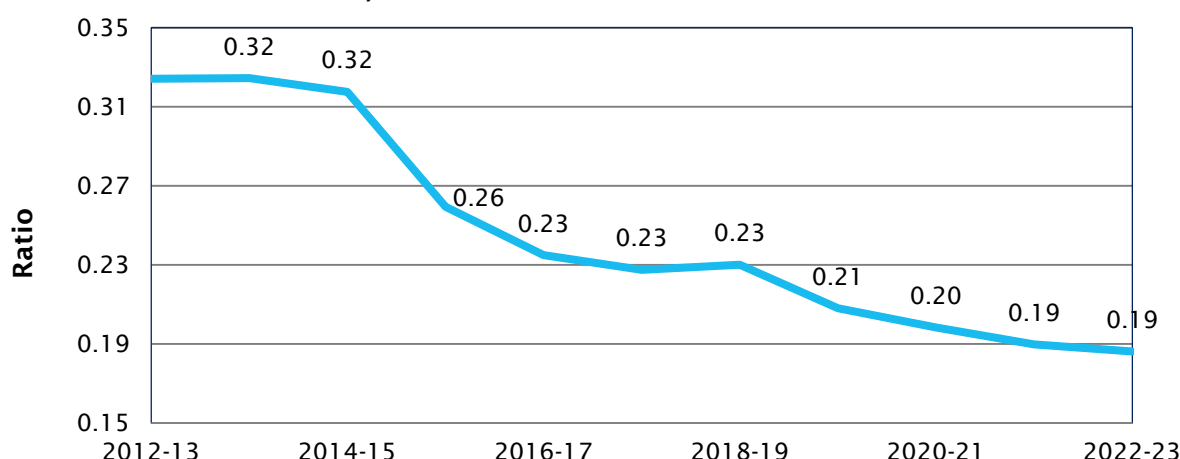
## *The 2019–20 aid budget*

The [2019–20 Department of Foreign Affairs and Trade \(DFAT\) budget](#) contains few surprises for Australia's aid program. In 2019–20 total aid expenditure is estimated to be \$4.04 billion, a fall of around \$117 million from last year's \$4.16 billion estimate, and the sixth consecutive year that the aid budget has been cut in real terms.<sup>1</sup> Over the forward estimates, ODA is anticipated to remain at around \$4 billion until [indexing of the aid budget](#) in line with inflation recommences in 2022–23.<sup>2</sup>

As indicated in the figure below, under the present government aid as a proportion of gross national income (GNI)—a long-standing measure used to rank OECD donors—has fallen considerably, from 0.32 per cent in 2014–15 (or \$5.1 billion) to an estimated 0.21 per cent of GNI in 2019–20 (\$4 billion).<sup>3</sup> After inflation, the ANU's Development Policy Centre estimates that aid has been [cut by 27 per cent since the last Labor Budget of 2012–13](#).

1. The updated estimated ODA outcome for 2018–19 in the 2019–20 Budget papers has increased to \$4.33 billion. See DFAT's [Australian aid budget summary, 2019–20](#), p. 105. In May 2018 the ABC's *Fact Check* confirmed that the aid budget had been cut in real terms [over five consecutive years](#).
2. The [2018–19 budget paper no. 2](#) notes that total ODA will trend back towards \$4 billion in 2020–21 due to the finalisation of Asian Infrastructure Investment Bank funding contributions (p.103).
3. Development Policy Centre, [Australian aid tracker: trends](#), Australian National University website.

## Australia's ODA to GNI ratio, 2012–13 to 2022–23



Source: ANU DevPolicy [2019–20 Aid aggregates spreadsheet](#), 3 April 2019.

## Key points: aid budget 2019–20

Australia's [2017 Foreign Policy White Paper](#) continues to provide the policy framework for the aid program. Australia's Pacific 'step-up', one of the priority initiatives under this framework, gathered momentum in 2018 with a range of new government commitments, including [strengthened security cooperation and increased financing for infrastructure](#). Countering China's growing influence and investment in the region [is one of the main drivers of Australia's heightened Pacific engagement](#).

In line with its Pacific pivot, Australia's total aid to the Pacific will increase by around \$100 million to 'a record level' of \$1.4 billion.<sup>4</sup> Bilateral aid to most Pacific countries remains steady, with most of the increase coming through regional, global and other government departments' expenditure.<sup>5</sup>

The [\\$2 billion Australian Infrastructure Financing Facility for the Pacific](#) (AIFFP) is the Government's major initiative in the Pacific. Announced in November 2018, the four-year AIFFP comprises a \$1.5 billion loan facility and \$500 million grants component. The Facility aims to fund priority gaps in telecommunications, energy, transport and water infrastructure. While the [loans will be non-concessional](#) and therefore not ODA-eligible, the grants are ODA-eligible and will be drawn from the aid budget. DFAT will receive [an additional \\$12.7 million](#) to manage the AIFFP when the facility starts in the middle of the year. The AIFFP spend in 2019–20 is estimated to be \$50 million.<sup>6</sup>

Total aid to the Pacific includes [the \\$70 million Pacific Labour Scheme](#) (2018–19 to 2022–23), which has been expanded to include [Timor Leste](#) as well as Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. The scheme enables workers from Pacific Island countries to take up low and semi-skilled work opportunities in rural and regional Australia for up to three years.

Expanded funding for secondary school scholarships and scholarships for vocational training and education is also a feature of Australia's aid to the Pacific in 2019–20.

4. Minister's Foreword, [Australian aid budget summary, 2019–20](#).

5. For an overview of other government department expenditure, see the [Australian aid budget summary, 2019–20](#), pp. 99–102.

6. As reported by the Australian Council for International Development's (ACFID) [2019–20 federal budget analysis](#), citing Treasury officials.

The increase in aid to the Pacific is offset by [cuts to other regional and country programs](#), as shown in the table below. Total aid to Pakistan will fall from \$49 to \$32 million, Nepal drops from \$31 million to \$23 million, and Indonesia and Cambodia will each fall by around \$18 million. Aid to the Middle East and Palestinian Territories also drops from \$137 million to \$81 million in 2019–20.

#### Total Australian ODA, 2017–18 to 2019–20 (A\$, '000) by program

Region	2017–18 (a) (actual)	2018–19 (b) (est.)	2019–20 (b) (est.)	Real change (c) (%) 2018–19 to 2019–20
PNG and the Pacific	1 107 200	1 286 300	1 381 400	+5.0
Global	1 199 400	1 301 200	1 187 400	–10.8
Southeast and East Asia	1 065 900	1 027 200	1 005 800	–4.2
Middle East and Africa	339 400	258 500	199 800	–24.4
South and West Asia	361 500	284 800	266 200	–8.6
Latin America & the Caribbean	8 900	5 900	3 300	–45.3
<b>Total ODA</b>	<b>4 082 328</b>	<b>4 161 000</b>	<b>4 044 000</b>	<b>–5.0</b>

Sources: (a) DFAT, [Australia's international development assistance: statistical summary 2017–18](#) (b) DFAT, [Australian aid budget summary, 2019–20](#) (c) Parliamentary Library calculation: real conversion based on CPI for 2017–18 and Budget 2019–20 CPI forecasts for 2018–19 and 2019–20.

In line with its shift towards economic partnerships and away from funding services in Southeast Asia, the Government is investing \$121 million to provide [technical advice to ASEAN governments](#) on how best to manage infrastructure development, including avoiding debt traps. It is also increasing funding for cybersecurity in both ASEAN and the Pacific from \$15 million in 2018–19 to \$34 million in 2019–20.<sup>7</sup>

Humanitarian aid (which includes funding for emergencies and disaster risk reduction as well as for international organisations providing support to refugees and displaced people), will increase from \$410 million to \$450 million, moving the Government a step closer to meeting its [2017–18 commitment](#) to increase overall spending in this area to \$500 million per annum.

### Commentary

Non-government organisations (NGO), which have previously [warned that there is no fat left to trim after more than \\$11 billion of cuts since the Coalition came to power in 2013](#), have attacked the aid budget as [short-sighted](#) and [ill-conceived](#). Aid groups are particularly critical of the Government's move towards using aid for more strategic purposes at the expense of traditional aid, such as health and education programs, as well as climate change and inequality. They have also criticised the Government's [failure to increase aid funding in the face of a forecast return to surplus](#).

The Australian Infrastructure Financing Facility for the Pacific has been [cautiously welcomed](#) as a step towards meeting the region's infrastructure needs.<sup>8</sup> It has also been seen as a [significant shift in Australia's financing for development](#), which to date has been provided almost entirely in grants.<sup>9</sup> While full details of how the AIFFP will be managed are not yet available, a [number of](#)

7. Australian aid budget summary, 2019–20, op. cit., p. 9.

8. J Hayward-Jones, '[Labor's ambitions in the Pacific](#)', *Lowy Interpreter*, blog, November 2018. Jones argues that the AIFFP 'appears to be a constructive way of supporting the infrastructure demands of our neighbours without resorting to raids on the aid budget (as occurred when the Turnbull government decided to fund the undersea internet cables for Papua New Guinea and Solomon Islands). However, we should be cautious in assuming how well funded such an investment bank would be and how capable it would be of offering a genuinely better option than Chinese concessional loans'.

9. S Howes and M Dornan, '[Moving beyond grants: questions about Australian infrastructure financing for the Pacific](#)', Draft paper, ANU Development Policy Centre, 20 February 2019.

[concerns](#) have been raised about its potential operations. These include the non-concessional nature of loans, the region's capacity to effectively absorb more finance, and how policy reform, skills transfer, good governance and infrastructure maintenance can be built into its projects.

Whether a declining aid budget can effectively support Australia's foreign policy objectives remains a critical issue for aid and foreign policy analysts. Some argue that [Australia's Pacific 'step-up' has come at the expense of South and Southeast Asia](#). Citing the Coalition's \$690 million of cuts to aid to Asia since 2012–13, the ANU's [Stephen Howes](#) asks:

... does it make sense to keep robbing Asian aid programs to expand Pacific ones? Asia has a bright future, but it also still has a lot of need, and instability. Aid works better in Asia – DFAT's own data shows that. And whatever the strategic arguments for providing aid to the Pacific, they are equally strong for aid to Asia.<sup>10</sup>

The provision of aid to Southeast Asian countries would likely support their transition through middle-income status, and possibly better position Australia to advance the shared socio-economic, environmental and strategic interests in the region. A re-balance of the aid program towards Asia may assist future governments to shore up Australia's position as the '[partner of choice](#)' for its regional neighbours.<sup>11</sup>

Looking more widely, Jonathon Pearlman (*Australian Foreign Affairs Weekly*) writes that in the face of intensifying international challenges, [the budget presents a 'pitiful response'](#):

Admittedly, many of the problems that the nation and region face will not be solved by spending measures but by careful, creative diplomacy. This would include handling alliances and partnerships shrewdly, and demonstrating a commitment to active and humane global cooperation that can serve as an international example and ensure that Australia has a credible voice when it demands that other nations do more. Yet, when it comes to funding, the budget indicates that the government is unwilling to commit to long-term solutions to the challenges it outlined.

The Labor Opposition has also criticised the cuts to the aid budget, arguing that they [lessen Australia's influence](#) at a time when 'our national interest compels us to engage more deeply'. The comments follow their pledge [to increase Official Development Assistance as a percentage of GNI every year that it is in office](#), if re-elected. The [Australian Greens have committed](#) to a 0.7 per cent GNI aid target by 2030.

The aid budget continues to be a topic that ignites public debate. Senator Pauline Hanson's February 2019 [Senate motion](#) sparked ongoing social media debates on the proposal to [divert the aid budget to farmers](#) and others affected by natural disasters in Australia.

In March 2019 over 50 community leaders and public figures called for bi-partisan leadership to [rebuild Australian aid](#), after five consecutive years of cuts which they claim has left Australia's aid budget at its lowest level in history. NGOs have welcomed Labor's commitment to increase the aid budget over time if elected to government, which includes [modest increases to the Australian NGO Cooperation Program](#) (ANCP).

Non-government organisations, led by the Australian Council for International Development (ACFID), have long campaigned to halt cuts to the aid budget and restore ODA levels. ACFID's [2019](#)

10. S Howes, '[An incoherent aid budget](#)', Devpolicy blog, 3 April 2019.

11. G Earl, '[Economic diplomacy: trade and traps in ASEAN](#)', *Lowy Interpreter*, 14 March 2019. Earl cites [Richard Moore](#)'s point that Australia is now at the tail end of the top ten development partners in Southeast Asia and 'most worryingly, Southeast Asia has all but disappeared in the public policy discussion of Australia's development policy interests'.

[pre-Budget submission](#) calls on the Government to increase the aid funding by ten per cent each year for the next six years, towards the [UN-recommended target](#) of 0.7 per cent of GNI by 2030.

### ***Parliamentary inquiry into Australia's aid program***

On 3 April 2019 the Joint Standing Committee on Foreign Affairs, Defence and Trade released the first report of its [inquiry into Australia's aid program in the Indo-Pacific](#). The report found that the aid program is an important vehicle through which Australia can exercise strategic influence, and has a record of considerable achievement. It noted that there was a need to strengthen Australians' confidence in the aid program, and recommended changing its name to reflect the mutual benefits that flow to Australia and its partner countries. It also recommended the Government support efforts to increase public awareness of and support for the aid program.

The report noted that Australia can do more, and that stability and certainty in the aid budget would enable the aid program to build on its achievements, particularly in regard to women and girls, people with a disability, the poor and other marginalised groups. Noting the importance of returning to a bi-partisan agreement on Australia's development assistance, the report recommended that the Government commit to increasing the aid budget to at least 0.5 per cent of GNI within five years, and a second timeframe to reach 0.7 per cent of GNI over ten years. The Committee recommended that the Australian Parliament introduce a legislated floor of an initial 0.5 per cent and then 0.7 per cent of GNI for aid, once these funding levels have been reached.

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