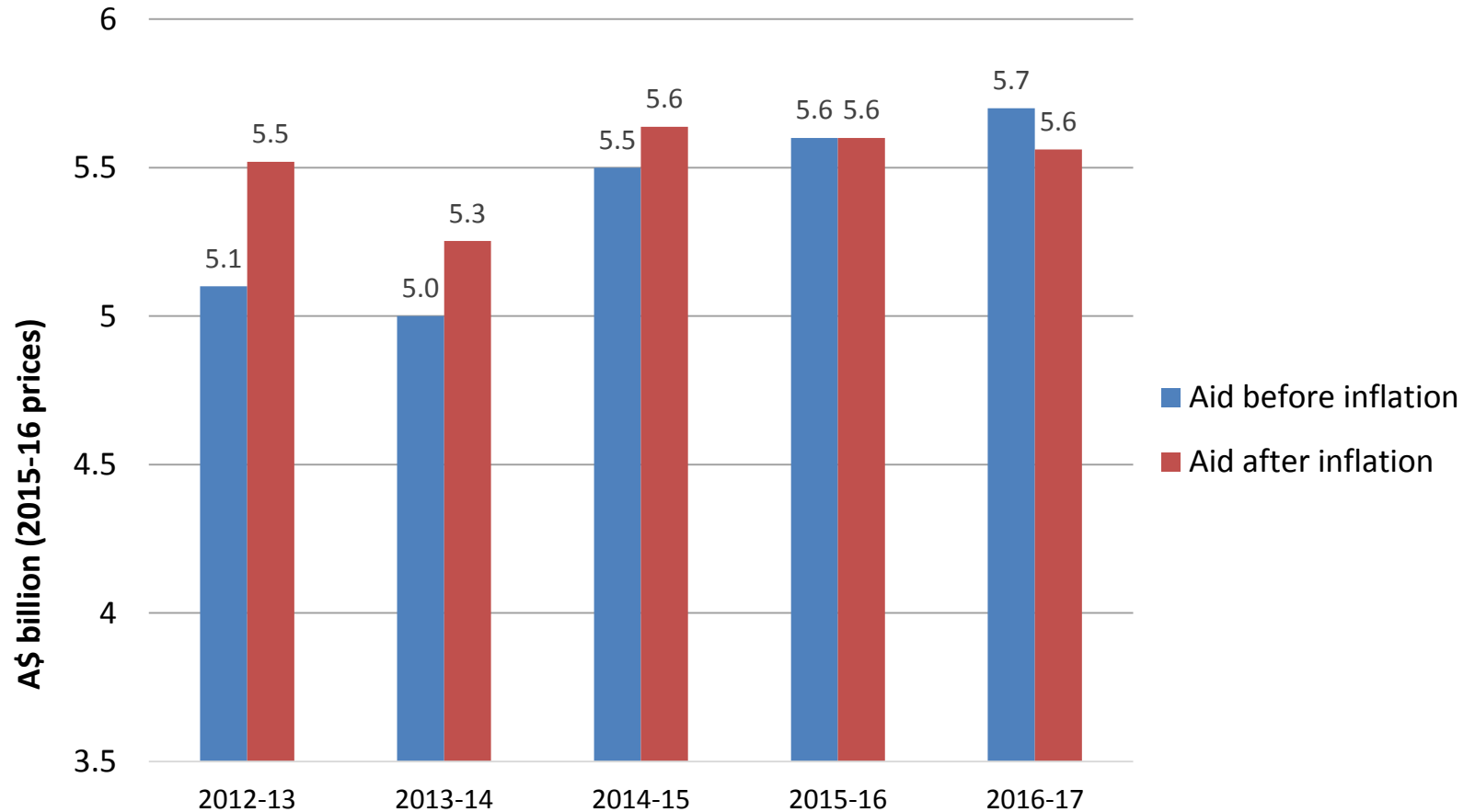


The 2015-16 aid budget: the new normal?

Stephen Howes

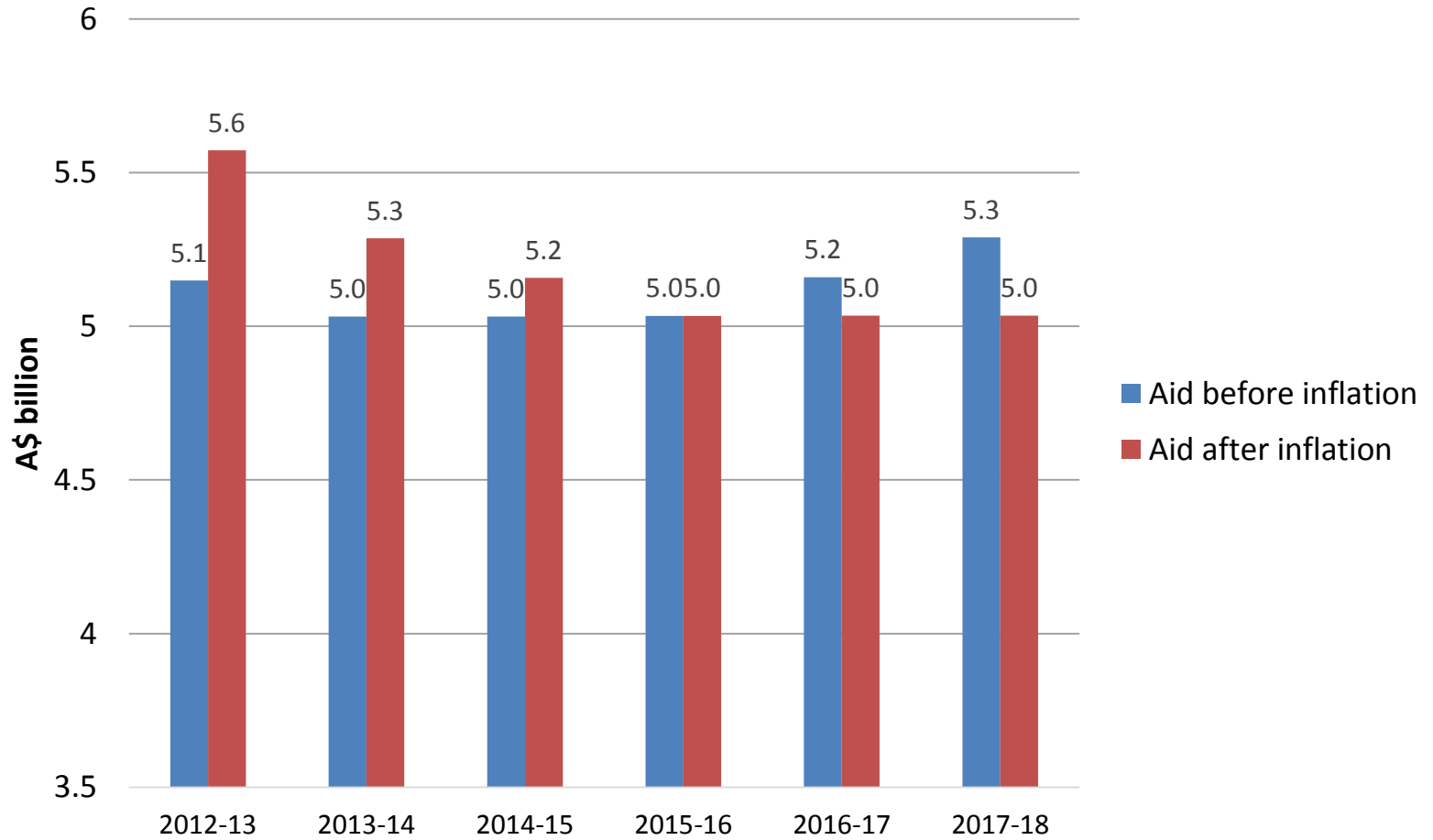
Aid quantities

Coalition election commitments

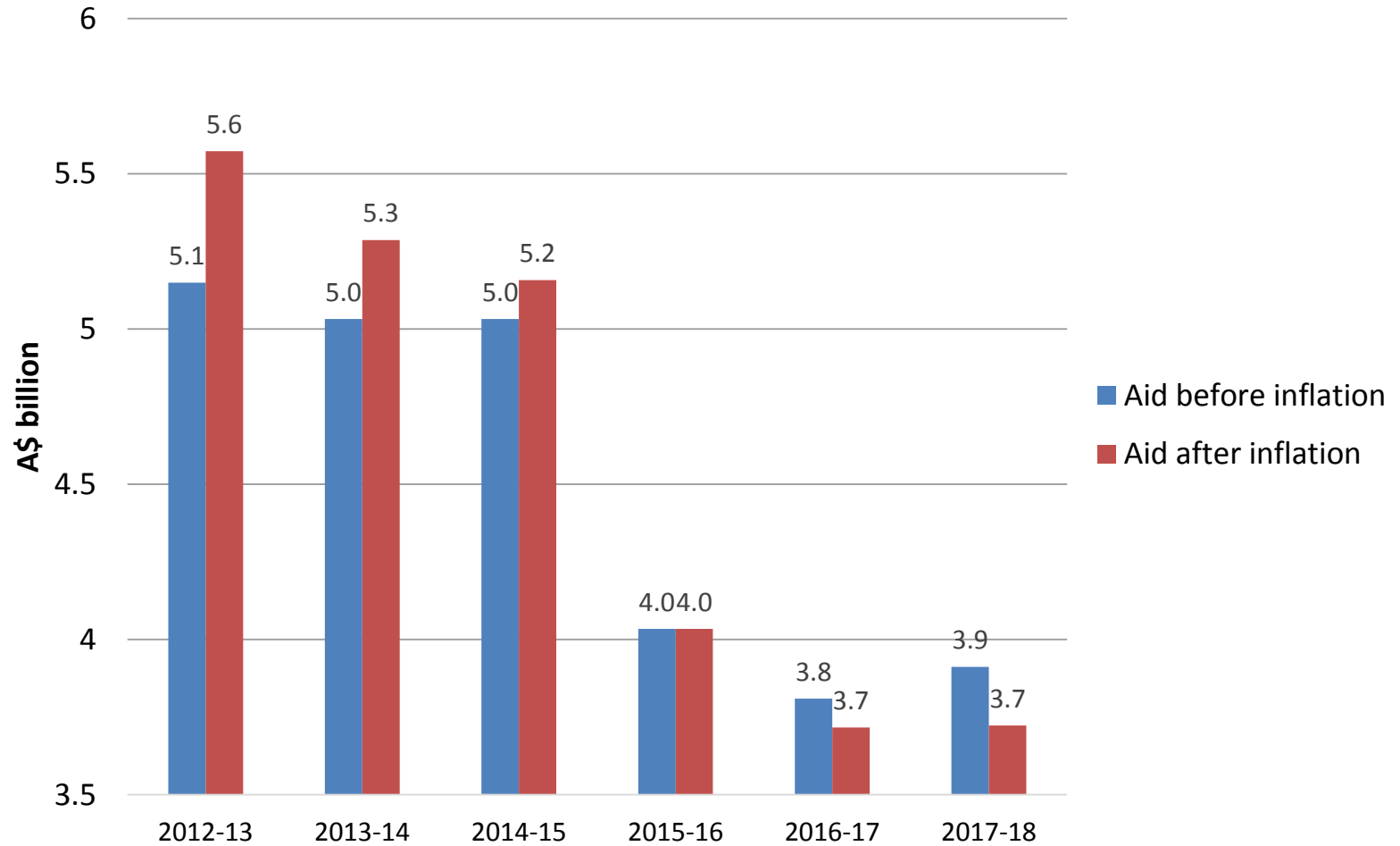


“Annual increases in nominal funding in the aid budget” in line with CPI

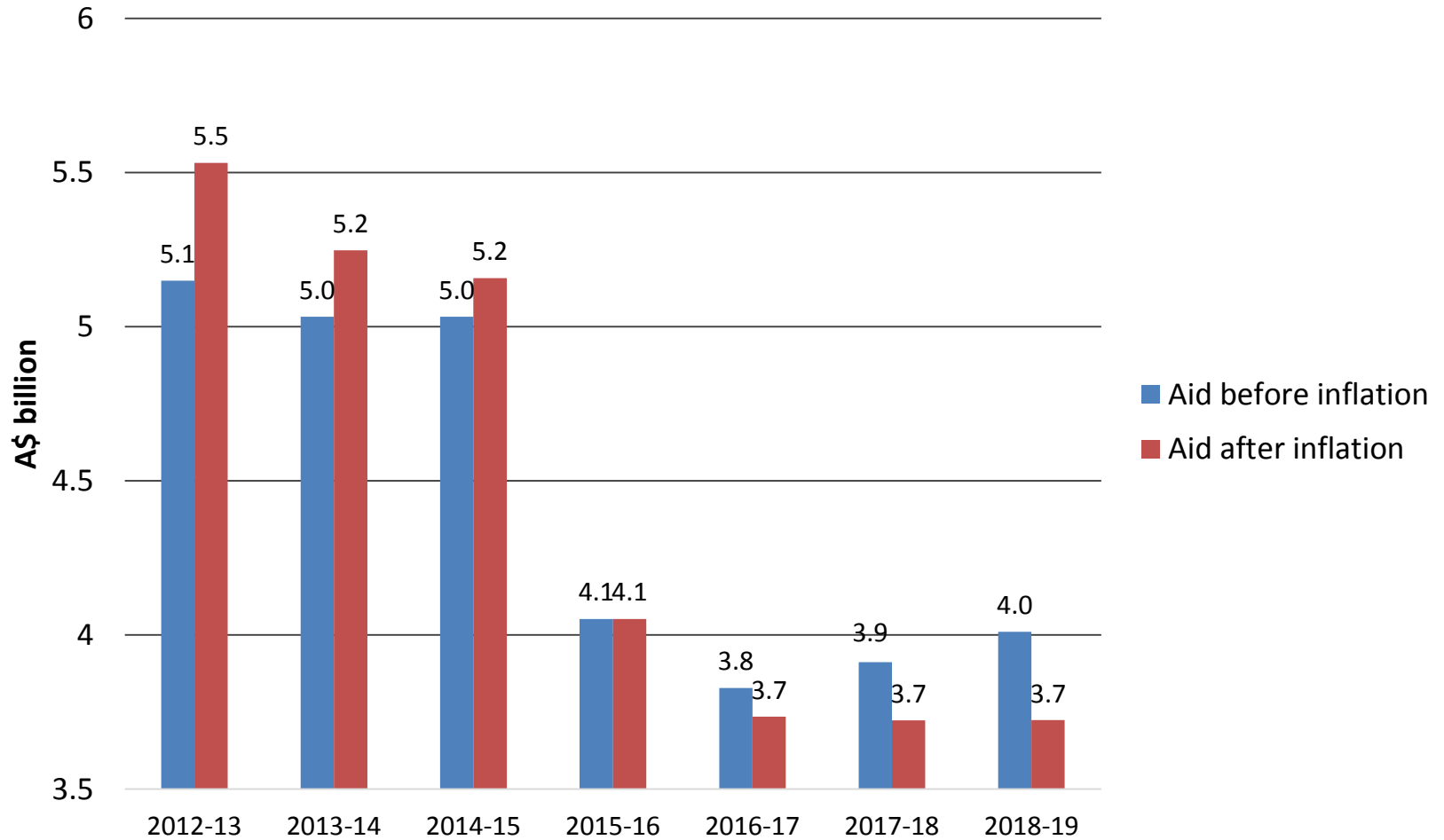
2014-15 Budget



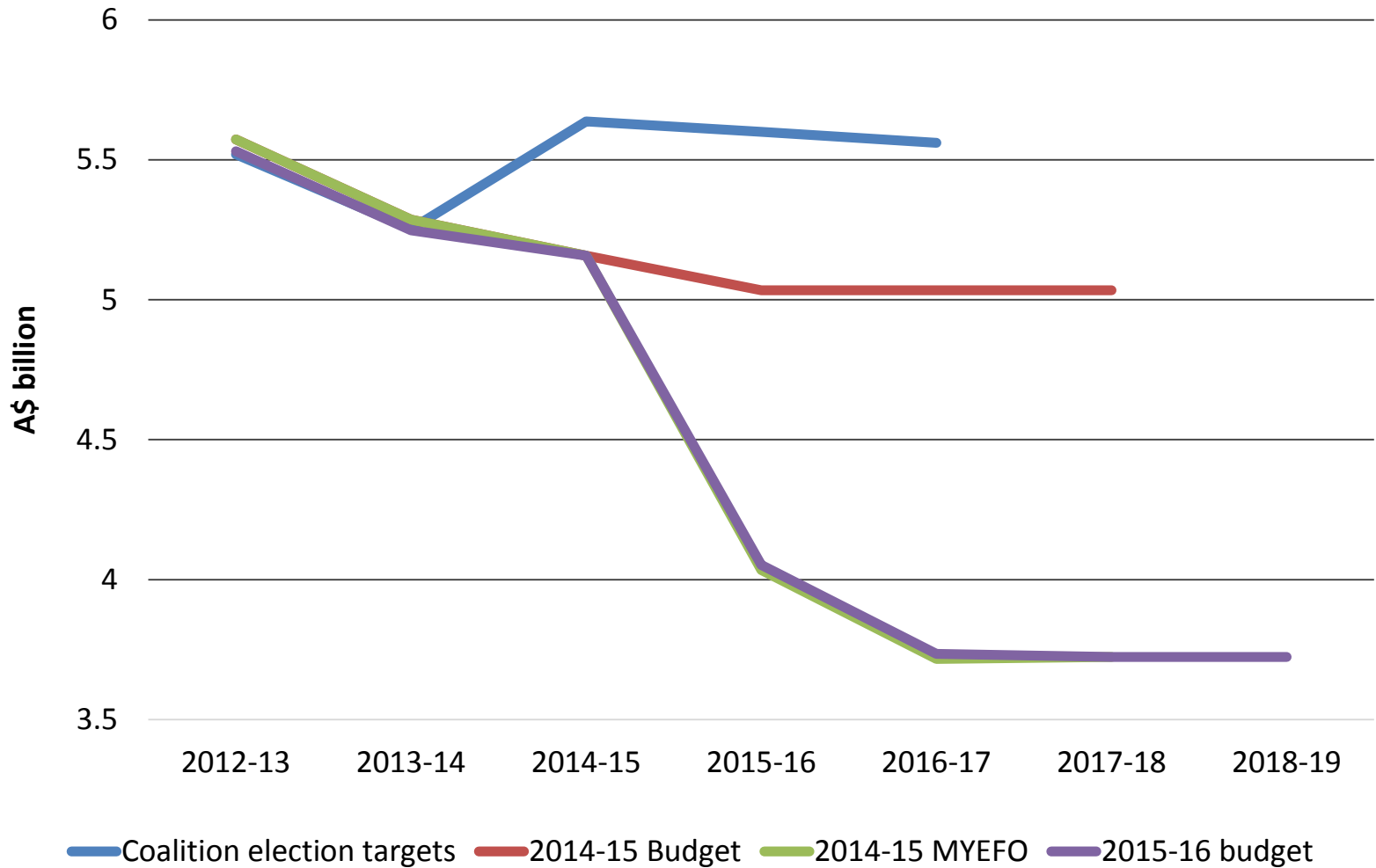
2014-15 MYEFO



2015-16 Budget



The trajectory of aid under the Coalition



A 33% cut

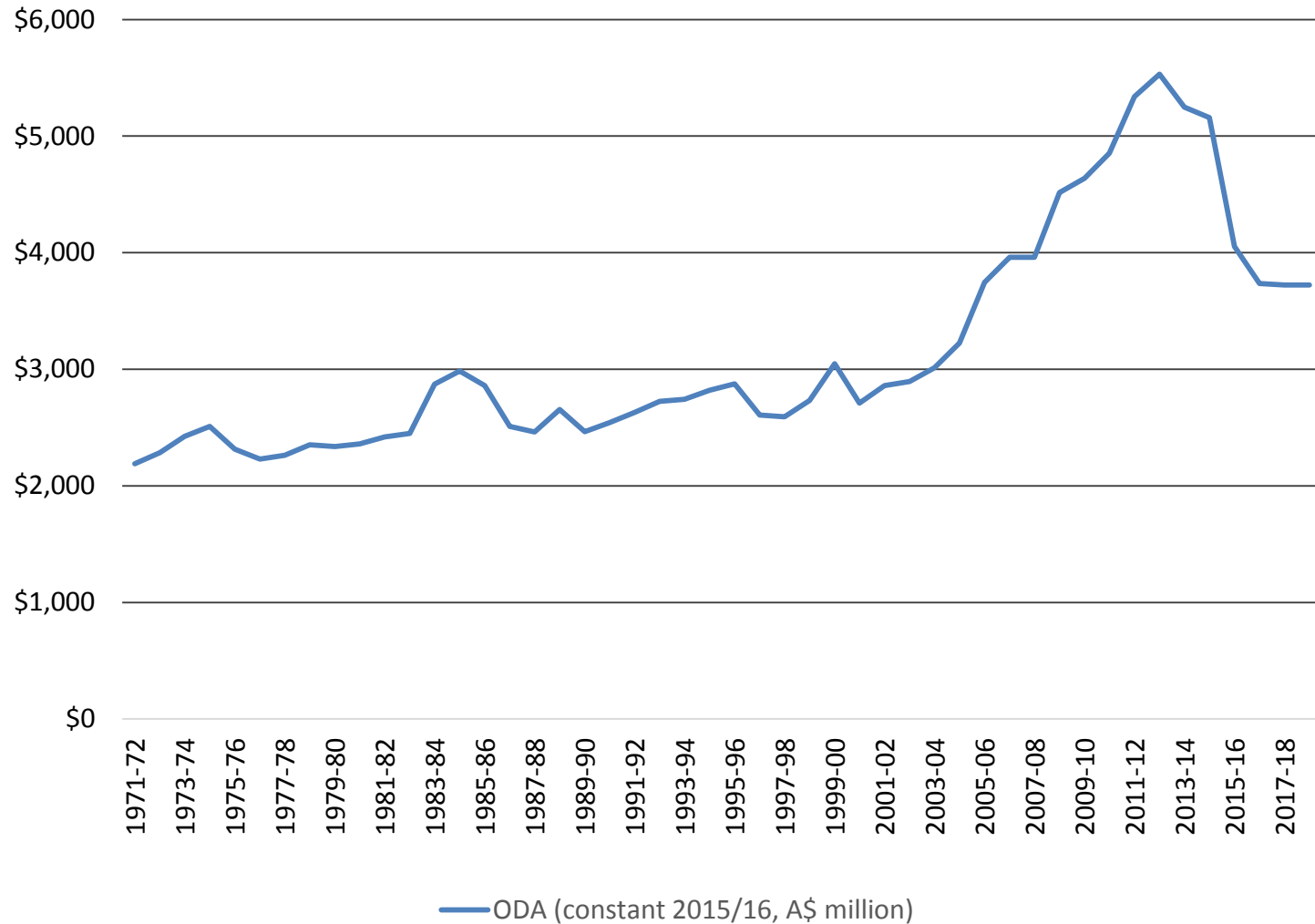
| | Aid (\$m) | CPI (%) | Annual change | | Cumulative change | |
|---------|-----------|---------|---------------|--------|-------------------|--------|
| | | | Nominal | Real | Nominal | Real |
| 2012-13 | 5,149 | | | | | |
| 2013-14 | 5,032 | 3 | -2.3% | -5.1% | -2.3% | -5.1% |
| 2014-15 | 5,032 | 1.75 | 0.0% | -1.7% | -2.3% | -6.8% |
| 2015-16 | 4,052 | 2.5 | -19.5% | -21.4% | -21.3% | -26.7% |
| 2016-17 | 3,828 | 2.5 | -5.5% | -7.8% | -25.7% | -32.5% |
| 2017-18 | 3,912 | 2.5 | 2.2% | -0.3% | -24.0% | -32.7% |
| 2018-19 | 4,010 | 2.5 | 2.5% | 0.0% | -22.1% | -32.7% |

The disproportionate burden: aid and the fiscal adjustment

- From 2012-13 to 2018-19
 - Aid falls by -32.7%
 - Non-aid increases by 13.5%

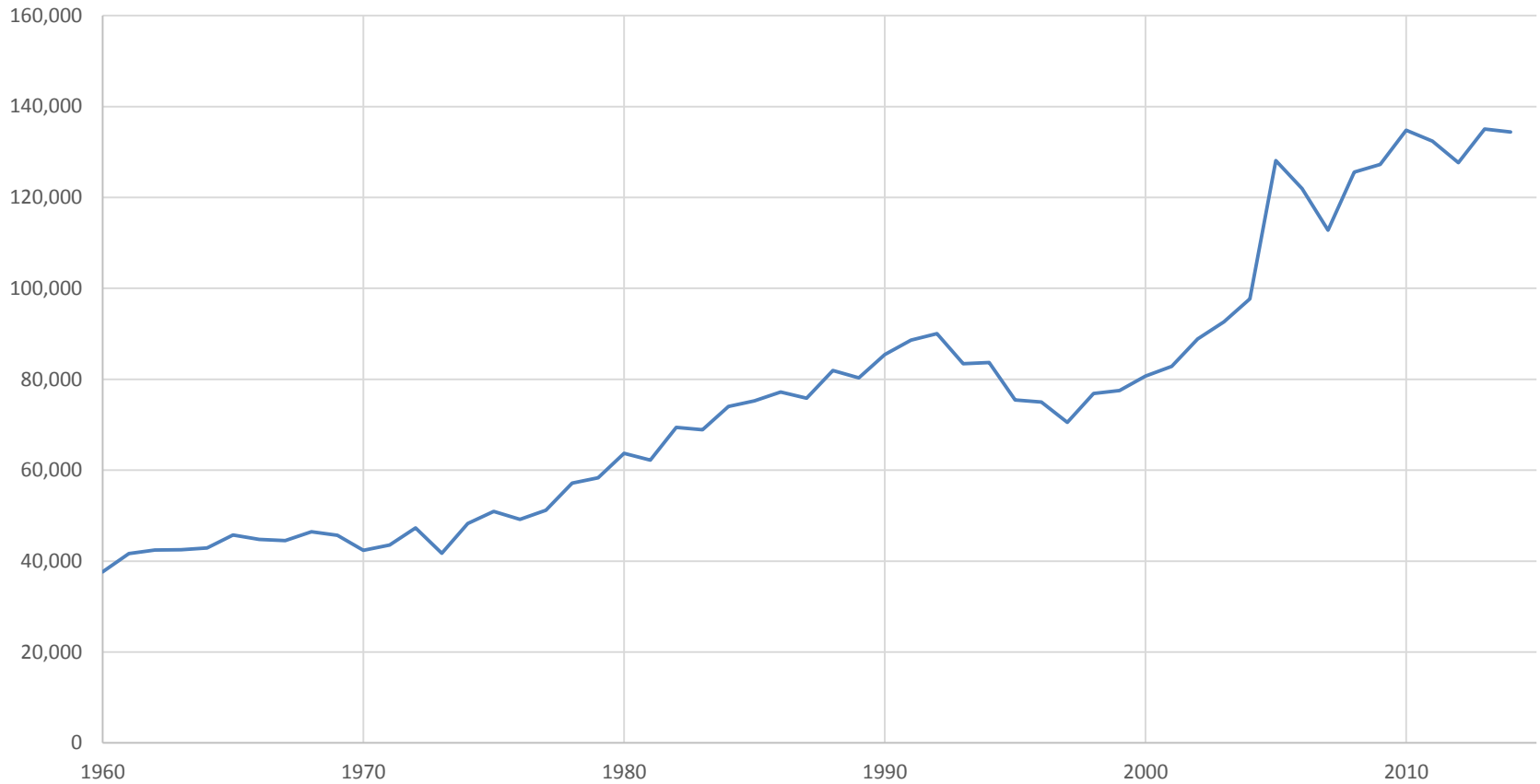
| | Real spending (\$b, 2015-16 prices) | | Cumulative change | |
|---------|--|---------|-------------------|---------|
| | Aid | Non-aid | Aid | Non-aid |
| 2012-13 | 5.1 | 405.5 | | |
| 2013-14 | 5.0 | 426.3 | -5.1% | 5.1% |
| 2014-15 | 5.0 | 425.6 | -6.8% | 5.0% |
| 2015-16 | 4.1 | 430.4 | -26.7% | 6.2% |
| 2016-17 | 3.8 | 437.9 | -32.5% | 8.0% |
| 2017-18 | 3.9 | 445.3 | -32.7% | 9.8% |
| 2018-19 | 4.0 | 460.0 | -32.7% | 13.5% |

The aid scale up and down

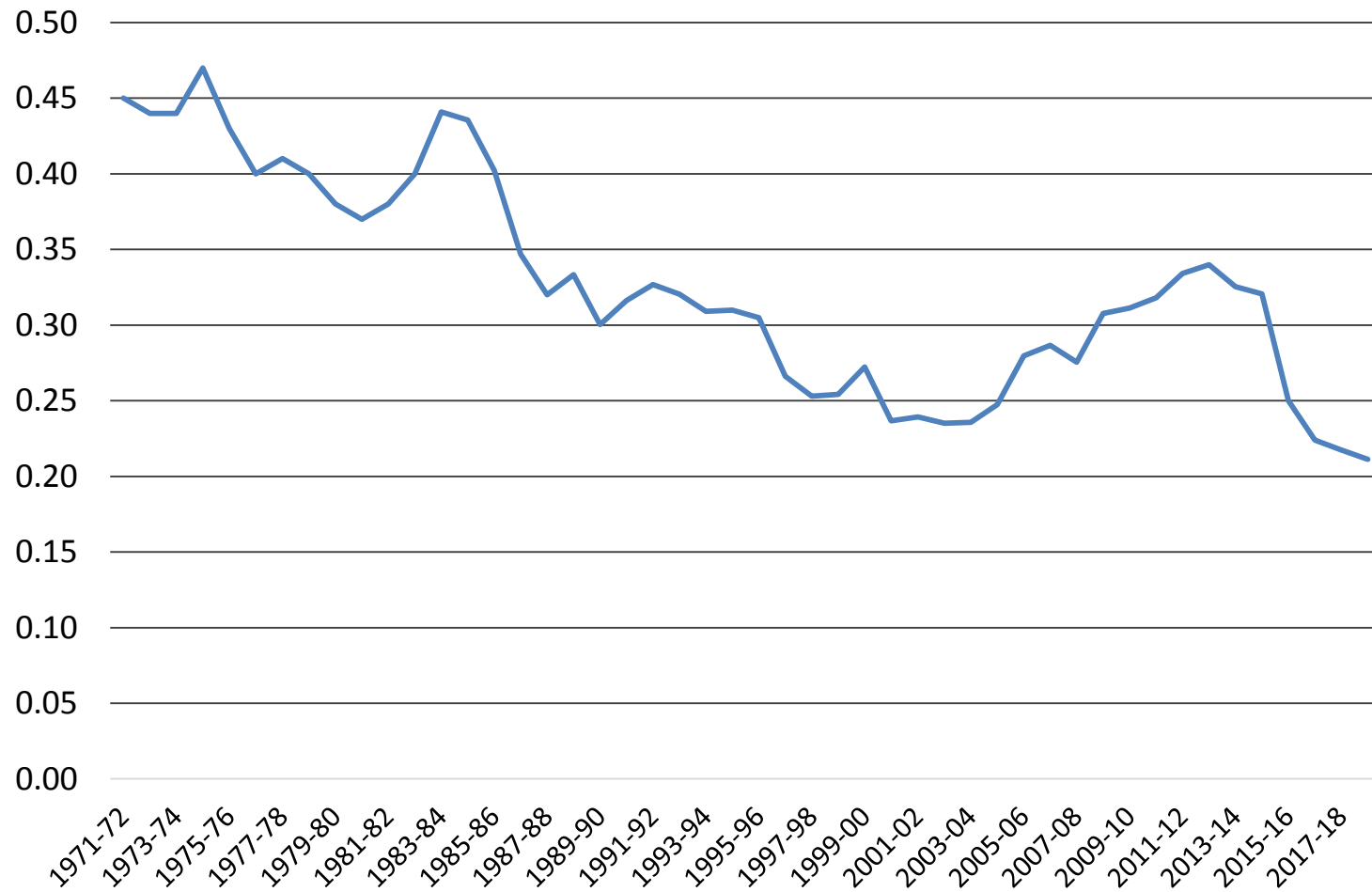


Global ODA

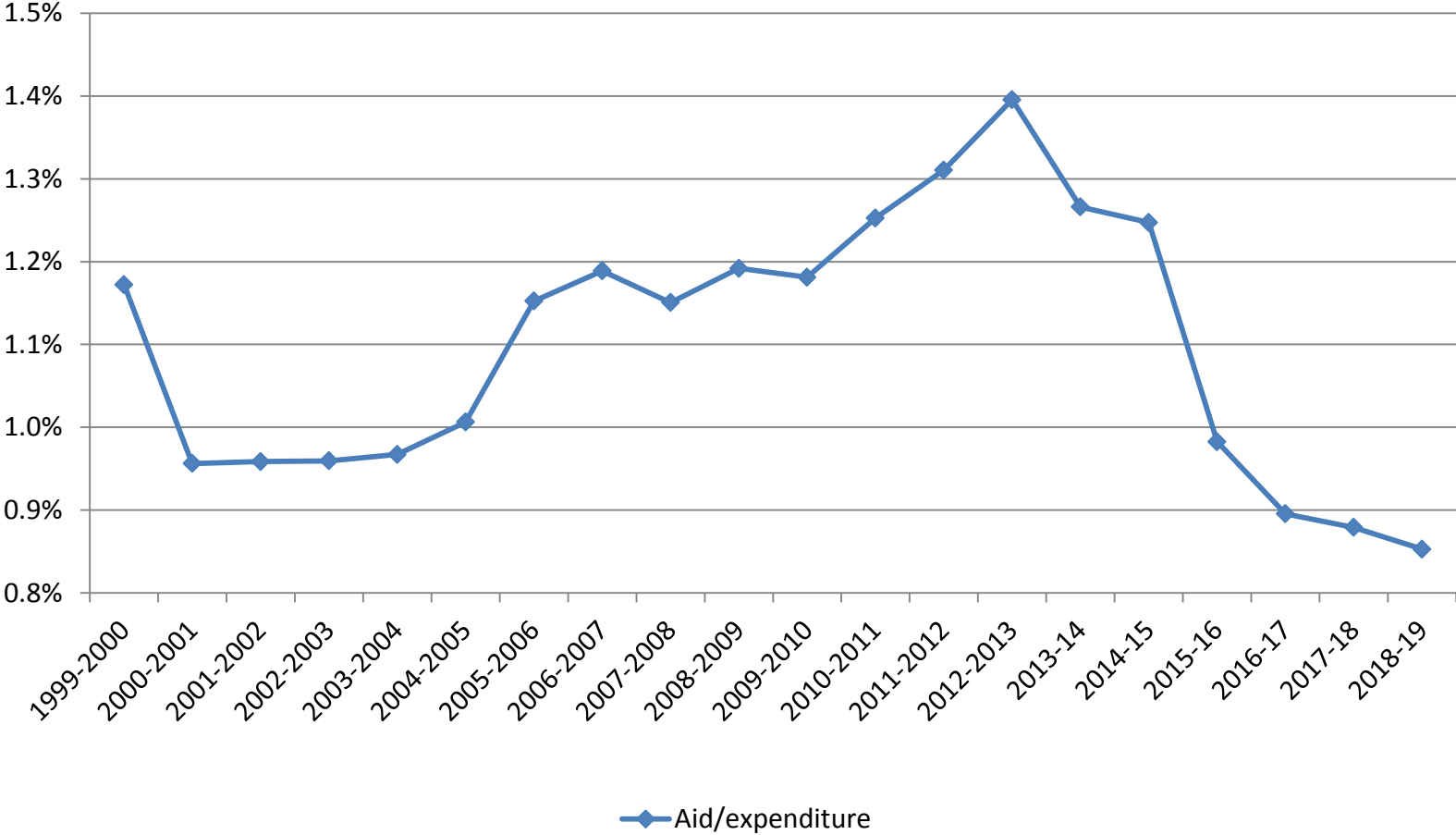
DAC aid (\$US million, 2013 prices)



ODA/GNI (%)

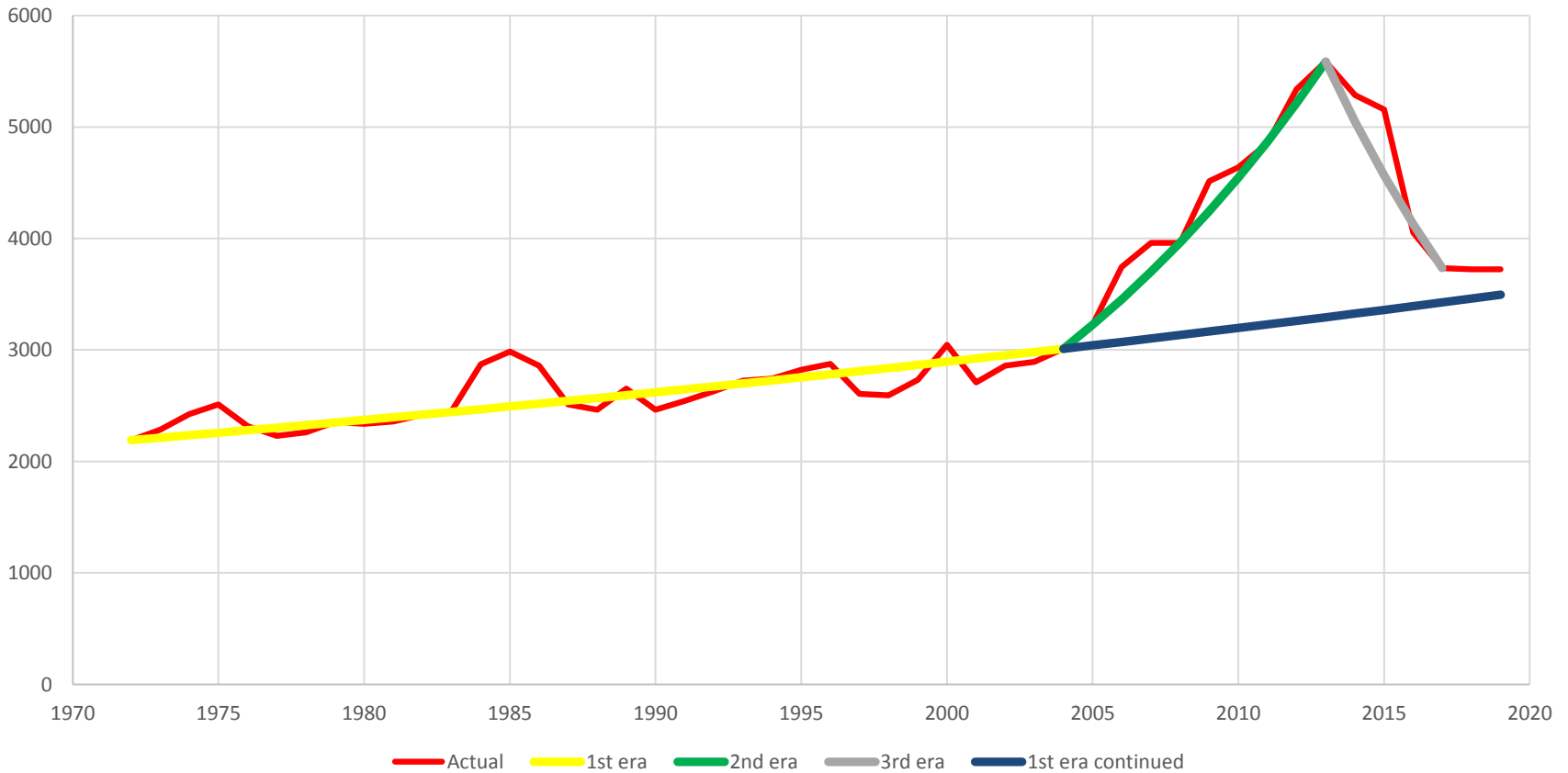


The declining share of aid in total expenditure



Australian aid: the way we were

Australian aid, 1970 to 2018 (\$m, 2015-16 prices)



Composition and quality

The non-losers

- Pacific and PNG
- Timor Leste, Cambodia and Nepal
- NGOs
- Other government departments
- Humanitarian
- Multilaterals and global health and education funds
- DFAT
- DAP funds
- Gender Fund

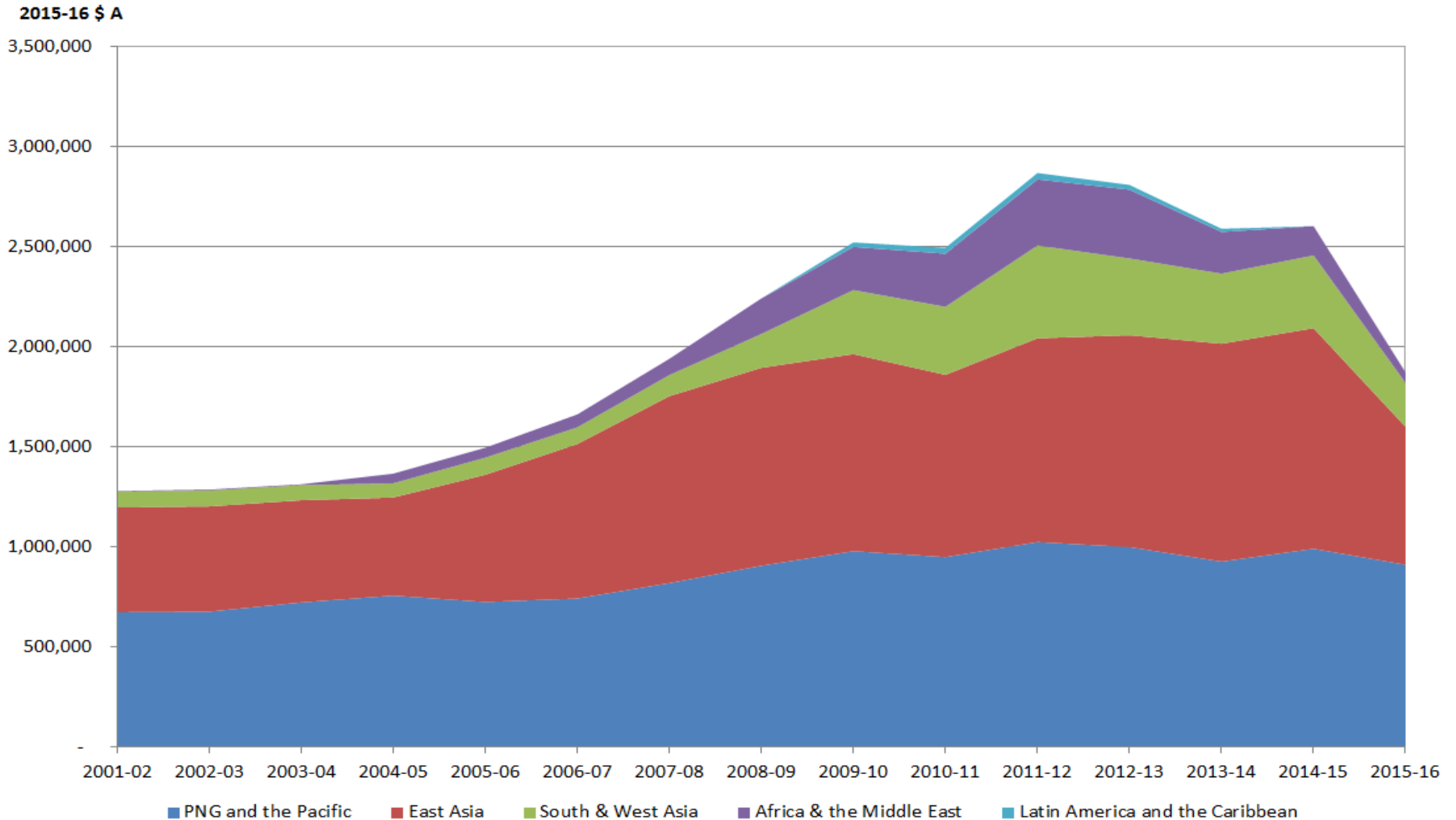
The losers

- East Asia
- South Asia
- Sub Saharan Africa
- The UN and Commonwealth
- Volunteer program
- Other global programs
- Scholarships
- The Performance Incentive Fund

Summary of country changes

| | |
|---|---------------------------|
| 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 |

Back to the past with country allocations as well?



The basis of cuts

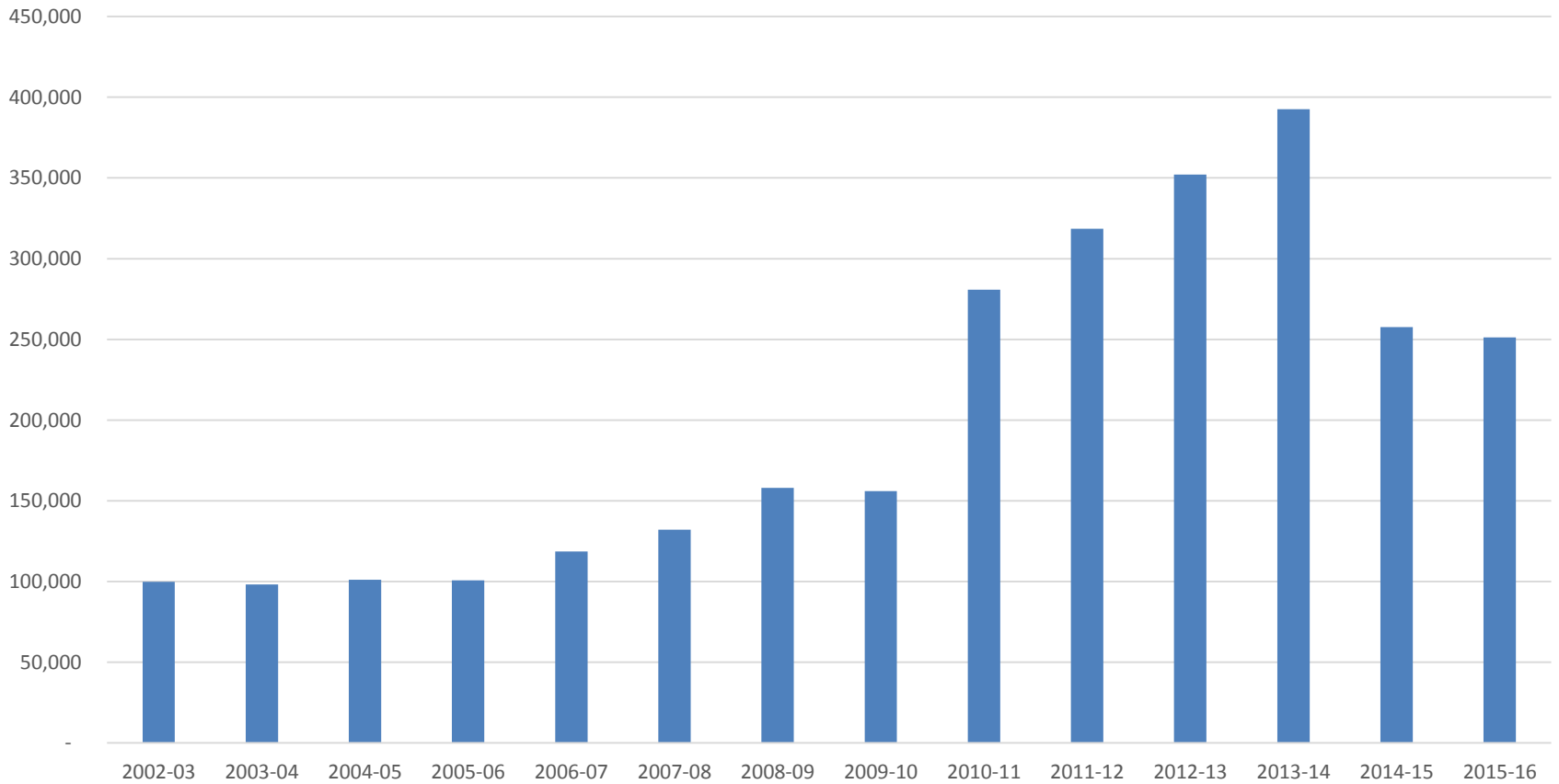
- Geographical determinism
- Not poverty, not performance, not projects.
- Makes it easier to handle diplomatically, but really?

Summary of global program changes

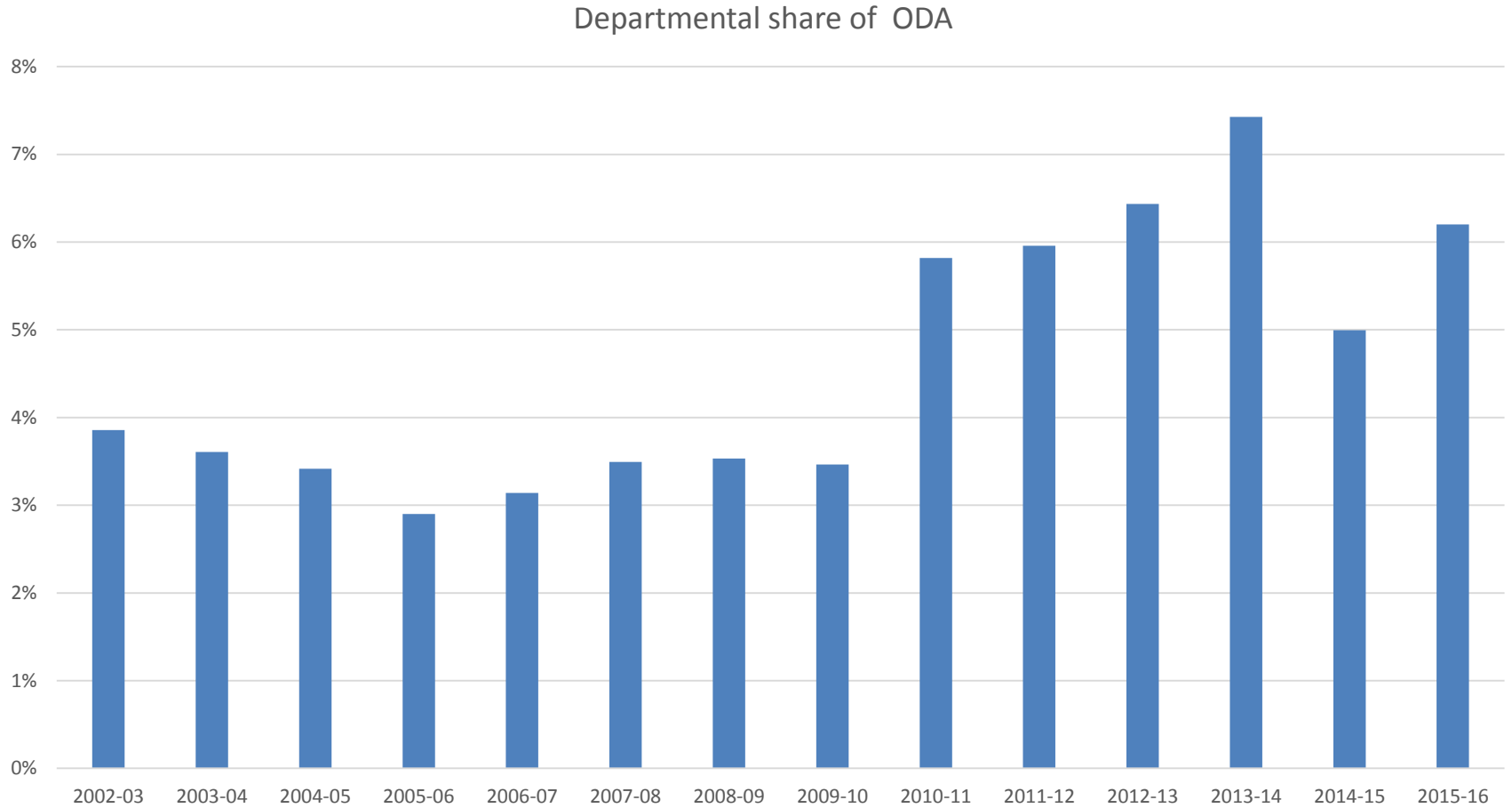
| | |
|---|------|
| Humanitarian aid | -3% |
| UN (excluding disasters) and Commonwealth | -30% |
| Health and education global funds | - |
| Multilateral replenishments | - |
| Other global programs | -33% |
| NGOs | -5% |
| Volunteers | -30% |
| DFAT departmental | 0% |
| Other government departments | -14% |

Departmental expenses

DFAT Departmental (2015-16 prices)



Departmental share of ODA



Budget transparency at a new low

- No Blue book: since 1999-00 or earlier
- No estimated outcomes for this year.
- No breakdown of other government departments
- No regional forward estimates

Conclusion

- An unfair budget for aid
- A reversion to the “way we were”:
 - In aggregate aid
 - In country allocations
 - In transparency?
- On the bright side
 - A prospect of modest increase in future years.