

Charity still ends at home

The continuing decline of Australia's official development assistance

Reports suggest that Australia's aid spending, already at record lows, could be cut further to 0.18% of Australia's Gross National Income. This would make Australia's aid contribution proportionately lower than that of Greece.

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April 2018

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Summary

Further cuts to aid would see Australia's official development assistance (ODA) fall to record new lows.

In 2015, The Australia Institute's report *Charity ends at home* found that deep cuts in spending was driving the ODA budget to its lowest level, relative to Gross National Income (GNI) since the program began.¹ This was due to 2014 cuts of \$1.4 billion per year. These cuts lefts ODA 33 per cent lower in 2017–18 (relative to GNI) than in 2013–14.

These cuts contradicted long standing commitments to increase ODA. In 1974, Australia allocated 0.45 per cent of our income to aid. During the Howard era there was bipartisan support for a target of 0.7 per cent of ODA/GNI, under the Millennium Development Goals, and this target is still nominally in place. However, Australia's ODA has fallen even further from this target. Currently, Australian ODA is just 0.23 per cent of GNI – and on current budget numbers it is expected to reach 0.20 by 2021.

Australia's aid performance against the target has not improved since these record cuts. Despite Minister Julie Bishop's commitment in 2014 that the aid budget would be frozen at \$5 billion, the 2017–18 Budget saw ODA fall over \$1.3 billion below that level.

Further cuts of \$401 million a year, as the government is reportedly considering, would drive Australia's ODA to further record lows. A cut of this size would reduce Australia's ODA by more than the amount currently spent on most Pacific Island countries, or more than the total spent on all of South and West Asia.

Even in the absence of further cuts, Australia's ODA is heading to new record lows.

¹ Grudnoff and Gilchrist (2015) *Charity ends at home*

Introduction

Australia's foreign aid program has undergone many makeovers. Founded in 1974 under the Whitlam government as the Australian Development Assistance Agency, it changed names several times before becoming known as AusAID. AusAID has since been merged into the Department of Foreign Affairs and Trade (DFAT). Despite the changing name, one thing remained perennial: funding cuts.

In January 2014 Foreign Minister Julie Bishop made a commitment to the development community:

[W]hat I have done is stabilised the budget at \$5 billion per annum. It will increase in line with inflation, so it will go up by CPI. This will provide certainty, predictability of funding for our partners, for the recipients and will put the aid budget on sustainable financial footing.²

As late as October 2014, Julie Bishop said, "We will abide by the commitments we made in relation to foreign aid".³ Just two months later, the government announced the biggest cuts to aid in Australia's history.⁴ These cuts pushed the aid budget far below the promised \$5 billion stabilisation point and to its lowest ever level as a percentage of Gross National Income (GNI). Further cuts announced in the 2017–18 Budget took Australia's performance as an aid donor to new lows.

Foreign aid spending is measured in different ways, each resulting in different figures. For example, total 'official development assistance' (ODA) is different to ODA as reported in DFAT's section of the federal budget, as some ODA spending occurs in other departments. Some measures are reported in the Budget with accrual terms, while others are reported in cash terms.

When Minister Bishop committed to stabilise the aid budget at \$5 billion per annum she was referring to total ODA. This was made clear in the 2014–15 Budget, as shown in Figure 1 below. As a result, total ODA is used throughout this report, except where otherwise noted.

² Bishop (2014) *Opening address - 2014 Australasian Aid and International Development Policy workshop*

³ Hurst (2014) *Julie Bishop pushes back on reported cuts to foreign aid to fund Iraq action*

⁴ Hockey (2014) *Release of 2014-15 Mid-Year Economic and Fiscal Outlook; Australian Government (2014) Mid-Year Economic and Fiscal Outlook 2014-15*

Figure 1: Box 3 from Budget 2014-15

Box 3: Official Development Assistance

The Government will maintain official development assistance (ODA) spending at its nominal 2013-14 level of \$5.0 billion in each of 2014-15 and 2015-16. From 2016-17 ODA will grow in line with the Consumer Price Index.

Table 4.2: Official development assistance profile

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Official development assistance - total spending estimate	5,032	5,032	5,034	5,160	5,289

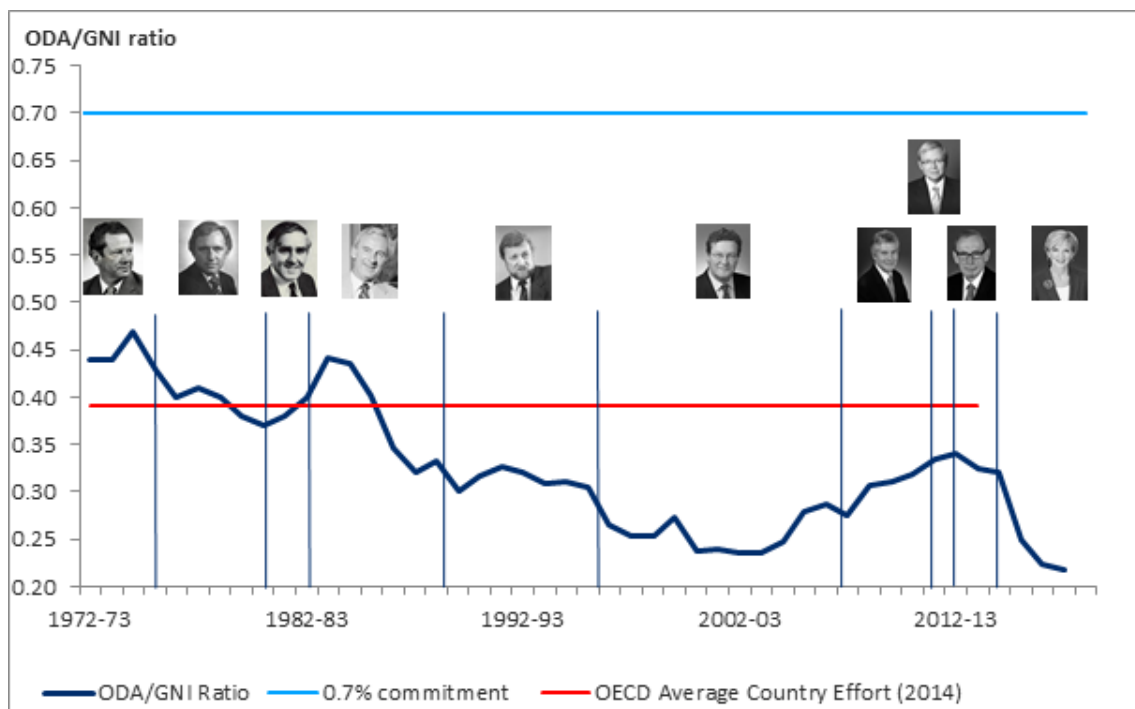
ODA spending reported internationally differs from the reporting in Table 4.1 due to some ODA eligible activities of government departments outside of the Foreign Affairs Portfolio being reported in other functions, and due to accounting differences in the treatment of investments and loans and reflects the timing of actual cash payments.

Source: Australian Government (2014) *Budget Paper No 1, 2014–15*, s 6:14 Box 3

Decline and fall of Australian aid

Of the ten foreign ministers who have presided over the aid program, only three increased Australia's Official Development Assistance (ODA) as a proportion of GNI. Figure 2 below shows Australia's ODA as a proportion of GNI for the period 1972–2017, as well as the ten foreign ministers that had responsibility for the aid budget.

Figure 2: Official Development Assistance to Gross National Income



Source: Stephen Howes 2015, Australian National University; using: ABS Australian National Accounts Table 1; budget documents Table 2 and 3; past budgets. The 2016 and 2017 figures are based on estimates and projections from the 2015 Budget.

As shown in Figure 2 above, Australian aid has been in decline almost since it was formalised in the early 1970s. ODA fell but then picked up under foreign minister Tony Street in the Fraser Coalition government. It then fell steadily until the announcement of the Millennium Development Goals in 2000.

The Howard Government committed to the United Nations Millennium Development Goals, including MDG Target 8.B of 0.7 per cent ODA to GNI. Australian aid experienced a revival, with bipartisan support for the aid budget seeing it reverse 25 years of decline.

The bipartisan commitment to these goals passed from the Howard government to the Rudd–Gillard government, with Foreign Ministers Stephen Smith and Kevin Rudd increasing ODA to GNI, before a slight fall under Bob Carr.

This brief revival ended in 2013, along with bipartisan support. The Australia Institute’s 2015 report *Charity ends at home* report found that, based on the budget figures then available, Australia would see:

- The **largest ever multi-year aid cuts over a foreign minister’s term**: the 33 per cent cut is twice the previous record of 17 per cent.
- The **largest aid cuts in a single year**: 20 per cent and \$1 billion in 2015–16, larger than the previous record, held by Labor, of 12 per cent and \$323 million in 1986–87.
- The **least generous levels of aid ever**: 0.22 per cent of GNI in 2016–17.
- Australia, the **eighth largest economy** in the OECD, will drop to **nineteenth most generous OECD donor**.⁵

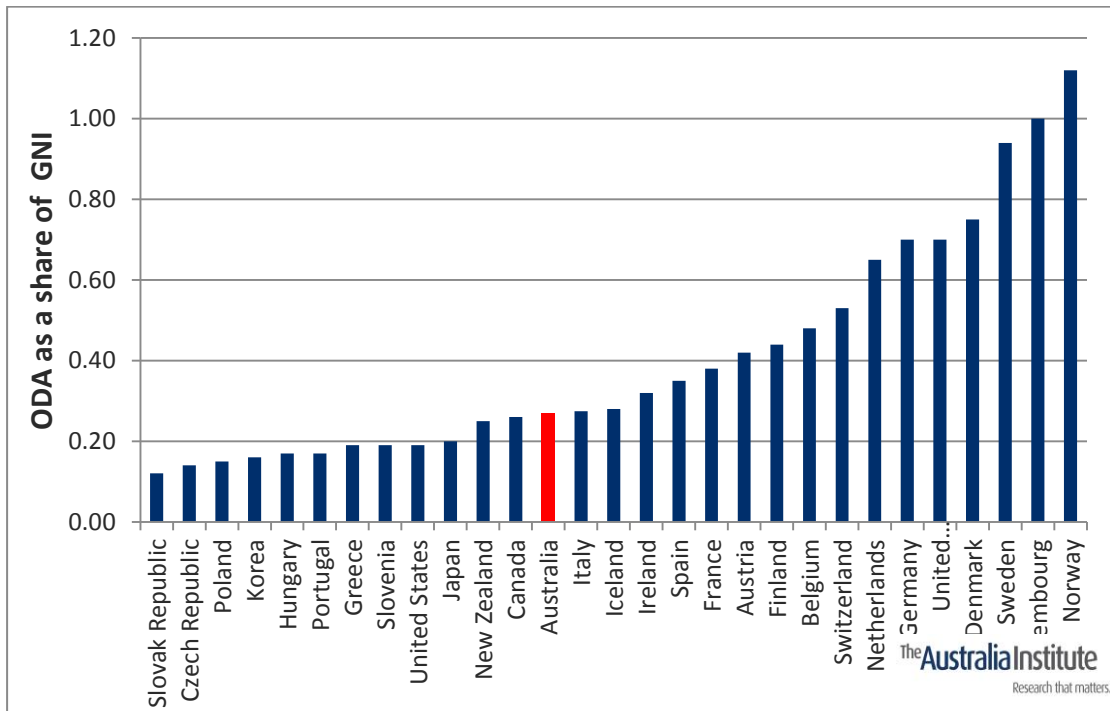
In 2016 Australia dropped to 17th in the OECD rankings of donor countries.⁶ The 2016 OECD rankings are shown in Figure 3 below:

⁵ Howes et al (2014) *Biggest aid cuts ever produce our least generous aid budget ever*

⁶ Business Insider (2017) *Australia’s intelligence agencies to receive \$75 million in funds previously dedicated to foreign aid*, <https://www.businessinsider.com.au/australias-intelligence-agencies-to-receive-75-million-in-funds-previously-dedicated-to-foreign-aid-2017-5>; The Australian (2017) *Aid groups slam reports of budget cuts*, <http://www.theaustralian.com.au/news/latest-news/no-more-cuts-to-foreign-aid-labor/news-story/fb77fd28ce4fe2ea30095000bddfbc04>; Martin (2017) *“Missing in action”: Australia slips in foreign aid ranking*, <http://indaily.com.au/news/2017/04/12/missing-in-action-australia-slips-in-foreign-aid-ranking/>

Note that there are two rankings: donors by overall ODA and donors by ODA over GNI. Australia was estimated to be 12th in 2016–17 by overall ODA: DFAT (2016) *Budget highlights 2016–17*, <http://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Pages/budget-highlights-2016-17.aspx>

Figure 3: OECD countries' official development assistance to gross national income



Source: OECD (2017) *Development finance data*

In the 2017 Budget, ODA continued to decline, as discussed in the next section.

The 2017–18 Budget

The 2017–18 Budget might have been expected increase aid spending, given the pledge to stabilise ODA at \$5 billion a year. Spending consistent with this pledge would be \$5,289 million in 2017–18, as shown in Figure 1 above.

Instead, the 2017–18 Budget papers show total ODA spending will be \$3,912 million in 2017–18. This is a shortfall of more than \$1.3 billion from the ‘stabilised’ level of \$5,289 million, as shown in the table below.

Table 1: ODA (estimate or projection) by budget (in AUD millions)

	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
2013–14 Budget (total ODA)	5,538	6,141				
2014–15 Budget (total ODA)	5,034	5,160	5,289			
2017–18 Budget (total ODA)		3,828	3,912	4,010	4,010	4,010
2017–18 Budget (DFAT only ODA)		3,163	3,338	3,558	3,519	3,594

Notes: The 2017–18 (ODA) figures for 2016–17 and 2017–18 are from DFAT’s 2017–18 *Australian aid budget summary*. The 2018–19 through 2020–21 figures are from Minister Bishop’s media release following the 2017–18 budget; see also 2017–18 Budget Paper No 2.

The ODA figures for DFAT only (excluding multilateral replenishments) are included for the sake of completeness, but as discussed in the Introduction Minister Bishop’s commitment was to stabilise total ODA, not departmental ODA.

ODA figures from the 2013–2014 Budget were adjusted to exclude multilateral replenishments.

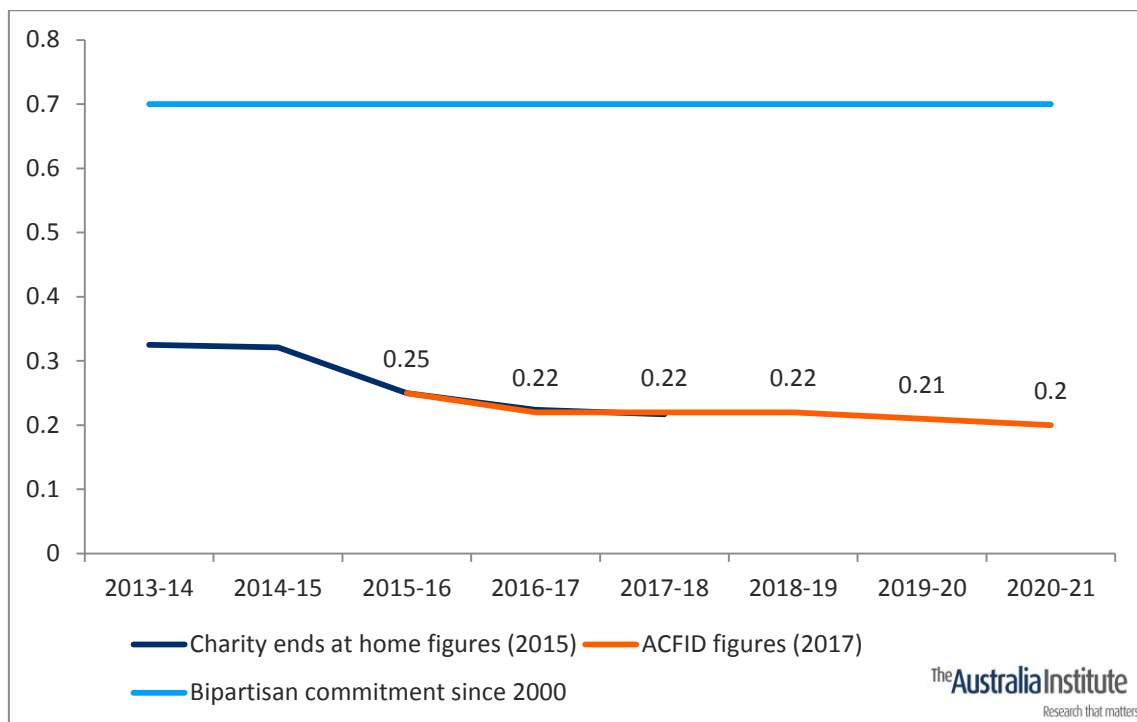
Sources: Australian Government (2013) *Budget Paper No 1, 2013–14*, s 6:14; Australian Government (2014) *Budget Paper No 1, 2014–15*, s 6:14 Box 3; Australian Government (2017) *Budget Paper No 1, 2017–18*, s 6:14; Australian Government (2017) *Budget Paper No 2, 2017–18*, p 102; DFAT (2017) *Australian aid budget summary*, p 9; ACFID (2017) *ACFID analysis of the 2017-18 Federal Budget*, p 9; DFAT (2017) *Portfolio Budget Statements 2017-18, Budget Related Paper No 1.9 (Foreign Affairs and Trade)*, p 25-26; Bishop (2017) *2017 Foreign affairs budget media release*, https://foreignminister.gov.au/releases/Pages/2017/jb_mr_170509.aspx; Hill (2017) *Official development assistance: Steady, but still shrinking*

The 2017–18 Budget announced cuts to ODA of \$100.3 million in 2019–20 and \$203.0 million in 2020–21, achieved by freezing indexation.⁷

Under the 2012–13 Budget, 2016–17 was meant to be the year when Australia achieved an ODA rate of 0.5% of GNI.⁸ Instead, the 2017–18 Budget projects a further relative decrease out to 2020–2021, to a low of 0.20 per cent in 2020–2021 – as shown by the orange line in the figure below.

These cuts take Australia’s ODA even further away from the 0.7% GNI target.

Figure 4: Australia's ODA since the 2013–14 Budget (as share of GNI)



Source: Grudnoff and Gilchrist (2015) *Charity ends at home* and Australian Council for International Development (2017) *ACFID Analysis of the 2017-18 Federal Budget*, p 9, see also Hunter (2017) *Julie Bishop says foreign aid will stay in freezer until budget reaches surplus*.

Professor Stephen Howe, of the ANU Development Policy Centre, projects a further drop in Australia’s OECD rankings of ODA/GNI, from 17th to 21st out of 28.⁹

⁷ Australian Government (2017) *Budget Paper No 2, 2017–18*, p 102.

⁸ Australian Government (2012) *Australia's International Development Assistance Program*, s 1.4, http://www.budget.gov.au/2012-13/content/ministerial_statements/ausaid/html/ausaid-03.htm

⁹ Hunter (2017) *Julie Bishop says foreign aid will stay in freezer until budget reaches surplus*, <http://www.smh.com.au/business/federal-budget/julie-bishop-says-foreign-aid-will-stay-in-freezer-until-budget-reaches-surplus-20170510-gw1e1l.html>

These cuts come at a time when the rest of the world is lifting its game. The OECD average for ODA is 0.32% of GNI. Between 2015 and 2016, overall development aid rose by 9%, with the OECD specifically naming Australia as one of the countries that saw the “largest decline”. There are now six OECD countries that spend at or over 0.7% of GNI (Germany, Denmark, Luxembourg, Norway, Sweden and the UK).¹⁰

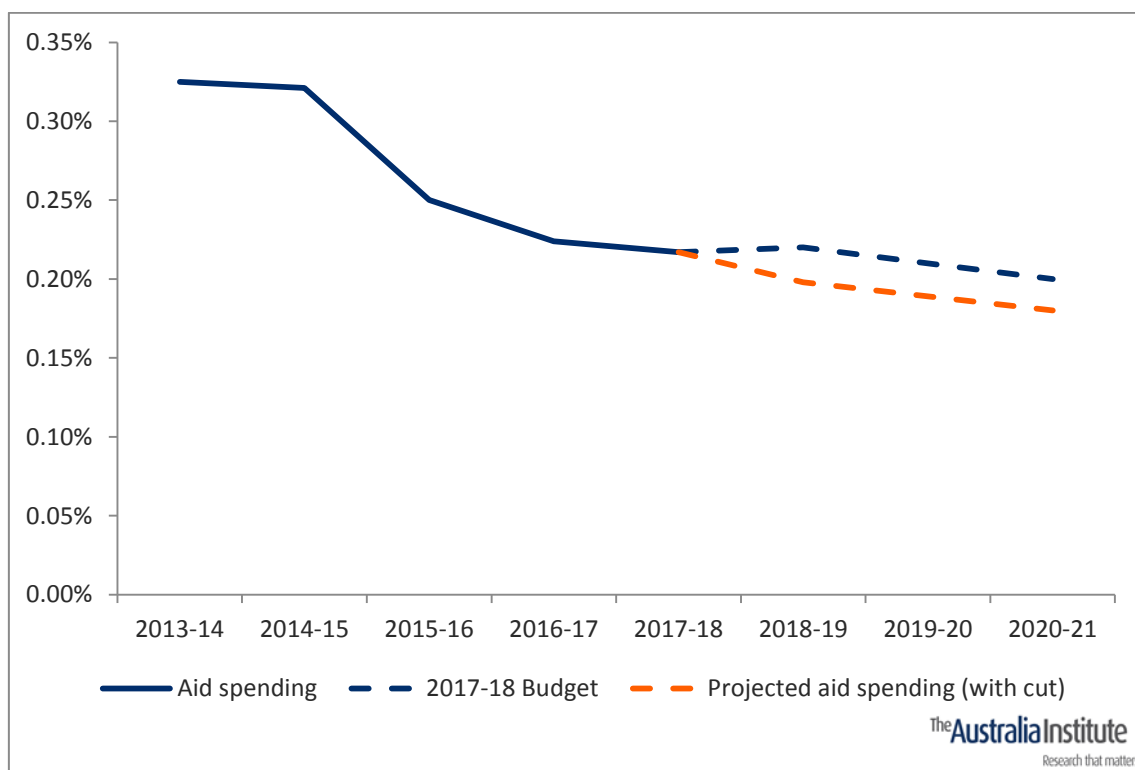
¹⁰ OECD (2017) *Development aid rises again in 2016 but flows to poorest countries dip*, <https://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>

Future cuts flagged

In March 2018, the *Sydney Morning Herald* reported that the Turnbull Government was considering a further cut to the aid budget of \$401 million, or 10%.¹¹

The figure below shows how such a cut would impact Australia's ODA as a share of GNI, pushing it even further below current record low levels to a new record low of 0.18 per cent in 2020–21.

Figure 5: Australia's ODA since the 2013–14 Budget (with projected cuts)



Source: Grudnoff and Gilchrist (2015) *Charity ends at home* and Australian Council for International Development (2017) *ACFID Analysis of the 2017-18 Federal Budget*, p 9; Wade (2018) *The Turnbull government is mulling more cuts to overseas aid*;¹² see also Hunter (2017) *Julie Bishop says foreign aid will stay in freezer until budget reaches surplus*.

¹¹ Wade (2018) *The Turnbull government is mulling more cuts to overseas aid*, <https://www.smh.com.au/politics/federal/the-turnbull-government-is-mulling-more-cuts-to-overseas-aid-20180328-p4z6rn.html>

¹² Wade (2018) *The Turnbull government is mulling more cuts to overseas aid*, <https://www.smh.com.au/politics/federal/the-turnbull-government-is-mulling-more-cuts-to-overseas-aid-20180328-p4z6rn.html>

A cut of \$401 million a year would represent more than our entire ODA in the year 2016-17 to:¹³

- Pacific island countries of Solomon Islands, Vanuata, Fiji, Samoa, Nauru, Kiribati, Tonga, Tuvalu, Nieu and Tolekau, Cook Islands and North Pacific put together (total \$393.6 million);¹⁴ or
- The Middle East and North Africa, Sub-Saharan Africa, Afghanistan, Pakistan and Bangladesh (total \$394.9 million); or
- all of South and West Asia, including Afghanistan, Bangladesh, Pakistan, Sri Lanka, Nepal, Bhutan and Maldives (total \$284.6 million).

It is also close to our entire ODA to Papua New Guinea (\$512.6 million) and close to half of the entire ODA spend in Southeast and East Asia (total \$856.9 million).

Table 2 shows how such cuts would compare with cuts made by previous foreign ministers.

Table 2: Changes in Foreign Aid by Foreign Minister

Foreign Minister	Change in ODA/GNI
Julie Bishop (Liberal), <i>By 2020–21, if 10% cut proceeds</i>	-45%
Julie Bishop (Liberal), <i>By 2020–21, as of 2017–18 Budget</i>	-38%
Bill Hayden (Labor)	-17%
Andrew Peacock (Liberal)	-14%
Alexander Downer (Liberal)	-10%
Gareth Evans (Labor)	-8%
Bob Carr (Labor)	-3%
Don Willesee (Labor)	-2%
Kevin Rudd (Labor)	5%
Tony Street (Liberal)	8%
Stephen Smith (Labor)	16%

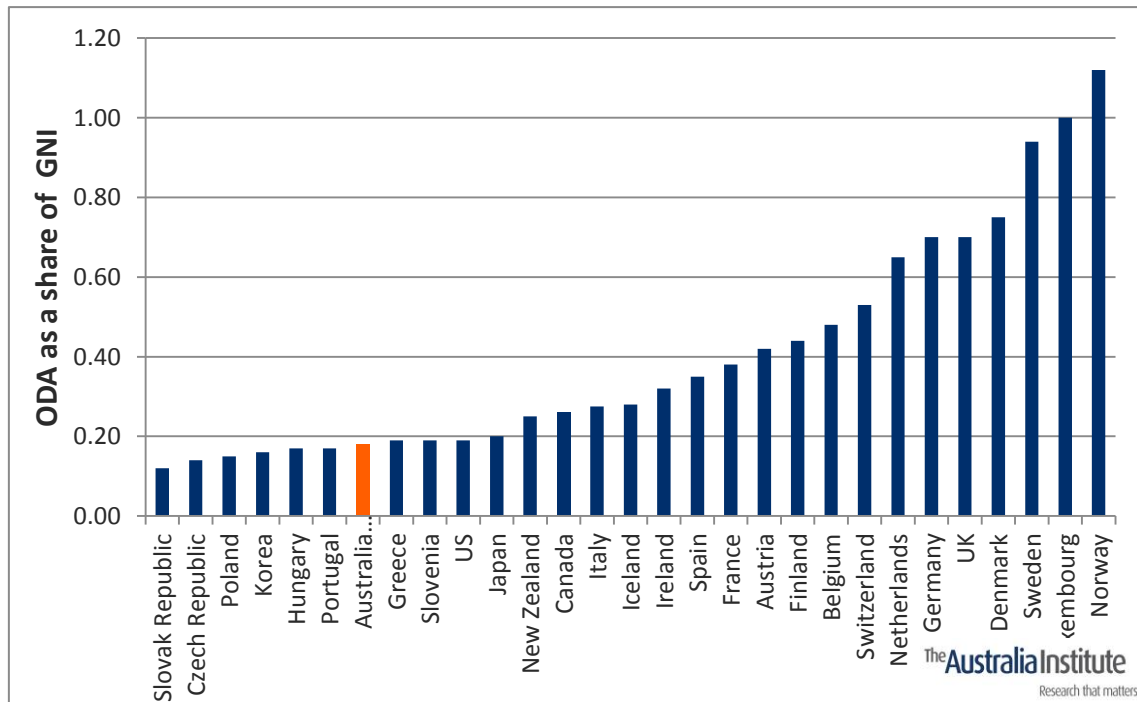
Source: Grudnoff and Gilchrist (2015) *Charity ends at home*; new figures for Julie Bishop calculated as explained in text

¹³ Department of Foreign Affairs and Trade (2017) *DFAT 2016-17 annual report*, Appendix 3, p 242-243, <http://dfat.gov.au/about-us/publications/corporate/annual-reports/Documents/dfat-annual-report-2016-17.pdf>

¹⁴ The entire Pacific region other than Papua New Guinea and non-country-specific regional spending.

Australia’s aid performance relative to other countries will fall even further if these cuts are implemented. The figure below shows Australia’s placement in the OECD if our ODA fell to 0.18 per cent of GNI, assuming that other countries maintain their ODA at 2016 levels. We would drop to 23rd most generous country out of 29 reporting countries,¹⁵ making our aid program less generous than that of Greece and Slovenia.

Figure 6: OECD countries’ official development assistance to gross national income (using Australia’s projected decline in ODA)



Source: OECD (2017) *Development finance data*

¹⁵ Overall, there are 35 members of OECD but only 29 member-states report to the Development Assistance Committee.

Conclusion

When it comes to foreign aid, Australia is not generous – irrespective of whether this is considered against historical or world standards.

Since 2013–14, Australia has already overseen the biggest cuts to aid as a portion of national income in our history, and projections out to 2021 show them going even lower. The Australian government has abandoned the United Nations Millennium Development Goals, and now looks increasingly like it is not contributing its fair share.

The further poor aid funding in the 2017–18 Budget, including \$303.3 million in cuts to ODA, will exacerbate this situation at a time when other countries are steeply increasing foreign aid. In the year when Australia was meant to achieve official development assistance of 0.5% of GNI, we will instead be providing well under half this.

Australia's recalcitrance on aid makes us an outlier in the international community and puts us further away from the commitments of both former and current foreign ministers, as well as the bipartisan Howard era target of 0.7%. Unless aid spending dramatically increases soon, Australia's record low aid spending will continue to decline at a time when the international community is committing more to aid.