

Foreign aid a casualty of budget constraints

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The Coalition Government has made, or is making, major changes to our foreign aid policy. The changes occurring or proposed include:

- Reduction in the Aid budget
- Incorporation of the aid function with the Department of Foreign Affairs & Trade (DFAT)
- Seeking to increase efficiencies – a process of benchmarks to attain this
- Aid for trade
- An increased regional focus

The one that really matters in all this is the reduction in the budget, but let's look at all these points.

Prior to the election, the Coalition announced a reduction in the Aid budget.

They said that, while they remain committed to the 0.5% of GNI target, it was not possible to commit to a date, and that growth in Overseas Development Assistance (ODA) would be restricted to increases in the CPI over the forward estimates. This amounted to a reduction of \$4.5 billion in aid in the forward estimates. The table below shows their pre-election commitment:



AusAID's Amanda Jennings & Shahrar Islam on the embankments (Shatkhira) where most of the cyclone Aila-affected people took shelter in 2008. A few families are still living there. Bangladesh 2010. Photo AusAID, by DFAT, flickr cc.

Coalition commitment to foreign aid (\$billion)

2012-13	3.9
2013-14	4.0
2014-15	4.0
2015-16	4.1
2016-17	4.2

In a press release in January 2014, and again in her February speech to the 2014 Australasian Aid & International Development Policy workshop, Foreign Affairs Minister Julie Bishop announced:

- Due to the domestic Budgetary outlook, she had cut the aid budget for 2013-14 by about \$100m over the previous year
- However, she has “stabilised the budget at \$5 billion per annum. It will increase in line with inflation, and will therefore go up by CPI.”^{1, 2, 3}

Prima facie, this does not seem as bad as the pre-election commitments. As a proportion of GDP, \$5 billion represents about 0.32% of GDP or GNI. However, it is sometimes difficult to define exactly what is in and what is not. For example, the previous Government diverted some money from the aid budget to support for asylum seekers awaiting their hearing of claims in Australia.

The one thing clear is that the aid budget has been reduced, and the target of 0.5% of GNI seems out in the blue yonder.

Should we be surprised? Well, no. We face overall Budgetary constraints. Budget reductions are hard. And aid reduction is a relatively soft option. It is a casualty of the process.

The next change is that of incorporation of AusAid into DFAT. This has already taken place. The Minister

said in her speech: “We have created a single department with responsibility for advancing Australia’s interest in diplomatic trade and the development context.”



AusAid staff member inspects prawn farm, Vanuatu 2010. Photo: AusAid by DFAT, flickr cc

Is this good, or is it bad? For one thing, Budgetary restraint and the blowout in the Public Service over a long period of time have meant that the whole public sector is experiencing major cuts, and efficiencies are being sought. For another, I suspect that AusAid was already heavily influenced by DFAT.

Robin Davies of ANU last October made the point that it is not necessarily a bad thing,

and that most other governments have them together anyway. He said the key point is not whether it is ‘integrated’, but whether it is “disintegrated’. While he notes that some administrative efficiencies are no doubt achievable, he stresses that “aid quality is achieved through structured approaches that incorporate contestability and the lessons of experience... Rigorous administration is achieved... by improving the rules and processes for conducting large-scale procurement, meeting obligations under complex contracts and agreements, undertaking independent review..., and detecting and dealing with fraud and mismanagement”. He stresses that these must be part of integration.⁴

¹ See press release 18 January http://foreignminister.gov.au/releases/2014/jb_mr_140118.html.

² Hon Julie Bishop opening address 2014 Australasian Aid & International Development Policy Workshop 14 February 2014 http://foreignminister.gov.au/speeches/2014/jb_sp_140213.html.

³ Note suggested cuts of over \$600m both by the Parliamentary Library (http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/ODA), and by Robin Davies (see below), but this seems to supersede these.

⁴ <http://www.canberatimes.com.au/national/public-service/bending-ausaid-or-breaking-it-20130929-2um04.html>. The article notes that Robin Davies is associate director of the Development Policy Centre in the Crawford School of Public Policy at ANU. He was a senior executive in AusAid for a decade until 2012.

At least in one respect, when I look at the current DFAT Executive, half the Deputy Secretaries have major aid development responsibilities.⁵

Clearly related to this is the aim of seeking increased efficiencies. This is motherhood stuff. Whether we are providing aid as a nation or donating individually to our favourite charity, we want 'bang for our buck'. We look to see what proportion of our donation goes on administration costs. This is important, but of greater importance is the effectiveness of the actual aid. The Coalition has initiated a Benchmark Study to establish performance benchmarks for Australian aid. This is being overseen by Senator Brett Mason, Parliamentary Secretary for Foreign Affairs, and consultations have just concluded.

We'll have to wait and see what transpires.

In her speech, the Minister also referred to Aid for Trade. When I first read this, I thought it meant aid would be linked with trade from Australia. But on closer inspection, I think it means lifting people out of poverty through encouraging their economic development and trade. This is fine — not unlike a hand up rather than a handout.

Laura Tingle, in the *Australian Financial Review* of 18 February, has drawn on DFAT documents prepared for Senate estimates to headline that "poverty is taken off the aid agenda".

In her speech – interestingly made on the same day as the article – the Minister says:

"We are going to be promoting economic growth. Aid is not a panacea to poverty. Millions of people have been lifted out of poverty by economic growth which creates jobs and which improves standards of living."

And subsequently:

"Prioritising economic growth doesn't mean a lesser focus on human development or poverty reduction – they are two sides of the same coin. We will invest in better quality education, enabling young people to get to schools they need to contribute to the economy."

And further:

"...we will continue our humanitarian work around the globe."

I don't see the Minister's statement as excluding poverty relief. But it would have read better to say "we will relieve poverty through economic growth", that is, with the humanitarian aspects more front and centre.

The other point Tingle makes is the reference to the use of public-private partnerships. This is certainly in the Minister's speech. But if that works, then why not?

What about an increased regional focus? This is already largely the case.⁶ Look at the map referred to in the footnote.

The Minister also referred to continued work in health — hardly a surprise. I recall Jack de Groot, then head of Caritas, pointing out the huge economic benefit if malaria were eliminated from our region. The Minister also referred to aid in developing institutions, in empowering women and girls (Natasha Stott-Despoja is now Ambassador for Women for this purpose), and in working with private aid organisations and the private sector. All of these are also fine.

⁵ <http://www.dfat.gov.au/dept/exec/>

⁶ See Page 33 of AusAid 2012-13 Annual Report <http://aid.dfat.gov.au/AnnualReports/Documents/rep13/ausaid-annual-report-2012-13.pdf>

Out of all of this there are some hopefully good initiatives, but there are three major concerns:

- Firstly, there is a decline in the aid budget, or at least in promises. I know this is Realpolitik; nevertheless, it is a decline. The promise of both Parties to work to a 0.5% aid to GNI seems to be receding into the distance. Indeed, the Coalition's undertaking is embedded at 0.32% of GNI — long way short of its previous long-term commitment.
- Secondly, and arising from this, Robin Davies points out a real weakness in that there has been so much chopping and changing over the past few years in the budget and in the application of funds for purposes other than direct overseas humanitarian aid (eg to gain the UN seat, or for such use as for asylum seekers in Australia) that program stability has been impacted. He writes, “predictability and clarity, the bedrocks of effective aid, have been compromised”.

Thirdly, while a changed approach may well be a good outcome, it is important that compassion remains front and centre of policy.