



RESEARCH NOTE

Number 55, 27 June 1995
ISSN 1323-5664

Australia's Overseas Aid Budget: 1995-96

In 1995-96, Australia's aid budget is forecast to be \$1 563.2 m, an increase of about \$83m over the 1994-95 outlay. In real terms this represents a growth of 1.8 per cent or \$28m. However, due to the growth of the Australian economy, the ratio of the volume of Official Development Assistance to the Gross National Product (the ODA/GNP ratio) will actually decline from 0.34 per cent in 1994-95 to 0.33 in 1995-96. While Australia's GNP per capita in real terms has increased from \$19 800 in 1983-84 to an expected \$25 500 in 1995-96, aid expenditure over the same period has declined from \$99 to about \$82 per capita. Nonetheless, Australia's contribution at over \$1.56 billion is by no means among the lowest in the donors list. It ranks 12th in terms of ODA/GNP ratio among the 21 countries that form the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). In contrast, Japan, which has an aid budget of over \$15 billion, ranks 15th.

Australia's aid program also delivers direct commercial benefits to the economy. Some 90 per cent of all goods and services delivered through the aid program are sourced from Australian companies. In 1993-94, for example, there were some 380 companies implementing 544 contracts, worth over \$831m, to deliver

Australian aid under the bilateral program.

Program Structure

The budget is split into country (bilateral) programs and global programs which include funding for international organisations, emergencies, aid to Non-Government Organisations (NGOs) and for commercial activity. Country programs account for about 56 per cent of the total budget while 35 per cent is allocated to global programs. Other development activities absorb about 3 per cent and the Australian Centre for International Agricultural Research (ACIAR) receives another 3 per cent.

In March 1995, the Australian International Development Assistance Bureau (AIDAB), which manages Australia's aid program was renamed the Australian Agency for International Development or AusAID.

In 1995-96, more than 77 per cent of the expenditure will be directed towards Southeast Asia and the Pacific. While at first glance this figure might look impressive, it is also deceptive. Of the total country program budget of nearly \$876m, Papua New Guinea alone receives over \$312m, or over 35 per cent. About 57 per cent of this is in the form of direct budget support although both countries have

agreed on a progressive transition to project activities by the year 2000. The total programmed flows to PNG in 1995-96 are expected to be over \$325m, representing around 20 per cent of Australia's total aid program.

Countries in Southeast Asia and the South Pacific account for 29 per cent and 13 per cent of the country program budget respectively. Some \$38.5m, or less than 5 per cent of the program development aid, is destined for Africa although the continent remains a major recipient of Australia's humanitarian assistance.

The contribution of NGOs has also been recognised in this year's budget. Total funding for NGOs is expected to be over \$100m compared to about \$97.6m in 1994-95. The outlay for humanitarian assistance too has been increased by \$10.5m to \$84m.

New Initiatives And Changes In Emphasis

- As part of a \$2.5 million outlay on academic research and seminar support, a research project has been commissioned by the Government to examine the issue of child labour in six countries in South and Southeast Asia.
- \$0.5m is to be provided to the International Crisis Group (ICG) and the Institute for Democracy and Electoral Assistance (IDEA) to further Australia's twin objectives of

peace building and preventing humanitarian crises.

- A one-off contribution of approximately \$6.8m is to be provided to the Korean Peninsula Energy Development Organisation (KEDO). This will be used to help fund the heavy oil shipments called for under the Agreed Framework between the United States and North Korea.
- A four-year \$25m initiative to help improve the efficiency of the coal sector in India has been announced.
- \$1m is to be provided to developing countries to take part in, and benefit from APEC initiatives.
- There has been a substantial change in emphasis in the education sector with a new focus on primary education and technical and vocational training, particularly for children and women. \$25m has been allocated for this program which will provide additional support for activities in Bangladesh, Mongolia, Gaza and the West Bank, the South Pacific, PNG and South Africa through either new or expanded schemes.
- Funding for women in development (WID) programs has been doubled to \$3m in 1995-96. This will enable NGOs to undertake innovative and imaginative projects such as the acquisition of technical and leadership skills which will serve as models for future development.

Commercial Programs

Over the years the business sector has come to play an increasingly important role in Australia's development cooperation program. Examples include:

- The Private Sector Linkages Program (PSLP) which aims to subsidise activities which promote Australian business. It provides money on a cost-sharing basis to assist Australian companies in funding feasibility studies, short-term training and work-attachments. In 1995-96, the PSLP has been allocated \$4m.
- The Development Import Finance Facility (DIFF) finances development projects by providing a mixed credit finance package. The DIFF finance package combines an aid grant of about 35 per cent of the total project value with export credits provided by the Export Finance Insurance Corporation (EFIC). Under the rules on tied aid credit financing introduced by the OECD in February 1992, DIFF is no longer available for projects which are considered to be commercially viable. Projects now eligible under DIFF include infrastructure projects such as education, water supply and treatment, waste disposal, transport, and rural telecommunications and power.

According to a recent assessment, for every dollar spent through DIFF, five dollars are generated in the Australian economy through ongoing commercial sales. An effec-

tiveness review of DIFF involving some \$285m of aid funds found that this resulted in expenditure in Australia worth some \$709m and follow-on business at another \$263m. It was expected that further follow-on business would generate another \$400m.

In 1995-96, funding for DIFF will be \$120m. Indonesia and China are expected to be major recipients of the scheme, and to a lesser extent, the Philippines and Vietnam.

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