REPORT CARD

AID UNDER THE COALITION

KEY POINTS

The Government has transformed Australian overseas aid.

- Aid now serves national interests first and foremost; poverty reduction is a distant second.
- AusAID, Australia's development agency, no longer exists; the foreign affairs department distributes aid.
- Aid is used primarily for 'economic diplomacy', as part of foreign policy.
- The distribution of aid now increasingly reflects political interests, not aid effectiveness.
- Aid is to mainly directed to the private sector.
- Aid is now called 'aid investment' - not 'Overseas Development Assistance'.
- There is no target to increase aid, and it is a regular source of budget cuts.
- Aid is at its lowest level in relation to national income since the early 1970s.
- Climate Aid is derisory, the Coalition still opposes realistic emissions cuts.
- Aid is misused and discredited, and is losing credibility and public support.

ANALYSIS

Is it still 'aid'? Officially yes, but in reality …

The Coalition has reversed the priority of Australian aid. Aid is now to 'promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'. The Government says explicitly that 'economic diplomacy' guides the use of aid. This breaches the OECD's definition that aid be 'administered with the promotion of the economic development and welfare of developing countries as its *main* objective'.[1]

No target for aid – deep budget cuts

The Coalition has broken the consensus that there be a target for aid spending, of 0.5% of national income. At the 2013 election the Coalition announced major aid cuts. Its 'Commission of Audit' abandoned the aid target, arguing aid could only be justified 'in terms of the overall fiscal context rather than to a set of funding targets'.[2] Since then, the Coalition has cut aid spending by a quarter, from $5b in 2013 to $3.8b in 2016.

Climate policy against development

On a per-person basis Australia is the highest emitter of greenhouse gasses in the industrialised world; exported coal almost triples this figure.[3] Last year Australia signed a UN commitment for a Green Climate Fund with $100 billion a year by 2020 to help developing countries address the devastating impacts of climate change.[4] Australia's contribution is a derisory and cynical $50m a year, with a few rebadged aid projects that 'build on existing investments'.[5] Meanwhile, the government's emissions reduction commitment is well behind the EU and the US. It instead promotes Australia as a fossil fuel 'energy superpower'.[6]

Aid effectiveness – for whom?

For the last decade aid policy has centred on 'aid effectiveness' for developing countries. The Coalition focuses on implementing its own policy targets. The 2016 aid performance review assessed whether policy outcomes were 'on track', not whether the outcomes contribute to development.[7] Three out of four aid experts now think aid is less effective now than in 2013. And why? - 'helping poor people in developing countries has become a less important goal'.[8]

Private finance is more important?

The Government argues private investment is more important than aid. But aid 'makes up more than two thirds of external finance for the least developed countries'.[9] In 2014 there was only $35b in private 'greenfield' investment going to developing countries outside China and Hong Kong; only $1.5b went to the 'Least Developed Countries'.[10] In 2014 total global aid was $147b. $25b of this went to the 'Least Developed Countries'.[11] Aid is critical for the least developed countries.

Aid is 'assistance' - not 'investment'!

The Coalition has renamed 'Overseas Development Assistance' as 'Aid Investment'. But aid is not investment – it is a grant to assist development. The OECD states clearly, aid is not a loan, it is a 'concessional' grant.[12] Unlike private finance, aid is not invested for profit. Private investment creates debt; aid is a development grant.

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Aiding 'market access' (for Australia)

Australia signed the OECD's Accra Agenda for Action' on aid effectiveness which require donors to integrate aid into government spending by developing countries. Australia fails to meet its targets on this.[13] Instead, the aid program downplays the role of the public sector, stating 'all new investments will... promote private sector growth'.[14] A fifth of aid spending is now used for 'aid for trade', $748m to 'encourage unilateral reform, promote open and transparent markets and deepen regional economic integration', 'as part of Australia's economic diplomacy'.[15]

Soft cash for corporates

Aid is a new source of 'soft' public funding for private sector projects. The 'Innovation Xchange' distributes $140 million to the private sector and has a 'reference group' of venture capital and corporate conglomerates. The 'Business Partnerships Platform', with $350m, offers 50 per cent funding for any corporate initiatives that can 'deliver a combined social and financial return on investment'. Memoranda of Understanding (MOUs) have been signed with large corporations, including Westpac and ANZ, giving them competitive advantage in the Pacific.[16] The Minister states this is 'part of the Coalition Government's economic diplomacy agenda'.[17]

From development - to diplomacy

AusAID was Australia's development agency, dedicated to effective aid. On the day he was sworn-in as Prime Minister, Tony Abbott announced it would be closed down.[18] No-one voted to close AusAID – it was not mentioned in the Coalition's 2013 election campaign, nor in its manifesto. Aid now flows through embassies, and is openly part of Australia's diplomacy. The development mandate for Australian aid administration has disappeared.

Aid secrecy

There is now almost no comprehensive public information on projects financed by Australian aid, we only get highlights. DFAT states project information is available through the AusTender website, which offers next-to zero information: hundreds of millions of dollars are allocated to individual projects under generic titles.[19] Australia's aid is off-limits for public scrutiny. Only one in five freedom of information requests to DFAT are ever granted in full – a quarter are outright refused.[20] Leaks become the only source: it was Wikileaks that revealed DFAT was arguing that the Trans-Pacific Partnership Agreement should allow companies to sue developing country governments for lost profits.[21]

The 'diplomatic ATM' – and lost integrity

As predicted by a former AusAid deputy in 2013, aid has become a 'diplomatic ATM'.[22] Three-quarters of Australians support aid for humanitarian objectives; but only a tenth support the use of aid to promote Australian interests. The Coalition has mobilised populist anti-aid rhetoric, eroding public confidence. Aid is now a soft target, with little political pain in cutting it. In 2015 only a third opposed the 20% cut in the aid budget.[23]

WHAT TO DO?

Restoring public confidence in aid, and creating a new public support for real aid, is an urgent priority. This can only happen by transforming what aid is spent on. The peak aid group, the Australian Council for International Development (ACFID), has campaigned against aid cuts, but broadly accepts the 'new paradigm' of national interest and private finance. Australia desperately needs an independent and fearless voice on aid, able to challenge the new orthodoxy. We need a new aid agenda founded on global justice and climate justice to address the pressing problems of growing inequality and climate change. Aid is for partnership, not for market ideology, and for real development, not for narrow Australian interests.

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4. OECD (2015) *Climate Finance, 2013-14 and the USD 100 billion goal, OECD: Paris*.

5. Shanahan, D. (2014) 'Australia to contribute $200 to green climate fund', *The Australian*, 10 December; DFAT (2016) *Australian Aid Budget Summary 2016-17*, DFAT: Canberra, p.59.

6. ABC (2015) 'Fact Check: How do Australia's carbon emissions targets compare?' 2 March, ABC: Sydney; Government of Australia (2015) *Energy White Paper*, Department of Industry and Science: Canberra.

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9. OECD (2015) 'Development aid stable in 2014 but flows to poorest countries still falling', Press Release, 4 August.

10. UNCTAD (2015) *World Investment Report 2015: Reforming International Investment Governance*, UNCTAD: New York, Annex Table 6.

11. OECD (2016) 'Data: Distribution of ODA', OECD: Paris.

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13. OECD (2011) *Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration*, OECD: Paris. Table C.3.

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20. DFAT (2016a) Freedom of Information Statistics: Data 2014-15, DFAT, Canberra.

21. Dorling, P. (2015) Wikileaks: secret trade deal exposed, The Saturday Paper, 4 July.

22. Tomar, R. (2015) *Australia's aid programme*, Briefing, Library of the Parliament of Australia Library, Canberra.

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