FOREIGN AID BUDGET: PROMOTING AUSTRALIA'S INTERESTS AT THE EXPENSE OF THE POOR

The Abbot government has kept at least one election promise: it has cut the foreign aid budget. Treasurer Joe Hockey mentioned foreign aid just once in his Tuesday budget speech—a cut of $7.9 billion over five years. The budget "savings" appear mostly in the forward estimates, that is, moneys that were committed by the previous government, but which will no longer be spent. Three main concerns emerge from the 2014-15 foreign aid budget.

<u>Capping the aid budget into the future</u>

In the pre-election Our Plan document the Coalition committed to ensuring that "future funding increases are dependent on AusAID meeting strict performance benchmarks." With AusAID abolished from November 2013 funding increases will not occur. Indeed, Australian aid will be capped at 2103 levels, or around $5bn per year, and any future increases will be in line with a rise in the Consumer Price Index (CPI), estimated at 2.25%. The 2013 budget represented 0.37% Gross National Income (GNI), with the UN target for foreign aid being 0.7%. Both sides of Australian politics had committed to this target, but it was progressively delayed until 2017-18. It has now been abandoned entirely.

<u>Cuts to multinational programs</u>

The biggest cuts come from not granting the $2.785bn that was to support the work of the International Development Association, a division of the World Bank; and the Asian Development Fund, a body that provides low interest loans to poor countries in the region for poverty alleviation. The government also will not join the African Development Bank Group; nor will it join the International Fund for Agricultural Development (IFAD), a specialized UN agency committed to overcoming food insecurity by addressing problems of structural poverty. Clearly the government sees the alleviation of poverty as occurring through the market, not through multilateral agencies, and through agreements that promote free trade, such as the Pacific Agreement for Closer Economic Relations (PACER) Plus for the Pacific Islands, and the Trans Pacific Partnership.

<u>Increased funding for regions and bilateral</u>

The cuts to multilateral agencies also reflect a preference for bilateral development assistance where Australia can exert direct control over its aid dollars, as well as the framework for development and poverty alleviation in the region. Australia's remains the dominant donor in the "Indo-Pacific region" (a new term from this year) and its development emphasis is on market-based solutions rather than addressing the problems of structural poverty.

All bilateral aid funding to key regions has increased: East Asia from $698m in 2013- 14 to $1.04bn in 2014-15, an increase of $352m (54%); PNG and the Pacific from $637m to $966m, an increase of $329m (51.6%); Africa, South and Central Asia, Middle East and Other from $606m to $1.131bn (86.6%). There is a 168% increase in money for NGOs, volunteer and community programs, up from $76m to $203.8m, while the much-touted New Columbo Plan also receives an boost from $5.3m to $11m. The Plan will send Australians into Asia to promote Australia: this export is not matched by a welcoming stance toward others. Other budget measures continue the strict border security regime that pushes Australia's obligations toward asylum seekers on to developing countries. As the government sees it, peace and security in the region are to be achieved through a combination of military power and market-led poverty reduction.

<u>Overview</u>

The Abbott government's first budget promotes Australia's national interests, in particular its economic, security and foreign policy goals. The 2014-15 aid budget continues to support the interests of the private sector through promoting mining for development, and in the provision of contracts for management of aid service delivery to Australian companies. Not much has changed, except that Australia is becoming more parsimonious and less engaged in multilateral agencies.

Nichole Georgeou (Australian Catholic University) Charles Hawksley (University of Wollongong)