

# Where is your aid money going?

In 2010-2011 the Australian Government will spend \$4.3 billion on foreign aid. Aid spending is often seen as a selfless and philanthropic exercise for the benefit of people in less wealthy countries. In reality, aid is often driven by Australia's national strategic and commercial interests.

## Not all aid money is poverty-focused

Australia follows the OECD guidelines for defining Official Development Assistance (ODA) – another term for aid.<sup>1</sup> This loose set of guidelines allows donors like Australia to artificially inflate the amount of aid they give by including expenditure that is not aimed at alleviating poverty.

In recent years Australian aid figures have been inflated by the inclusion of spending on:

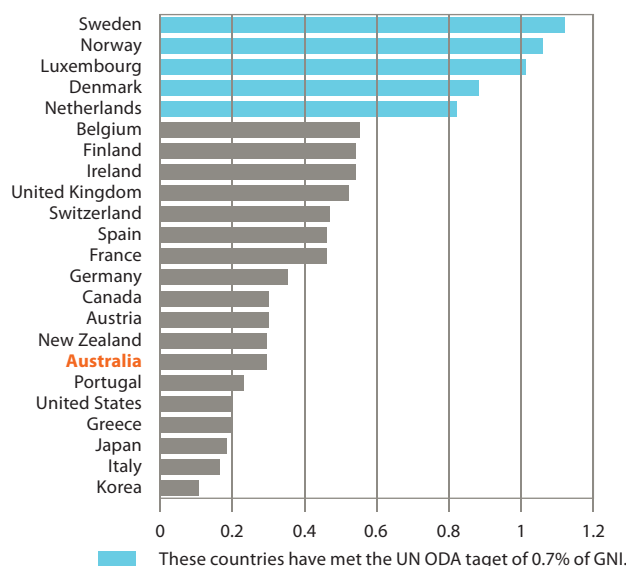
- controlling 'irregular' immigration and upgrading of detention facilities in Indonesia;<sup>2</sup>
- training Burmese intelligence officers and counter-terrorism workshops;<sup>3</sup>
- cancellation of debt, which is contrary to international agreements.<sup>4</sup>

The overarching objective of Australia's aid program is "to assist developing countries reduce poverty and achieve sustainable development, in line with national interest."

## The reality of Australian aid

The amount of aid that the Australian Government gives is low by international standards (see figure 1).

Figure 1: ODA as a percentage of Gross National Income (GNI) in 2009



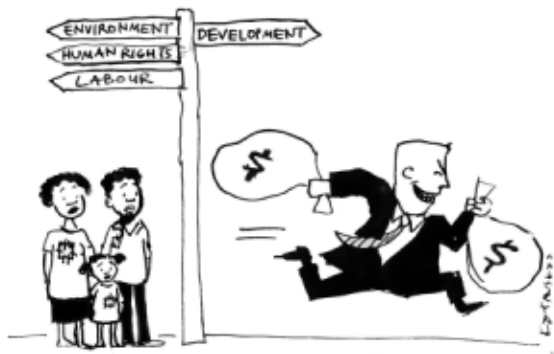
(Source: <http://webnet.oecd.org/oda2009/>)

Concerns have been raised not only over the amount of aid Australia gives, but also the *quality* and *effectiveness* of aid. In particular, concerns have been raised about:

- **the corporatisation of aid**, that results in aid money going into the pockets of Australian companies, consultants and advisers instead of the people who need it most;
- **unfair conditions on aid money** that privilege Australian companies and national priorities at the expense of local self-determination;
- **aid facilitating a trade liberalisation agenda**, often at the expense of local livelihoods;
- **securitisation of aid**, which has seen increased Australian police presence in the Pacific in the name of good governance. This has been motivated by Australia's national security interests rather than the relief of poverty.

1. Organisation for Economic Cooperation and Development (2008) *Is it ODA?* Fact Sheet <http://www.oecd.org/dataoecd/21/21/34086975.pdf>  
 2. Australian Government, Budget 2010-2011, Budget Paper No. 2, Immigration and Citizenship. [http://www.budget.gov.au/2010-11/content/bp2/html/bp2\\_expense-15.htm](http://www.budget.gov.au/2010-11/content/bp2/html/bp2_expense-15.htm)  
 3. Goodman, J. (2007) *The Australian aid program: Aiding the Burmese Intelligence systems*. AID/WATCH, Sydney.  
 4. United Nations (2003) *Monterrey Consensus of the International Conference on Financing for Development*, p10. <http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>

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In 2003 Australian aid funds paid up to a million dollars for the salaries of Australian Wheat Board executives to pursue corrupt wheat deals in Iraq at the time of the allied invasion.<sup>5</sup>

## Key issues with Australian aid

### Tied aid

International research has shown that the tying of aid is costlier and less effective than untied aid.<sup>6</sup> The tying of aid is a practice which privileges Australian companies and national priorities in the aid program. Aid is tied in three ways:

1. **nationally-tied** – aid money is provided on the condition that the receiving country buys goods and services from the donor country;
2. **project or program-tied** – aid which must be spent on specific projects or sectoral programs determined by Australia; or
3. **performance or condition-tied** – aid tied to particular performance outcomes or conditions.

While in 2006 Australia officially untied its aid program from national procurement (nationally-tied aid), the informal tying of aid continues with Australian companies receiving the majority of aid contracts.

### Corporatisation of aid

Private companies play a significant role in delivering Australian aid. A 2009 report by the Australian National Audit Office notes that 20 of Australia's largest managing contractors "were together responsible for delivering 70 per cent of Australia's bilateral aid program expenditure."<sup>7</sup>

This kind of 'aid' – money paid to private companies out of the aid budget that gets returned to Australia as profit – is called 'boomerang' aid. It bypasses the people that need it most and instead funds Australian companies, consultants, advisers and goods and services. Such arrangements reduce the transparency and accountability of the Australian aid program as many of the contracts are covered by commercial-in-confidence agreements.



5. Doran, C. (2007) *Determining Their National Interest: Australia's Economic Intervention in Iraq*, AID/WATCH, Sydney.

6. See for example, Clay, E. J., B. Riley and I. Urey (2005), *The Development Effectiveness of Food Aid: Does Tying Matter?* OECD, Paris; OECD DAC (2005). Final Report of the OECD Development Assistance Committee Development Partnership Forum on Improving Donor Effectiveness in Combating Corruption, 9–10 December; United Nations (2005) Human Development Report: International Cooperation at a Crossroads: Aid, Trade and Security in an Unequal World (New York).

7. Australian National Audit Office (2009) *AusAID's Management of the Expanding Australian Aid Program*, ANAO Audit Report No. 15 2009-10, p.87.

The Australian Government has siphoned off \$200 million in overseas aid for its REDD campaign, breaching UN requirements that climate aid be *additional* to development assistance.

## Technical Assistance

Technical Assistance (TA) funding often goes to experts (usually from Australia) to assist people in developing countries develop skills in particular areas – known as ‘capacity building’. This includes research, advisory and consultancy services. TA accounts for 40-50% of the Australian foreign aid budget, twice the average of other OECD countries. Internationally, TA has been a source of considerable criticism due to its high cost and lack of effectiveness in developing capacity.<sup>8</sup>

A review commissioned by the governments of Australia and Papua New Guinea (PNG) highlights the ineffectiveness of TA, noting that “[t]he emphasis on technical assistance for capacity building and the lack of much to show for it is at the heart of the political difficulties the Australian aid program to PNG is facing.”<sup>9</sup>

Furthermore, Australia’s emphasis on TA has diverted funds away from the delivery of essential services. As then Prime Minister Kevin Rudd, said in 2009, “too much [aid] money has been consumed by consultants and not enough money was actually delivered to essential assistance in teaching, in infrastructure, in health services on the ground, in the villages.”<sup>10</sup>



## ‘Aiding’ climate change

Unchecked global warming is already having a devastating impact. It is felt most harshly by the poor worldwide, and not least in the Pacific Islands. Yet Australia’s additional climate aid is zero.

The \$160 million to be spent on climate aid during 2010-11 is from previously announced commitments. Australia double-counts this money as both United Nations Framework Convention on Climate Change (UNFCCC) financing and as ODA, breaking UN requirements that climate finance be additional to ODA.

The World Bank estimates that at least US \$70 billion is needed annually to help developing countries adapt to the effects of climate change.<sup>11</sup> Australia’s current contribution of \$160 million is 0.002% of the amount World Bank says is needed.

Not only is climate aid inadequate and in breach of UN commitments, but a large proportion is being misspent.

\$200 million of Australia’s climate aid is funding a government campaign for the recognition of forest carbon credits at the UN, as a way of offsetting Australian emissions. The money is being spent on ‘Reduced Emissions from Deforestation and Forest Degradation’ (REDD) in Indonesia and PNG, to demonstrate the offsets are viable. Many NGOs and indigenous people’s organisations argue REDD offset schemes are ineffective in reducing overall emissions, undermine the livelihood of subsistence farmers and displace forest-dwelling indigenous peoples.<sup>12</sup>

Left: Indonesian activists protest outside the Australian Embassy in Jakarta. Photo by: Teguh Surya, WALHI

8. ActionAid (2006) *Real Aid 2: Making Technical Assistance Work*. [http://www.actionaid.org.uk/doc\\_lib/real\\_aid2.pdf](http://www.actionaid.org.uk/doc_lib/real_aid2.pdf)

9. Review of the PNG-Australia Development Cooperation Treaty (1999), 19 April 2010, p 26. <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf>

10. *Tougher audit for Australian aid to PNG*, ABC Radio, PM, 28 April 2009, <http://www.abc.net.au/pm/content/2008/s2555219.htm>

11. World Bank (2010) *The Economics of Adaptation to Climate Change*, A Synthesis Report, Final Consultation Draft (August), World Bank, Washington, p 10. [http://siteresources.worldbank.org/EXTCC/Resources/EACC\\_FinalSynthesisReport0803\\_2010.pdf](http://siteresources.worldbank.org/EXTCC/Resources/EACC_FinalSynthesisReport0803_2010.pdf)

12. Goodman, J. and Roberts, E. (2010) Australian REDD Aid to Indonesia – Ineffective and Unjust. In *Reality of Aid 2010, Aid and Development Effectiveness: Towards Human Rights, Social Justice and Democracy*, Reality of Aid, Manila, pp 53-60. <http://www.realityofaid.org/roa-reports/index/secid/375/part/1>

## Want to know more?

Visit *Where is your aid money going?*  
AID/WATCH's online guide to Australian aid.  
[aidwatch.org.au/where](http://aidwatch.org.au/where)

AID/WATCH's *Where is your aid money going?* online guide reveals the complex web of Australian government aid spending. The guide aims to give you information on where your aid money goes and tools for action. Many of the pressing issues within Australia's aid program are common across the global development community.

*Where is your aid money going?* provides an overview of Australia's aid program. It details issues of concern such as **climate change**, **tied aid** and the **commercialisation** and **securitisation of aid**. The guide also examines a number of other critical issues including:

### Millennium Development Goals.

- A very valuable tool in uniting a global movement to fight poverty though this top-down approach can lead to over-simplification of development issues.

### Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

- A set of commitments to improve global aid programs. However, they are limited by a failure to place human rights and justice at the heart of development; a failure to redress the imbalance of power between donors and recipients; and weak targets.

### Multilateral development agencies.

- Australia gives more money to the World Bank and the Asian Development Bank (ADB), where countries who contribute more money have greater voting power and influence, than to the UN where all countries vote equally.
- The World Bank and ADB in particular have been criticised for conditionality of their loans, undemocratic governing structures, and funding large-scale projects that undermine people's lives and livelihoods.

## Who is AID/WATCH?

AID/WATCH is an independent membership-based watchdog on aid, trade and debt, working with communities in the Global South. We challenge practices which undermine the ability of communities to determine their own futures and promote development alternatives based on social and environmental justice. We research and evaluate development policies and practices and we campaign around these issues as part of the global justice movement.

AID/WATCH believes aid should:

- first and foremost be **guided by the needs of communities**, allowing communities to determine their own development needs;
- **promote local ownership and sustainability**;
- be based on principles of **social and environmental justice** and support sustainable and long-term self-determination; and
- be a **mechanism of global social responsibility**, not a tool for Australia's national interest.

The final outcome of aid should be to remove the need for aid.

## You can help make aid fair

AID/WATCH is gearing up for a broad campaign to change Australia's aid policies and practices. And we need your help!

To find out more go to [www.aidwatch.org.au/actnow](http://www.aidwatch.org.au/actnow) or email us at [MakeAidFair@aidwatch.org.au](mailto:MakeAidFair@aidwatch.org.au)

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