

Aid sector all go but no direction

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The Gillard government has been applauded for sticking by its commitment on aid in last week's budget.

In keeping with its election promise to shepherd Australia's foreign aid budget to 0.5 per cent of national income by 2015, the aid budget increased by almost \$487 million, bringing the total to more than \$4.8 billion. This is expected to take the proportion from 0.33 per cent of national income to 0.35 per cent.

This steady course is remarkable given some of the budget challenges the government faces.

However, the course which this latest aid budget continues to chart is still waiting for its map. The review of the aid program commissioned by the government last November has been completed. The next step will be the government's response which, according to Foreign Minister Kevin Rudd, is expected some time in the middle of the year. In other words, the strategy underpinning the significant increase in the aid program by 2015 will become a reality almost four years after this aid commitment became policy.

In the meantime, the winners and losers in this year's aid budget make for curious reading. While Asia and the Pacific still receive the lion's share for long-standing and arguably sound humanitarian and national interest reasons, there are some surprising winners found elsewhere. While the Pacific's increase is just under 7 per cent of what it received in last year's budget, south and west Asia is up by 29 per cent and Africa by 45 per cent. Latin America stands out with an increase of 67 per cent.

There are some even more surprising losers. The increase in aid to east Asia is close to 16 per cent over last year's budget estimate. Again, this is a sensible and welcome move given the extent of poverty throughout the region and its real strategic interest to Australia. However, two of the world's poorest countries, Burma and Laos, are facing either a cut, in the case of Burma, or for Laos a minuscule increase.

There are some domestic surprises, too. The dedicated allocation for Australian NGOs has increased by 40 per cent.

It seems Australian NGOs have been doing well, having almost doubled their allocation in two years. In the absence of an overarching strategy guiding Australia's aid budget, it would be good to have this increase backed by a solid policy consideration.

The other big domestic surprise is AusAID's own administrative budget, which increased by more than 34 per cent over last year's budget estimate. Again, probably all justifiable, but as we wait for direction from the government on its aims for the aid program, it has a cart and horse flavour to it.

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