

KEY QUESTION

6

How is Australia's ODA spent?

Australia continues to prioritize bilateral development support, delivered as grants

Australia's core ODA funding to multilaterals stood at US\$897 million or only 21% of gross ODA disbursement in 2015. Australia's multilateral focus further declined between 2014 and 2015 and is low compared to other members of the OECD Development Assistance Committee (DAC) (the DAC average multilateral spend is 38%). Key recipients of multilateral ODA included UN agencies (48% in 2015), the World Bank (25%), and regional development banks (13%). In addition to core contributions, Australia channeled 18% of its ODA as earmarked funding through multilaterals in 2015 (DAC average: 11%). Earmarked contributions to UN agencies were sharply cut between fiscal year (FY) 2014-15 and FY2015-16, but have largely stabilized at the start of FY2016-17. Future spending will be informed by a rolling program of multilateral performance assessments that commenced in 2015. Key criteria include alignment with government priorities capacity, results, and value for money.

Australia provides almost all ODA as grants; it is unlikely that any significant share of ODA will be disbursed as loans in the coming years. Engaging the private sector and promoting its growth in developing countries is one of the government's key development priorities. Funding for 'aid for trade' has risen from 13% of the ODA budget in FY2013-14 to 19.5% in FY2015-16, just below the 20% target set by the government for 2020. This is in line with the 'Strategy for Australia's Aid Investment in Private Sector Development', which discusses how to use funding to foster investment environments, support growth, and maximize the development impact of business. Since 2014, the government has prioritized the empowerment of women and girls by establishing a Gender Equality Fund (US\$50 million in FY2017-18), launching the 'Gender Equality and Women's Empowerment Strategy', and setting a target that over 80% of development programs effectively integrate gender equality and women's empowerment: DFAT reports that 78% of investments did so in FY2014-15.

Who are Australia's ODA recipients?

Funding is concentrated on the Indo-Pacific region; prioritization of middle-income countries

Australia's bilateral ODA focuses on the Indo-Pacific region (88% of geography-specific funding from 2013 to

2015). The government plans to concentrate at least 90% of country program funding on the Indo-Pacific region while scaling back in other regions. This target is expected to be reached in FY2017-18 (91%). The share of geography-specific bilateral ODA going to sub-Saharan Africa (7% from 2013-2015) is far below the DAC average of 25% in 2015. According to overall budget data, ODA to sub-Saharan Africa declined from US\$243 million in FY2014-15 to US\$87 million in FY2015-16, but is expected to increase slightly to A\$108 million (US\$97 million) in FY 2017-18.

Papua New Guinea and Indonesia are the largest recipients of bilateral ODA. Given their close bilateral relations with Australia, both countries are likely to remain on top; however, these countries are not safeguarded from cuts, as the Australian government reduced ODA to Indonesia from US\$515 million in 2013 to US\$443 million in 2015.

Australia heavily concentrates its development support on neighboring, middle-income countries (MICs). Between 2013 and 2015 Australia allocated 45% of total bilateral ODA to MICs (DAC average: 34%) and only 26% to low-income countries (LICs). The LIC proportion of bilateral ODA is likely to further decrease as funding to sub-Saharan Africa is scaled back.

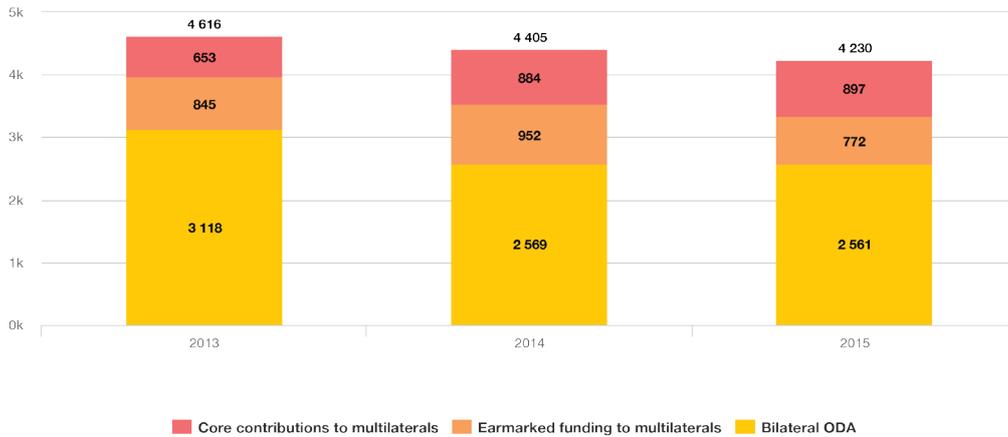
How is bilateral funding programmed?

DFAT's geographic branches lead program design and implementation

Based on the government's overall development policy priorities, DFAT sets the country program priorities. DFAT's geographic branches develop 'Aid Investment Plans' with major recipient countries, outlining Australia's priorities and expected results. Based on Government ODA priorities, DFAT's geographic branches hold annual country consultations with recipient country governments to inform programming. During the consultations, funding priorities for the following year are agreed. DFAT executives responsible for geographic branches make final recommendations on funding for specific programs to the Foreign Affairs Minister, who approves major initiatives or delegates funding power.

AUSTRALIA'S BILATERAL AND MULTILATERAL ODA

US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

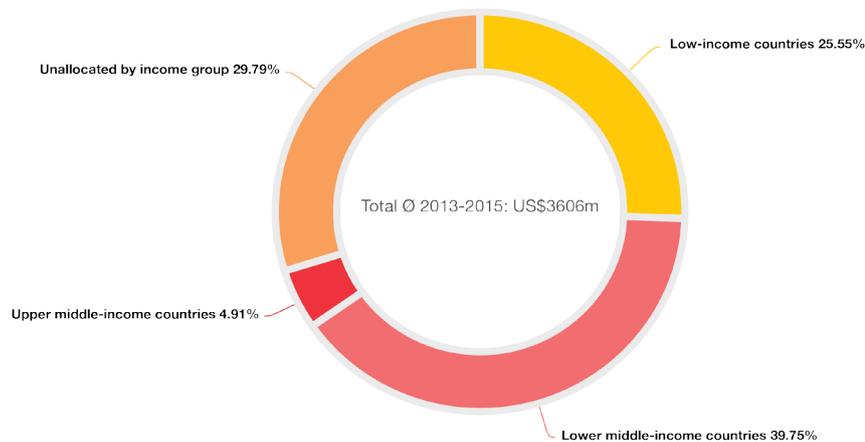
THE TOP 10 RECIPIENTS OF AUSTRALIA'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

AUSTRALIA'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Source: OECD CRS.