

KEY QUESTIONS

the big six

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\$987 million or 30% of gross ODA disbursement in 2016. Australia's multilateral focus 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 were regional development banks (40% in 2016) and the World Bank (23%). UN agencies received 17% of multilateral funding.

In addition to core contributions, Australia channeled 18% of its ODA as earmarked funding through multilaterals in 2016 (DAC average: 11%). Future spending will be informed by a rolling program of performance assessments of multilateral agencies that commenced in 2015. Key criteria include alignment with government priorities, results, and value for money. The latest review was an independent evaluation of multilateral partnerships in the health sector of Papua New Guinea (PNG). Although the Global Fund received little mention, the review recommended the government liaise at the 'highest level' to ensure Gavi remains engaged in PNG, that is, until essential vaccination coverage rates increase substantially.

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. The government has set a funding target for 'aid for trade' of 20% by 2020. In the FY2017-18 budget, this level is at 19.7%. 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\$41 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.

Who are Australia's ODA recipients?

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

Australia's bilateral ODA focuses on the Indo-Pacific region (90% of country- or region-specific funding has gone to the region since 2014). The government plans to continue to concentrate at least 90% of country program funding on the Indo-Pacific region while scaling back programs in other regions. This target is expected to be reached in FY2017-18 (91%). The share of country- or region-specific bilateral ODA going to sub-Saharan Africa (4% from 2014 to 2016) is far below the DAC average of 22% in 2015.

Papua New Guinea and Indonesia are the largest recipients of Australia's bilateral ODA. Given their close bilateral relations with Australia, both countries are likely to remain priorities. However, in line with overall reductions in ODA, the Australian government has reduced assistance to Indonesia significantly in recent years, from US\$422 million in 2013 to US\$245 million in 2016. Development assistance to Indonesia has also slowed in recent years due to its strong economic growth and transition away from receiving ODA.

Australia heavily concentrates its development support on neighboring, middle-income countries (MICs). Between 2014 and 2016 Australia allocated 44% of total bilateral ODA to MICs (DAC average: 33%) and only 25% to low-income countries (LICs).

How is bilateral funding programmed?

DFAT’s geographic branches lead program design and implementation

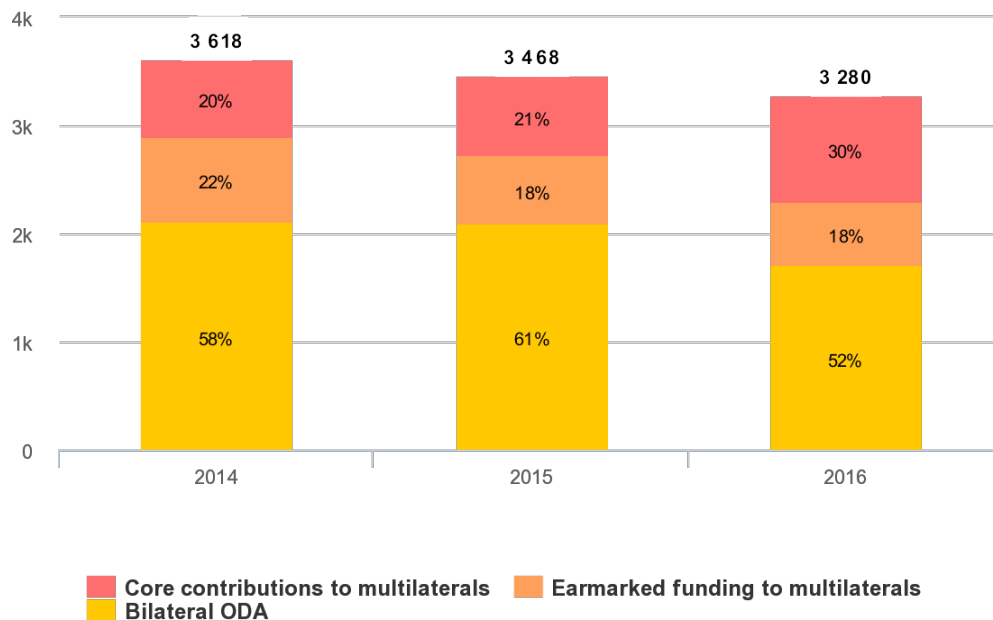
Based on the government’s overall development policies, the Department of Foreign Affairs and Trade (DFAT) sets the country program priorities. DFAT’s geographic branches develop three yearly ‘Aid Investment Plans’ with major recipient countries, outlining Australia’s priorities and expected results. Individual aid activities are

implemented within the agreed investment plan. 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 her funding power.

Performance benchmarks are set and reviewed through annual program performance reports. These are discussed each year with the partner country.

AUSTRALIA'S BILATERAL AND MULTILATERAL ODA

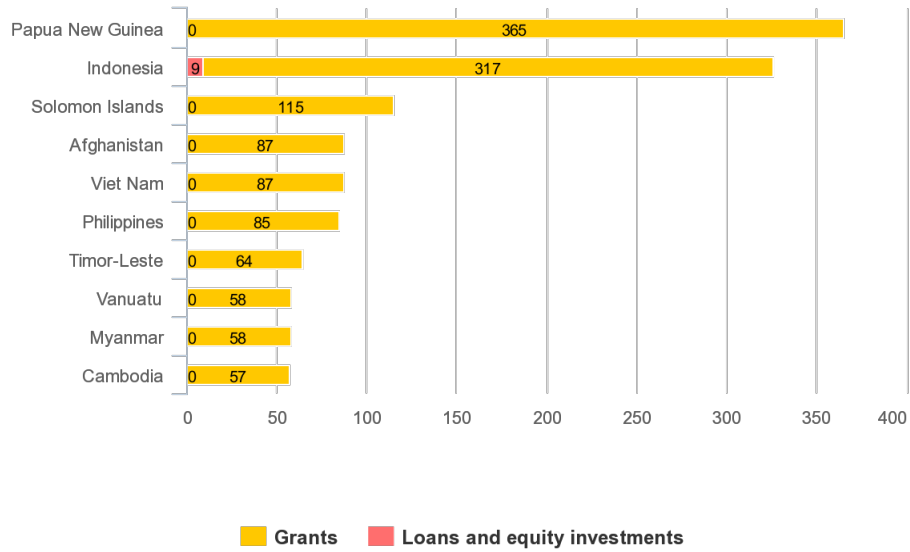
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

THE TOP 10 RECIPIENTS OF AUSTRALIA'S ODA

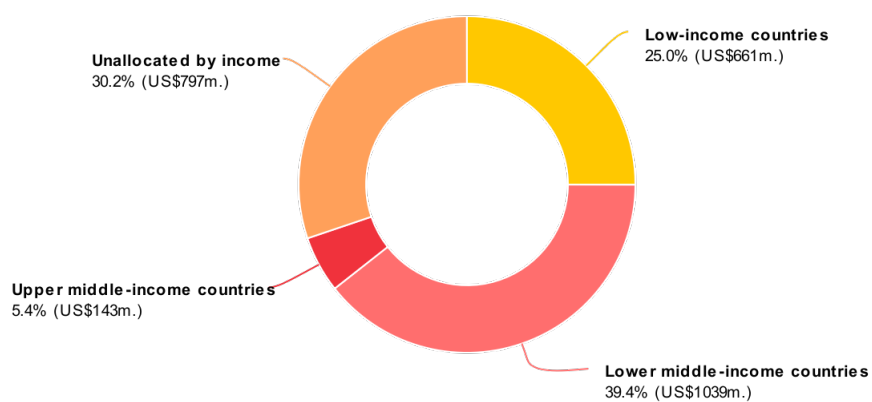
average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

AUSTRALIA'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$2.6 billion



OECD CRS. Gross disbursements, in 2016 prices.