

Aid in the MYEFO

By Stephen Howes and Ashlee Betteridge

This is a corrected version of a post first made on the evening of December 17th. Apologies for the confusion.

While some in the aid sector were hoping that the [Mid Year Economic and Fiscal Outlook \(MYEFO\)](#) would shed light on where some of the aid cuts [flagged](#) by the Coalition just before the election would fall, the document released today contains no real news at all for aid.

Neither the current nor the outer year aid cuts are listed as savings under the revenue measures section of the document. The “foreign affairs and economic aid” entry in the expenses estimates (Table 3.21) shows some reduction relative to budget numbers in the outer years, but these go little beyond the \$900 million Labor [announced in August](#). The actual reductions shown come to about \$1.2 billion. No explanation is given for the slight deviation from the August figures, but the more important point is that the reductions shown are nothing like the \$4.5 billion the Coalition announced two days before the election.

In fact, the pre-election aid cuts have been included in the Contingency Reserve (p. 64) rather than allocated to the aid budget. This is presumably to avoid showing in detail where the cuts will fall.

One graph (Chart 3.1) shows almost flat ODA over the forward estimates and then a huge leap after the forward estimates (to get to 0.5%) as an illustration of the “legacy issues” left behind by the last government. The note to this chart says: “Over the forward estimates official development assistance is grown in line with inflation, consistent with the Government’s election commitment.” But this is directly contradicted by the forward estimates actually shown in Table 3.21. The average annual growth in “foreign affairs and economic aid” shown there (most of

which is economic aid) is 5.5% over the forward estimates, more than double the assumed inflation rate of 2.5%. The difference between the forward estimates in Table 3.21 and those in Chart 3.1 are the cuts buried in the Contingency Reserve.

At least for this year though, the Government won't be able to avoid saying where the some \$656 million of 2013-14 aid cuts will be found. We're now almost half way through the year. The Government will have to come clean soon on how these cuts are being made, if only so that normal aid programming can resume. With the MYEFO now in place to provide the argument that restraint is needed, the odds on a pre-Christmas announcement at least on this year's aid program and cuts must be high.

The good news for aid is that in next year's budget the aid forward estimates can be still be shown to be making a contribution to deficit reduction while the cuts are limited to those already announced. The bad news is that further cuts are still surely possible, given the dismal fiscal outlook, and that we are no closer to seeing the shape of the new, smaller aid program.