



**Parliament of Australia**  
**Parliamentary Budget Office**

**Phil Bowen PSM FCPA**  
**Parliamentary Budget Officer**

Senator Richard Di Natale  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Foreign Aid: Honouring our UN Commitments* (letter of 29 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

30 June 2016



## Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Foreign Aid: Honouring our UN Commitments
Summary of proposal:	<p>The proposal would increase Australia's Official Development Assistance (ODA) to 0.7 per cent of Gross National Income (GNI) by 31 December 2025.</p> <p>The proposal would have effect from 1 September 2016 and funding increases would occur on a linear basis over the period.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	16 June 2016
Date costing request received:	30 June 2016
Date costing completed:	30 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

### Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$7,972.5 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in expenses, consisting of an increase in administered funding of \$7,573.9 million and an increase of departmental funding of \$398.6 million.

This proposal would have an ongoing impact that extends beyond the forward estimates, and the financial impact to 2026-27 is provided at [Attachment A](#).

This costing is considered to be of medium reliability as the proposed level of funding is based on future levels of GNI and actual outcomes may differ from current estimates. The reliability of the costing decreases the further into the future the estimates are projected.

**Table 1: Financial implications (outturn prices)<sup>(a)(b)</sup>**

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-395.5	-1,400.5	-2,488.3	-3,688.2	<b>-7,972.5</b>
Underlying cash balance	-395.5	-1,400.5	-2,488.3	-3,688.2	<b>-7,972.5</b>

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease

(b) Figures may not sum to totals due to rounding.

## Key assumptions

- Departmental costs are equal to five per cent of the change in total ODA funding and would contribute towards the ODA total funding target (consistent with current arrangements)
- The start date of 1 September 2016 would have no impact on the provision of additional funding in 2016-17.

## Methodology

The ODA to GNI ratios required to reach 0.7 per cent of GNI by 2025-26 were calculated on a straight line basis. The ratios for each year were then multiplied by the corresponding GNI estimate to calculate new ODA spending estimates to achieve the targets proposed in the costing request.

Baseline ODA estimates reflect advice from the Department of Foreign Affairs and Trade (DFAT) on estimated ODA spending over 2016-17 to 2019-20. For the period beyond the forward estimates, the Parliamentary Budget Office has indexed baseline ODA spending by the Consumer Price Index consistent with current government policy.

The baseline ODA estimates were subtracted from the new estimated ODA level to obtain the impact of this proposal. The departmental costs were based on the change in total ODA funding.

## Data sources

DFAT provided ODA estimates over 2016-17 to 2019-20.

## Attachment A: Foreign Aid: Honouring our UN Commitments — financial implications

**Table A1: Foreign Aid: Honouring our UN Commitments—Financial implications (outturn prices)<sup>(a)(b)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	<b>Total to 2019–20</b>	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	<b>Total to 2026–27</b>
<b>Impact on fiscal and underlying cash balances</b>													
Administered	-375.7	-1,330.5	-2,363.9	-3,503.8	<b>-7,573.9</b>	-4,784.1	-6,192.7	-7,747.3	-9,441.3	-11,270.4	-13,266.0	-14,098.6	<b>-74,374.2</b>
Departmental	-19.8	-70.0	-124.4	-184.4	<b>-398.6</b>	-251.8	-325.9	-407.8	-496.9	-593.2	-698.2	-742.0	<b>-3,914.4</b>
<b>Total</b>	<b>-395.5</b>	<b>-1,400.5</b>	<b>-2,488.3</b>	<b>-3,688.2</b>	<b>-7,972.5</b>	<b>-5,035.9</b>	<b>-6,518.6</b>	<b>-8,155.0</b>	<b>-9,938.3</b>	<b>-11,863.6</b>	<b>-13,964.2</b>	<b>-14,840.6</b>	<b>-78,288.7</b>

(a) A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.