

OpenVoiceNews Australia

Transparent. Unbiased. Yours.

Australia Recovers Aid Funds After U.S. Halts USAID Projects Amid Trump-Era Cuts

July 17, 2025

— Categories: General News



Australia's decision to collaborate with the United States on overseas development has come under scrutiny after aid funds were caught in limbo when Washington halted USAID operations during the Trump administration. The move resulted in the cancellation of several global development programs, including a water and sanitation project in Indonesia co-funded by the Australian government.

According to internal Department of Foreign Affairs and Trade (DFAT) documents obtained through a Freedom of Information (FOI) request, more than \$1.5 million (AUD) sent to the U.S.-led aid project was eventually returned after the program was terminated. The project, called the Indonesia Urban Resilient Water, Sanitation and Hygiene Activity, also known as

IUWASH Tanggu, was designed to provide clean water access to underserved communities in Central Java and South Sulawesi.

Under a Delegated Cooperation Arrangement (DCA), Australia provided funding while USAID took the lead in managing the initiative. These arrangements allow one donor to delegate the implementation of aid to another, with the lead agency responsible for operations. In this case, the U.S. agency had contracted the private development firm Development Alternatives Incorporated (DAI) to carry out the program.

While the recovery of funds helped avoid a total loss, the incident has prompted concern over how Australia chooses its international development partners. Reverend Tim Costello, former CEO of World Vision Australia, welcomed the return of taxpayer dollars but noted the narrow escape. “I’m glad the money came back,” he said, adding that losing funds due to what he described as destructive decisions by “Trump and Musk” would have been unacceptable.

Grace Stanhope, Research Associate at the Lowy Institute’s Indo-Pacific Development Centre, pointed out that while the dollar amount involved may be modest in the grand scheme of foreign aid, the principle is vital. “It doesn’t matter how small the amount is, it’s still Australian taxpayer money,” she said.

The project was scheduled to run through March 2027, but the funding cuts resulted in an early termination. According to DAI, IUWASH Tangguh was among several initiatives impacted by the decision to cut USAID’s international programs. While the U.S. agency did not provide public comment, the FOI documents confirm that the funds were “held” and then released back to DFAT after the program’s suspension.

The federal government has increasingly emphasized its strategic interest in the Pacific and Southeast Asia, pledging to boost foreign aid in response to shifting regional dynamics. However, some analysts warn against relying heavily on foreign agencies for aid delivery, especially when those agencies are subject to the unpredictable political shifts of partner governments.

Jessica Mackenzie, policy and advocacy chief at the Australian Council for International Development (ACFID), emphasized that co-financing with like-minded nations remains common, especially in the Pacific. Yet, she acknowledged a growing trend away from joint programs as donor countries seek tighter control over how funds are deployed.

Stanhope echoed similar concerns. “This may make DFAT hesitate before entering into more bilateral arrangements,” she said. “But we shouldn’t use this as an excuse to pull back entirely from co-financing, especially when it improves efficiency and avoids duplication.”

The broader context is one of reduced global humanitarian funding and rising geopolitical competition. Australia’s recent budget hinted at increased aid spending aimed at filling the vacuum left by U.S. cuts, though it remains to be seen whether future joint funding initiatives will be approached more cautiously.

While the IUWASH Tangguh project may serve as a cautionary tale, experts agree it’s not a call to retreat from international cooperation altogether. Rather, it highlights the need for robust oversight and greater accountability when managing taxpayer-funded programs abroad.