

**AUSTRALIAN AGENCY  
FOR INTERNATIONAL  
DEVELOPMENT  
(AUSAID)**



## **AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT**

### **Section 1: Overview, appropriations and budget measures summary**

#### **AGENCY OVERVIEW**

AusAID advances Australia's national interest by assisting developing countries, through the development cooperation programme, to reduce poverty and achieve sustainable development. In 2004-05, the development cooperation programme will continue to help build a secure, prosperous and democratic Asia Pacific region and contribute to global efforts to reduce poverty.

Australia's development cooperation programme has a strong focus on promoting improved governance, assisting countries to access and maximise the benefits from trade and new information technologies, supporting stability through improved delivery of basic services, strengthening regional security and promoting sustainable resource management. The development cooperation programme contributes to whole-of-government efforts to address instability and poor governance in the region. Australia will also continue to work with regional organisations and international partners to address issues that impact on regional growth, in particular trade liberalisation, regional economic integration, and countering the risk of terrorism and other trans-boundary challenges. The development cooperation programme will also continue to provide generous and effective humanitarian and reconstruction assistance (eg. in Africa, Iraq and Afghanistan).

#### **APPROPRIATIONS AND RESOURCING**

The total appropriation for AusAID in the 2004-05 Budget is \$2,166.0 million.<sup>5</sup> Table 1.1 shows the total appropriation for AusAID for 2004-05 by the one outcome, by administered and departmental (price of output) appropriation and, where appropriate, administered assets and liabilities and departmental equity injections.

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<sup>5</sup> This amount relates to Appropriation Bill No. 1 (Departmental and Administered). In addition to this are Departmental and Administered capital injection cash drawdowns without corresponding expenses totaling \$97.4 million (see Table 1.1)

**Australian Agency for International Development — appropriations 2004-05**

**Table 1.1: Appropriations and other revenue ('000)**

Outcome	Departmental (price of outputs) ('\$000)					Administered (\$'000)				
	Revenue from Government (appropriations)	Special approps <sup>(5)</sup>	Total	Revenue from other sources <sup>(4)</sup>	Price of outputs <sup>(3)</sup>	Annual appropriations (\$'000)	Special appropriations	Total administered appropriations	Total appropriations	
	Bill No. 1 (A)	(B)	(C = A+B) (C1) <sup>(1)</sup>	(D)	(E = C+D) (E1) <sup>(1)</sup>	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) <sup>(2)</sup> (G)	(H)	(I = F+G+H) (I1) <sup>(1)</sup>	(J=C+I)
<b>Outcome 1 -</b> Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development	72,710	0	72,710	372	73,082	2,093,246	0	0	2,093,246	2,165,956
<b>Total</b>	72,710	0	72,710 (K1) <sup>(1)</sup>	372	73,082	2,093,246	0	0	2,093,246 (K2) <sup>(1)</sup>	2,165,956
						Departmental capital (equity injections and loans)			(K3) <sup>(1)</sup>	4,800
						Administered assets and liabilities			(K4) <sup>(1)</sup>	92,559
						<b>Total appropriations</b>				<b>2,263,315</b>

1. Cells C1, E1 and I1 refer to information provided in Total Resources for Outcome tables. Amounts K1, K2 to Budgeted Statement of Financial Performance, and amounts K3, K4 to Capital Budget Statements.
2. Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), new agency Outcomes (NAOs), Administered assets and liabilities (K4) and Departmental capital via equity injections and loans (K3).
3. Refer to Budgeted Statement of Financial Performance for application of agency revenue.
4. Revenue from other sources includes other revenue from government (for example, resources free of charge) and revenue from other sources (for example, sales of goods and services). Non-appropriated departmental and administered revenues are detailed in Table 1.3.
5. Percentage figures indicate the percentage contribution of Revenue from Government (Departmental Appropriations) to the Total Price of Outputs, by outcome.

## MEASURES — SUMMARY

**Table 1.2: Summary of measures disclosed in the 2004-05 Budget**

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate 2005-06 (\$'000)			Appropriations forward estimate 2006-07 (\$'000)			Appropriations forward estimate 2007-08 (\$'000)		
			2004-05 (\$'000)		Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
			Admin expenses	Dept outputs										
Solomon Islands - Regional Assistance Mission <sup>(1)</sup>	1	1 & 2	64,750	1,943	66,693	0	0	0	0	0	0	0	0	0
Australian Aid Programme - new activity management information system	1	2	0	4,800	4,800	0	0	0	0	0	0	0	0	0
Pacific Islands Forum Secretariat	1	nil	0	0	0	0	0	0	0	0	0	0	0	0
Papua New Guinea deployment	1	nil	0	0	0	0	0	0	0	0	0	0	0	0

1. The Regional Assistance Mission to Solomon Islands is a cross-portfolio measure totalling \$165.1 million. Other agencies affected include the Department of Foreign Affairs and Trade and the Australian Federal Police.

## RECEIPTS FROM INDEPENDENT SOURCES

**Table 1.3: Receipts from independent sources**

	Estimated revenue 2003-04 \$'000	Estimated revenue 2004-05 \$'000
<b>Departmental</b> <sup>(1)</sup>		
Sales of goods and services	250	297
Resources received free of charge	75	75
<b>Total non-appropriation departmental revenue</b>	<b>325</b>	<b>372</b>
<b>Administered</b>		
Other non-taxation revenue <sup>(2)</sup>	3,905	4,108
<b>Total non-appropriation administered revenue</b>	<b>3,905</b>	<b>4,108</b>
<b>Total estimated revenue</b>	<b>4,230</b>	<b>4,480</b>

1. All receipts from independent sources are used for AusAID's single outcome; *Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development* (Table 2.1.1 refers).
2. Other non-taxation revenue refers to unused funds returned from contractors and non-government organisations and taxation paid to partner governments and returned to AusAID, which were appropriated in former years.

AusAID does not have any cost recovery arrangements in place. Accordingly, none of the receipts from independent sources included in Table 1.3, above, are due to cost recovery arrangements.

## MOVEMENT OF ADMINISTERED FUNDS FROM 2003-04 TO 2004-05

**Table 1.4: Movement of administered funds from 2003-04 to 2004-05**

M	Movements of funding between years	<b>\$0</b>
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There are no movements of administered funds between 2003-04 and 2004-05.

## SPECIAL APPROPRIATIONS

**Table 1.5: Estimates of expenses from special appropriations**

	Outcome affected	Estimated expenses 2003-04 \$'000	Estimated expenses 2004-05 \$'000
		0	0
<b>Total estimated expense</b> <sup>(1)</sup>		0	0

1. AusAID has no expenses or cash drawdowns associated with special appropriations.

## SPECIAL ACCOUNTS

**Table 1.6: Estimates of special account flows and balances**

	Opening Balance <b>2004-05</b> <sup>(1)</sup> 2003-04 \$'000	Receipts <b>2004-05</b> 2003-04 \$'000	Payments <b>2004-05</b> 2003-04 \$'000	Adjustments <b>2004-05</b> 2003-04 \$'000	Closing Balance <b>2004-05</b> 2003-04 \$'000
Services for Other Governments and Non-Agency Bodies (A) - <i>Financial Management and Accountability Act 1997 s.20</i> <sup>(2)</sup>	<b>1,337</b>	<b>550</b>	<b>1,795</b>	<b>0</b>	<b>92</b>
	140	5,905	4,708	0	1,337
<b>Total Special Accounts</b>	<b>1,337</b>	<b>550</b>	<b>1,795</b>	<b>0</b>	<b>92</b>
	140	5,905	4,708	0	1,337

1. The opening balance for 2004-05 is the same as the closing balance for 2003-04.

2. The purpose of this account is for expenditure in connection with services performed on behalf of other Governments that are not FMA agencies.

A = Administered

## ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

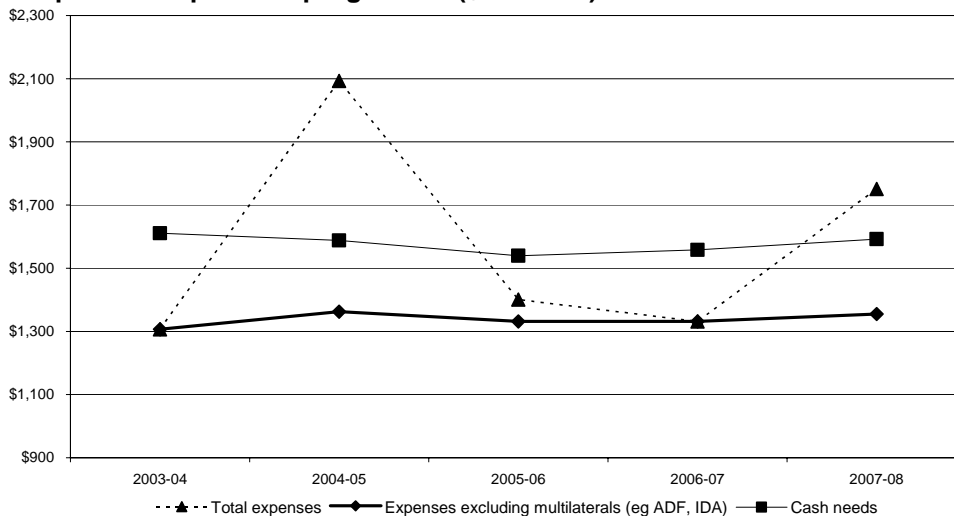
In 2004-05 the aid budget will have a negative equity position for administered items, due to multiyear agreements entered into prior to the introduction of accrual budgeting in 1999-2000. These commitments relate to multilateral replenishments for institutions such as the Asian Development Fund (ADF) and the International Development Association (IDA).

AusAID will receive an administered capital cash injection of \$92.6 million in 2004-05 to meet obligations relating to multiyear liabilities that were in existence prior to the change to accrual budgeting, as reflected in Table 1.1 (K4).

Under current accounting treatment, these commitments are recorded as an expense (and liability) in the year the agreement is entered into, not when the cash payments fall due, which can be spread over a period of up to ten years. This means that in any given year the relationship between AusAID's cash needs, which are predicted to remain steady, and AusAID's expenses appropriation can vary considerably. This is shown in Chart 1 below. In 2004-05, new multiyear agreements totalling approximately \$730.8 million are expected to be entered into for the fourteenth replenishment of the International Development Association (IDA 14), replenishment of the Heavily Indebted Poor Countries Initiative (HIPC) and the ninth replenishment of the Asian Development Fund (ADF 9). AusAID will make cash payments against existing multiyear agreements of approximately \$223.5 million.

In 2004-05 AusAID will receive a one-off departmental equity injection of \$4.8 million relating to the implementation of an activity management system (AidWorks), as reflected in Table 1.1 (K3).

**Chart 1: Estimated expense and cash needs for administered items in the development cooperation programme (\$ millions)**

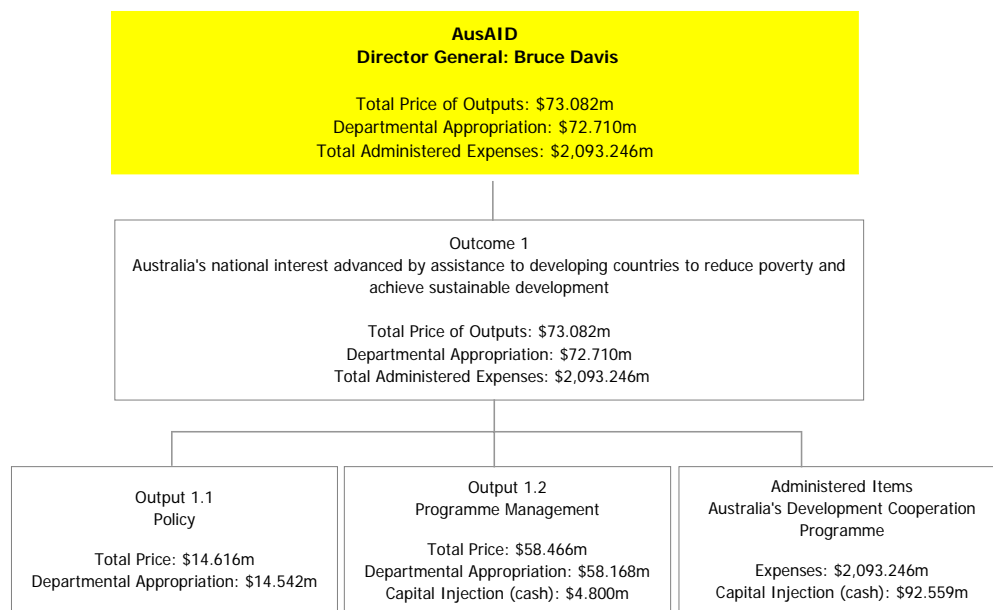


## Section 2: Outcomes and outputs information

### OUTCOMES AND OUTPUTS

Map 2 (Outcome and outputs for AusAID) shows the relationship between AusAID's single outcome and contributing outputs.

**Map 2: Outcome and outputs for AusAID**



Financial details for Outcome 1 by outputs appear in Table 2.1.1 (total resources for Outcome 1) while non-financial performance information for Outcome 1 appears in Table 2.2.1 (Performance Information for Outcome 1).

### Output cost attribution

AusAID allocates resources to outputs based on an output costing usage survey.

### CHANGES TO OUTCOMES AND OUTPUTS

There are no changes to AusAID's outcome or outputs from the previous year.

## **OUTCOME 1 — DESCRIPTION**

### **Outcome 1 - Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development.**

Promotion of sustainable development and poverty reduction in developing countries, particularly in the Asia Pacific region, is a key objective for the Government. AusAID's core business is to serve the Government by advising on development issues and delivering Australia's development cooperation programme with excellence, according to Government priorities and in partnership with developing countries.

### **Measures affecting Outcome 1<sup>6</sup>**

#### *Solomon Islands - Regional Assistance Mission*

The Government will provide a total of \$165.1 million<sup>7</sup> in 2004-05 for its continuing programme of assisting the Solomon Islands Government in the restoration of law and order and to support broad ranging reforms in the Solomon Islands. These reforms are aimed at strengthening legal and economic institutions and re-building the Solomon Islands' economy to underpin improved standards of living.

Australia's commitment includes contributions from the Australian Agency for International Development, the Department of Foreign Affairs and Trade and the Australian Federal Police. Personnel from the Department of Finance and Administration and the Treasury have also been deployed to assist in budget stabilisation and the economic recovery of the Solomon Islands. These personnel have been funded through the Australian Agency for International Development for these activities.

#### *Australian Aid Programme - new activity management information system*

The Government will provide \$4.8 million in 2004-05 to the Australian Agency for International Development (AusAID) to implement a new activity management information system known as AidWorks. The system will improve AusAID's ability to manage and track all of its contractual obligations.

AusAID will make efficiency savings in other areas to provide for the depreciation expenses of \$1.2 million a year from 2005-06.

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<sup>6</sup> This relates to measures disclosed in the 2004-05 budget context (that is, measures agreed since the *Mid-Year Economic and Fiscal Outlook* (MYEFO)).

<sup>7</sup> AusAID will receive \$66.7 million under this measure ( see Table 1.2)

***Pacific Islands Forum Secretariat***

The Government will provide an additional \$1.0 million to the Pacific Islands Forum Secretariat to help implement the reform agenda agreed by Forum leaders, based on the report of an Eminent Persons' Group. The Eminent Persons' Group stressed the need to pool scarce regional resources, to restructure the Secretariat and to focus the Forum's attention on the key issues of governance, security, economic growth and sustainable development.

This measure is being fully absorbed within the existing resourcing of the Australian Agency for International Development, and is in addition to Australia's annual funding to the Secretariat.

***Papua New Guinea deployment***

The Government will provide \$1.056 billion over five years (including \$122.5 million in 2003-04) for the deployment of personnel to assist Papua New Guinea in the areas of policing, law, justice, economic reform and border management under the Enhanced Cooperation Programme. This programme was announced by the Government at the Australia-PNG Ministerial Forum in December 2003.\*

This measure provides \$766.3 million (including capital funding of \$49.4 million) over five years to the Australian Federal Police to provide management, infrastructure and capacity building assistance to the Royal Papua New Guinea Constabulary. The capital funding will provide the Australian Federal Police with the equipment necessary to fulfil their capacity building role.

This measure includes funding of \$289.6 million over five years (\$30.2 million in 2003-04, \$67.0 million in 2004-05, \$64.1 million in 2005-06, \$64.1 million in 2006-07, and \$64.1 million in 2007-08) which will be absorbed from within the existing resources of the Australian Agency for International Development. This funding will provide for the deployment of Australian economic, fiscal, justice and border control officials to strengthen fiscal, economic and law and justice governance in Papua New Guinea.

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\*This measure was previously reported in the 2003-04 Portfolio Additional Estimates Statements.

## OUTCOME 1 — RESOURCING

Table 2.1.1 shows how AusAID's 2004-05 appropriations translate to total resourcing for Outcome 1, including administered appropriation, revenue from government (departmental appropriation), revenue from other sources, and the total price of outputs. Cell references C1, E1 and I1 show the links back to Table 1.1.

**Table 2.1.1: Total resources for Outcome 1 (\$'000)**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000
<b>Administered appropriations</b>	1,306,761	2,093,246 (I1)
<b>Total administered appropriations</b>	1,306,761	2,093,246
<b>Departmental appropriations</b>		
Output 1.1 - Policy	14,381	14,542
Output 1.2 - Programme Management	57,526	58,168
<b>Total revenue from government (appropriations)</b>	71,907	72,710
<b>Contributing to price of departmental outputs</b>	99.6%	99.5% (C1)
<b>Revenue from other sources</b>		
Sale of goods and services	250	297
Resources received free of charge	75	75
<b>Total revenue from other sources</b>	325	372
<b>Total price from departmental outputs</b> (Total revenue from government and from other sources)	72,232	73,082 (E1)
<b>from Special Accounts (estimated payments from Special Account balances)<sup>(1)</sup></b>		
Services for Other Governments and Non-Agency Bodies - <i>Financial Management and Accountability Act 1997 s.20</i>		
	4,708	1,795
<b>Total Administered Special Account outflows</b>	<b>4,708</b>	<b>1,795</b>
<b>Total estimated resourcing for Outcome 1</b> (Total price of outputs and administered appropriations)	1,378,993	2,166,328
Administered capital injection (cash) <sup>(2)</sup>	209,049	92,559
Departmental capital injection (cash) <sup>(3)</sup>	0	4,800
	2003-04	2004-05
<b>Average staffing level (number)</b>	478	478

1. Special account cash payments shown in the box are given for information only and do not form part of AusAID's resourcing. Special account detail is shown in Table 1.6.

2. See Table 1.1 (K4).

3. See Table 1.1 (K3)

## OUTCOME 1 — CONTRIBUTION OF OUTPUTS

AusAID's outputs of policy and programme management reflect the Government's decision to provide effective assistance, in partnership with developing countries, to reduce poverty and achieve sustainable development. AusAID provides policy advice and analysis to the Government on international development issues, to enable informed decisions in the national interest. AusAID also manages, monitors and provides advice on development cooperation programmes, which are implemented in accordance with the priorities and policies of the Government and partner countries.

### PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2.1, below, describes the performance information framework that AusAID will use to assess its contribution to the achievement of Outcome 1 during 2004-05. The performance information framework will measure the efficiency and effectiveness of outputs in contributing to Outcome 1, including targets for performance as applicable and appropriate. Achievement of planned performance will be reported in AusAID's 2004-05 Annual Report.

**Table 2.2.1: Performance information for Outcome 1**

<b>Effectiveness - Overall achievement of the Outcome - (Measures, indicators and targets used as appropriate)</b>	
AusAID's administered expenses will be allocated to activities aimed at advancing the national interest by reducing poverty and achieving sustainable development.	
There are five guiding themes that link poverty reduction with our individual aid activities and which in turn relate to core national interest issues:	
Governance - Promoting improved governance across all areas of partner governments and strengthening democratic processes;	
Globalisation - Assisting developing countries to access and maximise the benefits from trade and new information technologies;	
Human Capital - Supporting stability and government legitimacy through improved delivery of basic services;	
Security - Strengthening regional security by enhancing partner governments' capacity to prevent conflict, enhance stability and manage transboundary challenges; and	
Sustainable Resource Management - Promoting sustainable approaches to the management of the environment and the use of scarce natural resources.	
Quality: 75 per cent of activities overall receiving a quality rating of satisfactory overall or higher.	
Quantity: total estimated expenditure; significant activity outputs within guiding themes.	
<b>Performance information for administered items (including third party outputs)</b>	
Country and Regional Programmes	Quality: 75 per cent of activities receive quality ratings of satisfactory or higher.
	Quantity: significant activity outputs.

**Table 2.2.1: Performance information for Outcome 1 (cont.)**

Multilateral Organisation Programmes	<p>Quality: 75 per cent of organisations receive a rating of satisfactory overall or higher in terms of efficiency.</p> <p>Quantity: significant activity outputs.</p>
Emergency, Humanitarian, and Refugee Programmes	<p>Quality: 75 per cent of humanitarian and emergency activities receive a quality rating of satisfactory overall or higher.</p> <p>Quantity: significant activity outputs.</p>
NGO and Volunteer Programmes	<p>Quality: 75 per cent of activities receive a quality rating of satisfactory overall or higher.</p> <p>Quantity: significant activity outputs.</p>
Information, Education and Communication Programmes	<p>Quality: effective programmes which ensure the development cooperation programme remains identifiably Australian, supports the Government's communications on development cooperation with the Parliament and community and enhances community understanding of the development cooperation programme.</p> <p>Quantity: significant activity outputs:</p> <ul style="list-style-type: none"> <li>- number of teachers participating in development education training;</li> <li>- number of curriculum documents purchased by target groups;</li> <li>- average monthly number of hits on the internet sites.</li> </ul>
<b>Performance information for departmental outputs</b>	
<b>Output 1.1 Policy</b>	
Output 1.1	<p>Quality: Ministerial/Parliamentary Secretary satisfaction.</p> <p>Quantity: number of submissions or briefs; questions on notice; PPQs; submissions to Parliamentary Committees; correspondence; press releases; speeches; number of programme strategies prepared or reviewed.</p> <p>Price: \$14.616 million</p>
<b>Output 1.2 Programme Management</b>	
Output 1.2	<p>Quality: - all major programmes carried out in partnership with key stakeholders;</p> <ul style="list-style-type: none"> <li>- continuous improvement of tools and processes to ensure management of a high quality programme that reflects Government priorities;</li> <li>- continuous improvement in contracting processes and capabilities; number of contracts terminated or subject to litigation or serious dispute.</li> </ul> <p>Quantity: number of activities; number of new contracts signed and ongoing contracts managed; total funds expended under the programme.</p> <p>Price: \$58.466 million</p>

## **EVALUATIONS**

AusAID's quality framework, incorporating the evaluation program, aims to improve the quality and impact of Australian development cooperation and also fulfils a vital accountability function in reporting to the Government, Parliament and the public. In 2004-05 the focus will be on:

- increasing the volume of evaluations of country programme activities to eight per year – a significant increase from previous years – completed by independent consultants with a view to providing management information to improve the quality of future interventions;
- collecting performance information to help monitor and manage Australia's whole-of-government engagement in the Asia Pacific;
- ensuring that AusAID's accumulated lessons and experience in development cooperation delivery make the maximum contribution to the Government's new approaches in Solomon Islands and Papua New Guinea; and
- continuing the 'peer review' of AusAID activities. This process, which brings together relevant AusAID staff and other independent advice to review proposed activities, has contributed to a greater sharing of knowledge across AusAID and increased the quality of program design and implementation.

An ANAO performance audit report on Australia's aid to East Timor was released in early 2004. The report provides a positive assessment of AusAID's response to the humanitarian crisis, its role in facilitating international assistance, and the planning and delivery of post-crisis reconstruction assistance. The report's recommendations focus on strengthening AusAID's risk assessment and performance management of development cooperation to East Timor. AusAID agrees with the recommendations, which reinforce the direction of work already under way to improve risk and performance management systems across all AusAID's programmes.

## **ADMINISTRATION AND DELIVERY OF THE DEVELOPMENT COOPERATION PROGRAMME**

AusAID utilises external expertise to assist in the administration and delivery of all aspects of the development cooperation programme. The vast majority of this expertise is sourced through competitive public tendering. For example, during 2002-03 AusAID advertised 21 major tenders and signed 20 major contracts in excess of \$1 million, with a combined value of over \$182.5 million.

*Section 2: Outcomes and outputs information*

In 2004-05 AusAID will continue improvements and innovations in AusAID's approach to tendering and contracting. These improvements include trialling of partnership type contractual arrangements and innovative approaches to tender assessment, streamlining contracting processes and facilitating implementation of the Government's new policy of untying aid to Less Developed Countries.

The nature of the development challenges facing the Asia Pacific region, in particular governance and security issues, and the Government's approach to addressing development in a holistic way, requires consideration of alternative resources and modes of delivery for the development cooperation programme. A number of Australian government agencies are increasingly involved in the planning and delivery of development cooperation activities (eg. officials from the Departments of Finance and Administration, Treasury and Attorney General's are involved in programmes to improve economic and financial management and promote public sector reform under the PNG Enhanced Cooperation Programme and Regional Assistance Mission to Solomon Islands).

## Section 3: Budgeted financial statements

### ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

#### Departmental

##### Statement of Financial Performance

AusAID is budgeting for a zero operating result for 2004-05. The estimated actual operating result from 2003-04 is also expected to be zero.

Total revenue in 2004-05 is estimated to be \$73.1 million, an increase of \$0.9 million from the 2003-04 estimated actual. The increase is primarily due to the regular indexation of the departmental budget in line with economic parameters. However, specific budget measures also contribute to this increase:

- additional funding received for the management of Australia's contribution to the Regional Assistance Mission to Solomon Islands (see Table 1.2); and
- departmental supplementation received for management costs for Policing Assistance to East Timor (measure in 2003-04 Additional Estimates provided funding from 2003-04 to 2007-08);

offset by:

- discontinuation of the supplementary departmental funding associated with the ongoing management of a bilateral development cooperation programme to East Timor (measure provided departmental supplementation from 2000-01 to 2003-04).

Total expenses are estimated to be \$73.1 million, an increase of \$0.9 million from the 2003-04 estimated actual. The increase is primarily due to additional employee expenses for managing new government initiatives including: the Regional Assistance Mission to Solomon Islands; East Timor Policing Assistance; and humanitarian and reconstruction assistance to Iraq, and increases in employee remuneration as set out in the AusAID Certified Agreement 2003-2006. The increase in employee expenses is partially offset by a reduction in supplier expenses as a result of reduced one-off (non-recurring) expenses from 2003-04.

##### Statement of Financial Position

AusAID's budgeted net asset position of \$1.5 million represents an increase of \$4.8 million from the 2003-04 estimated actual net asset position. The increase is

attributable to the capital injection that will be received for the implementation of a new activity management system, known as AidWorks (see (K3) in Table 1.1).

AusAID's most significant liability continues to be accrued employee entitlements, as a result of accruing leave entitlements, of \$13.9 million. This liability is expected to decrease by \$0.9 million during 2004-05, flowing from reductions in allowable leave balances established in the AusAID Certified Agreement 2003-2006.

## **Administered**

### Budgeted Revenues and Expenses

AusAID will receive appropriation of \$2,093.2 million for programmes administered on behalf of the Government, representing an increase of \$786.4 million from the 2003-04 estimated actual. The increase is largely due to:

- an increase in grants to multilateral organisations: the fourteenth replenishment of the International Development Association (IDA 14) the replenishment of the Heavily Indebted Poor Countries Initiative (HIPC) and the ninth replenishment of the Asian Development Fund (ADF 9) will be finalised during 2004-05; and
- funding for AusAID's contribution to the Regional Assistance Mission to Solomon Islands (see Table 1.2);

offset by:

- discontinuation of supplementary funding associated with the establishment of a bilateral development cooperation programme to East Timor (measure provided supplementation from 2000-01 to 2003-04).

Administered expenses for grants to multilateral organisations are budgeted at \$826.3 million, an increase of \$737.4 million from the 2003-04 estimated actual. As noted above, this is primarily related to the full expensing of agreements to be entered into for IDA 14 (estimated \$383.1 million), HIPC (estimated \$25.9 million) and ADF 9 (estimated \$321.7 million) replenishments during 2004-05, although cash payments for these commitments will be made from 2005-06 to 2014-15. See Chart 1 for the impact of these replenishments on expenses versus cash. Administered expenses for 'Other Development Cooperation Programme' is budgeted at \$1,266.1 million, an increase of \$49.0 million, primarily related to the funding for RAMSI offset by the discontinuation of supplementary funding for East Timor.

Included in the notes to financial statements are three explanatory tables that detail:

- The reconciliation of AusAID's expense estimates to Australia's estimated Official Development Assistance (ODA);

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- The reconciliation of AusAID's cash estimates to Australia's estimated ODA; and
- The reconciliation of AusAID's expenses estimates to its cash estimates.

Budgeted Assets and Liabilities

Total assets are expected to increase by \$602.2 million to \$1,366.1 million from the 2003-04 estimated actual and total liabilities are expected to increase by \$507.3 million to \$1,415.6 million. The increases result from the finalisation of IDA 14, HIPC and ADF 9 (see above), offset by cash payments made under agreements finalised prior to 2004-05, including to other multilateral organisations (eg. Global Environment Facility, Montreal Protocol Multilateral Fund and International Fund for Agricultural Development).

Budgeted Cash Flows and Capital

Tables 3.8 and 3.9 show significant, although decreasing, capital needs for AusAID's administered items. These relate to the need to extinguish multiyear liabilities incurred prior to the transition to accrual budgeting in 1999-2000. Specifically, these are agreements relating to Australia's contribution to the:

- Asian Development Fund;
- International Development Association;
- International Fund for Agricultural Development;
- Global Environment Facility; and
- Nauru Settlement Treaty.

## **DEPARTMENTAL FINANCIAL STATEMENTS**

The budgeted financial statements for AusAID, presented in this section, form the basis of both the financial statements that will appear in AusAID's 2004-05 Annual Report and input into the Whole-of-Government accounts.

### **Budgeted Departmental Statement of Financial Performance**

This statement provides a picture of the expected financial results for AusAID by identifying full accrual expenses and revenues, which highlights whether AusAID is operating at a sustainable level in the short term.

### **Budgeted Departmental Statement of Financial Position**

This statement shows the expected financial position of AusAID. It enables decision makers to track the management of AusAID's assets and liabilities.

**Budgeted Departmental Statement of Cash Flows**

This statement shows budgeted cash flows, as reflected in the statement of cash flows, providing important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

**Departmental Capital Budget Statement**

This statement shows all planned capital expenditure on non-financial assets funded either through capital appropriation for additional equity or borrowings, or from funds from internal sources.

**Departmental Non-financial Assets — Summary of Movement**

This statement shows budgeted acquisitions and disposals of non-financial assets during the Budget year.

**SCHEDULE OF ADMINISTERED ACTIVITY**

Details of transactions administered by AusAID on behalf of the Australian Government are shown in the following schedules to the financial statements.

**Schedule of Budgeted Revenues and Expenses Administered on behalf of Government**

This schedule identifies the main revenues and expenses administered on behalf of the Government.

**Schedule of Budgeted Assets and Liabilities Administered on behalf of Government**

This schedule shows the assets and liabilities administered on behalf of the Government.

**Schedule of Budgeted Administered Cash Flows**

This schedule shows cash flows administered on behalf of the Government.

**Schedule of Administered Capital Budget**

This schedule shows details of planned administered capital expenditure.

**Schedule of Administered Non-financial Assets — Summary of Movement**

This schedule discloses details of movements in administered non-financial assets.

**Table 3.1: Budgeted Departmental Statement of Financial Performance  
for the period ended 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>REVENUE</b>					
<b>Revenues from ordinary activities</b>					
Revenues from Government	71,907	72,710	71,282	71,472	72,238
Goods and services	250	297	344	347	229
Other	75	75	75	75	75
<b>Revenues from ordinary activities</b>	<b>72,232</b>	<b>73,082</b>	<b>71,701</b>	<b>71,894</b>	<b>72,542</b>
<b>EXPENSE</b>					
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>					
Employees	43,327	45,956	43,653	43,179	43,635
Suppliers	27,355	25,632	25,636	25,925	26,101
Depreciation and amortisation	1,500	1,419	2,337	2,565	2,731
Write-down of assets	50	75	75	225	75
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>72,232</b>	<b>73,082</b>	<b>71,701</b>	<b>71,894</b>	<b>72,542</b>
Borrowing costs expense	0	0	0	0	0
<b>Operating surplus or (deficit) from ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gain or (loss) on extraordinary items	0	0	0	0	0
<b>Net surplus or (deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Outside equity interests in net surplus or (deficit)	0	0	0	0	0
<b>Net surplus or deficit attributable to the Australian Government</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Section 3: Budgeted financial statements

**Table 3.2: Budgeted Departmental Statement of Financial Position  
as at 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	4,349	3,600	4,988	5,373	5,591
Receivables	586	386	386	388	389
<b>Total financial assets</b>	4,935	3,986	5,374	5,761	5,980
<b>Non-financial assets</b>					
Land and buildings	2,088	2,647	2,465	3,048	2,939
Infrastructure, plant and equipment	1,810	1,654	1,482	1,636	1,802
Intangibles	3,937	8,220	7,596	6,959	6,219
Other non-financial assets	1,565	1,565	1,565	1,565	1,565
<b>Total non-financial assets</b>	9,400	14,086	13,108	13,208	12,525
<b>Total assets</b>	14,335	18,072	18,482	18,969	18,505
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Other interest bearing liabilities	0	0	0	0	0
<b>Total interest bearing liabilities</b>	0	0	0	0	0
<b>Provisions</b>					
Employees	14,821	13,927	14,526	15,282	15,727
<b>Total provisions</b>	14,821	13,927	14,526	15,282	15,727
<b>Payables</b>					
<b>Total payables</b>	14,821	13,927	14,526	15,282	15,727
<b>Total liabilities</b>	29,642	27,854	29,052	30,564	31,454
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Contributed equity	3,628	8,428	8,428	8,428	8,428
Reserves	1,785	0	0	0	0
Retained surpluses or accumulated deficits	(8,728)	(6,943)	(6,943)	(6,943)	(6,943)
<b>Total parent entity interest</b>	(3,315)	1,485	1,485	1,485	1,485
<b>Outside equity interest</b>					
Contributed equity	0	0	0	0	0
<b>Total outside equity interest</b>	0	0	0	0	0
<b>Total equity</b>	(3,315)	1,485	1,485	1,485	1,485
<b>Total assets and liabilities by maturity:</b>					
<b>Current assets</b>	6,186	5,238	6,627	7,013	7,232
<b>Non-current assets</b>	8,149	12,834	11,855	11,956	11,273
<b>Current liabilities</b>	7,113	6,649	6,812	7,015	6,833
<b>Non-current liabilities</b>	10,537	9,938	10,185	10,469	10,187

\*Note: 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 3.3: Budgeted Departmental Statement of Cash Flows  
for the period ended 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	775	494	344	346	228
Appropriations	71,907	72,710	71,282	71,472	72,238
Other	1,099	1,026	1,023	1,034	1,043
<b>Total cash received</b>	<b>73,781</b>	<b>74,230</b>	<b>72,649</b>	<b>72,852</b>	<b>73,509</b>
<b>Cash used</b>					
Employees	42,468	46,850	43,054	42,423	43,190
Suppliers	26,792	25,727	25,749	26,119	26,936
Other	1,102	1,023	1,023	1,035	1,042
<b>Total cash used</b>	<b>70,362</b>	<b>73,600</b>	<b>69,826</b>	<b>69,577</b>	<b>71,168</b>
<b>Net cash from or (used by) operating activities</b>	<b>3,419</b>	<b>630</b>	<b>2,823</b>	<b>3,275</b>	<b>2,341</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Other	0	0	0	0	0
<b>Total cash received</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	3,023	6,180	1,434	2,890	2,123
<b>Total cash used</b>	<b>3,023</b>	<b>6,180</b>	<b>1,434</b>	<b>2,890</b>	<b>2,123</b>
<b>Net cash from or (used by) investing activities</b>	<b>(3,023)</b>	<b>(6,180)</b>	<b>(1,434)</b>	<b>(2,890)</b>	<b>(2,123)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	0	4,800	0	0	0
<b>Total cash received</b>	<b>0</b>	<b>4,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash used</b>					
Other	0	0	0	0	0
<b>Total cash used</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash from / (used by) financing activities</b>	<b>0</b>	<b>4,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase or (decrease) in cash held</b>					
Cash at the beginning of the reporting period	3,953	4,349	3,600	4,988	5,373
<b>Cash at the end of the reporting period</b>	<b>3,953</b>	<b>9,149</b>	<b>3,600</b>	<b>4,988</b>	<b>5,373</b>

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**Table 3.4: Departmental Capital Budget Statement**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections <sup>(1)</sup>	0	4,800	0	0	0
Total loans	0	0	0	0	0
<b>Total capital appropriations</b>	0	4,800	0	0	0
<b>Represented by:</b>					
Purchase of non-financial assets	0	4,800	0	0	0
Other	0	0	0	0	0
<b>Total represented by</b>	0	4,800	0	0	0
<b>PURCHASE OF NON FINANCIAL ASSETS</b>					
Funded by capital appropriation	0	4,800	0	0	0
Funded internally by departmental resources	3,023	1,380	1,434	2,890	2,123
<b>Total</b>	3,023	6,180	1,434	2,890	2,123

1 This line links to (K3) in Table 1.1

**Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2004-05)**

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of year	0	2,088	0	1,810	0	0	3,937	7,835
Additions	0	1,071	0	546	0	0	4,563	6,180
Disposals	0	0	0	0	0	0	0	0
Net revaluation increments / decrements	0	0	0	0	0	0	0	0
Recoverable amount write-downs	0	0	0	(669)	0	0	0	(669)
Depreciation / amortisation expense	0	(512)	0	(33)	0	0	(280)	(825)
Recoverable amount write-downs	0	0	0	0	0	0	0	0
Other movements (give details below)	0	0	0	0	0	0	0	0
Carrying amount at the end of year	0	2,647	0	1,654	0	0	8,220	12,521
<b>Total additions</b>	<b>0</b>	<b>1,071</b>	<b>0</b>	<b>546</b>	<b>0</b>	<b>0</b>	<b>4,563</b>	<b>6,180</b>
<b>Represented by:</b>								
Self funded	0	1,071	0	546	0	0	0	1,617
Appropriations	0	0	0	0	0	0	4,563	4,563
<b>Total represented by:</b>	<b>0</b>	<b>1,071</b>	<b>0</b>	<b>546</b>	<b>0</b>	<b>0</b>	<b>4,563</b>	<b>6,180</b>

**Table 3.6: Schedule of Budgeted Revenues and Expenses Administered on behalf of Government for the period ended 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimates 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>REVENUES</b>					
<b>Taxation</b>					
Other taxes, fees and fines	0	0	0	0	0
<b>Total taxation</b>	0	0	0	0	0
<b>Non-taxation (revenues from Government)</b>					
Goods and services	0	0	0	0	0
Other sources of non-taxation	3,905	4,108	3,991	3,956	4,001
<b>Total non-Taxation</b>	3,905	4,108	3,991	3,956	4,001
<b>Total revenues administered on behalf of Government</b>	3,905	4,108	3,991	3,956	4,001
<b>EXPENSES</b>					
Grants	88,909	826,269	163,894	96,660	494,646
Depreciation and amortisation	803	863	841	844	843
Other - Development Cooperation Programme	1,217,049	1,266,114	1,235,921	1,233,783	1,255,547
<b>Total expenses administered on behalf of Government</b>	1,306,761	2,093,246	1,400,656	1,331,287	1,751,036

**Table 3.7: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government as at 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	3,612	3,612	3,612	3,612	3,612
Receivables	778,020	1,379,040	1,278,176	1,077,495	1,253,896
Other financial assets	0	0	0	0	0
<b>Total financial assets</b>	<b>781,632</b>	<b>1,382,652</b>	<b>1,281,788</b>	<b>1,081,107</b>	<b>1,257,508</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	2,340	2,287	2,099	1,796	1,732
Other non-financial assets	19,217	19,217	19,217	19,217	19,217
<b>Total non-financial assets</b>	<b>21,557</b>	<b>21,504</b>	<b>21,316</b>	<b>21,013</b>	<b>20,949</b>
<b>Total assets administered on behalf of Government</b>	<b>803,189</b>	<b>1,404,156</b>	<b>1,303,104</b>	<b>1,102,120</b>	<b>1,278,457</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Other interest bearing liabilities	0	0	0	0	0
<b>Total interest bearing liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Provisions</b>					
Other provisions	1,337	92	92	92	92
<b>Total provisions</b>	<b>1,337</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>
<b>Payables</b>					
Suppliers	86,257	88,413	90,181	91,988	93,827
Grants and subsidies	815,410	1,322,733	1,185,714	960,458	1,121,549
Other Payables	4,317	4,491	4,384	4,376	4,454
<b>Total payables</b>	<b>905,984</b>	<b>1,415,637</b>	<b>1,280,279</b>	<b>1,056,822</b>	<b>1,219,830</b>
<b>Total liabilities administered on behalf of Government</b>	<b>907,321</b>	<b>1,415,729</b>	<b>1,280,371</b>	<b>1,056,914</b>	<b>1,219,922</b>

Section 3: Budgeted financial statements

**Table 3.8: Schedule of Budgeted Administered Cash Flows for the period ended 30 June 2005**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from Official Public Account -					
Appropriations	1,398,095	1,491,156	1,501,412	1,531,960	1,574,713
GST input credits	52,153	53,720	52,716	52,525	53,367
Other	3,905	4,108	3,991	3,956	4,001
<b>Total cash received</b>	<b>1,454,153</b>	<b>1,548,984</b>	<b>1,558,119</b>	<b>1,588,441</b>	<b>1,632,081</b>
<b>Cash used</b>					
Development Cooperation Programme	1,258,471	1,265,959	1,236,152	1,233,976	1,255,709
Grant payments	347,347	316,946	298,913	319,916	331,554
Other	3,905	4,108	3,991	3,956	4,001
GST paid to suppliers	51,806	53,894	52,609	52,518	53,444
<b>Total cash used</b>	<b>1,661,529</b>	<b>1,640,906</b>	<b>1,591,665</b>	<b>1,610,366</b>	<b>1,644,707</b>
<b>Net cash from / (used by) operating activities</b>	<b>(207,376)</b>	<b>(91,923)</b>	<b>(33,546)</b>	<b>(21,925)</b>	<b>(12,626)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment and intangibles	0	0	0	0	0
Other	0	0	0	0	0
<b>Total cash received</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash used</b>					
Purchase of property, plant and equipment and intangibles	1,326	810	653	541	779
Other	0	0	0	0	0
<b>Total cash used</b>	<b>1,326</b>	<b>810</b>	<b>653</b>	<b>541</b>	<b>779</b>
<b>Net cash from / (used by) investing activities</b>	<b>(1,326)</b>	<b>(810)</b>	<b>(653)</b>	<b>(541)</b>	<b>(779)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from capital injection	209,049	92,559	34,306	22,473	13,329
Other	51,806	53,894	52,609	52,518	53,444
<b>Total cash received</b>	<b>260,855</b>	<b>146,453</b>	<b>86,915</b>	<b>74,991</b>	<b>66,773</b>
<b>Cash used</b>					
Repay DoFA GST loan	52,153	53,720	52,716	52,525	53,367
<b>Total cash used</b>	<b>52,153</b>	<b>53,720</b>	<b>52,716</b>	<b>52,525</b>	<b>53,367</b>
<b>Net cash from / (used by) financing activities</b>	<b>208,702</b>	<b>92,733</b>	<b>34,199</b>	<b>22,466</b>	<b>13,406</b>
<b>Net increase or (decrease) in cash held</b>					
	0	0	0	0	0
Cash at beginning of reporting period	3,612	3,612	3,612	3,612	3,612
<b>Cash at end of reporting period</b>	<b>3,612</b>	<b>3,612</b>	<b>3,612</b>	<b>3,612</b>	<b>3,612</b>

**Table 3.9: Schedule of Administered Capital Budget**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Administered capital	209,049	92,559	34,306	22,473	13,329
Special appropriations	0	0	0	0	0
<b>Total capital appropriations</b>	<b>209,049</b>	<b>92,559</b>	<b>34,306</b>	<b>22,473</b>	<b>13,329</b>
<b>Represented by:</b>					
Purchase of non-financial assets	0	0	0	0	0
Other	209,049	92,559	34,306	22,473	13,329
<b>Total represented by</b>	<b>209,049</b>	<b>92,559</b>	<b>34,306</b>	<b>22,473</b>	<b>13,329</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	0	0	0	0	0
Funded internally by departmental resources	1,326	810	653	541	779

**Table 3.10: Schedule of Administered Non-financial Assets — Summary of Movement (Budget year 2004-05)**

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	0	0	0	2,340	0	0	0	2,340
Additions	0	0	0	810	0	0	0	810
Disposals	0	0	0	0	0	0	0	0
Net revaluation increments / decrements	0	0	0	0	0	0	0	0
Recoverable amount write-downs	0	0	0	(748)	0	0	0	(748)
Depreciation/amortisation expense	0	0	0	(115)	0	0	0	(115)
Recoverable amount write-downs	0	0	0	0	0	0	0	0
Carrying amount at end of year	0	0	0	2,287	0	0	0	2,287
<b>Total additions</b>	0	0	0	<b>810</b>	0	0	0	<b>810</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Departmental financial statements and Schedule of administered activity**

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are separately budgeted for and reported on from those transactions that agencies do not have control over (Administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

- Departmental items are those assets, liabilities, revenues and expenses in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.
- Administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants and personal benefit payments. Administered revenues include taxes, fees, fines and excises.

### **Appropriations in the accrual budgeting framework**

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- Departmental price of outputs appropriations: representing the Government's funding for outputs from agencies;
- Departmental capital appropriations: for investments by the Government for either additional equity or loans to agencies;
- Administered expense appropriations: for the estimated Administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states; and
- Administered capital appropriations: for increases in Administered equity through funding non-expense Administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State governments).

### **Administered investments in controlled entities**

Each Commonwealth Department is required to show an Administered investment in each Commonwealth Authority and Company (CAC) Act 1997 entity within their portfolio. These Administered investments should be valued at the Commonwealth's ownership interest in the net assets of those CAC entities, fixed at a notional acquisition date of 30 June 1997.

### **Asset valuation**

From 1 July 2002 Commonwealth agencies and authorities are required to use either the cost basis or the fair value basis to measure Property, Plant and Equipment. The shift from the deprival method of valuation to fair value should occur gradually over a three-year period. Fair value, the method used by AusAID, essentially reflects the current market value of an asset.

**Explanatory Table 1 – Reconciliation of AusAID expenses to ODA**

	Estimated actual 2003-04 \$'000	Budget Estimate 2004-05 \$'000
Total AusAID expenses:		
AusAID departmental expenses	72,232	73,082
AusAID administered expenses	1,306,761	2,093,246
less expenses with no cash required in year of expense:		
New multiyear liabilities <sup>1</sup>	0	(730,779)
Other accrual adjustments <sup>2</sup>	3,997	3,465
plus cash for GST		
GST - cash items with no corresponding expense	105,061	108,637
plus cash for expense in a different year:		
Payments to existing multiyear liabilities <sup>3</sup>	296,438	223,456
<b>Total AusAID cash</b>	<b>1,784,488</b>	<b>1,771,108</b>
minus AusAID ODA adjustments: <sup>4</sup>		
AusAID non-ODA departmental expenditure	(2,025)	(1,782)
AusAID non-ODA administered expenditure	(3,353)	(3,549)
Offsetting receipts from previous years' expenditure	(3,905)	(4,108)
GST repaid to DoFA	(52,153)	(53,720)
GST paid to suppliers	(52,907)	(54,917)
plus non-AusAID ODA:		
ACIAR	46,623	47,675
Other Government Departments	302,047	432,375
<b>Total Estimated ODA<sup>5</sup></b>	<b>2,018,814</b>	<b>2,133,082</b>

1. The new multiyear liabilities for 2004-05 consist of replenishments for the International Development Association (IDA), the Heavily Indebted Poor Countries (HIPC) Initiative and the Asian Development Fund (ADF).
2. See Explanatory Table 3 for detail.
3. Cash payments for multiyear liabilities such as those mentioned in the first Explanatory Note, occur in a later year to the expense being recorded. These cash payments may be funded from Capital Injections or Bill 1.
4. See Explanatory Table 2 for detail.
5. Actual calculations of total ODA cannot be determined until after the end of the financial year.

**Explanatory Table 2 – Reconciliation of AusAID cash to ODA**

	<b>Budget estimate 2003-04 \$'000</b>	<b>Forward estimate 2004-05 \$'000</b>
Total departmental cash used	73,385	79,780
Receipts under Section 31 of the FMA Act	(775)	(494)
Interest	0	0
GST repaid to DoFA	0	0
GST paid to suppliers	(1,102)	(1,023)
Fringe Benefits Tax adjustment	(1,250)	(1,288)
<b>Total ODA-eligible AusAID Departmental cash</b>	<b>70,258</b>	<b>76,975</b>
Total administered cash used <sup>1</sup>	1,711,103	1,691,328
Miscellaneous receipts <sup>2</sup>	(3,905)	(4,108)
GST repaid to DoFA <sup>3</sup>	(52,153)	(53,720)
GST paid to suppliers <sup>3</sup>	(51,806)	(53,894)
AusAID non ODA eligible expenditure <sup>4</sup>	(3,353)	(3,549)
<b>Total ODA-eligible AusAID Administered cash</b>	<b>1,599,886</b>	<b>1,576,057</b>
ACIAR	46,623	47,675
Other Government Departments	302,047	432,375
<b>Non AusAID ODA</b>	<b>348,670</b>	<b>480,050</b>
<b>Total Estimated ODA<sup>5</sup></b>	<b>2,018,814</b>	<b>2,133,082</b>

<sup>1</sup> Excluding cash to Official Public Account.

<sup>2</sup> Refunds of expenditure that was recorded as ODA in a previous year. Miscellaneous receipts are offset against ODA in the year of receipt, not expenditure.

<sup>3</sup> GST cash is drawn down separately from appropriated cash in order to pay any GST component to suppliers. This amount is subsequently refunded by the ATO. The difference between 'GST repaid to Finance' and 'GST paid to suppliers' in any given year equates to the ATO input tax credit receipts.

<sup>4</sup> For example, only 75% of cash payments to the Global Environment Facility are eligible as ODA.

<sup>5</sup> Actual calculations of total ODA cannot be determined until after the end of the financial year.

**Explanatory Table 3 – Reconciliation of AusAID expenses to cash**

	Estimated actual 2003-04 \$'000	Budget estimate 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
<b>Price of Outputs</b>	<b>72,232</b>	<b>73,082</b>	<b>71,701</b>	<b>71,894</b>	<b>72,542</b>
Operating surplus/(loss)	0	0	0	0	0
<b>Departmental expenses</b>	<b>72,232</b>	<b>73,082</b>	<b>71,701</b>	<b>71,894</b>	<b>72,542</b>
Depreciation and amortisation	(1,550)	(1,494)	(2,412)	(2,790)	(2,806)
Investment	3,023	6,180	1,434	2,890	2,123
Net change in employee liabilities	(859)	894	(599)	(756)	(445)
Net change in supplier liabilities/prepayments	(488)	170	188	269	910
Resources supplied free of charge	(75)	(75)	(75)	(75)	(75)
GST repaid to DoFA	0	0	0	0	0
GST paid to suppliers	1,102	1,023	1,023	1,035	1,042
<b>Departmental cash used</b>	<b>73,385</b>	<b>79,780</b>	<b>71,261</b>	<b>72,467</b>	<b>73,291</b>
<b>Administered expenses</b>	<b>1,306,761</b>	<b>2,093,246</b>	<b>1,400,656</b>	<b>1,331,287</b>	<b>1,751,036</b>
Operating Loss	0	0	0	0	0
<b>Administered expenses after operating loss</b>	<b>1,306,761</b>	<b>2,093,246</b>	<b>1,400,656</b>	<b>1,331,287</b>	<b>1,751,036</b>
New multiyear liabilities	0	(730,779)	(69,087)	0	(396,098)
Cash spent on existing and new multiyear liabilities:					
Annual Appropriation	87,388	130,897	171,800	202,782	221,678
Special Appropriation	0	0	0	0	0
Capital injection	209,049	92,559	34,306	22,473	13,329
Depreciation	(803)	(863)	(841)	(844)	(843)
Investment	1,326	810	653	541	779
GST repaid to DoFA	52,153	53,720	52,716	52,525	53,367
GST paid to suppliers	51,806	53,894	52,609	52,518	53,444
Net change in ordinary creditors and accruals	3,423	(2,156)	(1,768)	(1,806)	(1,840)
<b>Administered cash used (excluding payments to OPA)</b>	<b>1,711,103</b>	<b>1,691,328</b>	<b>1,641,043</b>	<b>1,659,477</b>	<b>1,694,853</b>

## **Section 4: Purchaser-provider and cost recovery arrangements**

### **PURCHASER-PROVIDER ARRANGEMENTS**

#### **Cross agency overview**

The Australian Agency for International Development (AusAID) purchases services from the Department of Foreign Affairs and Trade (DFAT):

- under the Service Level Agreement (SLA) for overseas missions and the Information Technology Memorandum of Understanding (ITMOU);
- for routine operating expenses at overseas missions;
- for residential and office accommodation at overseas missions;
- for information technology infrastructure support;
- for telecommunications at overseas missions; and
- for secure network services.

AusAID provides payroll services to the Australian Centre for International Agricultural Research (ACIAR).

### **COST RECOVERY ARRANGEMENTS**

AusAID has no cost recovery arrangements in place as defined in Finance Circular 2002/02 issued by the Department of Finance and Administration.