

**PORTFOLIO
BUDGET STATEMENTS
2006-07**

FOREIGN AFFAIRS AND TRADE PORTFOLIO

**BUDGET INITIATIVES AND EXPLANATIONS OF
APPROPRIATIONS SPECIFIED BY OUTCOMES AND OUTPUTS BY AGENCY**

BUDGET RELATED PAPER NO. 1.10

© Commonwealth of Australia 2006

ISBN 1 920959 93 9

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>

Printed by Canprint



Senator the Hon Paul Calvert
President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

The Hon David Hawker MP
Speaker of the House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

We hereby submit Portfolio Budget Statements in support of the 2006-07 Budget for the Foreign Affairs and Trade Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement of the outcomes for the portfolio. They also cover the purpose of portfolio budget measures.

We present these statements by virtue of our responsibility for accountability to the Parliament and, through it, the public.

Yours sincerely

Alexander Downer
Minister for Foreign Affairs

Mark Vaile
Minister for Trade

CONTENTS

User Guide to the Portfolio Budget Statements.....	vii
User Guide	ix
Purpose of the Portfolio Budget Statements.....	ix
How to read the Portfolio Budget Statements.....	x
Abbreviations and conventions	xv
Enquiries	xv
Portfolio Overview	1
Portfolio Overview	3
Agency Budget Statements	11
Department of Foreign Affairs and Trade	13
Australian Trade Commission	75
Australian Agency for International Development.....	121
Australian Centre for International Agricultural Research.....	169
Australian Secret Intelligence Service.....	197
Australia-Japan Foundation	215
Glossary.....	243

**USER GUIDE
TO THE
PORTFOLIO BUDGET
STATEMENTS**

USER GUIDE

Purpose of the Portfolio Budget Statements

The purpose of the 2006-07 Portfolio Budget Statements (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations bills, special appropriations, standing appropriations (including special accounts), and revenue from other sources.

A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No. 1 and No. 2 2006-07 (or Appropriation Bill [Parliamentary Departments] No. 1 2006-07 for the parliamentary departments). In this sense the PB Statements are officially Budget Related Papers and are declared by the Appropriation Bills to be 'relevant documents' to the interpretation of the Bills according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non-general government sector entities are not consolidated into the Commonwealth general government sector fiscal estimates, accordingly, these entities are not reported in the PB Statements.

How to read the PB Statements

The PB Statements are presented in three sections, aligned in several ways to the Budget Papers, as outlined below.

Part	Description
User Guide to the Portfolio Budget Statements	
	An introduction, explaining the purpose of the PB Statements, the structure of the document, and styles and conventions used.
Portfolio Overview	
	A brief overview of the portfolio. Portfolio outcomes are depicted in a chart outlining the structure of the outcomes to which the portfolio contributes. This includes a table for Australian Indigenous Expenditures for the portfolio.
Agency Budget Statements	
	For each agency within the portfolio, a budget statement is presented in five sections:
Section 1: Overview	A brief overview of the agency.
Section 2: Resources	A reconciliation of agency resourcing information from the <i>2005-06 Mid-Year Economic and Fiscal Outlook</i> to the 2006-07 Budget. Includes key changes to the agency's estimates and a table of appropriations and other revenue sources for both Administered and Departmental appropriations.
Section 3: Outcomes	A brief description of the agency's outcomes and, where applicable, Budget measures in summary form. Details the contribution of the agency's outputs to the outcome, performance information for the outcome(s), outputs and administered activities, and planned evaluations. Notes upcoming competitive tendering and contracting that is of a material or sensitive nature. Links the resources appropriated and their application to the agency's outputs and to Administered items.
Section 4: Other reporting requirements	Includes purchaser-provider and cost recovery components.
Section 5: Budgeted financial statements	The agency's budgeted financial statements in accrual format, covering the Budget year, the preceding year and three out-years.
Glossary	Explains key terms.

PB STATEMENTS AND BUDGET PAPERS

Comprehensive information on all government decisions announced in the Budget is in Budget Paper No. 2, *Budget Measures 2006-07*. The PB Statements include Budget appropriations for this Budget in each agency's Table 2.2, 2006-07 Budget Measures.

The following chart shows the parts of PB Statements which relate to specific Budget papers.

Budget Paper	PB Statements
Budget Paper No. 1: Budget Strategy and Outlook	
Statement 1: Fiscal Strategy and Budget Priorities Overview of the fiscal and economic outlook	Portfolio structure (Agency) Overview (Agency) Resources for 2006-07
Statement 2: Fiscal Outlook Budget aggregates and variations to the fiscal balance estimates	(Agency) Resources for 2006-07
Statement 10: AAS Financial Statements Accrual financial statements for the general government sector	(Agency) Budgeted financial statements
Budget Paper No. 2: Budget Measures	
Budget revenue, expense and capital measures	(Agency) Resources for 2006-07
Budget Paper No. 3: Federal Financial Relations	
Information on the Australian Government's relations with States, Territories and local government, in particular, Specific Purpose Payments (SPPs)	(Agency) Resources for 2006-07 (Agency) Outcomes
Budget Paper No. 4: Agency Resourcing	
Resourcing for Australian Government agencies, including Appropriation Bills	(Agency) Resources for 2006-07

Departmental and Administered items

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies decide (departmental transactions) are separately budgeted for and reported on from transactions agencies make on behalf of others (administered transactions). This ensures that the transactions decided by agencies are reported separately from other transactions in their accounts.

Departmental items

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

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 and Administered revenues include taxes, fees, fines and excises.

Appropriations in the accrual budgeting framework

In the 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 or payments from previous years' outputs;
- 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 Territories; 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). The appropriation framework is discussed further in the introduction to Budget Paper No. 4, *Agency Resourcing 2006-07*.

Components of agency financial statements

Reporting requirements for budgeted financial statements differ between agencies (for example, according to whether the agency participates in administered transactions). Therefore, not all agencies are required to report against all schedules.

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2006-07 Budget year and each of the forward years from 2007-08 to 2009-10. The statements also include the estimated actual for 2005-06 for comparative purposes.

The schedules included in the budgeted financial statements for 2006-07 are as follows.

Schedule	Purpose
Budgeted departmental income statement	Shows the expected financial results for the agency. Identifies full accrual expenses and revenues, which highlights whether the agency is operating at a sustainable level.
Budgeted departmental balance sheet	The financial position of the agency. It helps decision makers to track the management of assets and liabilities.
Budgeted departmental statement of cash flows	Provides information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.
Budgeted departmental statement of changes in equity — summary of movement	This is a new statement for Portfolio Budget Statements that represents the movement of parent entity (the Commonwealth) interest in the agency. The statement has been prepared to reflect the net operating result, movements of capital return and additional capital injections from the Commonwealth.
Departmental capital budget statement	Shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded through capital appropriations for additional equity or borrowings, or from funds from internal sources.
Departmental property, plant, equipment and intangibles — summary of movement	Shows budgeted acquisitions and disposals of non financial assets during the Budget year.
Schedule	Purpose
Schedule of budgeted income and expenses administered on behalf of government	Identifies the main revenues and expenses administered on behalf of government.

User Guide

Schedule of budgeted assets and liabilities administered on behalf of government	Shows the assets and liabilities administered on behalf of government.
Schedule of budgeted administered cash flows	Shows cash flows administered on behalf of government.
Schedule of administered capital budget	Shows details of planned administered capital expenditure.
Schedule of administered property, plant, equipment and intangibles — summary of movement	Discloses details of movements in administered non financial assets.

Abbreviations and conventions

The following notation may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication please contact Ms Ann Thorpe, Chief Finance Officer, Department of Foreign Affairs and Trade on 02 6261 1240.

A copy of this document can be located on the Australian Government Budget website at <http://www.budget.gov.au>

PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

The main purpose of Australia's foreign and trade policy is to advance Australia's national interest by contributing to improvements in international security, national economic and trade performance and global cooperation.

The portfolio consists of the Department of Foreign Affairs and Trade (DFAT), the Australian Trade Commission (Austrade), the Australian Agency for International Development (AusAID), the Australian Centre for International Agricultural Research (ACIAR), the Australian Secret Intelligence Service (ASIS), the Export Finance and Insurance Corporation (EFIC) and the Australia-Japan Foundation (AJF).

Portfolio agencies support Ministers in the conduct of Australia's foreign and trade policy. In 2006-07, the portfolio will seek to advance the national interest through its work to maximise Australia's international standing and through building on Australia's linkages with key countries and groups of countries to influence regional and global developments.

The portfolio will work closely with other Australian agencies and international partners to **strengthen national and international security**. It will continue to drive regional counter-terrorism initiatives building on existing regional cooperation and strengthen the global non-proliferation architecture, including international export control regimes. The portfolio will work with the international community to address non-compliance with non-proliferation regimes where it occurs.

By expanding cooperation at government and community levels, the portfolio will work to **strengthen Australia's bilateral relationships with key partners**. This will involve active engagement across Asia on the full range of bilateral and regional interests, including the evolving regional architecture in East Asia. The portfolio will work to maintain the unprecedented strength of relations with the United States and enhance its relations with Canada and Latin America. It will coordinate Australia's engagement in Iraq and Afghanistan, elsewhere in the Middle East and in Africa to help promote stability, economic rehabilitation and democratic transition. In the South Pacific, the portfolio will continue its proactive approach to improving economic performance, regional stability and good governance, including through bilateral and regional aid programmes. The portfolio will work with European partners in support of Australia's strategic interests.

The portfolio will continue intensive efforts to **open overseas markets** to Australian products and services and eliminate unfair trade practices. A major objective will be concluding the World Trade Organization (WTO) Doha round of multilateral negotiations in a way that delivers commercially valuable outcomes on agriculture, industrial products and services. The portfolio will use Australia's leadership of the Cairns Group of agricultural exporters to influence the Doha negotiations and continue

Portfolio Overview

pushing for agricultural trade reform more broadly. Using the WTO dispute settlement system, the portfolio will pursue and defend Australian trade and economic interests.

In parallel with its strong commitment to the Doha round, the portfolio will advance negotiations for new **free trade agreements** with China, Malaysia, the United Arab Emirates, and, together with New Zealand, with the ASEAN countries. The portfolio will undertake advocacy efforts to build further support for ambitious and comprehensive trade and investment outcomes. It will continue to assist Australian business take advantage of opportunities created by existing free trade agreements with the United States, Thailand and Singapore.

Australia's hosting of the **Asia-Pacific Economic Cooperation** (APEC) forum in 2007 will provide a major opportunity to enhance Australia's engagement in the region. As part of a whole of government effort the portfolio will develop an ambitious set of outcomes for APEC 2007 that further strengthen APEC's effectiveness, liberalise trade and investment, reduce business transaction costs, and promote APEC's secure trade and human security agenda, in keeping with Australian interests.

The portfolio will advance Australia's **global interests** by contributing to whole of government initiatives to combat people smuggling and trafficking and other transnational crimes. It will work to maintain momentum in practical international responses to climate change, including through strong input to the Asia-Pacific Partnership on Clean Development and Climate. The portfolio will contribute to Australia's role in leading international efforts for whale conservation. Supporting administrative and structural reform of the United Nations will remain a priority.

Providing **high-quality consular and passport services** to Australians will remain a key priority. The portfolio will upgrade its consular crisis management infrastructure and procedures in Australia and overseas for responding to overseas emergencies affecting Australians. It will also enhance its support for consular cases overseas to address both the growing number of Australians travelling abroad and the increasing number of complex consular cases. The portfolio will further strengthen Australia's world class passports regime – including by enhancing facial biometric identification technology and further improving passport production security processes – to give Australians a more secure travel document that will reduce the risk of identity fraud and better protect our borders. As part of a whole of government effort, the portfolio will continue to review and test avian influenza contingency plans.

Public diplomacy activities will focus on the Asia-Pacific region and project a positive, accurate and contemporary image of Australia. The portfolio will work to increase public understanding of Australia's foreign and trade policy through outreach, accessible and user-friendly websites and targeted cultural programmes.

The portfolio will give priority to the effective implementation of ongoing programmes to improve the **security of Australia's network of overseas diplomatic missions** and to better ensure the safety of people who visit and work in them. In managing

efficiently the **Commonwealth overseas owned estate**, the portfolio will continue to respond to new international security challenges.

Through **Austrade**, the portfolio will continue to provide information and assistance to new and established Australian exporters seeking to win export deals. Austrade will partner with industry associations, regional development organisations and state and territory governments to continue delivering the TradeStart programme, which provides an increasing number of Australian businesses with access to the resources, advice and expertise to help them realise their export potential. Austrade's New Exporter Development Programme will continue to offer a package of free services to potential exporters. The Export Market Development Grants scheme will continue financial support for Australian exporters to promote their products and services. Key priorities for 2006-07 include a continued focus on maximising export outcomes for Australian exporters through free trade agreements, assisting exporters to expand business in key growth markets such as China and India and enhancing export development through Austrade's industry teams.

Through **EFIC** the portfolio will help Australian exporters and companies investing in projects overseas gain access to internationally competitive finance and insurance services. It will continue to provide a broad range of financial facilities for exporters of all sizes, including loans, guarantees, political risk insurance and performance bonds. Product development will focus on improving facilities for small and medium enterprise exporters. The portfolio will continue to manage the use of the National Interest Account to provide support for transactions that ministers judge to be in the national interest.

Through its new medium term strategic framework as outlined in the *White Paper*, the **aid programme** will support an integrated, whole of government approach to the challenges of achieving regional prosperity and stability. The White Paper is structured around four key themes: accelerating economic growth, fostering functioning and effective states, investing in people and promoting regional stability and cooperation.

In East Asia, the aid programme will enhance regional capacity to address issues that have an impact on economic growth and to counter transboundary threats such as HIV/AIDS, illegal drugs, avian influenza and terrorism. Australia will continue to lead and coordinate expanded access to HIV/AIDS treatment in the Pacific and strengthen the capacity of regional and national systems. Australia's aid partnership with Indonesia will continue to be strengthened through the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD).

The aid programme will provide significant new funding to an enhanced scholarships programme. Additional resources will be provided in debt relief for the world's poorest and most heavily indebted countries through the G8 Multilateral Debt Relief Initiative. Recognition of Australia's debt relief for Iraq will take place upon the signing of a bilateral agreement. Aid partnerships with multilateral development

Portfolio Overview

banks, international organisations, other donors and a broader range of Australian community groups will be strengthened.

Through **ACIAR** the portfolio will contribute to poverty reduction and sustainable development in the Asia-Pacific region by facilitating and funding collaborative agricultural research and development programmes with developing countries. ACIAR's funding will increase in Papua New Guinea, Indonesia, Cambodia and the Philippines. In 2006-07, there will be a greater emphasis on horticultural industry development, farming systems approaches and cooperation on practical policy issues in conjunction with technical agricultural issues. ACIAR continues to support whole of government efforts in Indonesia, both in post-tsunami rehabilitation and in planned delivery of a major sub-programme of the AIPRD Smallholder Agribusiness Development Initiative; in Pakistan through involvement in the Agriculture Sector Linkages Programme; and in East Timor through the introduction of improved crop varieties. Funding for training of developing country scientists will be expanded, doubling the number of new fellowship placements at Australian universities over the next four years.

Through **ASIS** the portfolio will continue to enhance Government understanding of the overseas environment affecting Australia's vital interests and take appropriate action, consistent with applicable legislation, to protect identified interests.

Through the **AJF** the portfolio will encourage closer relationships between the people of Australia and one of our most important bilateral partners, Japan. This will involve building on existing cooperation and programmes, increasing support for community activities and enhancing strategic and influential ties between Australia and Japan.

FIGURE 1: PORTFOLIO STRUCTURE AND OUTCOMES

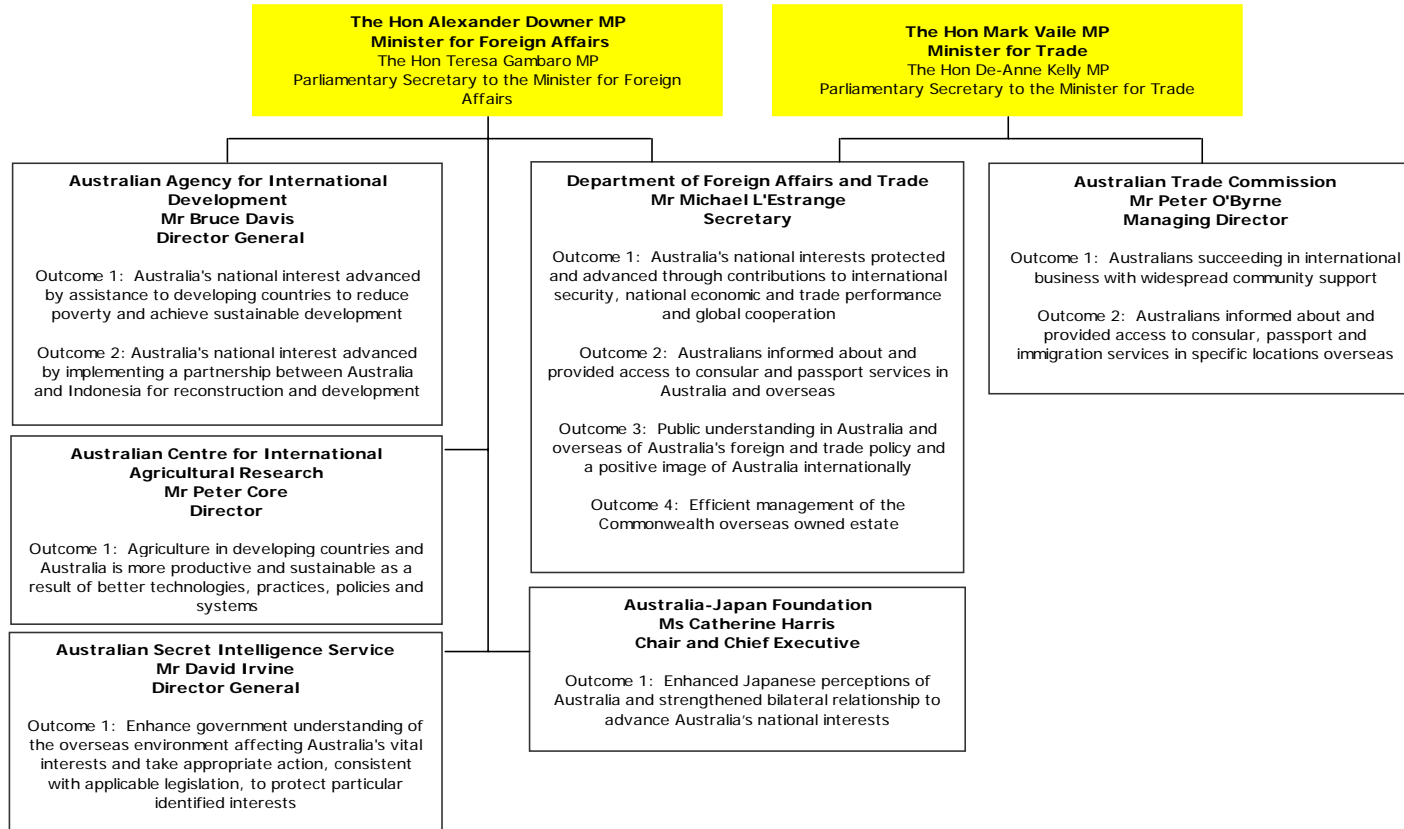


Figure 2: Departmental appropriations for agencies in the portfolio

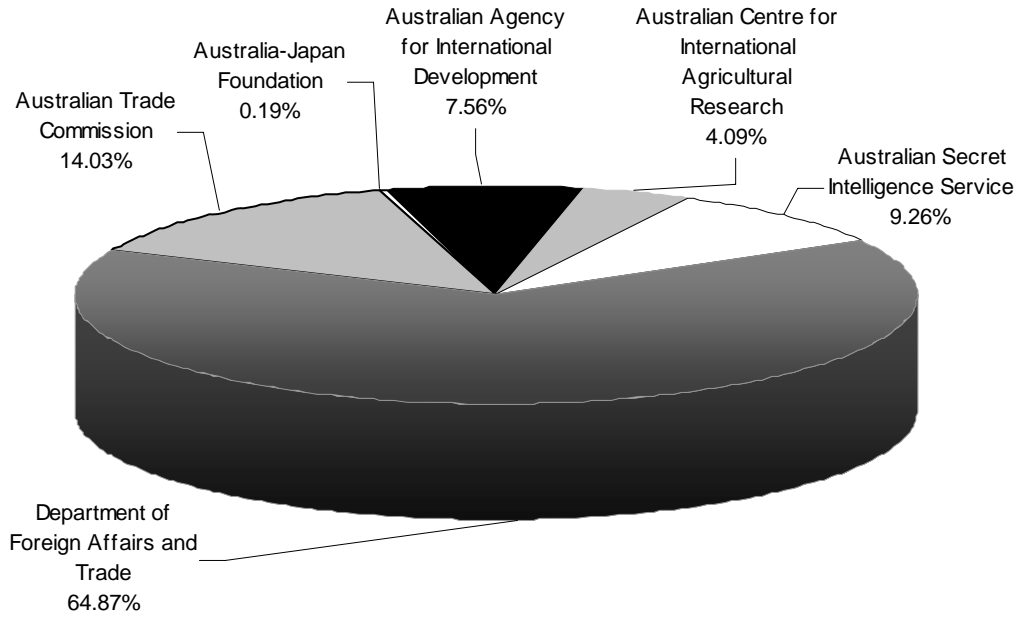
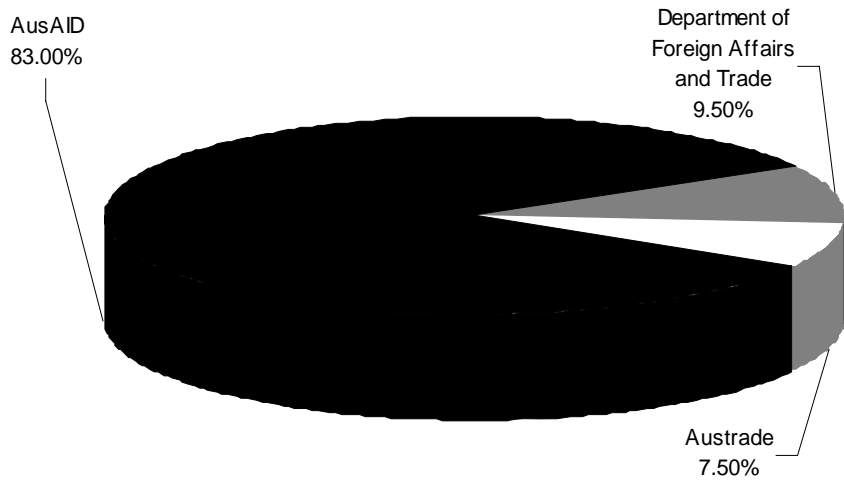


Figure 3: Administered appropriations for agencies in the portfolio



Australian Government Indigenous Expenditure (AGIE) Foreign Affairs and Trade Portfolio

Table 1: Australian Government Indigenous Expenditure — portfolio level

Outcome	Appropriations				Other	Total
	Bill	Bill	Special	Total		
	No. 1	No. 2	Approp	Approp	\$'000	\$'000
	(A)	(B)	(C)	(D)	(E)	(F)=(D)+(E)
Foreign Affairs and Trade						
Outcome 1						
Department of Foreign Affairs and Trade						
Administered 2006-07	-	-	-	-	-	-
<i>Administered 2005-06</i>	-	-	-	-	-	-
Departmental 2006-07	39	-	-	39	-	39
<i>Departmental 2005-06</i>	<i>42</i>	-	-	<i>42</i>	-	<i>42</i>
Total Outcome 2006-07	39	-	-	39	-	39
<i>Total Outcome 2005-06</i>	<i>42</i>	-	-	<i>42</i>	-	<i>42</i>
Outcome 3						
Department of Foreign Affairs and Trade						
Administered 2006-07	-	-	-	-	-	-
<i>Administered 2005-06</i>	-	-	-	-	-	-
Departmental 2006-07	169	-	-	169	-	169
<i>Departmental 2005-06</i>	<i>169</i>	-	-	<i>169</i>	-	<i>169</i>
Total Outcome 2006-07	169	-	-	169	-	169
<i>Total Outcome 2005-06</i>	<i>169</i>	-	-	<i>169</i>	-	<i>169</i>
Department of Foreign Affairs and Trade						
Administered 2006-07	-	-	-	-	-	-
<i>Administered 2005-06</i>	-	-	-	-	-	-
Departmental 2006-07	208	-	-	208	-	208
<i>Departmental 2005-06</i>	<i>211</i>	-	-	<i>211</i>	-	<i>211</i>
Total Outcome 2006-07	208	-	-	208	-	208
<i>Total Outcome 2005-06</i>	<i>211</i>	-	-	<i>211</i>	-	<i>211</i>
Australian Trade Commission						
Administered 2006-07	-	-	-	-	-	-
<i>Administered 2005-06</i>	-	-	-	-	-	-
Departmental 2006-07	86	-	-	86	-	86
<i>Departmental 2005-06</i>	<i>84</i>	-	-	<i>84</i>	-	<i>84</i>
Total Outcome 2006-07	86	-	-	86	-	86
<i>Total Outcome 2005-06</i>	<i>84</i>	-	-	<i>84</i>	-	<i>84</i>
Total Administered 2006-07	-	-	-	-	-	-
<i>Total Administered 2005-06</i>	-	-	-	-	-	-
Total Departmental 2006-07	294	-	-	294	-	294
<i>Total Departmental 2005-06</i>	<i>295</i>	-	-	<i>295</i>	-	<i>295</i>
Total AGIE 2006-07	294	-	-	294	-	294
<i>Total AGIE 2005-06</i>	<i>295</i>	-	-	<i>294</i>	-	<i>295</i>

AGENCY BUDGET STATEMENTS

Department of Foreign Affairs and Trade	13
Australian Trade Commission	75
Australian Agency for International Development.....	121
Australian Centre for International Agricultural Research.....	169
Australian Secret Intelligence Service	197
Australia-Japan Foundation.....	215