

MINISTERS' FOREWORD



In 2017–18, Australia will provide \$3.9 billion in Official Development Assistance (ODA).

The Australian Aid Program reduces poverty, promotes sustainable economic growth, and advances Australia's national interest. We are committed to improving the lives of the most vulnerable in the Indo-Pacific region where we will invest over 90 per cent of our bilateral and regional aid.

The aid program's priorities remain constant — outlined in the Government's aid policy: *Australian aid: promoting prosperity, reducing poverty, enhancing stability* — with a focus on private sector engagement, innovation, empowering women and girls, strong humanitarian responses and building capacity and stability.

Responding to record levels of global displacement and humanitarian need, Australia has increased its humanitarian assistance to \$399.7 million in 2017–18. Our core multi-year funding to multilateral agencies allows flexible, efficient, and rapid responses to emerging crises. In addition, a new three-year \$100 million commitment (including \$30 million in 2017–18) will support the humanitarian needs of the people of Iraq and stabilise those areas newly liberated from ISIS. It builds on our multi-year regional humanitarian response to the Syria crisis announced last year and provides funding certainty to partners to ensure efficient, effective and timely delivery of assistance. Our support will target the most vulnerable, with particular emphasis on women, girls, and the disabled, who are disproportionately affected by these crises.

Peace and security are paramount to development. In 2017–18, Australia will commit \$141 million to the Solomon Islands to promote peace, justice, and inclusion, following the conclusion of the Regional Assistance Mission to Solomon Islands (RAMSI) in June 2017. We will extend our \$80 million annual aid program to Afghanistan from 2017 to 2020, as pledged at the 2016 Brussels Conference on Afghanistan.

The Government has placed gender equality and empowering women and girls at the heart of the aid program — in 2017–18 the Government will provide \$55 million to the Gender Equality Fund, including \$5.4 million for the Pacific Women Shaping Pacific Development initiative.

Australia will spend \$300 million on climate change and resilience activities in Pacific Island countries, including \$75 million for disaster preparedness over the next four years (2016–2020) — an additional \$80 million on previous levels.

Innovation is essential to a modern and responsive aid program, and the InnovationXchange is delivering results. In 2016–17, we improved our humanitarian response through the Pacific Humanitarian and Humanitarian Supplies Challenges and will support transformation of the aquaculture industry through the Blue Economy Challenge. In 2017–18, we will continue to partner with the private sector to further enhance and modernise the aid program, committing \$50 million to the InnovationXchange.

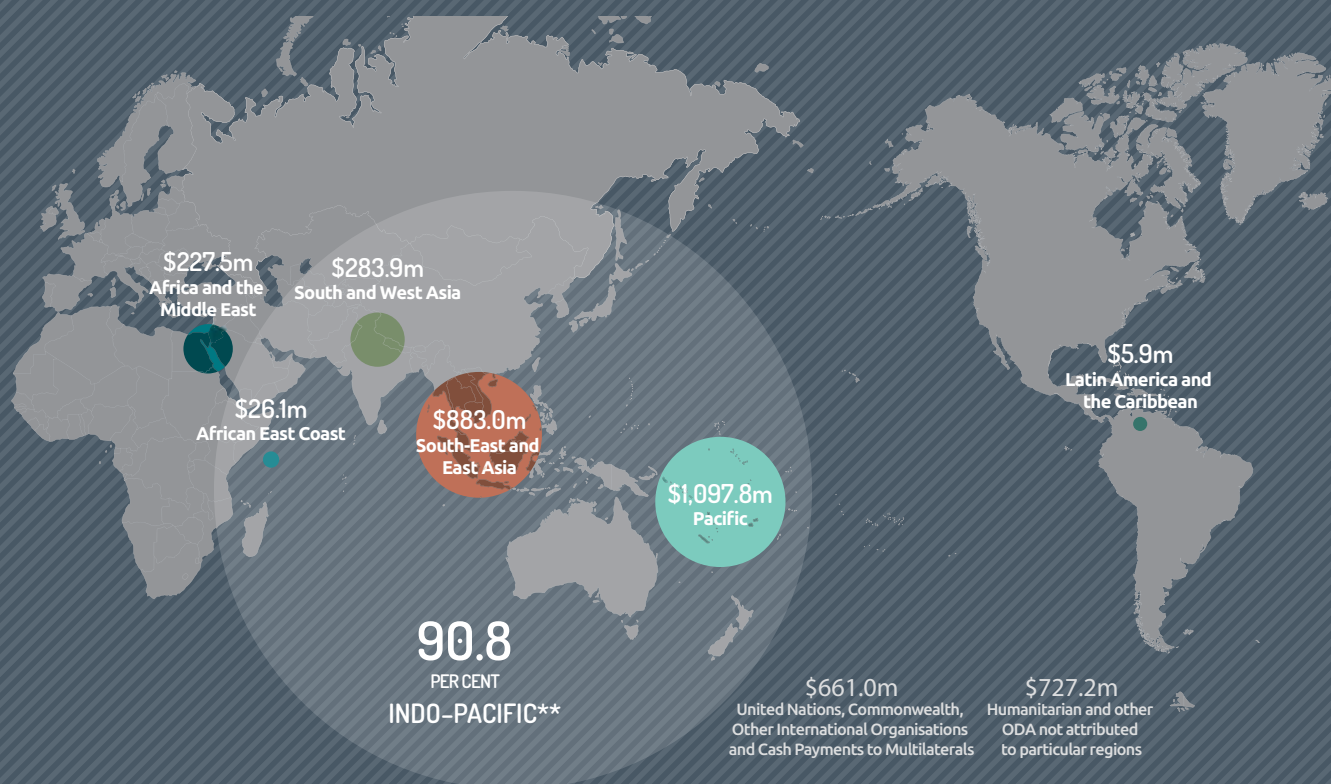
This year will be pivotal in encouraging new thinking on our foreign policy and how Australia can continue its leadership role in the effectiveness of development assistance. The aid program seeks to enrich lives through poverty reduction and higher living standards, while complementing our diplomatic and security measures to promote regional stability — safeguarding Australia's security and prosperity.

The Hon Julie Bishop MP
Minister for Foreign Affairs

Senator the Hon Concetta Fierravanti-Wells
Minister for International Development and the Pacific

2017-18 TOTAL AUSTRALIAN OFFICIAL DEVELOPMENT ASSISTANCE BY REGION*

\$3.9 BILLION



Australian ODA by investment priority



With Australia's Support:



IRAQ:
HUMANITARIAN
AND STABILISATION
ASSISTANCE

\$100.0m
(2017-18 TO 2019-20)



HUMANITARIAN AND
PROTRACTED CRISES

\$399.7m
(2017-18)



AFGHANISTAN:
OFFICIAL DEVELOPMENT
ASSISTANCE

\$80.0m
(PER ANNUM UNTIL 2020)

* Total Australian ODA, from all agencies and programs, attributable to regions. Including, flows from DFAT regional and global programs and expenditure by other government departments (OGDs).

** The percentage calculation of Indo-Pacific excludes: United Nations, Commonwealth and Other International Organisations; Cash Payments to Multilaterals; Humanitarian and other ODA not attributed to particular regions.

INTRODUCTION

In 2017–18, Australia will invest \$3.9 billion in Official Development Assistance (ODA).

The Australian aid program promotes our foreign policy — guided by *Australian aid: promoting prosperity, reducing poverty, enhancing stability*. It is in Australia's interest that our closest neighbours prosper and their people are healthy, safe and educated.

The aid program focuses on six investment priorities: infrastructure and trade; agriculture fisheries and water; effective governance; education and health; building resilience; and gender (see Strategic Framework for the Aid Program). We will continue to make a strong contribution to the globally agreed roadmap for development, the *2030 Agenda for Sustainable Development* (*2030 Agenda*) which includes the Sustainable Development Goals (SDGs or global goals) and the Addis Ababa Action Agenda (AAAA) on Financing for Development.

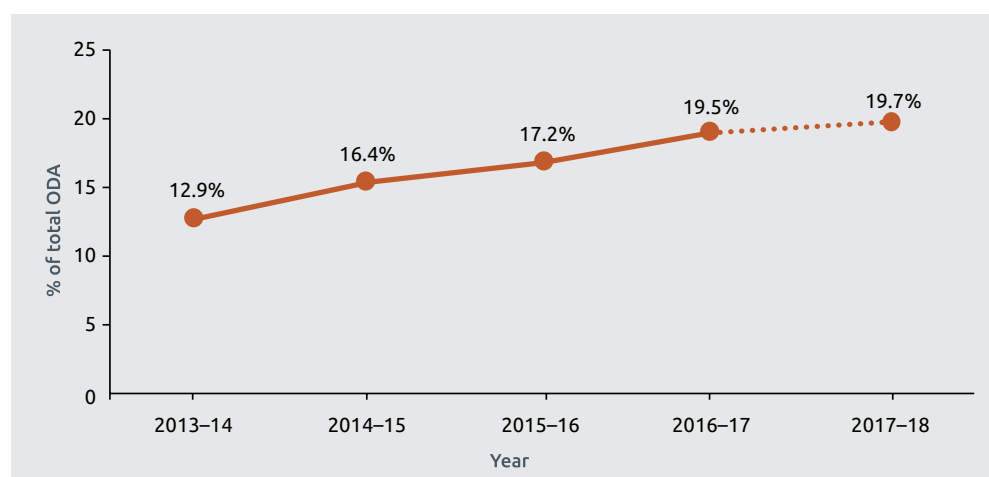
The Australian Government is committed to gender equality and the empowerment of women and girls, particularly in the Indo-Pacific region. Australia's Ambassador for Women and Girls is integral to our international advocacy on gender issues. In 2017–18, Australia will provide \$5.4 million over five years to support a mentoring program to connect female leaders in Australia with emerging women leaders in the Pacific region, as part of the multi-year Pacific Women Shaping Pacific Development initiative.

The *Ministerial statement on engaging the private sector in aid and development* commits us to collaborate with the private sector to create sustainable solutions to development challenges in our region. A key example of this approach is the Business Partnerships Platform, which creates new business opportunities that directly address specific development objectives to deliver a more effective aid program. We are working in new ways with Australian and global business-led networks to enhance our impact and capacity to engage with businesses at scale.

We are also reinvigorating Australia's relationships with multilateral organisations. We will work with: the World Bank to support programs, research and analytical products focused on private sector growth in the Indo-Pacific region; the Asian Development Bank (ADB) to assist our Indo-Pacific neighbours to achieve sustainable economic growth; and the Asian Infrastructure Investment Bank (AIIB) to improve trade and investment opportunities across our region.

The Australian Government is on track to meet its aid-for-trade target of 20 per cent of the total aid budget by 2020. In 2017–18, we will invest 19.7 per cent in aid-for-trade investments, up 0.2 per cent from 2016–17.

Figure 1: Aid-for-trade trajectory



We implement our aid program in a complex and changing world. So we will use fresh thinking to tackle the toughest development challenges. InnovationXchange will: trial new approaches; collaborate with new partners; and broker new connections so innovation becomes intrinsic to the delivery of the aid program for many years to come.

Case Study: Innovating the Blue Economy



Improving seaweed harvest through Open Water Marine Permaculture Arrays.
Photo: Dr Brian Von Herzen, Climate Foundation

Our oceans provide jobs and food, support economic growth and bring joy and value to the lives of people globally. However, oceans are under threat from rising population numbers, resource degradation and climate change. These threats are particularly pressing for people in developing countries, who depend on fish and fish products to provide daily protein needs and on activities like aquaculture to provide basic income.

The InnovationXchange worked with global oceans experts such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and World Wildlife Fund for Nature (WWF) to assess these threats and identify where new thinking was required. We identified sustainable fish feed, aquaculture products, and farm design as ready for innovation and issued a global call for innovative solutions. From 220 applications spanning 41 countries we selected 10 winning innovations to share \$3 million to test, refine or scale their solution.

The winning innovations included EnerGaia's portable, modular container system for growing spirulina — a more sustainable alternative to existing expensive, large-scale production. EnerGaia's system offers a new method of producing spirulina, a nutritious high protein algae increasingly used in food production chains, as well as offering an alternative income stream to poor households in developing countries to set up the systems on small plots of land.

Another winning innovation, Odyssey Sensors was supported to help develop and pilot their low-cost solar powered sensor used to test salt levels in shrimp ponds. Being more affordable, the device offers small-scale farmers an accessible technology to test water conditions more accurately. This enables them to more regularly adjust water quality, maximise their shrimp production and avert mass stock die-off.

Seed funding and targeted business support will help the winning innovations be piloted and readied for scale if successful. Addressing these aquaculture challenges will also improve food security and reduce environmental degradation while generating employment and income for positive social impact.



Governance affects virtually all aspects of a country's prosperity — an effective public sector and functioning, predictable institutions provide the foundations for economic growth, private sector investment, and trade. Ineffective governance lies at the heart of most development challenges in our partner countries. It takes many forms, including barriers to justice and pervasive corruption and is often a key driver of conflict and state fragility.

Stability in our region is paramount to our security. From 2017–18, Australia will provide \$141 million over four years to support on-going security and stability in the Solomon Islands, following the conclusion of RAMSI on 30 June 2017.

The post-RAMSI support package will build on the foundation for long-term stability, put in place by RAMSI since 2003. It will support justice and governance (DFAT) as well as improve the capacity of Solomon Islands police (delivered by AFP).

Australia will continue to respond generously in times of need. Our humanitarian program saves lives, alleviates suffering and enhances human dignity — prioritising our region and the protection of the most vulnerable, including women, children and people with a disability.

We play a leadership role supporting nations in our region to prepare for, respond to and recover from disasters. We do this by working with partner governments, multilateral agencies and civil society to strengthen community resilience so the impacts of these disasters are mitigated and recovery happens as quickly as possible. This year we will launch a new five year \$50 million partnership with Australian NGOs which will enhance our ability to strengthen local preparedness and resilience in the Pacific.

In 2017–18, Australia will expand the use of multi-year funding to help build resilience of host communities and refugees and displaced persons enduring protracted conflicts and crises — \$100 million will be provided over three years to support the humanitarian response to the Iraq crisis. This funding complements the \$220 million provided from 2016–17 for a regional humanitarian response to the Syria crisis.



Relief supplies provided by Australian and UNICEF Pacific reaching communities in Tailevu, following Tropical Cyclone Winston.
Photo: DFAT

The 2030 Agenda for Sustainable Development (2030 Agenda) — a global agreement Australia helped to shape along with 192 other United Nations (UN) member states — was adopted in September 2015 (See Appendix 1: The 2030 Agenda for Sustainable Development).

Australia's aid program is well aligned with the 2030 Agenda and is supporting progress towards the SDGs. In particular, the six investment priorities of Australia's aid program directly align with the goals:

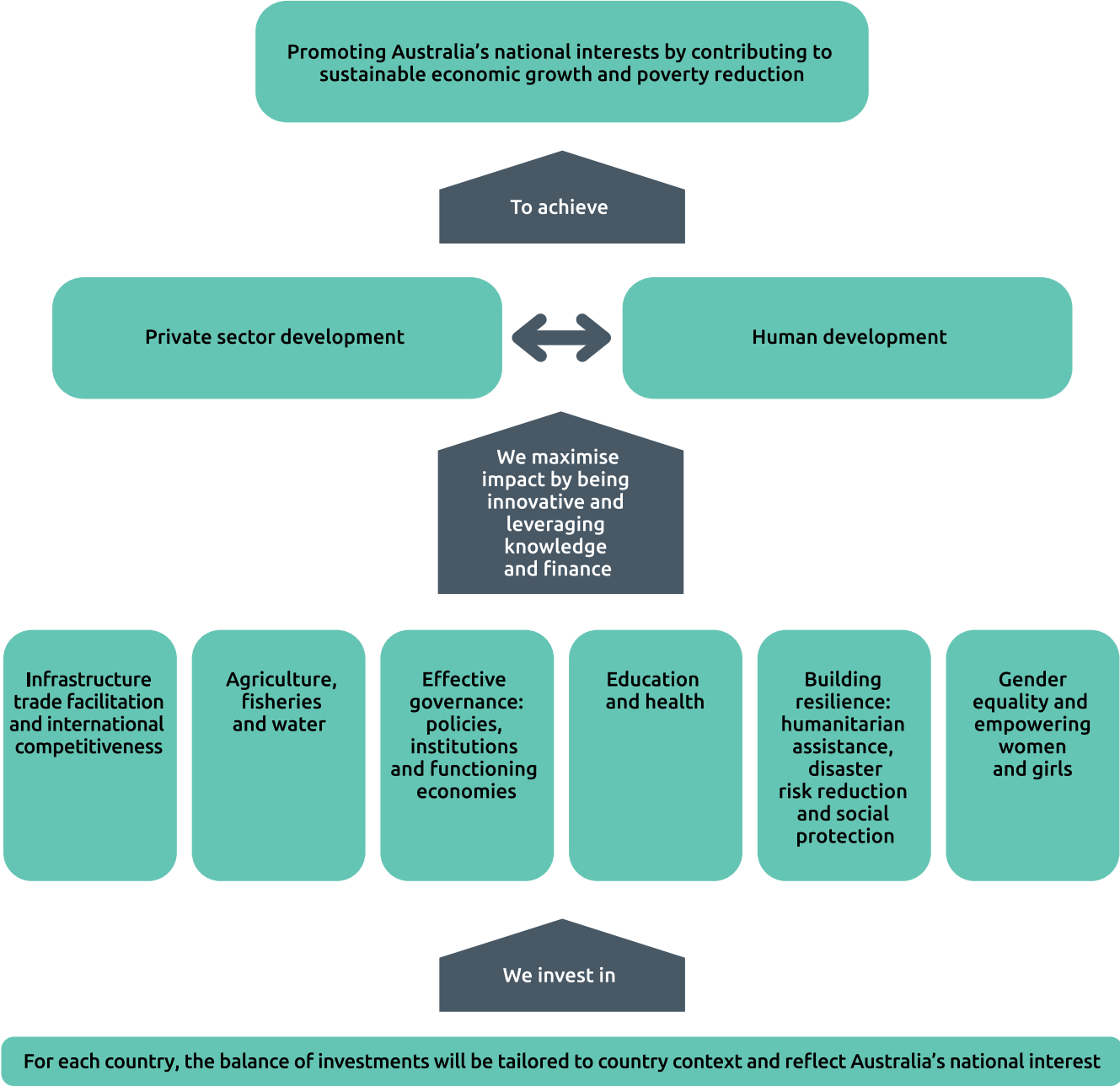
- » Infrastructure, trade facilitation and international competitiveness (global goals 2, 7, 8, 9, 11 and 17);
- » Agriculture, fisheries and water (global goals 1, 2, 6, 12, 13, 14 and 15);
- » Effective governance: policies and institutions and functioning economies (global goals 8, 10, 16 and 17);
- » Education and health (global goals 3, 4, 5 and 6);
- » Building resilience: humanitarian assistance, disaster risk reduction and social protection (global goals 1, 11 and 13); and
- » Gender equality and empowering women and girls (global goals 1, 3, 4, 5, 8 and 16).

The Australian Government is helping developing countries make progress towards the 2030 Agenda. We have invested more than 20 per cent of the aid program to strengthen governance in our region (global goal 16) and are committed to ensuring at least 80 per cent of aid investments, in all sectors, effectively address gender as part of their implementation (global goal 5).

The AAAA on Financing for Development is a critical part of the 2030 Agenda. Australian Government initiatives advancing the AAAA include increasing our aid-for-trade to 20 per cent of the aid budget by 2020 (global goal 8) and helping developing country partners increase their domestic resource mobilisation (revenues), including through the Addis Tax Initiative.

The Australian Government aid program delivers results, represents value-for-money and is transparent — it is guided by its performance framework *Making performance count: enhancing the accountability and effectiveness of Australian aid*. We actively scrutinise the aid program, presenting results annually in Performance of Australian Aid. In addition, Australia publishes detailed statistics on where we have focussed our aid in *Australian Engagement with Developing Countries*.

Strategic framework for the aid program





Oxfam Inclusion Project has brought together 50 people from communities, civil societies and governments joining us from Laos, Cambodia, Vietnam and Myanmar for a learning event on community water management in the Mekong region.
Photo: TIEP Sheia, Oxfam

Australian ODA by country, regional and global programs

Table 1: Allocations by country, regional and global programs
(2016–17 and 2017–18 Budget Estimate)

Program	2016–17 Budget Estimate \$m	2017–18 Budget Estimate \$m
Papua New Guinea ¹	477.3	472.9
Solomon Islands	92.7	92.7
Vanuatu	41.9	41.9
Fiji ²	51.0	40.4
Samoa	23.6	23.6
Nauru	21.2	21.2
Kiribati	20.2	20.2
Tonga	17.6	17.6
Tuvalu	6.6	6.6
Cook Islands	1.9	1.9
Niue and Tokelau	1.8	1.8
North Pacific	5.0	5.0
Pacific Regional	149.8	166.4
Pacific Total	910.6	912.3
Indonesia	296.0	296.0
Timor-Leste	68.0	68.0
Philippines	67.0	67.0
Cambodia	62.4	62.4
Vietnam	58.4	58.4
Myanmar	42.1	42.1
Laos	20.6	20.6
Mongolia	5.9	5.9
ASEAN and Mekong	29.6	32.6
South-East and East Asia Regional	7.6	8.6
South-East and East Asia Total	657.5	661.5
Afghanistan	78.5	80.0
Bangladesh	42.1	42.1
Pakistan	39.4	39.4
Sri Lanka	19.9	19.9
Nepal	15.6	15.6
Bhutan	2.1	2.1
Maldives	1.8	1.8
South and West Asia Regional	17.8	19.8
South and West Asia Total	217.2	220.7

Program	2016–17 Budget Estimate \$m	2017–18 Budget Estimate \$m
Palestinian Territories	20.5	20.5
Sub-Saharan Africa	31.8	31.8
Africa and the Middle East Total	52.3	52.3
Gender Equality Fund	55.0	55.0
Regional Scholarships and Education	101.8	101.8
Health, Water and Sanitation	62.3	62.3
Infrastructure and Rural Development	40.1	44.5
Governance	10.5	13.8
Fisheries and Agriculture	9.3	9.3
Innovation Fund	50.0	50.0
Disability	12.9	12.9
Direct Aid Program (DAP)	22.0	22.0
Other Cross Regional Programs	22.7	24.9
Cross Regional Total	331.6	341.4
DFAT ODA – Country and Regional Programs	2,224.3	2,242.7
Disaster Risk Reduction, Preparedness and Response	39.0	39.0
Protracted Crises and Strengthening Humanitarian Action	38.4	78.4
Emergency Fund	130.0	150.0
Global Humanitarian Partnerships	132.3	132.3
Humanitarian, Emergencies and Refugees Total	339.7	399.7
United Nations Development Programme (UNDP)	12.7	12.7
United Nations Children's Fund (UNICEF)	21.0	21.0
United Nations Population Fund (UNFPA)	9.2	9.2
United Nations Programme on HIV and AIDS (UNAIDS)	4.5	4.5
World Health Organization (WHO)	12.4	12.4
UN Women	7.8	7.8
Commonwealth Organisations	7.2	7.2
Contribution to Global Health Program ³	56.1	134.5
Contribution to Global Education Partnerships ³	10.0	15.0
Contribution to Green Climate Fund ³	20.0	20.0
Other ODA eligible contributions ⁴	37.8	32.9
UN, Commonwealth and Other International Organisations Total	218.7	277.2

Program	2016–17 Budget Estimate \$m	2017–18 Budget Estimate \$m
Global NGO Programs	130.4	132.4
Australian Volunteers Program	39.6	42.6
Community Engagement and International Research	8.4	8.4
NGO, Volunteer and Community Programs Total	178.4	183.4
Cash payments to Multilaterals	401.4	390.6
DFAT ODA — Global Programs	1,118.2	1,251.5
DFAT ODA — Departmental	242.9	248.9
Other Government Departments	300.0	236.8
Adjustments	-57.5	-67.5
Total Australian ODA	3,827.8	3,912.4

- 1 PNG's allocation includes funding for the Joint Understanding of \$49.4m in 2016–17, and \$45.0m in 2017–18. The bilateral allocation is \$427.9m in both years.
- 2 Fiji's allocation in 2016–17 includes an additional \$16.0m for Tropical Cyclone Winston. \$5.4m of this funding was carried forward to 2017–18. Fiji's bilateral allocation is \$35.0m in both years.
- 3 Payments aligned with multi-year replenishment schedule. There has been no reduction to Australian commitments.
- 4 Includes ODA eligible portions of contributions to the United Nations and other international organisations.

Australian ODA by country and region of benefit

Table 2: Total Australian ODA by country and region of benefit

(2016–17 and 2017–18 Budget Estimate)

Country and Region*	2016–17 Budget Estimate \$m	2017–18 Budget Estimate \$m
Papua New Guinea	558.3	546.3
Solomon Islands	162.0	142.2
Vanuatu	62.5	69.8
Fiji	76.9	65.6
Samoa	37.8	37.2
Tonga	29.6	30.4
Kiribati	28.7	30.9
Nauru	25.5	25.4
Tuvalu	9.2	8.7
Cook Islands	3.4	3.2
Niue and Tokelau	3.1	2.9
North Pacific	9.8	8.0
Pacific Regional	131.6	127.3
Pacific Total	1,138.4	1,097.8
Indonesia	365.7	356.9
Timor-Leste	93.7	96.1
Cambodia	90.0	87.4
Vietnam	83.6	84.2
Philippines	81.9	85.0
Myanmar	59.8	66.4
Laos	40.7	42.3
Mongolia	10.0	10.9
South-East and East Asia Regional	62.3	53.8
South-East and East Asia Total	887.7	883.0
Afghanistan	82.7	80.9
Bangladesh	56.1	57.9
Pakistan	47.0	47.1
Nepal	34.0	31.9
Sri Lanka	27.5	27.7
Bhutan	7.3	9.2
Maldives	5.3	3.8
South and West Asia Regional	23.0	25.4
South and West Asia Total	282.8	283.9

Country and Region*	2016–17 Budget Estimate \$m	2017–18 Budget Estimate \$m
Palestinian Territories	43.6	43.8
Middle East and North Africa	51.8	101.6
Sub-Saharan Africa	89.5	108.2
Africa and the Middle East Total	184.9	253.6
Latin America and the Caribbean Total	11.0	5.9
Core contributions to multilateral organisations and other ODA not attributable to particular countries or regions	1,322.9	1,388.1
Total Australian ODA	3,827.8	3,912.4

* This table shows total Australian ODA from all agencies and programs attributable to partner countries and regions. This includes DFAT country program allocations, flows from DFAT regional and global programs, and expenditure by other government departments and agencies. Funding allocated to the Gender Equality Fund and humanitarian Emergency Fund at Budget is distributed to appropriate country and regional programs to reflect actual and planned expenditure.