



Australian Government
Department of Foreign Affairs and Trade



AUSTRALIAN AID BUDGET SUMMARY 2018-19



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Cover: At nine months pregnant, Hanida was one of 680 000 Rohingya who fled to Cox's Bazar. Through Save the Children, Australian Aid helped her and her family access healthcare and food. Photo: Save the Children Fund

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MINISTERS' FOREWORD



In 2018–19, Australia will provide \$4.2 billion in Official Development Assistance (ODA).

Australian aid supports the objectives of the Government's *Foreign Policy White Paper* (the White Paper) launched in November 2017. Focused on the Indo-Pacific, our assistance serves our national interests by contributing to sustainable economic development and poverty reduction. We support better state

capability to improve governance and promote private sector-led growth and gender equality. We assist countries to guard against the spread of infectious diseases, to build resilience to natural disasters and to fight threats such as extremism. Our development assistance increases the influence that Australia brings to bear on pressing regional and global problems, including support to the international rules-based order.

In 2018–19, we are stepping up our support for a more secure and prosperous Pacific. We will increase our development assistance to the Pacific to \$1.3 billion—our highest ever contribution to the region. We will enhance economic opportunities for Pacific workers with expanded labour mobility programs, providing a pathway towards greater financial security for their families. We will establish a new Australia Pacific Security College to provide leadership training in security and law enforcement. We will commence the pilot phase of the Australia-Pacific BRIDGE School Partnerships Program, strengthening relationships with the Pacific.

Our aid will be transformative, providing the basis for economic growth. We have met our aid for trade target of 20 per cent of the total aid budget two years early. We will construct an undersea telecommunications cable in partnership with Papua New Guinea (PNG) and Solomon Islands, creating a secure communication asset to enhance their global economic opportunities. Our aid will be innovative. With the innovationXchange, we will continue to harness new ideas, skills, and resources to achieve the greatest impact. Our aid will join communities. We will commence a new community grants scheme—Australian Aid: Friendship Grants—valued at \$10 million over three years, to enable new partners within the diverse Australian development community to expand and enhance their existing overseas aid activities.

As announced in the White Paper, Australia's humanitarian assistance funding will increase to \$410 million in 2018–19 and as part of our commitment to increase to \$500 million per annum. Our humanitarian funding next financial year will include \$87.2 million for protracted emergencies, in response to record levels of humanitarian need and significant global displacement. Our new deployment capability—Australia Assists—will bolster our ability to respond to crises, with funding of \$82.2 over seven years.

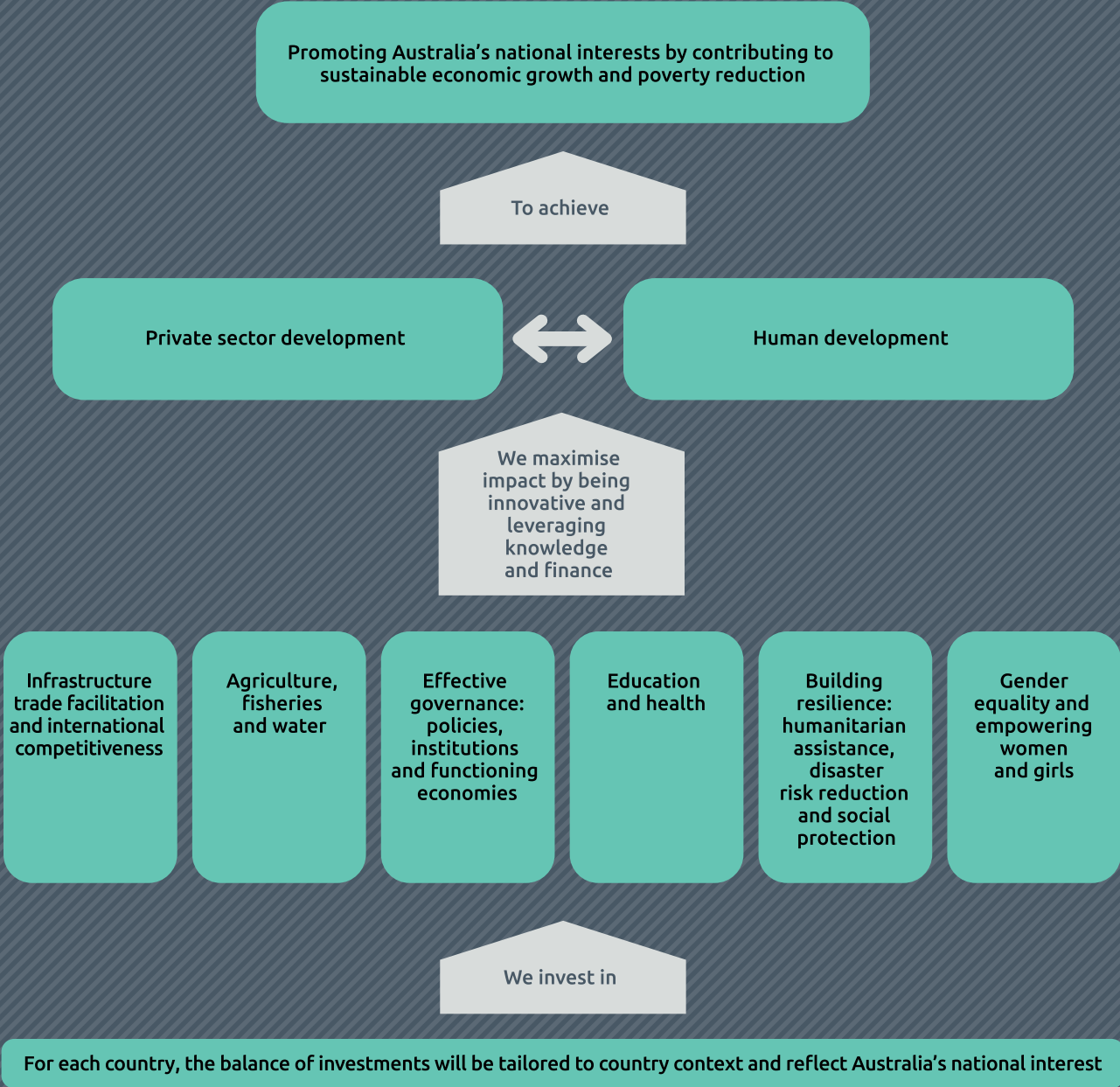
Gender inclusiveness is a priority for the Australian aid program, recognising that societies who protect human rights and promote gender equality are much more likely to be vibrant, productive and stable communities. The Women's Leadership Initiative, \$5.7 million over five years, supports the mentoring of young and aspirational women from the Pacific to become community and regional leaders. We will support the access of women entrepreneurs to finance through a new World Bank global initiative, providing financial assistance of \$6.5 million in 2018–19.

As we look to the future, we will build on our long history of collaboration with our closest neighbours to address current and future challenges, improve livelihoods and boost economic resilience.

The Hon Julie Bishop MP
Minister for Foreign Affairs

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

Figure 1: Strategic framework for the aid program



OVERVIEW OF AUSTRALIAN AID

What is Australian aid?

Australian aid is a whole-of-Australia commitment to reducing poverty and lifting the living standards of developing countries, predominately in the Indo-Pacific region. Australian aid is a partnership between all levels of government and between the Australian government, business and civil society. Australia's aid program is delivered in accordance with the Australian Government's policy—*Australian aid: promoting prosperity, reducing poverty, enhancing stability*. It is part of Australia's broader foreign policy, as articulated in the White Paper—the blueprint for our international engagement for the next decade. These framing documents define our development program's focus as the building of a stable and prosperous Indo-Pacific region.

Four tests guide our investment choices across the development program, translating our strategic framework into implementation practice:

- » Is this in our national interest?
- » Will this promote inclusive growth and reduce poverty?
- » Does Australia's contribution add value and leverage?
- » Will this deliver results and value for money?

Why have an Australian aid program?

Australia's development assistance contributes to sustainable economic growth and poverty reduction, especially in the Indo-Pacific. This both supports the strong and direct national interest we have in stability and prosperity in our region and reflects our values as a nation.

Geographically, Australia sits in a region that is home to countries with significantly different economic growth prospects. While some of our partners in Asia are experiencing dynamic economic growth and a growing middle class, many still have significant pockets of poverty, rising levels of inequality and domestic unrest. Other partners, including in the Pacific, have fewer prospects for sustainable high economic growth and desire to enhance their economic integration and economic resilience. Eleven of our top 15 bilateral development partners are fragile and/or conflict affected. Our region is home to 40 per cent of natural disasters and 84 per cent of people affected by natural disasters worldwide.¹

In addition, the balance of economic and political power is shifting, and economies are becoming more connected. The increasing mobility of goods, capital, people and information, as well as a growing interdependence of production and delivery systems, means that shocks increasingly transcend borders. Global and regional health, climatic and conflict shocks will continue to challenge global institutions, governments and communities to respond in a coordinated, flexible, adaptive and timely way.

Our development program is one of the ways Australia can respond to these pressures. In this context, the development program is more important for Australia than it has ever been. While our development program cannot guarantee a stable region, it provides significant ballast against instability in many of the region's weaker states by advancing economic reforms, improving governance and countering violent extremism. Investment in our region supports partner governments to build healthy, educated and skilled populations, supported by the necessary infrastructure and governance frameworks to foster prosperity.

¹ United Nations Office for the Coordination of Humanitarian Affairs, *2016 Year in Review*.

Our investment through the Australian Aid program in improving the levels of disaster risk reduction in our partners is a sensible precaution for Australia with evidence suggesting that \$1 invested in risk reduction can save up to \$15 in the aftermath of a disaster.

As a globally engaged and resource-rich nation with a relatively small population, trade is an important contributor to our prosperity. When countries in our region experience sustainable growth, Australia also prospers. Through the Australian Aid program, we work closely with partner governments, being flexible and responsive to provide quality aid to support stability and growth and become a trusted partner. Australian Aid helps individuals, families and communities in their local economies.

More broadly, the development program enables us to demonstrate our credentials as a responsible global citizen and meet global commitments. This, in turn, enhances our standing and influence in global and regional debates.

Our aid program is well-targeted

The Indo-Pacific region is critical for Australia's future economic prosperity and security. Our region still hosts almost half of the world's poorest people (in developing Asia there are still 330 million people living on less than US\$1.90 a day). While poverty levels in the region declined by more than 20 per cent between 2002 and 2013, those living on incomes between US\$1.90 and US\$10 a day—who are still vulnerable to falling back into poverty—comprise a significant percentage of the populations of many of our neighbours. This limits the capacity of governments to build a healthy and educated workforce that can move into middle class.²

Activities funded through our development program that bring financial resources and expertise to regional and global problems are a win-win. The development program provides an opportunity to promote Australia's expertise and develop deep links with countries in our region.

In the Pacific, real average income per capita has increased by less than 10 per cent since 1990 compared with about 150 per cent in Asia's emerging market economies. Pacific island country economies are heavily impacted by natural disasters.

Given the immutable issues of small size, dispersed populations and fragile economies, the approach of the Australian Aid program in the Pacific is to expand opportunities for our neighbours through greater integration. Our Pacific development program is working to enable economic cooperation, including through labour mobility, tackling security challenges, and strengthening people-to-people links.

In Asia, there is still an important role for Australian Aid to support the transition of emerging market economies in the region. The more people move from poverty—through the vulnerable stage and firmly into middle class—the greater the opportunity for Australia as an engaged trading partner.

Our development program recognises this reality. In Asia, we have moved to an economic partnership approach. This focuses on human capital investment and policy reform, including budget management and tax system design and improving trade and investment.

² Asian Development Bank, Key Indicators for Asia and the Pacific 2017, September 2017.

How does Australia's aid program work?

Bilateral engagement

The greater part of Australia's development program is delivered bilaterally, with Australia partnering with governments in the region.

Australia works to build strong and enduring relationships with countries in our region. We share the same goals, working together to support development by promoting prosperity, reducing poverty and enhancing stability. We collaborate on program design and implementation, and we share lessons when evaluating our endeavours. Together, we seek to support the poor, including the marginalised such as people with disabilities, ethnic minorities, indigenous people, and women and girls, to take up the opportunities provided by a dynamic growing economy.

Global engagement

Multilateral organisations form an important component of the international rules-based order. They set norms and standards and promote global cooperation on development issues. Australia provides funds to multilateral organisations and global programs to extend our reach, our leverage, and the impact of our funds. This support also promotes collective responses to challenges that cannot be solved by countries acting by themselves.

Sectoral focus

Australia has programs that focus on sectoral issues. In some areas, such as in health, education, infrastructure and water, it makes more sense to deliver programs across many countries or the whole region. This can involve the provision of programs on issues that do not fit neatly into national borders. Communicable and vector borne-diseases, for instance, cross borders so a sectoral approach, sometimes paired with a bilateral program, is necessary. Australia is considered a world expert in areas such as water management, and we harness that expertise in our programs.

Who we work with

The strength and diversity of Australian's connections to the world mean that partnerships are essential to Australia's broader foreign policy and to an effective development program.

The Australian Government competitively contracts aid delivery work to Australian and international companies and not-for-profit organisations which use their expertise to deliver development assistance and to work with local people to continue the benefits long after contracts end.

We work with non-government organisations (NGOs), both Australian and international, that have demonstrated their ability to deliver results, offer value for money, and have strong local partnerships that support collaboration, capacity building and sustainability. We seek to build on the local knowledge and connections of NGOs, as well as their development expertise and ability to influence change.

Australia provides core funding to the Multilateral Development Banks (the World Bank Group and the Asian Development Bank) in support of their development and poverty alleviation mandate. During replenishments, Australia actively advocates for the interests of the Pacific, for example, the 2017 Replenishment for the World Bank concessional arm, the International Development Association (IDA), resulted in the Pacific receiving an almost four-fold increase in minimum annual allocations. Also, through our membership on their boards, Australia can ensure that important issues, such as disaster risk reduction, climate change, gender equality and disability inclusiveness, are embedded into their policies and practices.

2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development (2030 Agenda) is a framework for development engagement. It provides a shared agenda to build and strengthen international relationships at a time of reform and change. It is not just for and about government. It involves the private sector, civil society, academia and international organisations and cuts across the aid, trade, security and foreign policy aspects of Australia's international engagement.

The 2030 Agenda includes 17 Sustainable Development Goals (SDGs or Goals) addressing economic, social and environmental aspects of development. It is paired with the Addis Ababa Action Agenda which focuses on using all sources of development finance (not just development assistance), including tax revenue, enhanced trade, and private sector investment to finance development.

We work with partners to achieve the SDGs in our development program, including through aid for trade, to catalyse sustained and inclusive economic growth.

Australia will deliver its first voluntary national review on our progress towards the 2030 Agenda in 2018, covering our achievements, priorities and challenges—domestically and internationally.

Robust performance systems

Australians want assurance that taxpayer funds are used correctly and in ways that are in our interests.

We have a strong focus on performance reporting, evaluation, innovation and research.

The Australian Aid program is subject to regular and extensive oversight of financial and program accountability.

Effectiveness and achievements

The Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD DAC) undertakes five yearly reviews of member country's development co-operation policies and systems, to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries.

A recent peer review by the OECD DAC³ assessed Australia as having a comprehensive, well-managed performance and reporting architecture that is closely tied to high-level policy objectives. This endorsement is shared by the Chair of Department of Foreign Affairs and Trade's (DFAT's) Independent Evaluation Committee, who cites Australia's aid performance management system as among global best practice.

Annually, the Australian Government reports on the effectiveness and achievements of the Aid Program in DFAT's Annual Report, Performance of Australian Aid Report and Australian Engagement with Developing Countries publication.

The Office for Development Effectiveness (ODE) conducts strategic evaluations to inform Australia's development assistance policies and practice. ODE also routinely assesses and reports on the quality and robustness of aid performance management systems.

Outline of this report

This report presents eight chapters and four appendixes.

Chapters 1 to 4 detail Australia's ODA allocations geographically—the Pacific, South-East and East Asia, South and West Asia, and Africa and the Middle East.

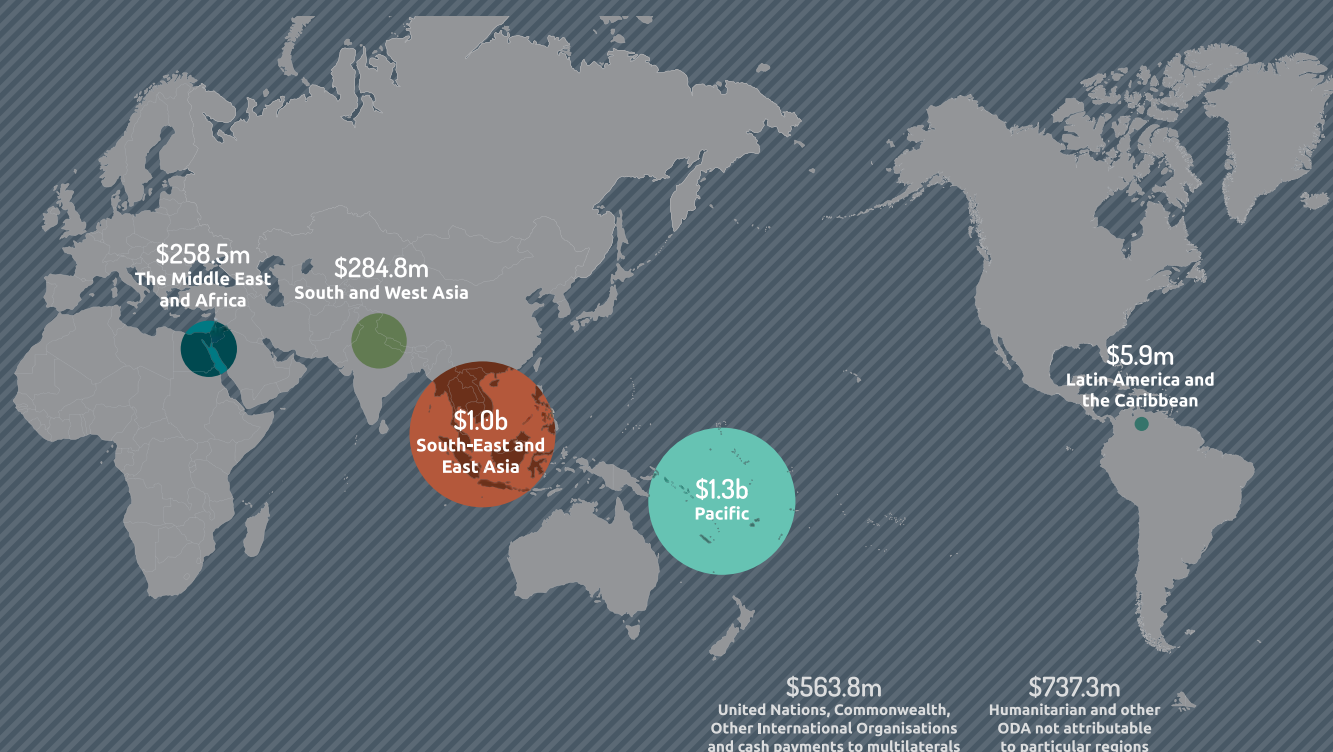
Chapters 5 to 7 details Australia's ODA allocations that cut across themes and regions.

Chapter 8 summarises the major activities undertaken by Australian government departments for the development assistance program, other than DFAT.

3 DAC OECD Development Co-operation Peer Reviews: Australia 2018

2018-19 TOTAL AUSTRALIAN OFFICIAL DEVELOPMENT ASSISTANCE BY REGION*

\$4.2 BILLION



Australian ODA by investment priority**



With Australia's support



**PACIFIC
STEP-UP INITIATIVES**

\$42.6m

2018-19



**GLOBAL
HUMANITARIAN AND
PROTRACTED CRISES**

\$410m

2018-19



**INDO-PACIFIC
FRIENDSHIP GRANTS**

\$10m

2018-19 TO 2020-21

* Total Australian ODA, from all agencies and programs, attributable to regions.

** Excludes departmental and adjustments.

KEY TABLES

Australian Official Development Assistance by country, regional and global programs

Table 1: Allocations by country, regional and global programs
2017–18 and 2018–19 Budget Estimate

Program	2017–18 Budget Estimate \$m	2018–19 Budget Estimate \$m
Papua New Guinea ¹	472.9	519.5
Solomon Islands	92.7	146.1
Vanuatu	41.9	41.9
Fiji ²	40.4	35.0
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	166.4	206.6
Pacific total	912.3	1,047.0
Indonesia	296.0	266.4
Timor-Leste	68.0	73.0
The Philippines	67.0	67.0
Vietnam	58.4	58.4
Cambodia	62.4	56.1
Myanmar	42.1	42.1
Laos	20.6	20.6
Mongolia	5.9	5.9
ASEAN and Mekong	32.6	32.6
South-East and East Asia Regional	8.6	14.6
South-East and East Asia total	661.5	636.7
Afghanistan	80.0	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	19.8	19.8
South and West Asia total	220.7	220.7

Program	2017–18 Budget Estimate \$m	2018–19 Budget Estimate \$m
Sub-Saharan Africa	31.8	31.8
The Middle East and North Africa (includes the Palestinian Territories)	20.5	20.5
The Middle East and Africa total	52.3	52.3
Gender Equality Fund	55.0	55.0
Regional Scholarships and Education	101.8	101.8
Health, Water and Sanitation	132.3	108.1
Infrastructure and Rural Development	44.5	46.0
Innovation Fund	50.0	35.0
Other sectoral programs	82.8	143.6
Indo-Pacific Sectoral programs total	411.4	434.5
Country and Regional programs total	2,313.3	2,446.2
Disaster Risk Reduction, Preparedness and Response	39.0	39.0
Protracted Crises and Strengthening Humanitarian Action	78.4	87.2
Emergency Fund	150.0	150.0
Global Humanitarian Partnerships	132.3	133.5
Humanitarian, emergencies and refugees total	399.7	409.7
United Nations Development Programme	12.7	12.7
United Nations Children's Fund	21.0	21.0
United Nations Population Fund	9.2	9.2
United Nations Programme on HIV and AIDS	4.5	4.5
World Health Organization	12.4	12.4
UN Women	7.8	7.8
Commonwealth Organisations	7.2	7.2
Contribution to Global Health Program ³	64.5	65.0
Contribution to Global Education Partnerships ³	15.0	16.0
Contribution to Green Climate Fund ³	20.0	19.2
Other ODA eligible contributions ⁴	32.9	44.9
UN, Commonwealth and Other International Organisations total	207.2	219.9
Global NGO Programs	132.4	135.6
Australian Volunteers Program	42.6	42.6
Community Engagement and International Research	8.4	8.4
NGO, volunteer and community programs total	183.4	186.6

Program	2017–18 Budget Estimate \$m	2018–19 Budget Estimate \$m
Cash payments to multilateral organisations	390.6	358.6
Global programs total	1,180.8	1,174.7
Departmental	248.9	255.2
Other Government Departments	236.8	204.0
Other Government Departments—Asian Infrastructure Investment Bank (AIIB)⁵	–	161.1
Adjustments	-67.5	-80.1
Total Australian ODA	3,912.4	4,161.1

1 PNG's allocation includes funding for the Joint Understanding \$45.0 million in 2017–18 and \$62.0 million in 2018–19.

2 Fiji's allocation includes \$5.4 million for Tropical Cyclone Winston in 2017–18.

3 Payments align with multi-year replenishment schedule. There has been no reduction to Australian commitments.

4 Includes ODA eligible portions of contributions to the UN and other international organisations.

5 ODA eligible portion of the Australian Government contribution to the Asian Infrastructure Investment Bank (AIIB), managed by the Treasury.

Australian Official Development Assistance by country and region of benefit

Table 2: Total Australian ODA by country and region of benefit
2017–18 and 2018–19 Budget Estimate

Country and region*	2017–18 Budget Estimate \$m	2018–19 Budget Estimate \$m
Papua New Guinea	546.3	572.2
Solomon Islands	142.2	187.0
Vanuatu	69.8	62.3
Fiji	65.6	58.1
Samoa	37.2	35.5
Nauru	25.4	25.9
Kiribati	30.9	29.4
Tonga	30.4	27.9
Tuvalu	8.7	9.7
Cook Islands	3.2	3.4
Niue and Tokelau	2.9	2.9
North Pacific	8.0	8.0
Pacific Regional	127.3	261.3
Pacific total	1,097.8	1,283.6
Indonesia	356.9	316.2
Timor-Leste	96.1	91.8
The Philippines	85.0	85.4
Vietnam	84.2	84.2
Cambodia	87.4	83.6
Myanmar	66.4	76.9
Laos	42.3	41.3
Mongolia	10.9	9.6
South-East and East Asia Regional	53.8	238.3
South-East and East Asia total	883.0	1,027.2
Afghanistan	80.9	80.2
Bangladesh	57.9	59.8
Pakistan	47.1	49.2
Sri Lanka	27.7	28.6
Nepal	31.9	30.6
Bhutan	9.2	7.0
Maldives	3.8	2.6
South and West Asia Regional	25.4	26.9
South and West Asia total	283.9	284.8

Country and region*	2017–18 Budget Estimate \$m	2018–19 Budget Estimate \$m
Sub-Saharan Africa	108.2	121.1
The Middle East and North Africa (includes the Palestinian Territories)**	145.4	137.4
The Middle East and Africa total	253.6	258.5
Latin America and the Caribbean total	5.9	5.9
Core contributions to multilateral organisations and other ODA not attributable to particular countries or regions	1,388.1	1,301.2
Total Australian ODA	3,912.4	4,161.1

* Total Australian ODA attributable to partner countries and regions. Funding allocated to the Gender Equality Fund and Humanitarian Emergency Fund at Budget is attributed to appropriate country and regional programs to reflect actual and planned expenditure.

** Includes Iraq, Syria, and other flows to the region.