

**AUSTRALIA'S OVERSEAS
AID PROGRAM
2002-03**

STATEMENT BY
THE HONOURABLE ALEXANDER DOWNER MP
MINISTER FOR FOREIGN AFFAIRS
14 MAY 2002

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ABBREVIATIONS AND ACRONYMS

ACIAR	Australian Centre for International Agricultural Research
ADRP	AusAID Development Research Program
ADF	Asian Development Fund
AMS	Activity Management System
ANCP	AusAID/NGO Cooperation Program
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors for Development
CHOGM	Commonwealth Heads of Government Meeting
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Assistance Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEF3	Third Global Environment Facility Replenishment
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICTs	Information and Communication Technologies
IDA	International Development Association
IMF	International Monetary Fund
IM&T	Information Management and Technology
ITTO	International Tropical Timber Organisation
MDB	Multilateral Development Bank
MPMF	Montreal Protocol Multilateral Fund
NGO	Non-Government Organisation
OA	Official Assistance
ODA	Official Development Assistance

OECD	Organisation for Economic Cooperation and Development
OGD	Other Government Departments
PNG	Papua New Guinea
QAG	Quality Assurance Group
STD	Sexually Transmitted Disease
TB	Tuberculosis
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United National Relief and Works Agency
USP	University of the South Pacific
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

FOREWORD

The aim of the Australian aid program is to advance our national interest by assisting developing countries to reduce poverty and achieve sustainable development. Australia's development assistance has a strong emphasis on economic growth and good governance in helping countries to develop more effective, transparent and accountable institutions. It will assist the most vulnerable and help the poor to increase their productivity.

In 2002-03, the Australian Government will provide \$1.815 billion as official development assistance (ODA). This is an increase of nearly \$90 million over the 2001-02 budget figure of \$1.725 billion, and represents a three per cent rise in real terms. The ratio of Australia's ODA to Gross National Income (GNI) for 2002-03 is estimated at 0.25 per cent, placing Australia consistently above the donor average which in the latest year available (2001) was 0.22 per cent.

PEACE AND STABILITY IN THE ASIA-PACIFIC REGION

Australia's aid program in 2002-03 will retain its strong focus on the Asia-Pacific region where it makes an important contribution to regional peace and stability as well as to poverty reduction. Never before have the links between poverty and conflict been more apparent. Violent conflicts reverse development gains and cause poverty, while high levels of poverty increase the risk of violent conflict. Programs that promote sustainable development and reduce poverty help create an environment for peace. Development assistance can also play a direct and practical role in promoting peace and overcoming conflict, as has been demonstrated through Australia's contribution to peace in Bougainville over the past few years.

In 2002, the Government will adopt a new policy on peace, conflict and development cooperation. Delivering an aid program that adopts a comprehensive approach to conflict prevention and working for peace, conflict reduction and management, and recovery in the aftermath of conflict will be a priority for 2002-03 and the coming years.

Key features of Australia's aid to the Asia-Pacific region in 2002-03 include:

- increasing total aid flows to the Pacific to \$165 million
- increasing Australian programmed assistance to the Solomon Islands to \$25 million within a total program of \$36.2 million to help deal with the serious economic, social and law and order problems arising from the country's turmoil
- resuming a full bilateral aid program to Fiji with total aid expected to reach \$19.7 million. The program will promote stability, through strengthening basic services and increasing confidence in the law and justice sector

- increasing total aid to Vanuatu to \$22.1 million. The program will support the Vanuatu Government's efforts to address the risks to prosperity and stability including through strengthening the police and judicial sector
- continuing to provide substantial support to Papua New Guinea (PNG) to help sustain the momentum for reform
- providing total aid program funding of \$36 million as part of Australia's continuing commitment to East Timor's nation building in its first year of independence
- maintaining Australia's aid commitment to Indonesia with total funding of \$121.6 million. The program will assist Indonesia to implement its reform agenda. This will include support for improving economic and financial management, decentralised planning and service delivery
- increasing total aid to Burma to \$6.2 million. The program will focus initially on improving basic health services, given the humanitarian crisis that is engulfing the country
- continuing to provide assistance to Afghanistan as part of the \$40.3 million humanitarian and reconstruction package announced in January 2002.

Late last year I hosted a successful gathering of Ministers from the region to discuss the broader implications of HIV/AIDS and development. The meeting recognised the need to establish an Asia-Pacific Leadership Forum on HIV/AIDS and Development, to continue active political leadership in responding to the epidemic. In 2002-03 Australia will support the forum through a \$350,000 contribution, continue to raise awareness of the urgency for action with regard to HIV/AIDS and focus on implementing the \$200 million, six-year HIV/AIDS program I announced in June 2000. Approximately \$38.5 million worth of bilateral and regional HIV/AIDS activities will be supported in 2002-03.

ASSISTANCE FOR REFUGEES AND EMERGENCIES

A special \$15 million international refugee allocation will be made in 2002-03 to support programs of international agencies to assist refugees and internally displaced people. The Government will also increase funding for emergencies by \$15 million to \$52.4 million. This will strengthen the aid program's capacity to respond to the human suffering caused by natural disasters, armed conflict and economic and political crises both in our region and more broadly. This is provided alongside the \$49 million earmarked for humanitarian programs in 2002-03. The increased funding for emergency, humanitarian and refugee programs in 2002-03 will enable Australia to continue its strong support for the Afghanistan crisis. The Middle East will also remain a priority with Australia's aid commitment to the Middle East expected to increase to \$11.9 million in 2002-03.

THE CHALLENGE OF GLOBALISATION

Globalisation presents both opportunities and challenges for developing countries. Through technical cooperation and policy dialogue, Australia is helping developing countries strengthen their capacity to participate in global and regional trading arrangements and take advantage of new trade opportunities. Since 1996-97, aid program funding for direct trade-related technical assistance and capacity building has increased by more than 36 per cent, to nearly \$25 million in 2002-03.

The launch of a new round of multilateral trade negotiations in Doha late last year makes this assistance even more critical. Australia has responded to the Doha Development Agenda with a number of major initiatives. As announced by the Prime Minister at the Commonwealth Heads of Government Meeting (CHOGM) 2002, we have pledged \$460,000 to the Global Trust Fund that was set up to support World Trade Organisation (WTO) technical assistance activities in developing countries and agreed to provide \$500,000 to support representation and information services in Geneva for small states. A training program for trade negotiators from African countries was run in May this year and will be followed with further trade policy training in other parts of Africa and the Asia-Pacific region. Other activities to build trade capacity in support of the Doha agenda are being developed through both bilateral and regional programs.

Developing countries will need to increase access to information and communication technologies (ICTs) if they are to take full advantage of the opportunities presented by globalisation. The 2002-03 financial year will see the momentum increase for the Virtual Colombo Plan, a \$200 million, five-year initiative between the World Bank and the Australian Government that promotes access to education and information in developing countries through the use of ICTs. In 2002-03 Australia will spend \$31 million on the Virtual Colombo Plan.

DEBT RELIEF

Australia is a strong supporter of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, which is a comprehensive international strategy to provide debt relief to the world's poorest countries with sound policy, institutional and poverty reduction frameworks. It also strengthens the links between debt relief and poverty reduction. Australia has made an additional commitment of \$18 million over three years to support the HIPC initiative, bringing Australia's total support for HIPC to \$77 million.

VOLUNTEERS

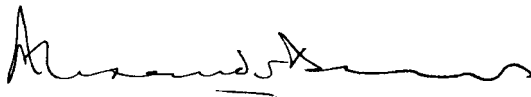
The Government's strong support for the vital role that volunteers bring to development will be further enhanced in 2002-03. Volunteers return to Australia with a greater appreciation of the cultures, economies and development needs in our region.

The Australian Youth Ambassadors for Development program has been particularly successful and remains very popular with neighbouring countries, providing them with access to the skills of young Australian professionals. The Youth Ambassadors program is also benefiting Australia by providing young Australians with the opportunity to develop their adaptability, resourcefulness and leadership skills in an international setting. In 2002-03, funding for volunteers, including the Youth Ambassadors Scheme, Australian Volunteers International and AESOP Business Volunteers, will increase by \$1.9 million to reach a total of \$20.5 million, the highest level yet.

CONCLUSION

A high priority for the aid program is continuous improvement in the impact of our aid. This requires focusing the aid budget on programs that have the greatest impact on reducing poverty and achieving sustainable development. It also requires strengthening the planning, design and implementation of projects to achieve better aid outcomes.

The 2002-03 aid budget, through its commitment to the Asia-Pacific region and its focus on good governance, building developing country capacity and promoting peace and stability, will make a practical contribution to sustainable development and poverty reduction.



Alexander Downer

Table 1: Total flows to partner countries

Major Partner Countries / Regions	Outcome (\$m)			Estimate (\$m)		
	Cash	Expenses ¹		Expenses ¹		
	1998-99	1999-00 ²	2000-01 ²	2001-02 ³		2002-03
				Budget Figure	Expected Outcome	Budget Estimate
PAPUA NEW GUINEA	321.7	321.5	338.2	342.9	336.6	351.4 ⁴
PACIFIC						
Fiji	18.8	19.9	16.0	* ⁵	18.2	19.7
Vanuatu	14.9	17.9	18.5	19.5	19.3	22.1
Solomon Islands	13.2	19.4	35.1	* ⁵	36.0	36.2
Samoa	12.3	14.3	13.9	15.1	13.6	15.8
Tonga	10.1	10.8	10.7	11.8	11.6	11.4
Kiribati	8.5	8.8	8.9	10.7	9.8	11.1
Other and Regional	49.8	44.1	47.4	52.4	49.0	48.7
Total Pacific	127.6	135.2	150.5	164.6	157.4	165.0
<i>Nauru Additional⁶</i>					18.8	6.8
EAST ASIA						
Indonesia	121.2	121.4	122.8	121.5	120.3	121.6
East Timor ⁷	26.0	70.4	40.5	40.4	44.2	36.0
Vietnam	67.8	77.2	69.6	73.3	71.6	72.2
Philippines	57.7	58.9	59.3	63.5	62.4	63.0
China	52.5	56.5	55.7	56.0	57.0	55.5
Cambodia	35.5	37.0	38.1	38.5	38.3	39.6
Thailand	21.9	26.1	24.0	25.0	23.5	21.6
Laos	17.1	19.3	20.4	18.8	20.7	19.0
Other & Regional	37.6	33.7	28.4	33.0	20.1	42.3
Total East Asia	437.4	500.4	458.9	470.2	458.1	470.8
SOUTH ASIA						
Bangladesh	32.3	31.8	32.8	37.0	31.8	35.6
India	18.6	20.2	25.3	20.5	19.3	22.1
Sri Lanka	10.4	12.7	9.5	11.0	9.9	11.4
Nepal	6.6	7.7	8.2	7.9	6.7	7.8
Pakistan	3.2	3.5	3.5	4.5	3.6	4.2
Other & Regional	3.3	4.7	11.3	11.2	39.9	28.8
Total South Asia	74.5	80.5	90.5	92.0	111.2	110.0
AFRICA & OTHER						
Africa	55.1	58.0	56.0	60.1	51.3	60.1
Middle East	8.3	8.8	11.6	9.9	10.7	11.9
Other	25.3	69.8	56.3	44.8	54.7	60.7
Total Africa & Other	88.7	136.7	123.9	114.8	116.7	132.7
OGD unallocated ⁸	14.4	112.0	62.9	97.3	141.1	143.1
Core contributions to multilateral organisations, other ODA ⁹	464.2	473.6	456.8	453.7	476.2	441.3
Reconciliation of expenses to cash ¹⁰		-11.3	-58.6	-10.5	-8.1	-6.5
Total ODA (cash)	1528.6	1748.7	1623.1	1725.0	1808.0	1814.6
ODA at constant 2001-02 prices	1648.0	1849.4	1645.8	1725.0	1808.0	1777.2
Real change over previous year (%)	5.5	12.2	-11.0		9.9	3.0 ¹¹
ODA/GNI Ratio (%) ¹²	0.27	0.29	0.25	0.25	0.26	0.25

Notes to Table 1

- 1 Shows total expenses, minus expenses related to new multi-year liabilities (for example, to the Global Environment Facility (GEF)), plus cash payments for ongoing liabilities. See Technical notes for more detail.
- 2 Total aid flow estimates for 1999-2000 onwards are not strictly comparable to historical expenditure figures (which are based on figures published in the *Statistical Summary 1999-2000: Australia's Overseas Aid Program*). Historical figures do not apportion regional program expenditure by country. Refer to Table 4 for a direct comparison between historical and estimated country program allocations.
- 3 Shows total aid flows for the estimated Budget Figure as at May 2001 of \$1,725 million and estimated Expected Outcome as at May 2002 of \$1,808 million.
- 4 PNG increase due to expenditure by Other Government Departments (OGDs) on Bougainville peacekeeping efforts and funding available to meet possible emergencies.
- 5 Fiji and Solomon Islands allocation and total flows for the 2001-02 Budget Figure were determined within the overall Pacific allocation.
- 6 Nauru Additional represents additional funding appropriated under 2001-02 Additional Estimates and a new measure for 2002-03 to meet the \$10 million pledge of assistance agreed between the Nauru and Australian Governments in December 2001.
- 7 Shows East Timor aid program flows only, as OGD East Timor expenditure is included in OGD unallocated.
- 8 OGD unallocated includes ODA eligible expenditure by other government departments which has not been allocated to a particular country or region.
- 9 Core contributions to multilateral organisations, other ODA expenditure includes, for example, expense payments which cannot be attributed to a particular country such as payments to some UN and Commonwealth organisations, and Departmental expenditure. The ODA eligible components of cash payments to IDA, ADF, IFAD, GEF, HIPC and the MPMF are included in this line item.
- 10 See Technical notes for an explanation of the relationship between expenses and cash.
- 11 Real per cent change over 2001-02 Budget Figure of \$1,725.0 million.
- 12 See Technical notes for an explanation of the change in terminology from GNP to GNI.

CHAPTER ONE: FOCUS OF THE AID PROGRAM

The Australian aid program is concentrated in East Asia, PNG and the Pacific Island countries, with selective engagement in South Asia, Africa and the Middle East. The program's focus on the Asia-Pacific region is an expression of Australia's strong engagement with the region and commitment to working in partnership to meet its considerable development challenges. The region is home to the greatest number of the world's poor, two-thirds of whom live in Asia and the Pacific. Australia's aid contributes to the reduction of poverty in the region by working with our development partners to:

- strengthen frameworks for sustainable and inclusive economic growth
- support interventions that enable the poor to increase their productivity
- encourage governments, institutions and donors to be more accountable
- reduce vulnerability associated with conflict, exclusion and disasters.

In 2002-03, PNG will receive approximately one fifth of total flows, in line with flows in recent years. Total aid flows to the Pacific, East Asia and Africa will increase compared to 2001-02 expected outcomes. In 2002-03 total aid flows to South Asia are expected to remain at the same high level as was provided in 2001-02.

Diagram 1: Total Australian aid by region in 2002-03

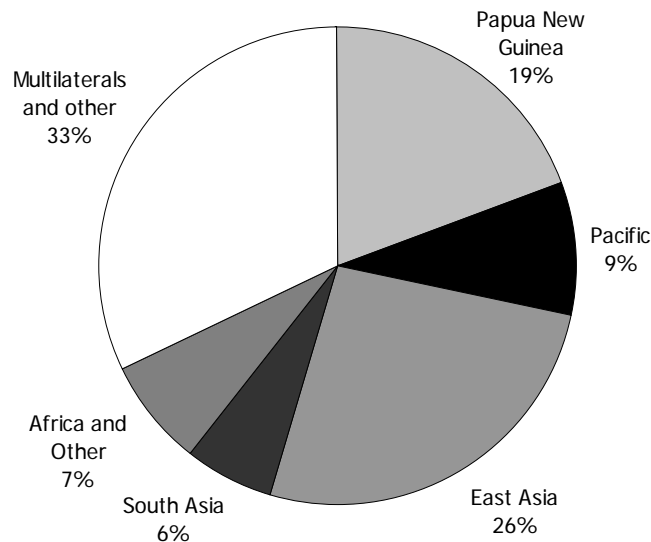
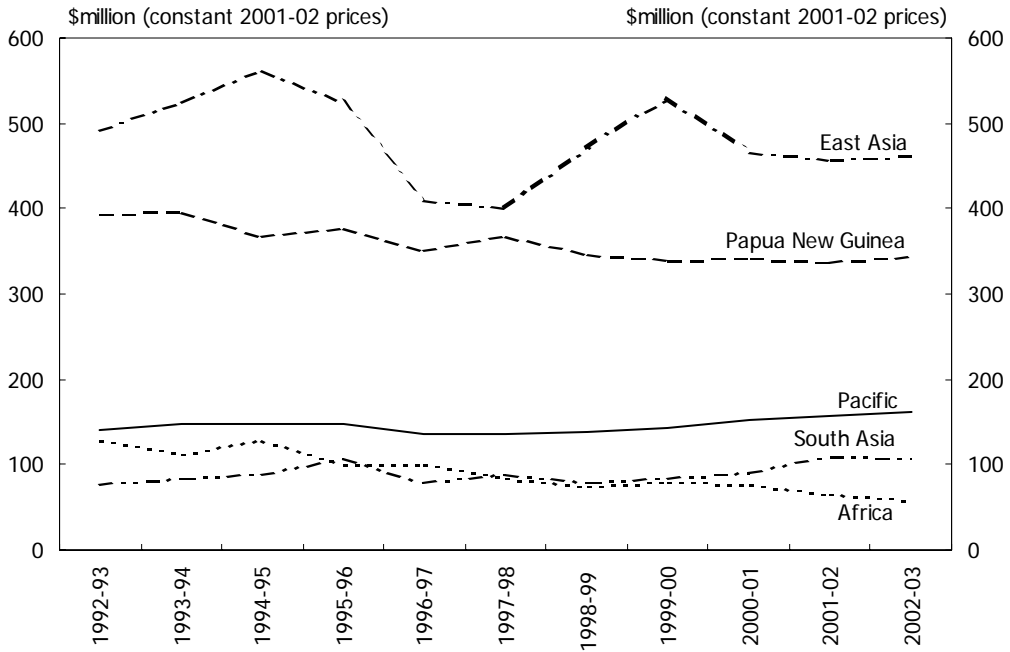
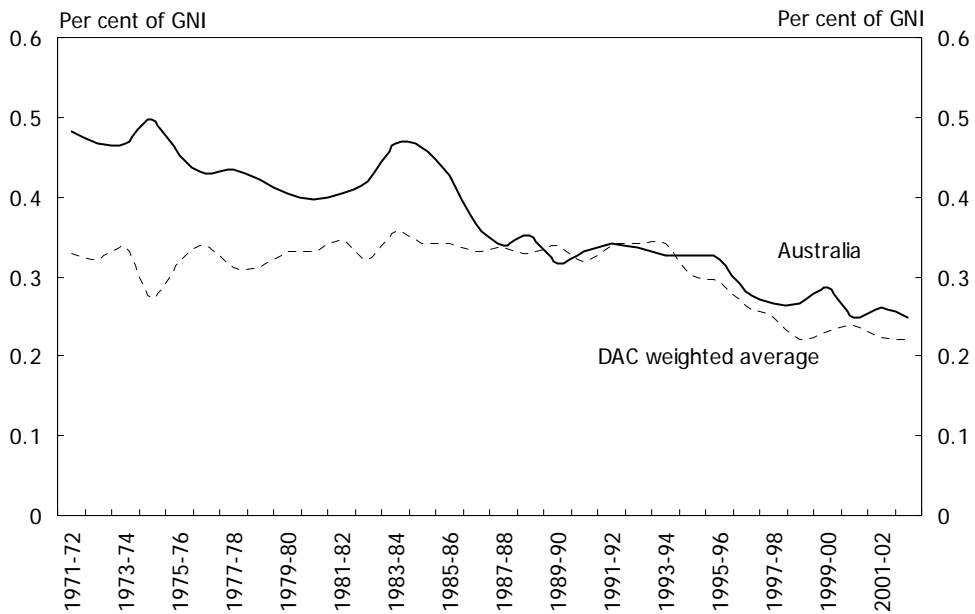


Diagram 2: Trends in total Australian aid by region



Note: Figures for 2001-02 and 2002-03 are estimates.

Diagram 3: ODA/GNI ratio of Australia and DAC weighted average



Australia's ODA/GNI ratio is estimated to be 0.25 per cent in 2002-03, which is above the latest (2001) donor average of 0.22 per cent.

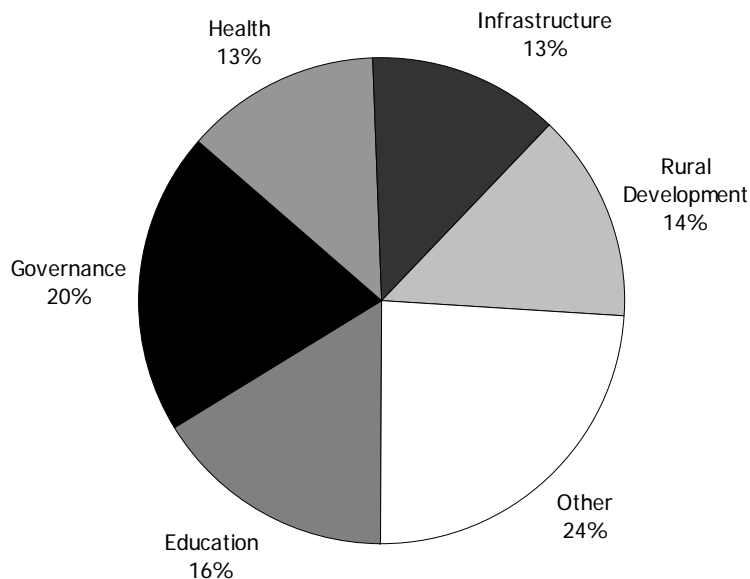
Key sectors of the aid program

Australian aid is provided in the five priority sectors of governance, rural development, health, education and infrastructure. The principles of environmental sustainability and gender equity guide activities in these sectors.

Australia's aid is programmed primarily on the basis of country and regional strategies developed in consultation with partner governments. Sectors for assistance are determined through consideration of Australian and partner government priorities, Australia's expertise and the activities of other donors. Aid activities may target one or more of the sectors. Many activities with a principal focus on one sector also benefit other sectors. For example, infrastructure activities addressing water supply and sanitation can improve the health of the poor through elimination of water-borne diseases.

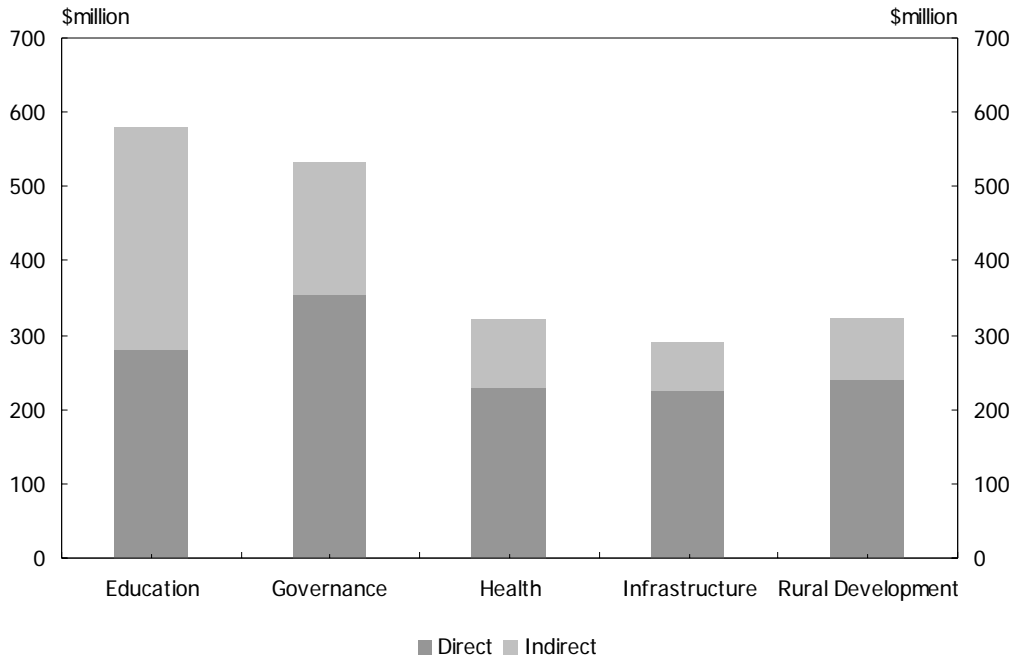
The figures in this section are estimates and subject to change during the course of the year as a result of programming decisions.

Diagram 4: Estimated breakdown of the aid program by sector in 2002-03



Note: 'Other' includes direct expenditure on areas such as gender, environment, humanitarian, refugee and emergency aid.

Diagram 5: Estimated expenditure by key sector in 2002-03



GOVERNANCE

Good governance lays a foundation for poverty reduction and for sustainable development. The promotion of effective governance is an increasingly important part of the aid program, with expenditure on governance activities in 2002-03 estimated to reach \$355 million. Governance activities represent about 20 per cent of overall aid expenditure.

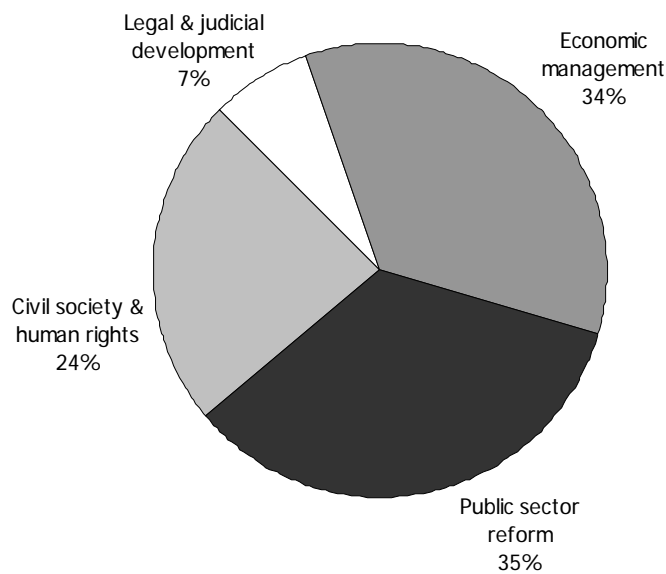
Good governance means the competent management of a country's resources in a manner that is open, transparent, accountable, equitable and responsive to people's needs. The elements of governance are inter-reliant and mutually supporting. Australia's governance assistance under the aid program includes support for improving economic and financial management, strengthening law and justice, increasing public sector effectiveness and developing civil society and human rights.

Australia's aid program recognises that economic growth and poverty reduction are best fostered in an efficient, open and market-based economy. Australia will increase its focus on helping developing countries strengthen their capacity to integrate into the global economy, attract private investment, participate in global and regional trading arrangements, and take advantage of new trade opportunities. A priority for Australia will be assisting developing countries to build their capacity to participate in the new round of trade negotiations agreed to at the WTO Ministerial meeting in Doha in late 2001. Continuing support for microfinance will also feature, with an emphasis on sustainability and a strong commitment to serving the poor.

In Asia, Australian governance assistance will include support for economic cooperation and integration, particularly through fora such as APEC (Asia-Pacific Economic Cooperation) and ASEAN (Association of South-East Asian Nations). In the Pacific, assistance will continue to be provided to improve public sector management, service delivery and accountability.

In 2002-03, continued funding for the Australian Centre for Democratic Institutions will enhance broad political participation and human rights in the Asia-Pacific region by providing training to key institutions such as parliaments and the media. The centre will also encourage the exchange of information and public debate in the region. Australia's Human Rights Fund will support activities that promote awareness of and adherence to human rights. Activities supported under the fund will also strengthen national and regional human rights institutions.

Diagram 6: Estimated Australian assistance to the governance sector in 2002-03



AGRICULTURE AND RURAL DEVELOPMENT

The majority of the world's poorest people live in rural areas. In recognition of this, Australia's aid program aims to reduce rural poverty by increasing opportunities for the poor to generate income. Increased income can provide the poor with the freedom to make choices about how to improve their lives. It allows them to build assets, reduce their vulnerability to disasters and improve their food security.

The Australian aid program's income generation strategy in rural areas will aim to increase agricultural sector productivity, stimulate non-farm employment and strengthen capacity to manage natural resources sustainably. To achieve this, Australia will work with partner governments to improve their policies on these issues. Australia will also help deliver income generation projects on the ground. Collaborative partnerships in agricultural research for development will be strengthened.

Rural development projects will work to enhance food security of people living in marginal lands by promoting improved agricultural production methods. Australia also helps improve food security through the provision of food aid. This assistance is provided in accordance with the Food Aid Convention, which aims to contribute to world food security and to improve the international community's response to emergency food situations and other food needs of developing countries. The majority of Australia's food aid comes from Australian wheat and rice farmers.

In 2002-03, the aid program will provide an estimated \$240 million for rural development, representing about 14 per cent of overall expenditure.

HEALTH

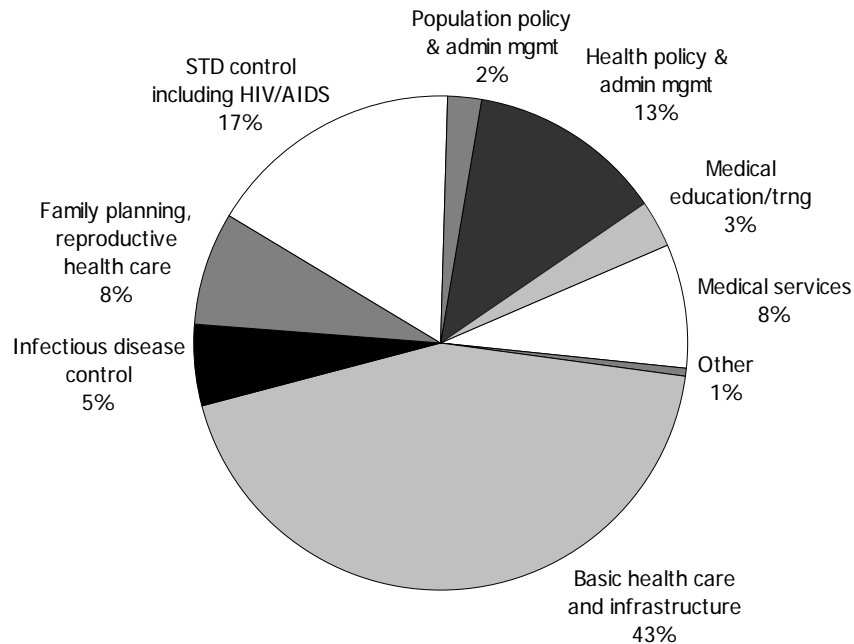
Despite significant gains, the burden of communicable and non-communicable disease in developing countries remains unacceptably high. Improving health is central not only to reducing mortality and morbidity rates, but also to achieving long-term national economic growth and sustainability.

The lack of functioning health systems constrains the delivery of improved services. In 2002-03 Australia will help to address this by supporting health sector reform and management at national and local levels. Support will also be provided to strengthen service delivery and increase access for the poor to affordable services, including community based health services. The aid program will also help rebuild health systems in post conflict situations, as in East Timor and the Solomon Islands. Non-communicable diseases will increasingly be a focus of health sector interventions, particularly in the Pacific.

HIV/AIDS will remain a major priority. The \$200 million, six-year HIV/AIDS initiative announced in June 2000 is continuing to be implemented. Australia will also provide international leadership for HIV/AIDS prevention. A key recommendation of the Asia-Pacific Ministerial Meeting on HIV/AIDS, held in Melbourne during October 2001, was the establishment of an Asia-Pacific Leadership Forum. This forum, to be established in 2002 in partnership with the Joint United Nations Programme on HIV/AIDS (UNAIDS), will raise the profile and understanding of HIV/AIDS amongst key decision-makers in the region.

In 2002-03, Australia will provide an estimated \$230 million of direct health assistance to developing countries. Australia's support for health will account for around 13 per cent of overall aid expenditure in 2002-03.

Diagram 7: Estimated Australian assistance to the health sector in 2002-03



EDUCATION

Australia's aid activities in education are aimed at increasing access, promoting equity, and improving the quality and relevance of education and training. Australia provides assistance in basic education, technical and vocational education, higher education and distance education.

Australia is helping countries in our region to gain from opportunities provided by technological innovation and globalisation. In 2001, the Australian Government launched a major new policy initiative that will use Australian expertise to help bridge the digital divide. The Virtual Colombo Plan will work with a range of education systems. One early activity under the plan is to provide quality primary school teacher training in developing countries in our region. The initiative will also integrate information and communications technologies (ICTs) into many education activities.

In 2002-03 Australia will spend an estimated \$280 million through the overseas aid program in the education sector. This represents about 16 per cent of overall aid expenditure.

Virtual Colombo Plan

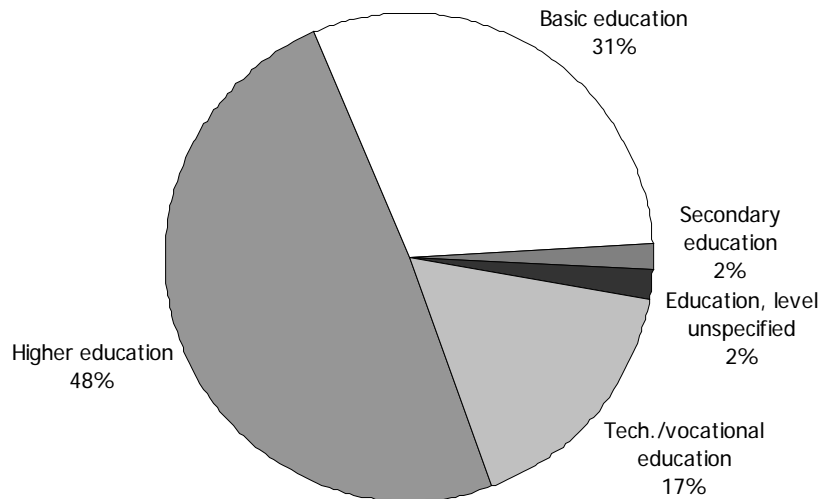
In developing countries the demand for knowledge often exceeds the supply. This means that many people are denied access to sources of information taken for granted in developed countries – for example, well-equipped libraries, government shopfronts, and the Internet. ICTs such as computers, radio and video-conferencing can be a powerful tool to help overcome constraints to development. For example, training delivered through ICTs is often cheaper and can reach a wider audience than may be possible using traditional mediums.

To address this issue, the Australian Government and the World Bank launched the Virtual Colombo Plan in August 2001, with an Australian contribution of \$200 million over five years. This joint initiative addresses the causes of poverty through the use of ICTs. Its major focus is to improve education and access to knowledge in developing countries, through distance education and support for policy development using ICTs. It also provides a new platform for Australia's world-class education providers, research institutions and technology companies to share their knowledge and skills with our developing country partners.

In 2002-03, activities under the Virtual Colombo Plan will:

- enhance the quality of basic teacher education and school management in PNG, Indonesia and a number of other developing countries
- expand physical infrastructure to improve access to and the cost-effectiveness of ICTs for distance learning and knowledge dissemination. This will be achieved through support for the World Bank's Global Development Learning Network in selected countries in Asia and the Pacific
- use courses and material developed by Australian universities to improve the capacity of the African Virtual University to deliver quality, relevant courses that address Africa's development needs
- deliver ICT-based training through some 200 virtual scholarships
- develop activities in basic education, public policy, dissemination of Australian knowledge, and higher education, in consultation with Australian universities and other key institutions.

Diagram 8: Estimated Australian assistance to the education sector in 2002-03



Basic education

Access to basic education is a priority for the aid program. Australia has significantly increased the proportion of aid to basic education to 31 per cent or \$85 million in 2002-03. Special attention will be paid to children who face greater hurdles in accessing education, such as girls and minority populations.

Even when children are in school, the quality of education is often poor. Under-qualified teachers have too few resources and inappropriate teaching materials. Australia helps address these issues through the provision of basic education materials and textbooks, enhancing teacher skills and curricula, and strengthening management skills in schools to ensure better use of existing resources.

Australia is a major donor to the basic education sector in PNG, in two Pacific island countries and nine countries across Asia.

Technical and vocational education

Australia provides technical and vocational education assistance to partner countries to help build an educated, skilled labour force. Australia helps improve the relevance of technical and vocational education through the introduction of demand driven approaches that encourage active partnerships with public and private sector

employers. In 2002-03 direct expenditure on technical and vocational education is estimated to be 17 per cent of education sector expenditure or \$45 million.

Higher education

In 2002-03 spending on higher education will account for approximately 48 per cent of Australian education sector expenditure. The majority of higher education expenditure is on Australian Development Scholarships, which are designed to meet developing country human resource needs. The scholarships are available for post-secondary study at contracted Australian education institutions.

In the Pacific region, Australian Regional Development Scholarships are available for post-secondary level study at regional education institutions such as the University of the South Pacific (USP), the Fiji Institute of Technology and the Fiji School of Medicine.

As at March 2002 there were an estimated 3,130 students funded through the two scholarship schemes. It is expected that around 1,460 new scholarship holders will commence under these schemes in 2003.

Australia is also helping to strengthen higher education systems in partner countries through collaborative research and training activities with Australian institutions.

Distance Education

Distance education returns considerable cost efficiencies and increases access for students, especially women and people living in remote areas. Australia has internationally recognised strengths in distance education, and will continue to work with partner countries and other donors to build distance education technology and capacity. This will include provision of hardware and software for cost-effective distance education activities. Distance education is a key feature of Australia's Virtual Colombo Plan.

INFRASTRUCTURE

Essential infrastructure is fundamental to poverty reduction and sustainable development. Infrastructure development can act as a catalyst for economic development, which in turn leads to increased employment opportunities. The well-being of the poor can be improved, for example, through a decrease in death and illness associated with poor sanitation systems and contaminated drinking water. The development and maintenance of roads can significantly improve access for the rural poor to markets and services.

It is estimated that Australia will provide about \$225 million in 2002-03 towards infrastructure. This represents about 13 per cent of overall aid expenditure. During 2002-03, support for infrastructure will focus on:

- improving poor people's access to essential infrastructure such as water supply and sanitation, transport facilities and energy supplies
- assisting the creation of enabling environments for both private and public financing and management of infrastructure
- supporting human resource development and capacity building in infrastructure.

Facilitating ongoing and preventative maintenance is a critical issue in many developing countries. The Australian aid program is increasing its focus on asset maintenance by strengthening partner governments' capacity to maintain infrastructure.

ENVIRONMENT

Natural resources are an important basis for livelihoods in many developing countries. In Asia, the Pacific and Africa, 70 per cent of all jobs depend on agriculture, forestry and fishing. This proportion is even higher among the poor, 70 per cent of whom live in rural areas. Environmental degradation threatens their livelihoods and the sustainability of poverty reduction efforts.

The economic costs of environmental degradation have been estimated at 4-8 per cent of Gross Domestic Product (GDP) annually in developing countries. Some environmental problems, such as land degradation and pollution, can be solved principally through domestic action. Others, such as climate change and ozone depletion, also need to be addressed through coordinated multilateral action.

In 2002-03, Australia will provide an estimated \$60 million for activities that directly address environmental problems in developing countries (around 3 per cent of overall aid expenditure), with an additional \$135 million of indirect expenditure. Australia will provide bilateral support for renewable energy and improved water, waste and natural resource management. Australia's regional and multilateral support will include biodiversity conservation, climate change mitigation and adaptation, and phasing out of ozone depleting substances.

Priorities for 2002-03 are to contribute to Australia's participation in the World Summit on Sustainable Development at which poverty reduction will be a central theme. The aid program will also continue to implement environmental management guidance in accordance with the overseas aid provisions of the *Environment Protection and Biodiversity Conservation Act 1999*.

GENDER

Poverty is perpetuated by continued gender inequalities. Australia's gender and development policy recognises the linkages between poverty, growth and gender disparities. The aid program integrates gender equity concerns into the analysis and

formulation of all development policies, programs and projects. Australia also encourages initiatives that enable women and men to participate in decision-making at all levels.

During 2002-03, Australia will provide an estimated \$65 million for activities that directly address gender equality (around 4 per cent of overall aid expenditure), with an additional \$505 million of indirect expenditure. Australia's aid program will work with partner countries to:

- address violence against women and children, including trafficking in women and girls, and promote women's positive role in conflict situations and peace building
- enhance women's economic empowerment
- ensure that gender equity issues are effectively incorporated into governance and infrastructure activities.

In the coming year, Australia will continue to make improvements to the way in which the aid program addresses gender equity.

CHAPTER TWO: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

PNG development indicators

Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	1,312	42	56	64

Source: GNP per capita: DAC, 2000; other indicators: Human Development Report, UNDP, 2001.

Programmed activities	\$300.0 million
Retirement benefits	\$14.2 million
Estimated other flows	\$37.2 million
Estimated total aid flows	\$351.4 million

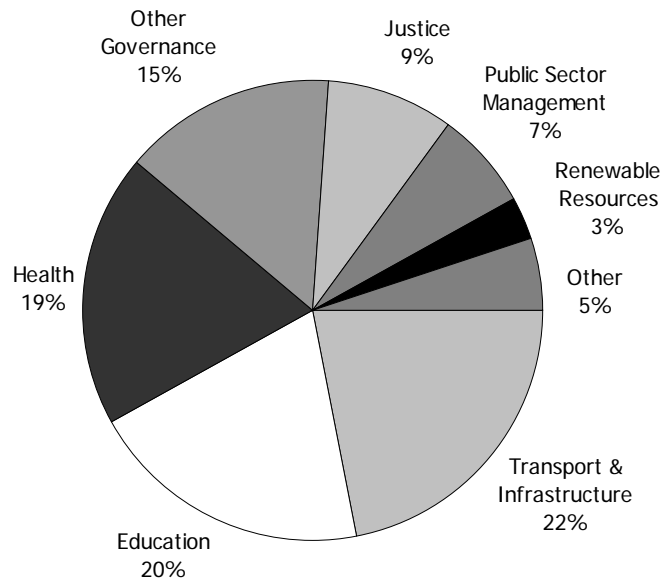
Australia's aid to PNG comprises approximately one-fifth of the total aid budget. It is the largest of Australia's bilateral aid programs.

PNG faces significant development challenges. These include potential declines in public revenue as the mineral sector contracts, weak state institutions contributing to corruption and lawlessness, and the impact of HIV/AIDS on the economic and social development of PNG.

The Australian aid strategy for PNG seeks to support PNG's economic and social development by:

- strengthening governance
- improving primary health care and primary education, particularly for the rural poor; promoting gender equity; and developing PNG's disaster response capacity
- building prospects for economic growth through constructing and maintaining infrastructure vital for development, increasing agricultural productivity and encouraging the sustainable use of natural resources
- consolidating the peace process in Bougainville through providing an identifiable peace dividend.

Diagram 9: Estimated breakdown of bilateral program to PNG by sector in 2002-03



STRENGTHENING GOVERNANCE

Australia is promoting good governance in PNG by:

- supporting effective economic management and policies that encourage the private sector
- building public sector capacity to deliver essential services
- strengthening law and justice institutions
- promoting civil participation and representation.

Australia is providing financial and advisory support for the continued implementation of PNG's structural adjustment program with the International Monetary Fund (IMF) and the World Bank. Australia's support for PNG's reforms include a twinning program between Australia's Treasury and the PNG Treasury to improve economic management, assistance to a PNG Government program that will provide training in basic financial management to public servants across the country, and support for the analysis and publication of data from the 2000 PNG Census.

Australia is supporting the development of the private sector in PNG by working with the Asian Development Bank on a major microfinance and employment project that will operate across PNG. Australia will also fund the second phase of an activity that will provide microfinance services in Bougainville.

The PNG Incentive Fund was set up in 2000 to assist organisations that demonstrate excellence in program management and financial accountability to deliver community and public services. In 2002-03 Australia expects to provide \$30 million to this contestable fund.

In 2002-03, Australia and PNG will refine the strategy for assistance to the law and justice sector and look to support community-based approaches in line with the PNG Government's recently released National Policy on Law and Order. Australia will continue to assist the Ombudsman Commission to improve accountability in the PNG government. Projects with the Royal PNG Constabulary and the Department of Correctional Services will strengthen their management. Australia will maintain its support for improving the administration of the justice system and encouraging greater access to legal information.

Australia will seek to enhance the capacity of PNG civil society to engage and participate in the development process through the Community Development Scheme. The scheme helps PNG non-government and community based organisations build their capacities and undertake community development activities. A second phase of the scheme will commence in 2002.

IMPROVING EDUCATION AND HEALTH

Education

In a country where there are limited employment opportunities in the formal sector and most school leavers will return to a traditional village-based lifestyle, the education sector faces special challenges. In 2002-03, Australia will assist the Government of PNG to reform its primary school curriculum to make it more culturally relevant, and to address the life skills that students will need.

Another goal of the program is to assist PNG to maximise the benefits that information technologies can provide. Australia will do this by providing Virtual Colombo Plan Scholarships in early childhood education and for Masters of Education. Both programs target teacher trainers. Australia will also construct learning centres at the two largest teachers colleges. These learning centres will enrich the quality of primary education by strengthening staff and teacher trainees' use of information and communications technologies. If this program achieves the planned outcomes it will be expanded to include other teachers colleges throughout the country. Australia also expects to help PNG establish the Global Development Learning Network, a fully interactive network that provides a flexible distance learning system.

PNG's stock of educational infrastructure is under great stress, the result of growth in enrolments and years of lack of maintenance. Australia is assisting local communities to maintain their schools, upgrading a provincial high school and providing essential maintenance at the main teachers colleges.

The PNG education sector faces a broad range of constraints in implementing an education policy reform agenda. These include limited institutional capacity and poor management of human resources at national, provincial and district levels. In 2002-03, Australia will commence a program to build capacity in the education sector. The program will assist PNG to implement its reform agenda in a manner that is both sustainable and affordable.

Health

During 2001, the PNG Government reviewed its health services as part of its commitment to focusing resources in priority areas and improving basic service delivery. The review concluded that the quality and coverage of health services in rural areas, where 85 per cent of PNG's population lives, are declining. Key factors underlying this situation are declining real funding for health services operations, and a fracturing of the technical supervision of health workers following decentralisation of the administrative and financial system.

Donors, particularly Australia, are playing a major role in keeping the system functioning. This, combined with strong commitment to reform shown by the PNG National Department of Health, has led to some key health indicators improving marginally in 2000 and 2001, after a number of years of stagnation or decline.

During 2002-03, Australia will work closely with the PNG National Department of Health to build on major aid delivery reforms instituted under the jointly agreed Health Services Improvement Program. Australia will also help implement the recommendations of PNG's 2001 review. This support will help PNG develop appropriate planning and budget mechanisms to improve levels of health funding. Australian aid will also help restructure rural health services so that lines of responsibility for resource allocation and supervision are improved. Support will be provided to strengthen linkages with church health services, and improve workforce planning and training.

Minimising the impact of HIV/AIDS on individuals and communities will remain a priority for Australia's program. A major focus in 2002-03 will be providing support for community groups and government organisations to implement prevention and care activities. Direct support for rural health service delivery will also be maintained. Aid posts, health centres and staff housing will be built or renovated, radios installed at health facilities on a rolling basis and essential drug kits supplied regularly to health centres throughout the country. The kits include drug treatment for high priority health problems such as malaria, pneumonia and tuberculosis (TB).

SUSTAINABLE ECONOMIC GROWTH

Infrastructure

Transport infrastructure improves access to services and markets in rural areas. Australian infrastructure assistance to PNG focuses on the land transport and aviation sectors with smaller programs in maritime transport and in water supply and sanitation.

Key priorities for 2002-03 include working with the Government of PNG to strengthen the capacity of responsible agencies to plan and manage maintenance programs. Australia and PNG will maximise the economic return of maintenance programs by emphasising linkages to markets and services in rural areas. Australia will continue to assist the Government of PNG to maintain key national roads, including the Highlands Highway and major roads in the rural areas of eight provinces.

Air transport provides the only access to much of PNG's remote territory and important links to other transport networks. Australia will continue to support the maintenance of PNG's national airports. The aid program will also continue to support the Civil Aviation Authority with an increased focus on planning and air safety.

Renewable resources

Australian aid aims to strengthen PNG agencies so they can manage resources in a sustainable manner. In particular, Australia focuses on increasing productivity, creating employment opportunities and generating additional income for the agricultural sector. Achievement of these aims helps raise the standard of living of the rural population.

The aid program's activities in PNG include assisting with agricultural research and planning, agricultural rehabilitation in Bougainville, and fisheries education and training. In the forestry and conservation sectors Australia is supporting the sustainable management of PNG's natural resources and improving governance structures in the forestry sector. This will be achieved primarily through cofinancing the recently approved World Bank Forestry and Conservation Project.

BOUGAINVILLE PEACE PROCESS

Over the past year, Australia's aid program to Bougainville has contributed significantly to the peace process. Legal assistance provided by Australia played a critical role in negotiating the terms of the Bougainville Peace Agreement signed in Arawa on 30 August 2001, and also in securing the PNG parliament's approval of Bougainville autonomy in early 2002.

As the peace process moves into a new phase, programs in 2002-03 will focus on the need to support communities as weapons disposal progresses, and to support the Bougainville Provincial Administration as it moves towards autonomous government. The establishment of a \$5 million Ex-combatants Trust Fund will assist the social reintegration of ex-combatants by providing them with skills and opportunities to engage in productive activities. Programs to assist service delivery by the public sector in Bougainville are also under development.

The Pacific region

Pacific regional development indicators¹

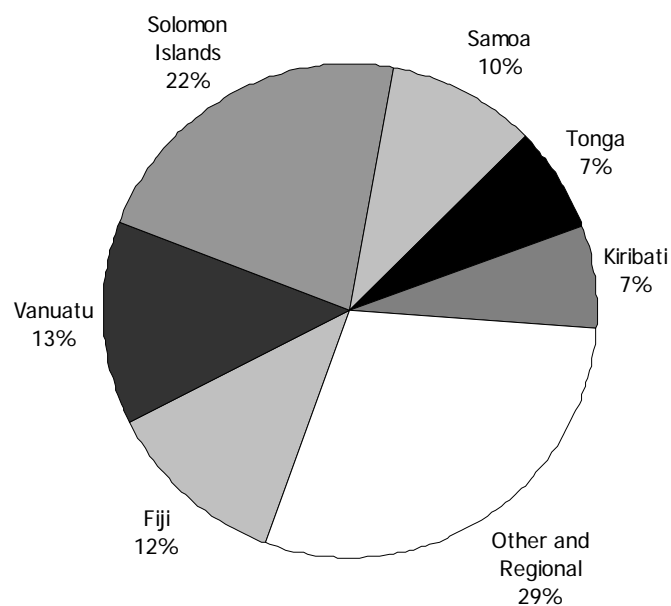
Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Solomon Islands	1,088	64	65	30
Fiji	3,159	47	69	93
Vanuatu	1,968	87	66	44
Samoa	2,521	99	69	80
Tonga	2,866	95	68	99
Kiribati	1,640	76	62	92
Nauru	—	100	58	95

Source: GNP per capita: DAC, 2000 (except Nauru); other indicators for Fiji & Samoa: Human Development Report, UNDP, 2001; all other data: Pacific Human Development Report, UNDP, 1999.

Estimated total aid flows to the Pacific in 2002-03

\$165.0 million

Diagram 10: Estimated total aid flows to the Pacific by country in 2002-03



¹ Development indicators from the Pacific are often unreliable and should be treated with caution. In addition, they do not reflect the vulnerability of small island states.

REGIONAL OVERVIEW OF THE PACIFIC

The island nations of the Pacific exhibit a wide diversity of cultures, languages, and geographic and political characteristics. They face significant development challenges as a result of their economic and environmental vulnerability. Their economies are small and remote from markets, often have a limited natural resources base, rely heavily on costly imports and are highly vulnerable to natural disasters. They tend to be characterised by large public sectors and poorly developed private and informal sectors.

A large proportion of the infrastructure in these countries is inadequate and in need of repair. Health and education systems are not keeping up with the demands of technological advances and growing populations. There is a shortage of skilled personnel to fill key positions in government and the private sector.

Events of 2000 and 2001 highlighted some of the political constraints on development in the region, especially in Melanesia. These include ethnic and community tensions, the dominance of local interests over national interests, and relatively weak institutions of governance, including bodies responsible for law and order. Significant trans-border issues that are an increasing feature of the region include the impact of terrorism, criminal activities, and communicable diseases, particularly HIV/AIDS.

Regional strategy

Australia is one of the leading donors to the Pacific region. Our goal is to assist Pacific island countries achieve the maximum possible degree of self-reliance. Australian assistance will principally be provided in governance and economic reform, education and training, environment and natural resources, health and private sector development.

Australia and New Zealand are endeavouring to improve the impact of both countries' aid to the Pacific through greater harmonisation of policies and procedures. Joint initiatives are being implemented with partner governments to advance these efforts.

SECTORAL ASSISTANCE TO THE PACIFIC

Governance and economic reform

In 2002-03, Australia will continue to assist Pacific island countries to develop effective policy, legislative and administrative frameworks for private sector growth and public sector management. The program will continue to support economic and trade reform, public sector reform, law and justice sectors, electoral processes, media strengthening and reform to customs operations. Activities in economic reform and governance now account for over 24 per cent of Australia's aid to the Pacific islands (excluding PNG).

Australia's Policy and Management Reform program provides additional funds for Pacific island countries embarking on economic and public sector reform. In 2002-03, Australia will provide \$20 million for the program, which will include support to promote peace- and nation-building. The program will also strengthen the ability of statistical offices throughout the region to collect data that assists Pacific island Governments in decision-making. Australia will continue to help Pacific island countries to better integrate into the global economic community by providing technical assistance in the areas of economic management, budgetary and financial management, public administration and trade.

Education and training

Education and training is the largest element of Australia's aid program in the Pacific. In 2002-03, the aid program will give increased focus to addressing needs in basic education. Improvement of the management and planning capacity of national education departments remains an important area, with projects under way in Samoa and Kiribati. Australia will fund approximately 520 Pacific Islanders (excluding PNG) to undertake tertiary study in Australia and at regional tertiary institutions.

Australia will work with the University of the South Pacific (USP) to improve tertiary education delivery through the USPNet communications network linking 12 Pacific island countries.

Health

Australia will continue its support for reform in the health sector. This will include assistance in developing health information systems and providing capacity building and training in Fiji, Samoa, Solomon Islands, Tonga and Vanuatu. At a regional level, funds will be provided to promote strategies to address non-communicable lifestyle diseases and the control of emerging health problems such as HIV/AIDS. Tertiary health services will continue to be enhanced through visits of volunteer medical specialists and the introduction of systems to maintain essential medical equipment.

After extensive consultation with stakeholders in the region, a design for a new phase of a regional HIV/AIDS project is being finalised. The Pacific Children's Program will continue to support Fiji, Samoa and Vanuatu to reduce the levels of violence against children by strengthening existing community based initiatives and increasing government commitment to child protection. Australia will also support the World Health Organisation (WHO) and the United Nations Children's Fund (UNICEF) to implement an Expanded Program of Immunisation (EPI) in the region. This program aims to strengthen the capacity of partner countries to sustain immunisation coverage for all six core EPI vaccines, and to make informed decisions on new or additional vaccines and vaccine combinations. Australia will continue its support for women's crisis centres in Fiji and Vanuatu.

Environment and natural resources

Australia is responding to priority environmental problems in the Pacific that are placing pressure on natural resources, lifestyles and the economic development of the region. While island nations have a strong economic and cultural dependence on the natural environment, their ecosystems are diverse, fragile and vulnerable to a range of natural and man-made disasters.

Working with key regional organisations in the Pacific, Australia is providing support for waste management, nature conservation, disaster preparedness, sea level monitoring and adaptation to the effects of climate variability and change. Australia's support also enables the Pacific island countries to participate in discussions about global policy issues, particularly in the area of sustainable development.

Maintaining the quality of the Pacific natural resource base is integral to effective development in the region. Australia assists Pacific island nations to conserve and manage their natural resources in a sustainable manner, particularly tuna and coastal fish stocks, food crops and forests.

Private sector development

Australia will support the region's efforts to stimulate trade, investment and private sector development. Australia will continue to support the International Finance Corporation's South Pacific Project Facility and the Forum Secretariat's Pacific Island Trade and Investment Commission. The commission assists export-capable business to develop markets in Australia and promotes viable investment projects to potential Australian investors.

PACIFIC REGIONAL ORGANISATIONS

Australia's support for Pacific regional organisations recognises the important role they play in providing their island members with technical assistance and capacity building. Through its membership contributions and extra-budgetary programs and projects, Australia is a major contributor to the Pacific Islands Forum Secretariat, the South Pacific Regional Environment Program, USP, the Forum Fisheries Agency, the Secretariat of the Pacific Community and the South Pacific Applied Geoscience Commission. Australia monitors closely the performance of each organisation and maintains a keen interest in current efforts by the organisations to clarify their respective functions and priorities.

Current triennium funding arrangements with the regional organisations expire in December 2002. Future support will give increased emphasis to the effectiveness of regional organisations in addressing longer-term trans-boundary programs that complement Australia's bilateral aid priorities and the efforts of island countries. In 2002-03, Australian funding will address a number of key regional issues and development challenges including economic reform, tuna stock management,

HIV/AIDS prevention, plant quarantine, distance education, disaster preparedness and climate monitoring.

BILATERAL PROGRAMS

Solomon Islands

Country program estimate	\$25.0 million
Estimated other flows	\$11.2 million
Estimated total aid flows	\$36.2 million

Over 2002-03, the Australian Government will continue to help Solomon Islands deal with the serious economic, social and law and order problems arising from the country's turmoil. The aid program will retain its focus on peace-building through support for the work of the Solomon Islands Peace Monitoring Council and other community, church-based, youth and women's organisations. The Community Peace and Restoration Fund will continue to provide much needed health, education, and water supply facilities to communities disadvantaged by the conflict, and will also provide earning opportunities to help former combatants reintegrate into civilian life.

Assistance to restore law and order will remain a key priority of the aid program. The long-term Law and Justice Institutional Strengthening Program, which commenced in December 2000, is working to rebuild basic police services, reform the judiciary and prison systems, and improve police-community relations.

Further Australian support will be provided to improve basic services for people in Solomon Islands, particularly in the provinces. A major health project and trust fund will work to keep basic medical services functioning. Australia will provide ongoing assistance for economic recovery planning and rehabilitation in key sectors including finance, customs, land administration and forest management.

Fiji

Country program estimate	\$14.5 million
Estimated other flows	\$5.2 million
Estimated total aid flows	\$19.7 million

Australia lifted bilateral sanctions on 5 October 2001 following the return to a democratic government in Fiji. As a result, priorities for 2002-03 will include development of new programs in support of the education, health and governance sectors (including law and justice). New programs will help improve service delivery, especially in rural areas and urban fringes, and support improved governance and accountability. Training programs, including scholarships, will be resumed.

Existing assistance will continue in priority health and governance areas. Activities in the health sector will continue to improve community health on Taveuni Island, and

encourage decentralised management of health services throughout Fiji. In the governance sector, Australia will continue to help Fiji improve revenue services and procedures and increase the level of taxpayer compliance. The aid program will also build public confidence in Fiji's legal system by boosting expertise in the Office of the Director of Public Prosecutions.

Vanuatu

Country program estimate	\$14.5 million
Estimated other flows	\$7.6 million
Estimated total aid flows	\$22.1 million

The Government of Vanuatu's Comprehensive Reform Program aims to promote private sector-led growth and provide infrastructure and social services. A range of donors, led by the Asian Development Bank, support the program. Australia and Vanuatu have agreed that Australian aid should focus on the needs identified in the program. In particular, Australia will support Vanuatu's attempts to improve public sector efficiency and fiscal and economic management. Australia will also help strengthen the police service and other key legal institutions, especially the State Law Office, the Public Prosecutor's Office and the Public Solicitor's Office.

In 2002-03, Australia will encourage an increased focus on the delivery of key government services, especially to rural areas. The education sector will benefit through the refurbishment and expansion of secondary schools in outer islands.

Samoa

Country program estimate	\$11.5 million
Estimated other flows	\$4.3 million
Estimated total aid flows	\$15.8 million

In 2002-03 Australia will continue to support Samoa's ongoing and successful economic and public sector reform efforts through institutional strengthening and capacity building activities. Australia and Samoa will carefully monitor these activities to ensure achievements are consolidated and improved systems and skills are sustained. In particular, Australia will continue to assist the education and health ministries to improve service delivery, with a heightened emphasis on ensuring the benefits are as widely distributed as possible. Australian institutional strengthening assistance to the Public Service Commission will support the Samoan Government's renewed efforts to rationalise public administration.

Australia has commenced new activities aimed at strengthening the management of the agricultural sector, including quarantine services. The design of a longer-term activity to improve the professionalism of the Samoan Police Service will be completed in 2002-03.

Tonga

Country program estimate	\$9.0 million
Estimated other flows	\$2.4 million
Estimated total aid flows	\$11.4 million

Australia's assistance to Tonga focuses on economic reform, health, education, private sector development and natural resource management. Priorities for 2002-03 include strengthening institutional capacity in performance budgeting across the Tongan Government, and increasing public awareness of legal rights and responsibilities.

The Health Planning and Management Project will continue its focus on improving financial and human resource management in the health sector. Australia will continue to provide technical assistance and training to key public and private sector organisations through the In-country Training Program. In 2002-03, Australia will pilot a distance education program to improve cost effective access to higher education and professional development by middle level professionals.

A project aimed at improving management of marine resources will assist the Ministry of Fisheries to manage in-shore fisheries on an effective and sustainable basis. The aid program will continue to provide support for Tonga's outer islands through the Ha'apai Development Fund, which aims to strengthen community based development, and through the Ha'apai Outer Islands Electrification Development Project.

Kiribati

Country program estimate	\$7.8 million
Estimated other flows	\$3.3 million
Estimated total aid flows	\$11.1 million

One of Australia's key priorities for the Kiribati program for 2002-03 is to strengthen institutional capacity of key ministries to meet the needs of the Kiribati people more effectively. In particular Australia is assisting Kiribati to improve education planning and the quality of education services.

Outer island development will continue to be supported through better school facilities, health services, new water supply and sanitation services and more effective land management and planning. The provision of water and sanitation services to Kiritimati Island will pave the way for the continued development and economic growth of the island. A second phase of the Public Utilities Board project will assist the maintenance of power generation infrastructure on Tarawa.

Nauru

Country program estimate	\$0.2 million
Estimated other flows	\$3.3 million
Estimated total aid flows	\$3.5 million
2002-03 additional aid	\$6.8 million

Australia is working with Nauru to address a number of the development challenges it faces as its economic position continues to deteriorate. Nauru recognises reforms are needed and has indicated a firm intention to work with Australia and the Asian Development Bank to improve its economic management. Australia is providing targeted technical assistance to support these efforts. Australia is also helping Nauru address its chronic power and water shortages, and is providing technical advice and assistance in aviation and telecommunications. Particular attention will also be given to improving the sustainability of service delivery in the health and education sectors.

In 2002-03, Australia will provide \$6.8 million in additional aid flows to Nauru to fund the balance of the \$10 million development assistance package agreed between Australia and Nauru in December 2001. All aid funding for this package has been in addition to the aid budget.

Other island nations

Country program estimate	\$7.2 million
Estimated other flows	\$3.2 million
Estimated total aid flows	\$10.4 million

In 2002-03, Australia will continue to provide assistance in the form of scholarships to enable students from **Tuvalu, Federated States of Micronesia, Marshall Islands, Palau, Cook Islands, Niue** and **Tokelau** to study at tertiary education institutions in the region.

In **Tuvalu**, efforts will continue to improve the delivery of education services. Assistance to the **Federated States of Micronesia, Marshall Islands** and **Palau** will support economic reform initiatives and service delivery in education and health. In the **Cook Islands** and **Niue**, there will be an ongoing focus on public sector reform.

CHAPTER THREE: ASIA AND AFRICA

East Asia

East Asia regional development indicators

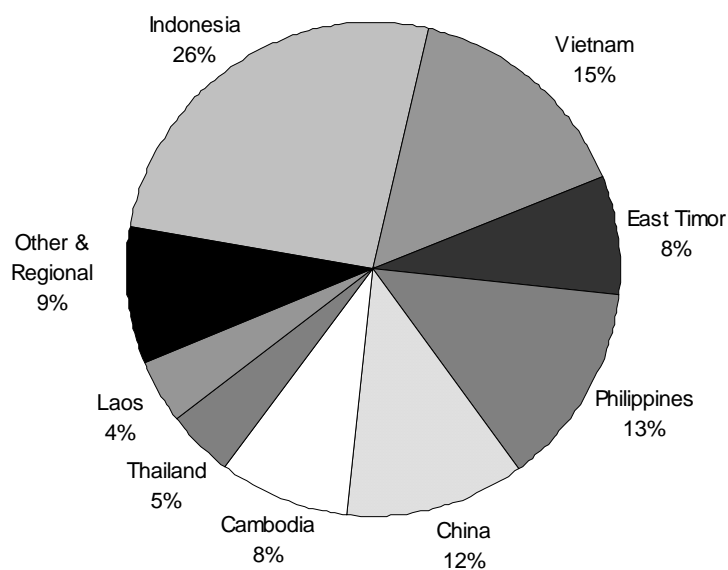
Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	984	76	66	87
Vietnam	673	56	68	93
Philippines	1,796	87	69	95
China	1,450	75	70	84
East Timor	471	48	57	47
Cambodia	449	30	56	68
Laos	501	90	53	47
Thailand	3,470	80	70	95
Burma	—	68	56	84
Mongolia	673	60	63	62

Source: GNP per capita: DAC, 2000; other indicators: Human Development Report, UNDP, 2001; East Timor: East Timor – Building Blocks for a Nation, UN common country assessment, 2000.

Estimated total aid flows to East Asia in 2002-03

\$470.8 million

Diagram 11: Estimated total aid flows to East Asia by country 2002-03



REGIONAL OVERVIEW

This year will be challenging for many East Asian countries. Achieving significant economic growth and poverty reduction is likely to remain problematic. Key factors will be the health of the world economy and the demand for regional exports. The global economic slowdown impacted significantly in 2001-02, with regional growth of around 4.3 per cent in calendar year 2001, compared with around 7.6 per cent in 2000. The outlook is likely to remain subdued and will be highly dependent on conditions in the US and Europe, given Japan's ongoing economic difficulties.

Most regional countries appear to be in better shape to weather the immediate effects of this slowdown than they were in 1997. They have achieved more sustainable current account positions, improved foreign reserves and in several cases implemented more flexible exchange rate regimes. However, systemic structural weaknesses remain, particularly the restructuring of bad debts and slow progress in corporate governance reforms to enhance transparency and ensure the flow of resources to profitable enterprises. Maintenance of an outward orientation is vital so that countries reap the substantial benefits of international trade and investment. The launch of a new round of WTO trade negotiations provides a good opportunity and significant incentives for regional countries to increase the pace of their reform efforts.

Regional program

Regional program estimate

\$30.0 million

The Asia regional program complements Australia's bilateral assistance by addressing trans-boundary development challenges and strengthening regional cooperation and economic integration. Increasingly, the program is focusing on longer-term capacity building. It will also aim to develop a stronger role in analysis of economic and development issues in South-East Asia. The program strategy gives priority to governance (including economic management, trade and related economic integration issues and social protection) and health (including HIV/AIDS). Activities aim to assist economic growth, while building capacity to address the needs of some of the poorest and most marginalised people in the region.

International trade is crucial to sustainable development and poverty reduction in the region. The new round of multilateral trade negotiations agreed at the WTO Ministerial Meeting in Doha in November 2001 will be central to encouraging more open trade. Australia recognises that developing countries require assistance to engage effectively in WTO negotiations. In 2002-03, Australia will work with partner countries to develop a WTO capacity building program. A four-year regional program is being developed to strengthen the capacity of countries to manage plant and animal pests and diseases, enhancing their ability to participate in international trade. This program has the added benefit of strengthening Australia's 'forward defences' against pests and diseases.

The Asia regional program will be a major vehicle for trade related technical cooperation with ASEAN. It will help advance Australian interests within the APEC group and will also contribute to the Closer Economic Partnership between the ASEAN Free Trade and the Australia New Zealand Closer Economic Relations agreements. Capacity in areas such as customs cooperation, quarantine and electronic commerce will be strengthened. Key mechanisms include the APEC Support Program and the \$45 million six-year ASEAN Australia Development Cooperation Program.

HIV/AIDS is a serious health and development challenge for the region. An estimated six million people in South and South-East Asia are now living with HIV/AIDS. The region has some of the fastest transmission rates in the world. In parts of the region, including Burma, China and Vietnam, injecting drug users account for up to two-thirds of all reported cases of HIV infection. Starting in 2002-03, Australia will implement a four-year, \$9.6 million program to strengthen the capacity of governments and communities to reduce HIV transmission associated with drug use. The program will involve health, police, and other key agencies.

Trafficking in women and children, including for sexual exploitation, is an increasing problem in Asia and is estimated to affect several million people. As part of a broader commitment by the Australian Government to combat people trafficking, the Asia regional program will begin implementing a \$5 million project to improve regional cooperation to stamp out illegal trafficking. The project will have a particular focus on improving regional legal frameworks and their implementation.

Another priority for the program for 2002-03 will be implementation of phase two of the \$5 million Social Protection Facility. The facility supports the development and delivery of social protection programs for the poor and vulnerable in Indonesia, the Philippines, Thailand and Vietnam. Attention is being given to issues such as social service delivery and financing, health insurance and the training of social service providers.

BILATERAL PROGRAMS

Indonesia

Country program estimate	\$102.0 million
Estimated other flows	\$19.6 million
Estimated total aid flows	\$121.6 million

The 2001-03 Australia-Indonesia development cooperation strategy aims to contribute to poverty reduction, sustainable economic recovery and democratisation in Indonesia. Alongside major programs of assistance with health, water supply and basic education and training, Australia is working to build capacity in key institutions of government and civil society.

Australia will continue to assist Indonesia in implementing its extensive program of economic and financial management reform. Key areas of cooperation include work to develop a comprehensive anti-money laundering regime and assistance with taxation reform. Australia will also assist the Indonesian Government with the critical task of managing domestic government debt through a new three-year project with the Indonesian Ministry of Finance.

Successful decentralisation of government functions and responsibility is critical to Indonesia's development. In 2002-03 Australia will continue to support the development of an appropriate fiscal framework for decentralisation, and to build the capacity of local governments in Indonesia.

In 2002-03 Australia will support an initiative that will help build the capacity of Indonesian community based organisations and non-government organisations (NGOs). This initiative will also support an expanded program of community development activities.

Conflict in Indonesia continues to act as a significant impediment to sustainable development. More than 1.3 million Indonesians have been displaced from their home communities and many more are vulnerable. In 2002-03 the Disaster Management and Conflict Prevention Program will aim to build indigenous crisis management capacity and support initiatives aimed at positively influencing the dynamics of conflict.

Vietnam

Country program estimate	\$59.4 million
Estimated other flows	\$12.8 million
Estimated total aid flows	\$72.2 million

The past decade has seen average yearly incomes in Vietnam double (from US\$200 to US\$400 per capita) and poverty levels halve (from 75 per cent of the population to 37 per cent) as a result of strong economic growth. Sustaining these high growth rates will require the creation of appropriate legal, administrative and economic institutions for a market economy.

In recognition of this, Vietnam announced a range of governance reforms in 2001. Australia's new governance initiative will support these reforms by providing responsive and targeted policy advice, expert assistance and short-term training. For example, Australia will provide assistance to the Vietnamese Ministry of Agriculture and Rural Development to develop and implement appropriate policies to maximise the domestic benefits and manage the costs of agricultural trade reform.

The poor in Vietnam are predominantly located in remote rural areas, constrained by limited infrastructure, weak links to the local and international economy and low quality social services. The aid program has sharpened its focus on linking the poor to local and international markets, increasing access to agricultural and rural development knowledge and managing risk and vulnerability. A new rural

development project in Quang Ngai province will increase incomes for 35,000 rural poor through small-scale credit, agricultural training and provision of roads to improve access to markets.

Australia's aid to Vietnam is underpinned by education and training activities that aim to increase Vietnam's human capacity. As one component of this support, Australia will provide up to 200 new scholarships for Vietnamese to study in Australian universities, in priority areas including rural development, governance, education and health.

Australia continues to assist Vietnam to protect our joint investment in the \$90 million My Thuan Bridge in the Mekong Delta through support for ongoing monitoring and maintenance. This includes assisting the University of Economics in Ho Chi Minh City to increase its skills in project monitoring and evaluation. Since the construction of the bridge, vehicle traffic across the river has more than doubled.

Philippines

Country program estimate	\$55.5 million
Estimated other flows	\$7.5 million
Estimated total aid flows	\$63.0 million

The aid program's geographic focus is on the rural poor in the southern Philippines, including Mindanao, with Australian support targeting rural incomes, health, the environment and education.

In 2002-03, the quality of management of basic education in three regions of Mindanao will continue to be improved with Australian support. Work is ongoing in four of the poorest provinces in the southern Philippines to enhance the quality and responsiveness of rural service delivery and to provide opportunities for the rural poor to improve their quality of life.

The program is also supporting good governance by assisting with the development of policies; building capacity at the community, local and national level; and providing short-term targeted assistance to Philippine government programs for vulnerable groups. Australia's aid also targets systemic development constraints including land reform and administration, local government capacity and health service delivery at the local level.

China

Country program estimate	\$40.0 million
Estimated other flows	\$15.5 million
Estimated total aid flows	\$55.5 million

Australian development cooperation with China will continue to focus on governance and the reduction of poverty in selected rural areas of western China. The program

will address rural poverty through targeted interventions that are integrated with China's own poverty reduction programs. It will focus on practical assistance where Australia has recognised expertise, such as planning and local government processes, agriculture and rural development, water supply and sanitation, and basic health and education. A key priority in 2002-03 will be the development of a new governance program that supports China's reform agenda and builds on previous support for China's transition to a market economy.

Australia will continue to support a human rights technical cooperation program to strengthen the protection, promotion and administration of human rights, especially in the areas of legal reform, women's and children's rights and ethnic and minority rights.

Several major new aid projects will begin implementation in 2002-03 in the areas of health, education and environment. Australia will help to improve the capacity of the Tibet Autonomous Region to provide basic health care and to respond to the threat of HIV/AIDS. The Xianyang Integrated Rural Health Project will raise the health status of rural poor through improved health planning and management, service delivery and community understanding of health issues. A major education project in Chongqing Municipality is promoting the reform of China's vocational education and training system by demonstrating alternative, demand driven approaches.

Livelihoods in rural China will be improved through two new environmental management projects commencing in 2002-03. In Qinghai, Australia will address environmental degradation caused by erosion, thereby improving agricultural productivity of land and increasing employment and labour productivity. In Hebei, Australia will promote affordable methods to increase agricultural productivity and diversify crops in order to improve the economic resilience of poor households.

East Timor

Country program estimate	\$30.0 million
Estimated other flows	\$6.0 million
Estimated total aid flows	\$36.0 million

The goal of Australia's aid to East Timor is to reduce poverty and build East Timorese capacity to govern a peaceful, democratic and independent East Timor. Australia's program strategy will be reviewed after East Timor gains independence on 20 May 2002 to ensure that it reflects the priorities of the new East Timorese government. It is anticipated that it will build on the foundations of the previous strategy, which included support for improved governance, rural development, water supply and sanitation, health, education and training, and continued engagement and coordination with other donors.

In 2002-03 a major capacity building initiative is proposed to strengthen capacity and service delivery across key sectors of government and public administration. Australia will also support three major new development programs designed to promote sustainable development and reduce poverty, especially in rural areas. A Rural

Development Program will increase food security and help re-establish rural livelihoods in three districts. A rural water supply project will bring clean water to three districts. Australia will also help strengthen the capacity of the Department of Water Supply and Sanitation. In addition, Australia will assist health service delivery, health promotion and HIV/AIDS prevention, and provide specialist surgical services. A scholarship program will target East Timor's highest priority skills needs.

Cambodia

Country program estimate	\$24.5 million
Estimated other flows	\$15.1 million
Estimated total aid flows	\$39.6 million

Australia's bilateral aid program to Cambodia aims to reduce poverty and support the country's transition towards sustainable, broad-based development. The program focuses on improving productivity and profitability in the agriculture sector, strengthening service delivery especially in the health sector, and supporting key governance reforms. The program also supports education and training activities, community development through NGOs, and efforts to address the problem of land mines.

In 2002-03, major activities in agricultural research, extension and quality improvement will continue to bring benefits to poor rural households. Australia is examining the means of strengthening health service management, delivery and promotion in Kampong Cham, Cambodia's most populous province.

Building on a successful project in the criminal justice sector, Australia will provide further assistance to help strengthen the rule of law and protection of human rights in Cambodia.

Australian NGOs will implement two new rural microfinance initiatives that will allow up to 31,000 poor people in 7 provinces to improve access to credit and savings services at village level. Australia will also fund a new NGO project that will support basic education by training 40 community teachers and allowing up to 10 new schools to be created in a disadvantaged highlands region.

Thailand

Country program estimate	\$12.0 million
Estimated other flows	\$9.6 million
Estimated total aid flows	\$21.6 million

Thailand's relatively high level of development and its important position in the Mekong sub-region, both geographically and economically, provide a sound basis for the evolution of the aid relationship from donor/recipient to development partnership in the region. A recently agreed trilateral aid partnership will see Australia and

Thailand jointly implement activities for third countries in the Mekong sub-region, initially with a focus on HIV/AIDS issues.

Australia's current assistance is primarily focused on building Thailand's capacity to address economic and public sector governance issues. The new Thailand–Australia Government Sector Linkages Program will promote institutional strengthening and capacity building in Thai Government agencies, including the Bureau of the Budget and the office of the Prime Minister. The program utilises a partnership approach, with joint activities planned and implemented by Australian and Thai Government agencies. Direct assistance to the poor and disadvantaged will continue through grants to local NGOs and through a new project that is strengthening the Thai Government's support to local community organisations.

Laos

Country program estimate	\$13.5 million
Estimated other flows	\$5.5 million
Estimated total aid flows	\$19.0 million

Laos remains one of the poorest countries in East Asia, with 39 per cent of the population living below the poverty line. Access to even very basic health and education services is limited. Australia therefore seeks to increase the accessibility and quality of basic services particularly in remote rural areas.

February 2002 saw the start of a five-year initiative to improve the health of the populations in two remote northern provinces by encouraging better nutrition, reducing the incidence of communicable diseases and cutting infant and child mortality. The initiative focuses on improving the skills of health providers and the development of health management systems. In addition, the Australian Government will provide approximately \$3.7 million to Australian NGOs to work directly with communities in remote areas to provide water and sanitation facilities, HIV/AIDS awareness programs, blindness prevention, vocational training, and small-scale irrigation programs.

The very limited domestic revenue base for the government of Laos is a major constraint to long-term development. Australia has been providing support to a successful land-titling project that has already led to the registration of 20,000 titles. The anticipated next phase of the project will extend existing achievements and strengthen the Lao Government's capacity to collect land tax.

Burma

Country program estimate	\$3.0 million
Estimated other flows	\$3.2 million
Estimated total aid flows	\$6.2 million

In 2002-03, Australia's small bilateral aid program to Burma will focus on the humanitarian crisis that is engulfing the country. Australia will directly address issues that impact on the health of Burma's people, especially children. Initiatives to improve the human rights situation will also continue. In 2002-03 Australia will expand the focus of its human rights assistance by providing specific training to Burmese officials, including training on the Convention on the Rights of the Child.

In Burma, an estimated one in three children under five years old suffers from malnutrition. To address this situation, in 2002-03 Australia will implement a project targeting child and community nutrition. In addition, the Australian aid program will continue to support Australian and international NGOs and United Nations (UN) agencies as they address Burma's development problems at the community level. This includes significant anti-HIV efforts and a demand reduction program to reduce drug abuse in north-east Burma.

Australia also provides health support, shelter, food and distance education to approximately 130,000 refugees in twelve camps on the Thailand/Burma border.

Mongolia

Country program estimate	\$2.5 million
Estimated other flows	\$0.7 million
Estimated total aid flows	\$3.2 million

Australia will continue to support the Mongolian Government in its reform of financial management and promotion of transparent and accountable systems in key Mongolian ministries on issues relating to the country's economic transition. Australia is also providing assistance to improve access to clean water and the delivery of essential services, particularly in the poorer areas of the capital, Ulaanbaatar.

South Asia

South Asia regional development indicators

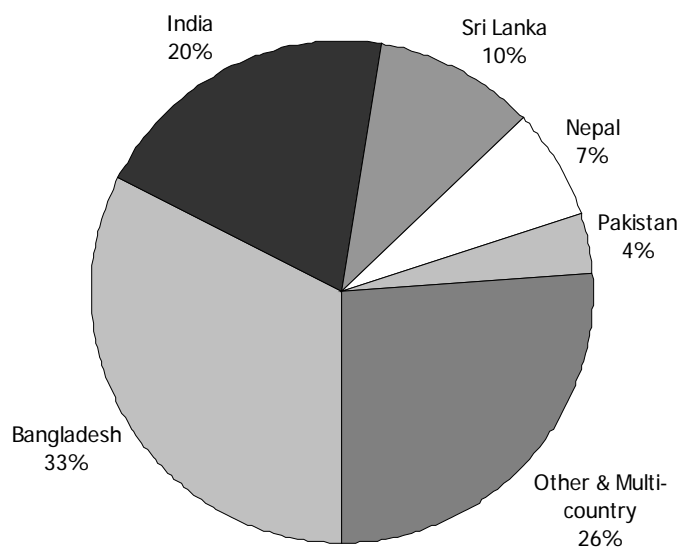
Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	656	97	59	41
India	794	88	63	57
Sri Lanka	1,502	83	72	91
Nepal	380	81	58	40
Pakistan	811	88	60	45

Source: GNP per capita: DAC, 2000; other indicators: Human Development Report, UNDP, 2001.

Estimated total aid flows to South Asia in 2002-03

\$110.0 million

Diagram 12: Estimated total aid flows to South Asia by country in 2002-03



REGIONAL STRATEGY

With half a billion people living on less than two dollars a day, South Asia contains nearly 40 per cent of the world's most impoverished people. Australia is assisting countries of the region to achieve food security, improve access to quality primary education, mitigate environmental degradation and improve health outcomes.

To be effective and deliver quality outcomes, Australian aid to South Asia is focused in a few key sectors including basic education, water and sanitation, and natural resource management. It is also focused in identified geographic areas. Building capacity to assist women and children in the region is a particular theme.

Australian assistance aims to:

- enhance human capital and help to improve service delivery in key sectors
- support reform and assist in strengthening governance
- strengthen the ability of governments to address the needs of vulnerable groups.

Conflict has been a major impediment to development in South Asia: diverting resources, destroying livelihoods and displacing communities. Australia is active in humanitarian efforts to respond to the victims of conflict.

BILATERAL PROGRAMS

Bangladesh

Country program estimate	\$22.2 million
Estimated other flows	\$13.4 million
Estimated total aid flows	\$35.6 million

The provision of up to 50,000 metric tonnes of Australian wheat will continue to support Bangladesh's efforts to achieve food security for 400,000 extremely poor people. Access to better quality primary education for girls in Bangladesh will remain a key focus. More than 20,000 poor people in the Chittagong Hill Tracts will benefit from microfinance programs that will improve their livelihoods.

India

Country program estimate	\$15.0 million
Estimated other flows	\$7.1 million
Estimated total aid flows	\$22.1 million

Australia and India have agreed that Australian assistance will target some of the most disadvantaged areas in the country in the north and north-eastern regions. Australia will support the efforts of Governments and communities in these areas to improve access to quality education, health and water and sanitation.

Water supply and sanitation projects being developed in 2002-03 aim to demonstrate the advantages of water sector reform. These projects will improve the health of hundreds of thousands of poor people in Shillong and Gangtok. A five-year, \$18.5 million HIV prevention and care project is also planned to combat the spread of

HIV/AIDS in vulnerable communities in four states. Some 800,000 poor children currently out of school are expected to start school as a result of a second phase of an Australian supported project, which commences in 2002-03.

Sri Lanka

Country program estimate	\$6.1 million
Estimated other flows	\$5.3 million
Estimated total aid flows	\$11.4 million

Australia's program to Sri Lanka supports the capacity of the government to deliver improved services, focusing on environmental management, health and community resettlement activities in support of the peace process. Australia is supporting vulnerable communities in conflict-affected areas through landmine awareness and clearance, and income generation, education and health programs. Australia is also providing these communities with access to clean drinking water, sanitation and low cost housing. The Sri Lanka-Australia Natural Resource Management project will use Australian expertise to improve the lives and incomes of up to 5,000 impoverished villagers in Sri Lanka's dry zone.

Nepal

Country program estimate	\$6.0 million
Estimated other flows	\$1.8 million
Estimated total aid flows	\$7.8 million

Australian assistance to Nepal works towards alleviating poverty by supporting the community management of natural resources and by developing human capital through the provision of scholarships.

Pakistan

Country program estimate	\$3.0 million
Estimated other flows	\$1.2 million
Estimated total aid flows	\$4.2 million

Australian assistance to Pakistan continues to increase access to quality primary education for girls in Balochistan, where adult female literacy is amongst the lowest in the world. It is also improving community management of salinity-affected agricultural lands in the Punjab. In 2002-03, Australia will fund the Fred Hollows Foundation to work with health officials to improve the delivery of affordable eye care in 20 districts.

Other South Asian countries

Country program estimate	\$4.0 million
Estimated other flows	\$2.1 million
Estimated total aid flows	\$6.1 million

In 2002-03, Australia will continue to provide assistance in the form of scholarships to students from the **Maldives** and **Bhutan**. Such scholarships help improve the capacity of these countries to deliver improved services.

Multi-country programs

In order to increase the effectiveness and efficiency of program delivery, Australia will support initiatives which address shared problems in the region by taking a regional approach. These include reducing the incidence of arsenic contamination of drinking water through applied research, and reducing poverty through the provision of microfinance. During 2002-03, a regional Training and Capacity Building Facility will be developed to address the urgent needs for human capital development in the region.

Africa and the Middle East

REGIONAL OVERVIEW OF AFRICA AND THE MIDDLE EAST

	Africa	Middle East
Program estimate	\$35.6 million	\$2.5 million
Estimated other flows	\$24.5 million	\$9.4 million
Estimated total aid flows	\$60.1 million	\$11.9 million

The development challenges facing Africa are enormous. Recurrent drought, food insecurity, illiteracy, poor health services and high rates of HIV/AIDS are often exacerbated by conflict, poor governance and a lack of social and economic investment. To help African countries meet these challenges, Australian aid will focus on governance, education and HIV/AIDS in southern Africa.

The HIV/AIDS epidemic is a major development challenge, with an estimated 28 million people living with HIV. Australia works with African governments and community groups through NGOs to care for those affected by HIV/AIDS and to strengthen the responses of governments, employers, researchers and communities.

Starting in 2002-03, Australia will assist the African Virtual University in Nairobi to provide greater access at lower cost to quality educational courses. This activity is part of Australia's cooperation with the World Bank within the Virtual Colombo Plan. The project will link an Australian and an African University to increase capacity in delivering business studies in Africa. It will include adaptation of Australian course materials in business studies as well as teaching capacity building and policy development.

Australia will also work with Denmark and the International Fund for Agricultural Development to support the development of an effective and sustainable Newcastle Disease control program in Mozambique, Malawi and Tanzania. Newcastle Disease wipes out entire chicken flocks with serious consequences for food security in vulnerable groups, particularly women.

In the Middle East, Australia continues to provide humanitarian assistance to the more than 3.5 million Palestinian refugees in the region.

South Africa

An estimated 1 in 9 (4.7 million) South Africans are living with HIV. Some 25 per cent of pregnant women attending antenatal clinics are HIV positive. Australian aid delivered by NGOs is helping to prevent the spread of the epidemic through education. Australia is also assisting communities to care for and provide support to HIV/AIDS sufferers.

Australia will continue to support capacity building of government agencies in South Africa. This will include a project commencing this year to help local governments enhance service delivery by improving their performance in financial management and coordination. The National Department of Agriculture will receive support for a land-care program and for implementation of a new vocational education system.

Local NGOs will continue to receive support to build the capacity of communities to combat gender violence and reduce poverty.

Mozambique

The Mozambique Australia Capacity Building Program will provide support for policy development in science, technology and tourism, and English language training for government officials. Australia will also work with the United Nations Development Programme (UNDP) on de-mining activities. Mozambican students have better access to tertiary education through scholarships both in Australia and in Mozambique.

Middle East

Australia's bilateral program to the Middle East will continue to address the urgent social and economic situation in the West Bank and Gaza, through the United Nations Relief and Works Agency (UNRWA) and Australian and local Palestinian NGOs. In 2002, a new initiative with NGOs will increase food security and self-sufficiency. Beneficiaries will include farmers and their families in the poorest region in Gaza.

CHAPTER FOUR: GLOBAL PROGRAMS

The majority of Australia's aid to our development partners in the region is delivered through bilateral programs. However, a significant component of our aid to partner countries is implemented via multilateral agencies and community organisations. In 2002-03, it is estimated that Australia will provide \$342.8 million to global programs (estimated cash payments will be \$514 million). This funding will support activities delivered by multilateral organisations and NGOs. It will also support volunteer programs; humanitarian, emergency and refugee programs; and communication, education and information programs.

Multilateral Organisations

Australia's support for multilateral organisations complements bilateral assistance to our partner countries. Multilateral organisations fulfil valuable humanitarian, technical, policy dialogue and coordination functions. They provide on-the-ground support to developing countries in a variety of sectors, such as primary health care and basic education. They are able to mobilise and coordinate donor resources for international crises, such as the humanitarian crisis in Afghanistan. They are also instrumental in moves towards greater donor coordination, including efforts to harmonise donor programs in collaboration with our development partners.

Australia has a strong interest in ensuring that any organisation it supports through the aid program performs effectively and operates in line with Australia's priorities in the Asia-Pacific region. Australia systematically assesses how well these organisations contribute to the objective of the aid program. The Multilateral Assessment Framework is used to assess the performance of UN and Commonwealth multilateral organisations. In 2002-03, efforts will be made to further strengthen links between multilateral programs supported by Australia and our bilateral country programs.

MULTILATERAL DEVELOPMENT BANKS²

Asian Development Fund — Asian Development Bank	\$91.4 million
Heavily Indebted Poor Countries Initiative	\$6.0 million
International Development Association - World Bank	\$135.1 million
International Fund for Agricultural Development	\$1.5 million
Total Multilateral Development Banks	\$234.0 million

In 2002-03, Australia's contribution to multilateral development banks (MDBs) will total \$234 million. As well as providing developing countries in the Asia-Pacific with highly concessional finance, MDBs play a critical role in promoting good governance, sound economic policies and donor coordination across the Asia-Pacific region.

² Figures for MDBs are calculated on a cash basis. Refer to Technical notes for further details.

Australia's priorities for 2002-03 are to improve the development effectiveness, accountability and transparency of MDB activities and to strengthen the complementarities between MDB and Australian Agency for International Development (AusAID) programs in the Asia-Pacific region.

Australia will help the Asian Development Bank (ADB) to forge stronger ties with NGO and community groups in the region and will actively participate in a review of the ADB's progress in implementing agreed reforms.

Australia will work with other donors and the World Bank to progress policy issues raised in the context of the 13th replenishment of the International Development Association (IDA). Australia is particularly interested in working with the Bank and other donors to increase IDA's effectiveness in poverty reduction, including strengthening the Bank's Poverty Reduction Strategy approach.

The HIPC Initiative is a multilateral plan to provide debt relief to the world's poorest countries supported by the IMF and the World Bank. It provides debt relief in the context of establishing sound institutional and policy frameworks to promote further development. It also helps to ensure that the proceeds of debt relief are directed towards basic health, education and poverty reduction programs, and not lost in corruption or military spending. The Australian Government has made an additional commitment of \$18 million, to be paid over three years commencing in 2002-03. This brings total Australian contributions to HIPC to \$77 million.

As well as contributing to the HIPC Initiative, Australia has pledged 100 per cent bilateral debt forgiveness to countries that qualify for debt relief under the enhanced HIPC Initiative. Ethiopia qualified for interim debt relief on 12 November 2001, and will now not be required to make debt repayments to Australia on its debt of \$11.5 million. Nicaragua is also not making debt repayments to Australia on its outstanding debt of \$6.3 million following the country's qualification for interim debt relief in 2000. There are no other countries that the World Bank and IMF regard as having unsustainable debt burdens that have outstanding liabilities to Australia.

Australia will encourage the World Bank and the IMF to monitor and manage the delivery of debt relief to ensure this relief is sustainable and results in increased transfers of development spending.

UNITED NATIONS DEVELOPMENT ORGANISATIONS

In 2002-03, Australia will provide \$68.2 million in contributions to the following UN development and humanitarian organisations:

World Food Programme	\$40.0 million
United Nations High Commissioner for Refugees	\$7.3 million
United Nations Development Programme	\$6.5 million
United Nations Children's Fund	\$5.0 million
United Nations Relief and Works Agency	\$4.0 million
United Nations Fund for Population Activities	\$2.2 million
International Atomic Energy Agency	\$2.0 million
United Nations Drug Control Program	\$0.8 million
United Nations Development Fund for Women	\$0.4 million

Australia's aid program will continue to build close partnerships with UN agencies, with the aim of improving their performance, supporting Australia's regional and bilateral aid priorities, and enhancing overall aid outcomes in the Asia-Pacific region. UN agencies can extend the reach of the aid program and the benefits Australia's assistance can deliver.

A key priority for 2002-03 will be the development of strategic partnerships with multilateral agencies focused on poverty reduction and sustainable development in the Asia-Pacific. These partnerships aim to improve multilateral agency engagement and effectiveness in the region. Australia will also continue to work closely with UN agencies to promote improved performance and coherence in the UN development system as a whole.

INTERNATIONAL HEALTH PROGRAMS

In 2002-03, Australia will provide \$15.0 million to international health programs. Australia's contribution is helping improve the basic health of those most in need by responding to continuing global health challenges such as HIV/AIDS, TB, poor maternal and child health, and reproductive health. It is also addressing emerging health issues in our region, such as non-communicable diseases and mental health.

In 2002-03, Australia will support:

- WHO to control and eradicate diseases such as TB, increase immunisation coverage, and address emerging challenges in the areas of non-communicable diseases and mental health
- UNAIDS' implementation of the Asia-Pacific Leadership Forum and promotion of an effective response to HIV/AIDS
- Rotary International, in partnership with WHO, UNICEF and the US Centre for Disease Control, to eradicate polio from the world by 2005. The Australian

Government is currently matching Australian corporate contributions dollar for dollar up to \$10 million over the period 2001-05.

INTERNATIONAL ENVIRONMENT PROGRAMS³

Australia's international environment program aims to assist developing countries to address global environment concerns, particularly those of greatest relevance to the poor. Through its support for international environment organisations, Australia is assisting developing countries to address environmental challenges that require global and regional responses.

In 2002-03, Australia will continue to support the Global Environment Facility (GEF) to address global environmental concerns, including climate change, biodiversity loss, degradation of international waters, ozone depletion, land degradation and persistent organic pollutants. Cash contributions for the GEF in 2002-03 will be \$10.3 million. In addition, in 2002-03 Australia will make a commitment to the third GEF replenishment (GEF3). Cash contributions for GEF3 will not commence until 2003-04. The exact size of Australia's commitment to GEF3 is still dependent on the outcomes of current replenishment negotiations.

Australia will also provide \$5.2 million to the Montreal Protocol Multilateral Fund (MPMF) which is helping developing countries phase out the use of ozone depleting substances by 2010. An amount of \$0.6 million will be provided to the United Nations Environment Program, the UN's primary body on environment, in support of its work on sustainable development. Australia will also provide funding to the International Tropical Timber Organisation (ITTO) to promote sustainable tropical forest management.

COMMONWEALTH ORGANISATIONS

Australia will contribute \$12.2 million during 2002-03 to Commonwealth organisations and programs to improve good governance, small states development, economic policy making and institution building. As chair of the Commonwealth over the next 18 months Australia will have a close interest in strengthening the governance impact of Commonwealth programs and bringing a tighter focus to its development activities. Australia will continue to fund experts, training and advice through the Commonwealth Fund for Technical Cooperation to promote economic and social development in member countries. Australia will also provide funding to the Trade and Investment Access Facility, an Australian initiative at the 1997 CHOGM. The facility will assist developing members to better integrate into the global economy.

³ Figures for GEF, MPMF and ITTO are calculated on a cash basis. Refer to Technical notes for further details.

A key priority for 2002-03 is working with the Commonwealth Secretariat to implement planned reforms. The reforms seek to ensure the Commonwealth remains modern, relevant and responsive to its members' needs, with a simplified structure and a clear focus on its strengths. As announced by the Prime Minister at CHOGM 2002, Australia will also provide significant support for the Commonwealth Youth for the Future initiative. The initiative aims to encourage technology and skills transfer and foster youth leadership and enterprise. Australia's support for this initiative will seek to engage the skills and enthusiasm of Australian youth volunteers to make a practical contribution to the international development work of the Commonwealth.

Community programs

NON-GOVERNMENT ORGANISATIONS

Non-government organisations

\$26.4 million

The Australian Government has worked with Australian NGOs for many years to help developing communities. Through their links with communities in developing countries, NGOs are well placed to strengthen civil society and build longer-term sustainable development at the grass roots level. NGOs have also been successful at mobilising public support and voluntary contributions for aid and engaging the Australian community in aid activities.

The AusAID/NGO Cooperation Program (ANCP) supports development activities initiated by NGOs that contribute to poverty alleviation. Under the program, the Australian government supplements funds provided by the Australian community, thereby increasing the scale and effectiveness of NGO activities. In 2002-03 funding for the ANCP will be \$25.9 million.

The key theme for the NGO program for 2002-03 will be to encourage continuous improvements to the quality of the program. AusAID will work closely with NGOs in implementing the recommendations of a collaborative review of the design and implementation of NGO activities funded through the aid program. This review has identified strengths and weaknesses in NGO supported community projects. Particular emphasis will be placed on improving NGO skills in project design and implementation, encouraging regular reviews by NGOs of their activities, and revising AusAID accreditation and assessment procedures to incorporate quality indicators.

VOLUNTEER PROGRAMS

Volunteer programs

\$20.5 million

Since the 1960s, when the Australian aid program first directly funded volunteers, they have been a key part of the human face of Australian aid. Volunteers enhance community participation in the aid program, and help reduce poverty through skills transfer and institutional strengthening.

The Government is committed to supporting overseas volunteer programs, and funding for these programs has increased to \$20.5 million in 2002-03, the highest level yet. Australia supports three types of volunteer services: short term youth volunteers (through the Australian Youth Ambassadors for Development program), longer term community volunteers (through Australian Volunteers International), and short term business volunteers (through programs such as AESOP Business Volunteers).

Australia will continue to target its volunteer program primarily toward the Asia-Pacific region. In 2002-03 Australia will assess the continued benefits that volunteers provide to the aid program and measure the quality of volunteer programs. In addition, Australia will investigate ways to integrate volunteers into the delivery of other aid programs. In particular, increasing use will be made of Australian volunteers in implementation of the Virtual Colombo Plan. Volunteers will be involved in the delivery of information technology literacy training and in providing management and technical advice in selected distance learning centres.

Emergency, humanitarian and refugee programs

Emergency aid	\$52.4 million
Humanitarian aid	\$49.0 million
Refugee aid	\$15.0 million

The emergency, humanitarian and refugee programs aim to mitigate the adverse impacts of conflict, natural and other disasters on vulnerable populations. To ensure effective responses to conflict and disasters, Australia works in cooperation with international and domestic partners to improve preparedness and risk reduction strategies, especially in the Asia-Pacific region. The core element of Australia's humanitarian program is regional engagement. In 2002-03, the program will continue to focus on:

- greater preparedness through improved analysis and scenario planning
- increasing indigenous capacity to prepare for and respond to humanitarian crises through strengthened regional and national disaster management institutions and NGOs
- increasing Australian capacity, both government and non-government, to respond to a broad range of crises and sustain our commitment over the medium to long term
- greater engagement with multilateral humanitarian agencies in our region.

In 2002-03, AusAID will also be encouraging greater integration of the humanitarian program with bilateral country programs, and stronger alignment of the humanitarian program with overall aid program priorities.

An international refugee allocation will be established in 2002-03 to support programs of international agencies to assist refugees and internally displaced people. The United Nations High Commissioner for Refugees (UNHCR) currently estimates that there are some 25 million internally displaced people in the world (some 1.3 million in Indonesia) and 12 million refugees. The allocation will support efforts to improve the conditions of displaced people, as well as assist with repatriation and local integration. AusAID works closely with relevant government agencies and international partners in implementing appropriate support programs in countries of origin, first asylum and transit.

While core funding for the UNHCR will be \$7.3 million in 2002-03, UNHCR together with other international agencies, will be able to apply for funding through the new international refugee allocation.

Australian Aid to Afghanistan

Since the disastrous events of 11 September 2001, the Australian Government has committed \$40.3 million to deal with the humanitarian and reconstruction challenges in Afghanistan. This response is the second largest ever by Australia to a humanitarian crisis (only surpassed by East Timor). This contribution complements Australia's military and diplomatic support as part of the international coalition against terrorism.

The humanitarian response from the international community was successful in averting the fears of mass starvation prevalent prior to the establishment of the Afghan Interim Administration. Australia's contribution includes humanitarian assistance (\$23.3 million) and funding for recovery efforts in Afghanistan (\$17 million).

Australian humanitarian assistance has included food aid from Australian wheat farmers, winter supplies, vital health assistance and support to international agencies and NGOs. Australia's \$17 million contribution towards reconstruction efforts in Afghanistan will support education assistance, immunisation and nutrition, drug control, de-mining, and technical assistance in rebuilding Afghanistan. Australia also provided an additional \$1 million in assistance to Afghanistan in response to the devastating earthquake in March 2002.

LANDMINE ACTION

Australia is committed to providing \$100 million towards mine action activities over the decade ending in December 2005. This funding is an integral part of Australia's commitment to the *Ottawa Convention on Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and On Their Destruction*. Australia's mine action assistance has focused on building indigenous capacity for mine clearance, assisting landmine victims and promoting mine awareness.

DIRECT ASSISTANCE PROGRAM

The Direct Assistance Program is a small grants scheme used to fund humanitarian projects ancillary to Australia's development cooperation program. The program is delivered through Australia's diplomatic posts with over 40 posts currently drawing on the scheme. The program will continue to focus on alleviating basic humanitarian hardships. Development activities supported under the program are directly aimed at assisting women, the poor and other disadvantaged people. In 2002-03, \$3.3 million will be provided through the program.

Communication, education and information

OUTREACH ACTIVITIES AND DEVELOPMENT EDUCATION

The Government puts significant emphasis on informing the Australian people about the benefits aid delivers to the poor in developing countries in our region. Expenditure on media, outreach, publications, internet and global education activities for 2002-03 will be \$2.6 million. The Government will continue to implement a communication strategy that aims to inform increasing numbers of Australians about the aid program through a range of media. AusAID will provide information about the aid program through:

- proactive communications strategies for both print and electronic media
- outreach activities at shows, trade and business forums, universities and schools
- global education in primary and secondary schools
- *Focus* magazine, AusAID's flagship magazine, and other agency publications
- on-line delivery of information and new on-line services for specific stakeholders.

Key priorities for 2002-03 include the development of outreach, media and publications programs to engage Australia's rural communities, the development of new online services, the provision of professional development to 10,000 Australian primary and secondary teachers in teaching global education, and the publication of four global education curriculum documents.

Speeches, press releases and details of AusAID publications may be found on the AusAID Internet site (www.ausaid.gov.au) or by contacting the Public Affairs Group on (02) 6206 4840.

ACADEMIC AND RESEARCH PROGRAM

Research activities that are directly linked to policy and program requirements can usefully inform the effective delivery of Australian aid. The AusAID Development Research Program (ADRP) is the agency's central means of financing development research. In 2002-03, the budget for the ADRP will be \$1.4 million. AusAID's development research activities aim to increase aid effectiveness, improve the agency's ability to inform whole-of-government policy formulation and maximise Australia's contribution to the international development agenda.

In 2002-03, the program will have a stronger focus on key corporate priorities and encourage improved dissemination and utilisation of high quality research commissioned by the agency. The program also supports the targeted distribution of

the *Asia Pacific Economic Literature* journal to developing countries in our region. The ADRP is complemented by research on priority country or regional issues, funded under bilateral or regional programs.

INTERNATIONAL SEMINAR SUPPORT SCHEME

The International Seminar Support Scheme assists participants from developing countries to attend development-focused seminars both in Australia and overseas. The scheme helps to develop knowledge, technical expertise, networks and policies in developing countries. Applications for support will continue to be assessed against the ability to show tangible and practical development-related outcomes. In 2002-03, \$0.8 million will be provided to the scheme.

CHAPTER FIVE: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

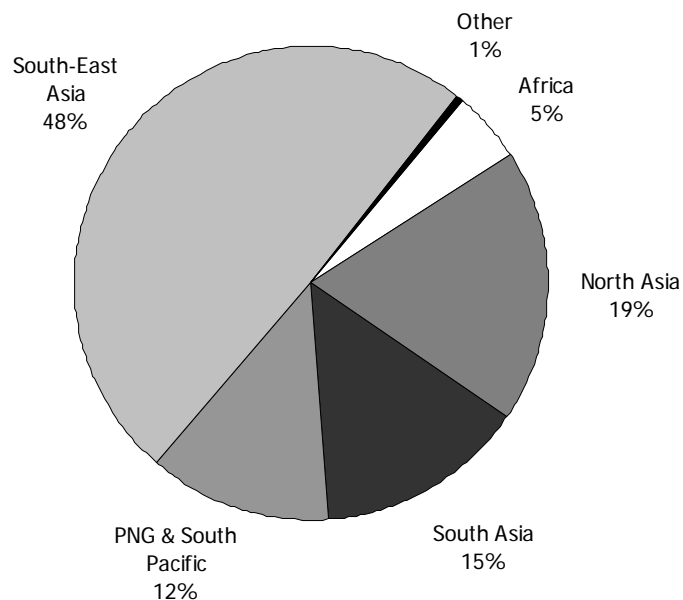
As part of Australia's aid program, the Australian Centre for International Agricultural Research (ACIAR) assists Australian researchers, institutions and international research centres develop solutions to agricultural problems in developing countries. The mission of ACIAR is to achieve more productive and sustainable agricultural systems, for the benefit of developing countries and Australia, through international agricultural research partnerships. ACIAR contracts research institutions in Australia to collaborate with counterparts in developing countries to deliver projects and training on mutually agreed priorities.

Funding for ACIAR in 2002-03 is \$46.3 million. This will support more than 180 bilateral research projects across the Asia-Pacific region, with a primary focus in South-East Asia. Under its multilateral program, ACIAR will support international agricultural research centres through grants that link them to Australia's agricultural research organisations. Approximately three-quarters of ACIAR's research and development budget is spent on bilateral programs and one quarter on the multilateral program. In 2002-03, ACIAR's impact assessment activities will continue to provide a systematic basis for establishing research priorities and determining the impact of research activities both in partner countries and in Australia.

Bilateral programs

ACIAR manages bilateral projects focusing on agricultural systems economics and management, agricultural development policy, crop sciences, animal sciences, post-harvest technologies, land and water resources, forestry and fisheries. The centre works with partner governments to identify agricultural and natural resource problems, and develop research and development projects addressing these priorities. Collaboration with partners to apply the results of research through extension and technology transfer is a critical part of ACIAR's efforts to build expertise in developing countries. Estimated expenditure on bilateral programs in 2002-03 is \$27.8 million.

Diagram 13: Estimated bilateral research expenditure by region in 2002-03



The geographical focus of ACIAR's program reflects the objective of Australia's aid program and ACIAR's niche within it. It takes into account Australia's national interests, the relative needs of developing countries, the varying agricultural research capacities of those countries, and the particular fields in which Australia can offer world class agricultural research expertise.

The major bilateral partners of ACIAR are China, Indonesia, Vietnam, India, PNG, the Philippines and Thailand. ACIAR will further strengthen support for PNG and the Pacific Islands through an expanded portfolio of projects during 2002-03. ACIAR is collaborating with AusAID on agricultural research and development projects in PNG and Cambodia.

Examples of bilateral projects that will be supported by ACIAR in 2002-03 include:

- adaptation of low-chill temperate fruits to Thailand, Laos and Vietnam
- international food safety regulations and processed food exports from developing countries – investigating trade liberalisation benefits
- maximising economic benefits to Pacific Island nations through management of migratory tuna stocks
- development of an integrated production system for Bali cattle in the eastern islands of Indonesia.

Multilateral programs

Through its multilateral program ACIAR leverages Australian development assistance by supporting international agricultural research that aims to enhance rural livelihoods, develop sustainable agriculture and improve natural resource management. Funds are provided to international agricultural research centres for their core programs. Grants are also provided for particular projects that complement bilateral research and development activities. The focus of ACIAR's multilateral program remains on work that is relevant to Australia's geopolitical interests, the objectives of Australia's aid program and the benefits to Australia that are derived from the work of international agricultural research centres. Estimated expenditure on the multilateral program in 2002-03 is \$10 million.

Examples of projects that will be funded under the multilateral program in 2002-03 include:

- poverty alleviation and food security through improving the sweet potato-pig systems in Indonesia and Vietnam
- growing more rice with less water: increasing water productivity in rice-based cropping systems
- developing strategies to reduce the level of fungal infection on peanut varieties and thus lower risks to humans from fungal toxins.

Training programs

ACIAR funds training and development activities to assist the progress and implementation of its research. Estimated total expenditure for this program in 2002-03 is \$2.2 million. Expenditure is allocated primarily to a small program of about 40 postgraduate fellowships, linked to ACIAR research projects. This scholarships program provides support to a small number of developing country scientists involved in ACIAR projects for postgraduate study at Australian universities. In addition to the scholarships program, training delivered by Australian agricultural and scientific experts is integrated into most research projects.

Formal cross-program training includes a range of short courses on topics such as technical writing in English, research proposal preparation, management of research and extension programs, experimental design and statistical evaluation, research and development priority setting, and biotechnology and intellectual property management. Some of these activities are financed by the Crawford Fund, which will receive \$0.65 million of government funding in 2002-03.

CHAPTER SIX: AID ADMINISTRATION AND MANAGEMENT

AusAID is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The agency is responsible for the management of the Australian Government's overseas aid program.

The Director General reports directly to the Minister for Foreign Affairs on all aspects of aid policy and operations. The Director General is responsible to the Secretary of the Department of Foreign Affairs and Trade for the administration of AusAID and is a member of the department's Executive.

AusAID has a central office in Canberra and is represented at 23 diplomatic missions overseas. Overseas representation supports the aid program's operations in developing countries and with multilateral agencies.

Strategic plan

In 2001 AusAID undertook a major strategic planning initiative to ensure the agency is positioned to respond to the increasingly complex international development environment and to deliver an aid program that continues to advance Australia's national interests.

This initiative was based on a recognition that donors face new challenges for aid effectiveness — a need for strengthened policy engagement with partner countries, greater focus on assisting aid recipients to build their own development capacity, closer coordination among development partners and less reliance on stand-alone projects.

The *AusAID Strategic Plan* was issued in December 2001. Key operational changes outlined in the Plan include:

- better program strategies through, for example, increased attention to development research and analysis
- more rigorous selection of program activities to align with strategies
- greater efforts to improve quality of activities, particularly at the design stage
- broadened participation in the delivery of the aid program
- continuous improvements to contracting, including use of a wider range of contract models, streamlined tender and contract documentation, and expansion of the contractor performance system

- expanded use of specialist expertise and integration of this within program and policy areas
- a greater focus on in-country program and contract management and monitoring.

The agency is now moving to implement these changes. Dialogue with partner governments and other stakeholders is a priority in the development of detailed implementation arrangements for the initiatives outlined in the *AusAID Strategic Plan*.

AusAID outputs

AusAID's core business is to serve the Government by advising on development issues and delivering Australia's development cooperation program with excellence. AusAID has a single outcome: Australia's national interest advanced by assisting developing countries to reduce poverty and achieve sustainable development. Two agency outputs contribute to this outcome: policy and program management. The Government will purchase these two outputs from AusAID at an agreed price of \$10.4 million and \$56.7 million respectively in 2002-03. AusAID's people management and corporate systems support the delivery of these two outputs.

POLICY ADVICE

AusAID provides advice and analysis to the Minister for Foreign Affairs, the Minister for Trade, and the Parliamentary Secretary to the Minister for Foreign Affairs on aid policy, program directions and international development issues. The provision of timely, comprehensive and accurate policy advice and analysis allows the Government to make informed decisions in the national interest.

The agency also supports Government communication with the Australian community and Parliament through the provision of briefings, speeches, correspondence, press releases, replies to parliamentary questions and publications. This helps build community understanding of development issues and ensures that the aid program remains accountable to the Government, the Parliament and the Australian public.

PROGRAM MANAGEMENT

AusAID manages Australia's overseas aid program on behalf of the Government. Actual delivery of the aid program is outsourced. AusAID's program management seeks to:

- ensure programs and projects correspond with Government priorities and are defined in partnership with the people and governments of developing countries

- ensure high quality projects and programs through effective identification and design, regular monitoring, evaluation, identification of lessons learned, and access to technical expertise and external advice
- establish and manage contracts with delivery agents including the private sector, public sector providers, international and regional development organisations and community groups including NGOs.

In 2002-03, AusAID will seek to develop a greater focus on in-country activity management. This will improve the effectiveness of activity management by enhancing field-level decision-making, responsiveness to local circumstances and dialogue with partner governments.

Improving impact and effectiveness

AusAID places a high priority on improving the quality and impact of the aid program, particularly in strengthening the effectiveness of aid delivery and the sustainability of activity benefits. During 2002-03, AusAID will continue to promote a more comprehensive and efficient approach to program management and implementation.

A key contribution to enhancing aid quality will continue to be made through the work of the Quality Assurance Group (QAG). Significant progress has been made over the past three years in developing the approach to quality assurance through regular reviews. During 2001-02, the QAG, in partnership with NGOs, assessed quality in design and implementation of NGO activities funded through the aid program. The findings of the review will form the basis for further AusAID dialogue with NGOs during 2002-03 to promote and support continuous improvement in NGO project quality.

In 2002-03 AusAID will conduct reviews that focus on key program and sector priorities. These will include examination of capacity building and institutional strengthening approaches, cofinancing programs and volunteer programs. AusAID will also assess the efficiency and impact of changes to aid management systems associated with the implementation of the *AusAID Strategic Plan*. A program of reviews of Australian assistance to key regional organisations will continue.

Learning from experience

To improve AusAID's performance, it is important to make good use of knowledge generated in the process of delivering aid programs — what works, what doesn't, and why. This includes drawing on AusAID's own experience and that of other donors. In 2002-03 greater emphasis will be placed on lessons learned by improving the feedback loop from our experiences on the ground. This will be tackled in a number of ways, including strengthening procedural guidance and tools, enhancing peer review processes, and providing examples of good practice.

In association with the redevelopment of AusAID's management information system, improvements to the collection, analysis and reporting of program performance information will be implemented during 2002-03. These improvements will provide management with a better basis for decisions on program design and delivery.

Contract services

AusAID contracts firms and individuals to deliver activities at all stages of the project management cycle: feasibility, design, implementation, review and evaluation. AusAID has been undertaking a range of reforms designed to improve the contracting process, and these initiatives will continue in 2002-03. They include: significant streamlining of tender and contract documents, greater emphasis in contract documents on the achievement of strategic milestones, increased use of contracting models that focus on achievement of major outputs, giving balanced corporate feedback to contractors, and tying more directly the capacity to win future contracts to the past performance of contractors.

An increased emphasis on program quality is one of the main themes of the *AusAID Strategic Plan*. This will affect contracting arrangements in several ways. For example, the choice of contracting models will be expanded so that the 'best for project' contracting strategy can be utilised. AusAID will continue to consult formally with stakeholders, including industry, about the reforms.

PEOPLE MANAGEMENT AND CORPORATE SYSTEMS

People management

The *AusAID Strategic Plan* includes a broad agenda for aligning the agency's approach to people management with the new strategic directions for the agency. The plan also identifies the need to strengthen the capability of staff to deliver the outcomes identified in the plan.

In 2002-03, AusAID will implement its updated *People Management Strategy*. The new strategy will ensure that AusAID can position itself to meet its future needs as a professional government agency, with skilled staff working in an environment that helps them achieve their full potential. As part of the new strategy, AusAID will implement a practical approach to workforce planning, identify training and development needs for the agency, initiate a program of skills development and implement its updated performance management system.

Financial, statistical and information management

AusAID is developing the *Information Management and Technology (IM&T) Strategic Plan 2002-2005* to bring IM&T into line with the key corporate priorities outlined in the *AusAID Strategic Plan*. The major focus of the IM&T strategic plan is on providing

appropriate information management systems to support the effective delivery of the aid program. The aim is to achieve seamless and transparent interfaces between AusAID's various information systems to ensure better efficiency and functionality.

A number of applications are currently being redeveloped to achieve this aim, including AusAID's Activity Management System (AMS), which will be replaced by AidWorks. AusAID will also redevelop information systems used for aid statistics and scholarship student information. A redeveloped financial system will be implemented in 2002-03 and will result in improved systems integration, more flexible internal reporting and faster end of month processes. These initiatives are being undertaken in accordance with the Government's policy on outsourcing through partnerships with small to medium Australian enterprises capable of delivering leading edge technologies.

An Information and Research Services Unit was created in February 2002 to better integrate information management within the agency. In 2002-03 the Unit will consolidate changes associated with the provision of library and statistical services, with an increasing emphasis on electronic service delivery.

Enhancing corporate performance

Key business processes are being reviewed in order to improve performance and enhance the transparency and accountability of AusAID's corporate governance structures. An improved risk management framework has been adopted, which will require the preparation of risk management plans at corporate, branch and program levels.

The internal audit strategy for 2002-03 will take into account these risk management plans and the review of business processes. It will also place greater emphasis on reviewing the performance of specific programs in aid delivery. In 2002-03 AusAID will continue to conduct audits of significant contractors and NGOs.

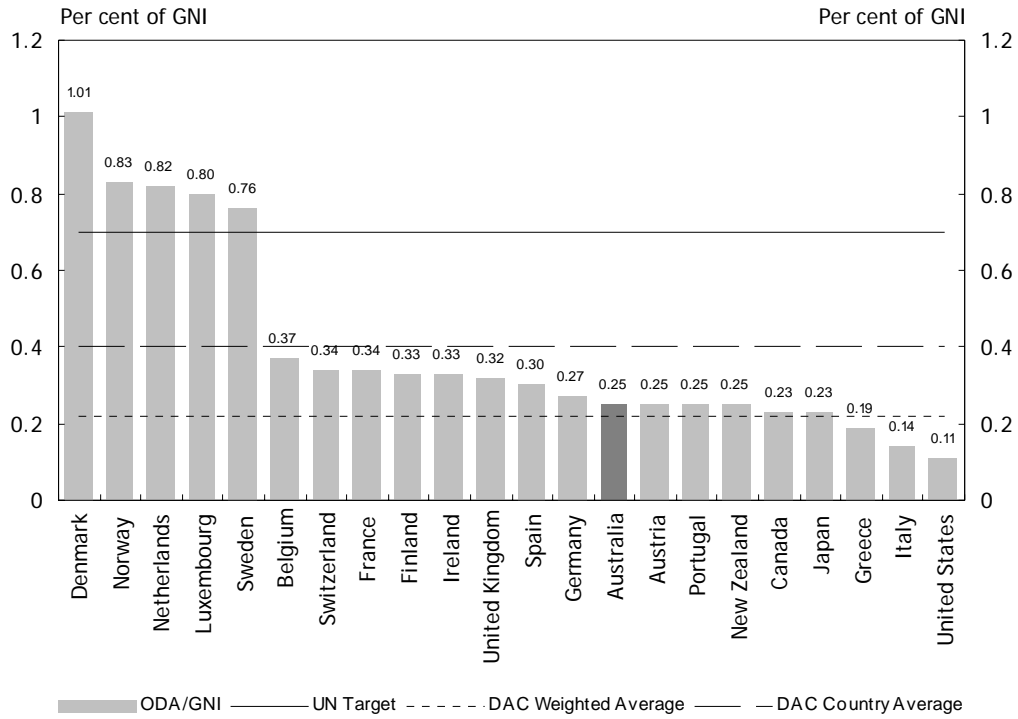
APPENDIX

Aid flows

Table 2: Australia's ODA 1971-72 to 2002-03

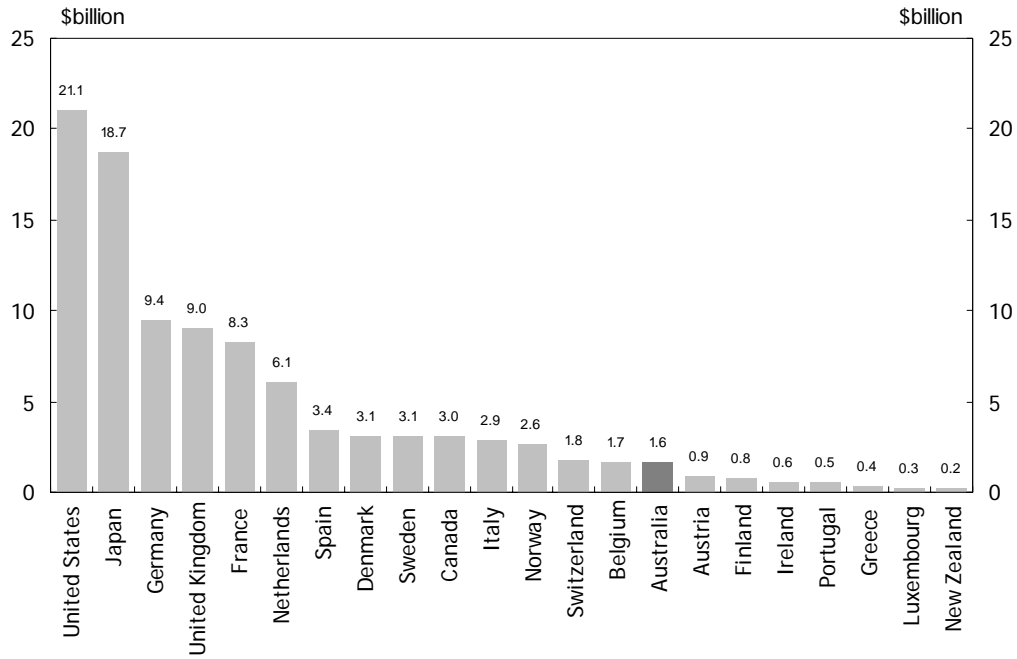
Year	Current prices (\$m)	Constant 2001-02 prices (\$m) ¹	Real change over previous year (%)	ODA/GNI ratio (%) ²
1971-72	200.5	1,377.1	4.0	0.48
1972-73	219.2	1,413.8	2.7	0.47
1973-74	264.9	1,498.3	6.0	0.47
1974-75	334.6	1,545.3	3.1	0.50
1975-76	356.0	1,415.4	-8.4	0.45
1976-77	386.2	1,370.6	-3.2	0.43
1977-78	426.1	1,391.0	1.5	0.43
1978-79	468.4	1,444.2	3.8	0.42
1979-80	508.7	1,430.8	-0.9	0.40
1980-81	568.0	1,440.5	0.7	0.40
1981-82	657.8	1,489.7	3.4	0.40
1982-83	744.6	1,511.5	1.5	0.42
1983-84 ³	931.8	1,775.6	17.5	0.47
1984-85	1,011.4	1,822.3	2.6	0.46
1985-86	1,031.0	1,747.4	-4.1	0.43
1986-87	975.6	1,544.6	-11.6	0.37
1987-88	1,019.6	1,499.7	-2.9	0.34
1988-89 ⁴	1,194.6	1,621.9	8.1	0.35
1989-90	1,173.8	1,497.5	-7.7	0.32
1990-91	1,261.0	1,538.2	2.7	0.33
1991-92	1,330.3	1,588.0	3.2	0.34
1992-93	1,386.1	1,634.3	2.9	0.34
1993-94	1,410.8	1,646.9	0.8	0.33
1994-95	1,483.7	1,714.9	4.1	0.33
1995-96	1,556.5	1,747.5	1.9	0.32
1996-97	1,432.0	1,572.7	-10.0	0.28
1997-98	1,443.1	1,562.1	-0.7	0.27
1998-99	1,528.6	1,648.0	5.5	0.27
1999-2000	1,748.7	1,849.4	12.2	0.29
2000-01	1,623.1	1,645.8	-11.0	0.25
2001-02(est)	1,808.0	1,808.0	9.9	0.26
2002-03(est)	1,814.6	1,777.2	3.0 ⁵	0.25

Diagram 14: DAC member countries' ODA/GNI ratios 2001



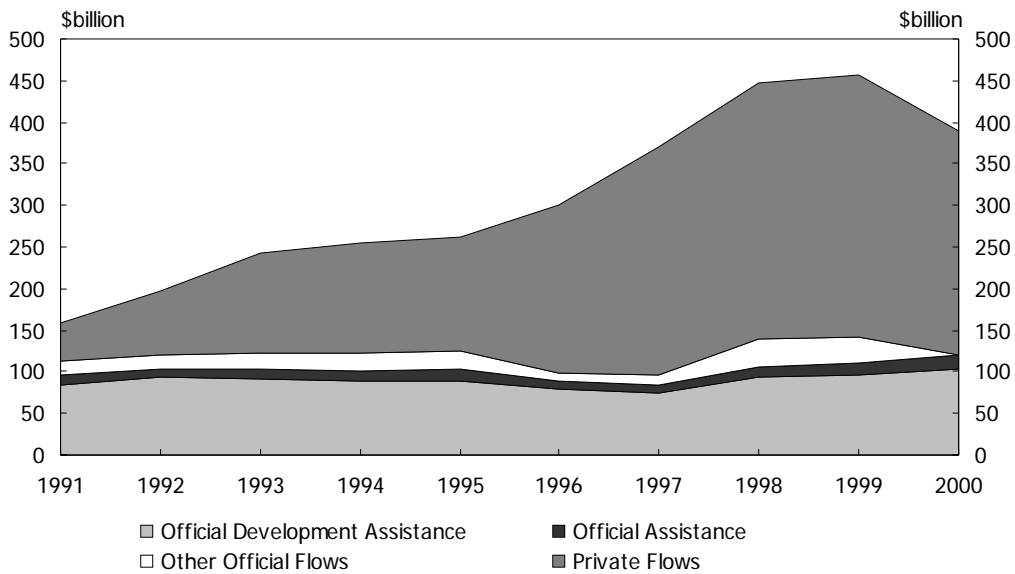
Source: DAC provisional figures for members' 2001 ODA

Diagram 15: DAC member countries' net ODA 2001



Source: DAC provisional figures for members' 2001 ODA

Diagram 16: Total net resource flows to aid recipient countries



Source: DAC online databases

Table 3: Total aid flows to aid recipients not detailed in Table 1

Major Partner Countries / Regions	Outcome (\$m)			Estimate (\$m)	
	Cash	Expenses ¹		Expenses ¹	
		1998-99	1999-2000	2000-01	2001-02 Expected Outcome
Nauru	2.9	3.6	3.1	3.4	3.5
Tuvalu	2.7	3.7	2.9	3.3	3.8
Micronesia	2.1	2.0	1.3	2.8	3.0
Cook Islands	1.5	2.4	1.9	2.2	2.3
Niue and Tokelau	0.8	1.6	1.0	1.2	1.3
Malaysia	2.6	5.5	1.4	1.9	2.0
Mongolia	2.5	3.2	3.0	3.1	3.2
Burma	3.3	3.9	5.2	4.9	6.2
Afghanistan	0.1	0.8	7.0	28.4	22.7
Maldives	2.4	2.8	2.5	2.3	3.3
Bhutan	0.8	1.0	1.1	2.8	2.8
Total regional/other	94.4	121.6	112.7	107.2	126.5
Countries identified in Table 1	933.9	1022.1	1018.6	1035.1	1056.1
OGD unallocated ²	14.4	112.0	62.9	141.1	143.1
Core contributions to multilateral organisations, other ODA ³	464.2	473.6	456.8	476.2	441.3
<i>Reconciliation of expenses to cash¹</i>		-11.3	-58.6	-8.1	-6.5
Total ODA (cash)	1528.6	1748.7	1623.1	1808.0	1814.6

Aid program expenditure

Table 4: Country programs expenditure estimates and outcomes

Country	Outcome (\$m)			Estimate (\$m)	
	Cash	Expenses ¹		Expenses ¹	
	1998-99	1999-2000	2000-01	2001-02	2002-03
PAPUA NEW GUINEA	314.6	279.7	312.3	312.2	314.2
PACIFIC					
Fiji	16.8	14.9	12.9	12.3	14.5
Vanuatu	11.9	12.2	12.4	12.4	14.5
Solomon Islands	11.2	14.7	19.6	19.7	25.0
Samoa	10.4	11.2	10.9	11.0	11.5
Tonga	9.2	9.4	9.7	9.4	9.0
Kiribati	6.5	7.0	7.2	7.2	7.8
Tuvalu	2.3	2.5	2.6	2.7	2.8
Micronesia ²	1.8	1.0	1.0	1.9	1.9
Cook Islands	1.5	1.5	1.5	1.5	1.5
Niue and Tokelau	0.8	0.9	1.0	1.0	1.0
Nauru	2.9	0.2	0.2	0.2	0.2
<i>Nauru Additional³</i>				<i>18.8</i>	<i>6.8</i>
Policy and Management Reform	12.5	14.1	15.0	19.9	20.0
Other and Regional	33.3	33.6	32.9	34.4	34.0
Subtotal Pacific	121.1	123.0	127.0	152.5	150.5
EAST ASIA					
Indonesia	81.1	90.8	93.4	98.7	102.0
East Timor	4.2	59.3	30.0	32.6	30.0
Philippines	53.4	53.5	54.5	56.1	55.5
Vietnam	58.3	58.6	59.1	59.7	59.4
China	38.0	38.6	39.3	39.9	40.0
Cambodia	24.0	23.1	23.8	24.2	24.5
Thailand	17.7	17.2	16.2	16.4	12.0
Laos	14.0	14.1	14.0	14.1	13.5
Malaysia	0.9	0.2	0.0	0.0	0.0
Burma	0.8	0.8	1.4	1.6	3.0
Mongolia	2.3	2.7	2.2	2.7	2.5
Asia Regional and other	28.0	37.0	29.9	27.0	30.0
Subtotal East Asia	322.7	396.0	363.7	373.0	372.4
SOUTH ASIA					
Bangladesh	21.2	21.8	20.7	21.3	22.2
India	14.3	13.3	15.4	14.7	15.0
Sri Lanka	6.0	7.0	5.8	5.7	6.1
Nepal	5.7	5.6	5.6	4.8	6.0
Pakistan	2.6	2.6	3.0	2.4	3.0
Bhutan	0.8	0.9	0.9	0.9	1.0
Maldives	2.4	2.6	2.4	2.0	3.0
Other and Regional	0.0	0.1	0.6	3.4	0.0
Subtotal South Asia	52.9	53.9	54.4	55.1	56.3
OTHER					
Africa	33.3	34.0	35.3	35.0	35.5
Seychelles, Mauritius	1.5	0.9	0.5	0.3	0.1
Palestinian Territories	1.4	2.1	2.1	2.1	2.5
Subtotal Other	36.1	36.9	37.9	37.5	38.1
CROSS REGIONAL PROGRAMS	10.7	11.9	12.1	22.2	21.5
TOTAL COUNTRY PROGRAMS	858.1	901.5	907.4	952.4	953.0

Table 5: Global programs expenditure estimates and outcomes

	Outcome (\$m)			Estimate (\$m)		
	Cash	Expenses ¹		Expenses ¹		
	1998-99	1999-00	2000-01	2001-02		2002-03
				Budget Figure	Expected Outcome	Budget Estimate
EMERGENCY, HUMANITARIAN AND REFUGEE AID						
Emergency Aid	46.9	36.9	20.4 ²	37.5	48.8	52.4
Humanitarian Aid	61.6 ³	51.7	67.8	48.1	45.9	49.0
<i>of which:</i>						
International Committee of the Red Cross	1.0	1.2	1.4	2.2	2.2	2.3
International Refugee Allocation						15.0
Subtotal	108.5	88.6	88.2	85.6	94.7	116.4
MULTILATERAL DEVELOPMENT BANKS⁴						
ADF	113.8	0.0	291.1	0.0	0.0	0.0
IDA	115.5	0.0	0.0	350.0	342.0	0.0
IFAD	1.5	0.0	7.9	0.0	0.0	0.0
Heavily Indebted Poor Countries Initiative	0.0	12.0	14.8	11.5	32.0	0.0
Subtotal	230.8	12.0	313.8	361.5	374.0	0.0
OTHER INTERNATIONAL ORGANISATIONS						
United Nations Agencies	81.0	76.2	88.9	79.9	68.0	68.8
<i>of which:</i>						
UNHCR	13.7	13.9	14.3	14.3	14.3	7.3
UNRWA	2.7	2.7	3.8	3.8	3.8	4.0
WFP	41.8	42.5	55.7	44.3	32.4	40.0
Other UN Agencies	22.8	17.0	15.1	17.5	17.5	17.5
Commonwealth Organisations	10.2	9.8	10.5	11.6	11.6	12.2
Other International Programs ⁵	14.2	23.5	11.4	14.2	12.6	93.8
Subtotal	105.4	109.5	110.8	105.7	92.2	174.8
COMMUNITY PROGRAMS						
Non-Government Organisations	23.4	25.2	26.5	26.7	26.3	26.4
Volunteer Programs	12.0	12.1	12.8	13.3	13.3	14.3
AYAD	2.6	4.6	5.0	5.3	5.3	6.2
Subtotal	38.0	41.9	44.3	45.3	44.9	46.9
COMMUNICATION, EDUCATION AND INFORMATION						
Public Information / Development Education	1.3	1.9	2.4	2.3	2.3	2.6
Development Research	0.7	1.0	0.8	1.3	1.1	1.4
Seminar Support	0.7	0.9	0.8	0.8	1.0	0.8
Subtotal	2.8	3.8	4.0	4.3	4.3	4.8
TOTAL GLOBAL PROGRAMS	485.3	255.8	561.1	602.4	610.1	342.8

Table 6: Total ODA by subprograms

	Outcome (\$m)			Estimate (\$m)	
	Cash	Expenses ¹		Expenses ¹	
	1998-99	1999-00	2000-01	2001-02	2002-03
Country Programs	858.1	901.5	907.4	952.4	953.0
Global Programs	485.3	255.8	561.1	610.1	342.8
Departmental items	64.0	68.9	67.6	68.8	67.7
ACIAR ²	43.5	43.3	45.0	44.3	45.3
Other ODA ³	77.7	228.1	151.2	235.0	238.4
Adjustments					
<i>Administered⁴</i>		(2.7)	(54.4)	(4.0)	(8.0)
<i>Departmental⁵</i>		(8.6)	(4.2)	(4.1)	1.5
<i>Less new multi-year expenses⁶</i>		(11.6)	(298.9)	(360.0)	(78.6)
<i>Plus cash paid to multi-year liabilities</i>		274.0	248.5	265.4	252.5
TOTAL ODA (cash in all years)	1528.6	1748.7	1623.1	1808.0	1814.6

Table 7: Official aid through Australian and non-Australian NGOs

	Expenditure (\$m) ¹			Estimate (\$m)	
	Cash	Expenses ²		Expenses ²	
	1998-99	1999-00	2000-01	2001-02	2002-03
AUSTRALIAN NGOs					
NGO projects funded from country programs	14.0	16.5	26.6	18.0	22.3
Emergency relief and refugees	23.0	22.1	23.9	20.0	16.0
ANCP and other	23.4	25.2	25.0	25.8	25.9
Volunteer programs	12.0	12.1	13.3	13.3	14.3
Global education	0.3	0.3	0.3	0.3	0.3
Regional programs	9.4	9.4	9.4	9.0	9.0
Subtotal Australian NGOs	82.1	85.6	98.5	86.4	87.8
NON-AUSTRALIAN NGOs					
Indigenous/International NGOs funded from Country programs	13.0	19.8	19.2	19.0	19.1
Direct Assistance Program (DAP)	1.0	1.5	1.7	1.6	1.6
Emergency relief and refugees	3.8	2.0	0.2	1.0	1.0
Human rights and cross regional	0.2	0.0	0.7	0.7	0.7
Regional programs	1.5	1.5	1.5	1.0	1.2
Subtotal non-Australian NGOs	19.5	24.8	23.3	23.3	23.6
Total official aid through NGOs	101.6	110.4	121.8	109.7	111.4

Table 8: Developing country students supported in 2002-03

Country/Region ¹	Estimated Total
PAPUA NEW GUINEA	357
PACIFIC	520
EAST ASIA	1994
SOUTH ASIA	289
AFRICA & OTHER	173
Total	3333

Technical notes

GENERAL

- Normal rounding rules apply where the end digit is less than five. In accordance with the Department of Finance and Administration guidelines, where the end digit equals five, the numbers are rounded up to the next digit. Totals and percentages are calculated on unrounded totals. Columns may not add due to rounding.
- This paper shows detail of total ODA including expenditure by OGDs that is classifiable as ODA.
- Where real figures are presented the Non-Farm GDP deflator has been used.
- All estimates are exclusive of recoverable GST.
- All amounts are in Australian dollars (AUD) unless otherwise indicated.
- 'Current prices' express values in terms of the prices in the year of expenditure. 'Constant prices' express values adjusted for inflation in terms of a chosen base year, which is the financial year 2001-02 in this publication. A 'real' increase or decrease refers to the change in figures adjusted for inflation (that is based on constant prices). A 'nominal' increase or decrease refers to the face value change between figures that have not been adjusted for inflation (that is based on current prices).
- Where not stated the source of data is AusAID.

CHANGE IN TERMINOLOGY FROM GNP TO GNI

In 2001, the Development Assistance Committee (DAC) officially converted from publishing ratios in terms of ODA/Gross National Product (GNP) to ODA/Gross National Income (GNI). In line with this conversion, all future information published on the aid budget will use the concept of GNI.

Australia actually converted from GNP to GNI in 1998 in line with international decisions on a new System of National Accounts and commenced reporting to the DAC using GNI in the 1998 reporting year. The effect is that there is no difference to the reported ratios for Australia.

GNI and GNP are very similar, although GNI has generally been higher than GNP, resulting in ODA/GNI ratios slightly lower than previously reported ODA/GNP ratios. GNI comprises GDP plus net receipts of income from non-residents.

Development indicator tables provide data on GNP per capita, not average yearly income or GNI per capita. GNI per capita figures for partner countries are not available from the DAC.

DIFFERENCE BETWEEN ACCRUAL EXPENSES AND CASH

Presentation

In this Budget Statement, all figures prior to 1999-2000 are in cash terms (that is, the amount of cash paid out in a particular year). The Government moved to an accrual budgeting framework in 1999-2000 and subsequently, budget estimates, for example, Tables 4 and 5, are presented in terms of expenses. Multi-year liabilities, such as payments to the Asian Development Fund (ADF), IDA and IFAD are recorded as an expense at the time of signing the Instrument of Commitment/Contribution, not when the cash is paid out. This accounting treatment is used in AusAID's financial statements, available in the Foreign Affairs and Trade Portfolio Budget Statement on the Internet at <http://www.dfat.gov.au/dept/budget>.

Total ODA estimates for 1999-2000 onwards (for example in Table 1) are adjusted from an expense basis by excluding the expenses booked for new multi-year commitments and including the cash paid for those same agreements. Adjustments are also made for things such as movements in creditors and depreciation.

Estimates of sectoral expenditure are in cash terms throughout. Total ODA continues to be measured in terms of cash. A number of tables in this Budget statement include an 'accrual adjustment' figure prior to calculating ODA. This figure includes adjustments for depreciation, investment, and expected net change in creditors. Table 6 also details the adjustments required to multi-year liabilities, such as the multilateral development banks, to convert expenses to cash.

Conversion

Apart from those individual estimates affected by multi-year liabilities, the difference between cash and expenses is quite small. The differences can be summarised as follows:

- Pacific expense estimate is less than cash due to the Nauru Settlement Treaty (\$2.9 million) not being expensed in 2001-02 (the full value of the Nauru Settlement was recorded as an expense in 1993-94). In Table 1, the \$2.9 million cash for the Nauru Settlement is included with the flows to Nauru to give a more comprehensive picture of Australia's contribution to the country in 2002-03.
- MDB expense estimate (Table 5) is nil as Australia does not expect to enter into any new multi-year contributions this financial year. Figures in Chapter 4 reflect the ongoing cash contributions Australia is making to these international institutions (\$234 million), to give a more accurate picture of the aid flows going to these

organisations within the budget year. With the exception of MDBs and international environment programs, all other global program expense estimates are equal to cash.

- International environment programs expense estimate of \$78.8 million relates to ITTO, MPMF and the GEF. Cash payments to the ITTO, MPMF and GEF are factored into total flows shown in Table 1. Figures in Chapter 4 reflect the ongoing cash contributions Australia is making to these organisations.
- Depreciation of administered assets (\$0.6 million) is funded as a separate line.

Methodology of AusAID estimates

ESTIMATED TOTAL AID FLOWS

In estimating total aid flows, AusAID begins with budget estimates for particular countries (specific country program estimates). To these are added estimates of expenditure from regional and global programs that do not have country allocations specified at budget time. Such estimates reflect previous expenditure patterns, and are subject to change throughout the year. Estimated total aid flows also include ODA expenditure by other Government departments.

ESTIMATED SECTORAL EXPENDITURE

While the sectors identified by the Government in *Better Aid for a Better Future* are high priorities for the Australian aid program, centralised allocations are generally not made for expenditure on a particular sector. Programming decisions are made on the basis of individual country strategies that are developed in consultation with partner governments, addressing their priority needs.

Expenditure in any particular sector is thus the result of numerous programming decisions, made in accordance with Government policy but not determined at budget time. Estimates published in this Budget statement are qualified and are subject to programming decisions throughout the year.

Sectoral expenditure estimates reflect of past trends in expenditure recorded in AusAID's AMS for 2000-01 and 2001-02. The AMS tracks planned and actual expenditure on individual projects. Each project is allocated sector codes, in accordance with DAC guidelines, which reflect the primary focus of the project, as well as attributing secondary codes to track indirect expenditure. The 2001-02 estimated expenditure extracted from the AMS in March includes planned expenditure to the end of the year, which was adjusted to account for over-programming. To this was added estimates for sectoral flows from multilateral organisations, based on these

organisations' reports. Further information relating to the value of imputed flows from multilateral organisations can be obtained from the Information and Research Services Unit, AusAID (ph 02-6206 4000).

Expenditure on the cross-cutting issues of environment and gender overlaps with expenditure on other sectors and should not be compared on the same basis.

Other estimates

Other figures estimated by methods similar to those outlined above include total flows through NGOs (which includes desk estimates of expenditure on NGOs funded through country programs).

Notes to tables and diagrams

Table 2

- 1 Based on Non-Farm GDP(E) Implicit Price Deflators provided by the ABS, which have been rebased to 1999-2000.
- 2 See Technical notes for an explanation of the change in terminology from GNP to GNI.
- 3 Australian Government contributions towards costs of educating private students from developing countries in Australian tertiary and secondary educational institutions were included in ODA for the first time in 1983-84.
- 4 In 1988-89 there was a one-off bringing forward of MDB payments, increasing 1988-89 but decreasing 1989-90 ODA expenditure.
- 5 This represents a real per cent increase over the 2001-02-budget figure of \$1,725.0 million (at 2001-02 constant prices) as detailed in Table 1.

Table 3

- 1 See Technical notes for an explanation of the relationship between expenses and cash.
- 2 OGD unallocated includes ODA eligible expenditure by other government departments which has not been allocated to a particular country or region.
- 3 Core contributions to multilateral organisations, other ODA expenditure includes, for example, expense payments which cannot be attributed to a particular country such as payments to some UN and Commonwealth organisations, and Departmental expenditure. The ODA eligible components of cash payments to IDA, ADF, IFAD, GEF, HIPC and the MPMF are included in this line item.

Table 4

- 1 See Technical notes for an explanation of the relationship between expenses and cash.
- 2 For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau and the Republic of the Marshall Islands.
- 3 Nauru Additional represents additional funding appropriated under 2001-02 Additional Estimates and a new measure for 2002-03 to meet the \$10 million pledge of assistance agreed between the Nauru and Australian Governments in December 2001.

Table 5

- 1 See Technical notes for an explanation of the relationship between expenses and cash.
- 2 Due to a reduced call on emergency aid funds in 2000-01, humanitarian aid for 2000-01 increased.
- 3 Includes \$4 million additional humanitarian aid carryover.
- 4 From 1999-2000 onwards, only new commitments to the MDBs are recorded as expenses. See Chapter 4 for details of 2002-03 cash contributions to these organisations.
- 5 Other international programs include the GEF, MPMF, ITTO and international health programs. See Chapter 4 for details of 2002-03 cash contributions to these organisations.

Table 6

- 1 See Technical notes for an explanation of the relationship between expenses and cash.

- 2 ACIAR's figure equals their total cash expenditure. ACIAR's full financial statements are available in the Foreign Affairs and Trade Portfolio Budget Statement at <http://www.dfat.gov.au/dept/budget>.
- 3 Other ODA includes ODA eligible activities by State Governments and Commonwealth Agencies other than AusAID and ACIAR. Included, for example, are capital contributions to MDBs, funded by Treasury appropriations, or assistance to East Timor provided by the Australian Federal Police Service.
- 4 Includes adjustments for non-ODA eligible Administered expenditure such as revenue items, fringe benefits tax, and other non-ODA eligible expenditure.
- 5 Includes adjustments for non-ODA eligible Departmental expenditure such as receipts under Section 31 of the FMA Act, interest earned on bank deposits, departmental carryover, the net increase in aid program creditors and depreciation.
- 6 Refer to the explanation of multi-year liabilities in the Technical notes.

Table 7

- 1 Expenditure for 1998-99 through to 1999-2000 corresponds to figures published in NGO annual reports.
- 2 See Technical notes for an explanation of the relationship between expenses and cash.

Table 8

- 1 Includes partially aid funded East Timorese students who have been offered 'free' places by universities in Australia. Australia is providing funding through the Department of Education, Science and Training to assist with living allowances for these students. There are expected to be approximately 40 students in this category studying in Australia next year.

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