

Australia's International Development Cooperation 2004–05

STATEMENT BY
THE HONOURABLE ALEXANDER DOWNER MP
MINISTER FOR FOREIGN AFFAIRS

11 MAY 2004

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Abbreviations and Acronyms

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	Asian Development Fund
ADS	Australian Development Scholarships
AMS	Activity Management System
ANCP	AusAID/NGO Cooperation Program
APEC	Asia–Pacific Economic Cooperation
ASEAN	Association of South–East Asian Nations
ATSE	Australian Academy of Technological Science and Engineering
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors for Development
BEAM	Basic Education Assistance to Mindanao
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Aid Program
ECP	Enhanced Cooperation Program
GCDT	Global Crop Diversity Trust (previously Global Conservation Trust)
GDP	Gross Domestic Product
GDLN	Global Development Learning Network
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IARC	International Agricultural Research Centre
ICRC	International Committee of the Red Cross
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund

ISSS	International Seminar Support Scheme
ITTO	International Tropical Timber Organisation
MDB	Multilateral Development Bank
MPMF	Montreal Protocol Multilateral Fund
NGO	Non Government Organisation
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OGD	Other Government Department
PGSP	Pacific Governance Support Program
PNG	Papua New Guinea
PRPI	Pacific Regional Policing Initiative
RAMSI	Regional Assistance Mission to Solomon Islands
SARS	Severe Acute Respiratory Syndrome
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USP	University of the South Pacific
VCP	Virtual Colombo Plan
WHO	World Health Organisation
WTO	World Trade Organisation

FOREWORD

The Government's international development cooperation program continues to play a key role in advancing Australia's national interest, especially within the Asia-Pacific region. Instability and poor governance directly threaten the prospects for growth, prosperity and development for countries in our region, with the potential to undermine Australia's security. The Australian Government, with the help of our regional and international partners, is devoting greater resources to tackle these challenges head-on, as demonstrated by new approaches to Solomon Islands and Papua New Guinea. A number of Australian Government agencies are involved in this enhanced whole-of-government approach.

In 2004-05, the Australian Government will provide an estimated \$2.133 billion as Official Development Assistance (ODA), more than \$239 million above the 2003-04 Budget figure of \$1.894 billion. This represents a real increase of 9.9 per cent. The ratio of Australia's ODA to Gross National Income for 2004-05 is estimated at 0.26 per cent, placing Australia above the donor average which, in the latest year available (2003), is 0.25 per cent.

Enhancing Security and Development in Papua New Guinea and the Pacific

Australia's ODA to Papua New Guinea is estimated at \$436 million in 2004-05, an increase of \$102 million on 2003-04. A key component of this assistance will be the 5-year, \$1.1 billion Enhanced Cooperation Program, agreed between Australia and Papua New Guinea in December 2003. This is a major undertaking by both countries to address fundamental governance challenges facing Papua New Guinea, in particular strengthening the rule of law and enhancing economic and financial management. It will also support effective delivery of essential health and education services to the people of Papua New Guinea.

Australian development cooperation with the Pacific has increased in real terms between 1999-2000 and 2003-04 by 15 per cent, supporting greater efforts towards governance reform and enhanced delivery of basic services. However, significant economic, social and security challenges remain to be addressed if improved long-term development outcomes for the countries and peoples of the Pacific are to be achieved. Work will continue on this in 2004-05, with ODA to the Pacific doubling to \$383 million.

The Regional Assistance Mission to Solomon Islands (RAMSI) highlights these challenges, with officers from a range of Australian Government agencies working to re-establish the rule of law and stabilise the Solomon Islands budget. Future work will involve a program of comprehensive economic reform, legal and judicial reform, and reform of the machinery of government. Australian ODA to Solomon Islands in 2004-05 is expected to total \$202 million, including support for on-going peace building and the provision of essential services.

Other key features of Australia's development cooperation with the Pacific in 2004–05 include:

- increased resources through the development cooperation program of \$11 million in support of regional initiatives to address good governance in the Pacific. This includes the establishment of a new Pacific Governance Support Program (PGSP) to support reform efforts across the region. The Government will provide \$6 million towards this initiative in 2004–05. The PGSP will strengthen practical links between Australian Commonwealth, State and Territory agencies and their counterparts in neighbouring Pacific island countries, and support targeted training, mentoring and placement of technical advisers
- substantially increased resources for development cooperation with both Fiji (\$25 million) and Vanuatu (\$31 million) to strengthen the administration of law and justice, and support improved economic and financial management, public sector reform and delivery of basic services
- increased funding (\$10 million) for the Pacific Peace and Security Fund, established in the 2003–04 Budget, to support flexible and targeted assistance to address needs in post-conflict societies.

Promoting Prosperity and Good Governance in East Asia

Australia's national interest is best served by an East Asia region that is prosperous and follows the principles of good governance. Australia will continue to work with regional organisations and international and selected partners to address issues that impact on regional growth and development prospects, in particular trade liberalisation, regional economic integration, and countering the risk of terrorism and other trans-boundary challenges. Australia remains alert to the threat of communicable diseases and will support efforts to prevent their spread through a multi-year initiative focusing on improving animal and human health laboratory diagnostic capacity, surveillance, reporting and emergency preparedness in East Asia.

Australia will also support innovative approaches to strengthen governance and development opportunities in regional partner countries, such as Indonesia and the Philippines. In Indonesia, Australia will continue to work with key government agencies, including the Ministry of Finance, to support better fiscal management and accountability of the financial system. A new legal reform program will be implemented. A priority in both the Philippines and Indonesia will be to improve the delivery of basic education through secular and Islamic schools. A sound education increases the opportunities for all people to gain access to employment and contribute to economic and social development. Total development cooperation with Indonesia will increase to an estimated \$161 million in 2004–05, reflecting Australia's increased support for basic education and governance reform.

Australia has completed its 4-year, \$150 million assistance pledge for East Timor's reconstruction. Nevertheless, East Timor will be a major development partner as it continues the difficult transition to self-reliance. Development cooperation with East Timor in 2004–05 will be maintained at approximately \$40 million and will concentrate on the administration of law and justice, and budget planning and management for delivery of basic services.

Enhancing Australia's Humanitarian Response

In 2004–05, the development cooperation program will provide an estimated \$146 million for humanitarian, emergency and refugee assistance, an increase of \$14 million on 2003–04. Funding in support of humanitarian, emergency and refugee responses has increased in real terms by 50 per cent since 2000–01, underscoring Australia's commitment to assist the most vulnerable, including those affected by disaster and conflict.

Australia continues to play a leadership role in the Asia-Pacific in delivering effective humanitarian assistance. In June 2004, Australia will host a field visit and meeting of the Donor Support Group of the International Committee of the Red Cross (ICRC), helping to focus the attention of international partners on the specific humanitarian challenges of the Pacific region. In 2004–05, Australia will increase its core funding for ICRC to \$5 million annually. Australia will continue to provide generous and effective humanitarian support and longer-term reconstruction assistance, especially in Iraq, Afghanistan, Africa and Sri Lanka.

Funding for the International Refugee Fund, established in the 2002–03 Budget, will be maintained in 2004–05. This fund has been an important contributor to international efforts to protect and assist refugees and asylum seekers in the Asia-Pacific, including those most vulnerable, especially children.

Tackling the Scourge of HIV/AIDS in our Region

More than 42 million people globally are living with the HIV/AIDS virus, with over 95 per cent of these living in developing countries. HIV/AIDS has a devastating impact on individuals, families, communities and nations. This human tragedy has profound developmental and security dimensions. In the Asia-Pacific region an estimated 7.5 million people are infected and the risks of rapid spread are great, including in important partner countries such as Papua New Guinea, Indonesia and China.

The Government has made HIV/AIDS a major priority for Australia's development cooperation program, as demonstrated by an earlier 6-year, \$200 million commitment to fund activities to arrest the spread of the disease in the Asia-Pacific region. Through this Budget, this commitment will increase to \$250 million and builds upon the \$25 million contribution recently announced for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The second Regional Ministerial Meeting on HIV/AIDS, to

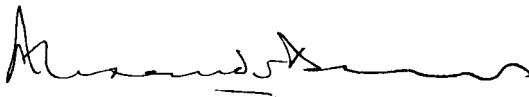
be held in Bangkok in July 2004, will further encourage the high level political leadership required to tackle this challenge in a coordinated and effective way.

Improving Water Quality

In line with last year's policy announcement on water, '*Making Every Drop Count*', Australia will continue to support planning and reform for the sustainable management of water resources. A new package of assistance, valued at \$5 million, will support training, awareness raising and research on water quality in the Asia-Pacific region, particularly the growing problem of arsenic contamination of drinking water. In collaboration with the World Health Organisation, Australia will develop new guidelines on water quality. This will place Australia at the forefront of international efforts in promoting water quality through our development cooperation activities.

Conclusion

The 2004-05 development cooperation Budget reflects Australia's continued commitment towards building a secure, prosperous and well-governed Asia-Pacific region. The challenges facing our region mean that the Australian Government must approach development in the region in a more concerted way. We must be prepared to use the full resources and expertise of all arms of government and work more closely with our regional and international partners. Difficult times demand new thinking and new approaches to development, and the 2004-05 development cooperation Budget demonstrates our commitment to this task.

A handwritten signature in black ink, appearing to read 'Alexander Downer', with a stylized flourish at the end.

Alexander Downer

Table 1: Total Australian ODA to partner countries

Major Partner Countries / Regions	Outcome (\$m)			Estimate (\$m)		
	Expenses ¹			Expenses ¹		
	2000-01	2001-02	2002-03	2003-04 ²		2004-05
				Budget Figure	Expected Outcome	Budget Estimate
PAPUA NEW GUINEA & PACIFIC						
Papua New Guinea ³	338.2	328.9	331.5	333.6	330.1	435.6
Solomon Islands ⁴	35.1	41.8	33.5	37.4	168.5	201.6
Vanuatu	18.5	21.4	23.5	22.7	23.2	30.9
Fiji	16.0	17.0	20.9	20.0	19.8	25.1
Samoa	13.9	14.1	16.8	16.3	16.5	18.4
Tonga	10.7	11.2	12.2	11.7	11.8	12.0
Kiribati	8.9	10.9	11.9	11.4	11.3	11.9
Regional Pacific ⁵	47.4	44.5	53.0	56.3	58.1	69.7
Total PNG & Pacific	488.6	490.0	503.3	509.4	639.2	805.2
<i>Nauru Additional⁶</i>		<i>18.8</i>	<i>21.3</i>		<i>15.5</i>	<i>13.5</i>
EAST ASIA						
Indonesia	122.8	122.8	131.9	151.7	150.0	160.8
Vietnam	69.6	68.3	70.8	72.1	68.1	73.7
Philippines	59.3	62.7	63.7	62.4	54.2	62.2
China	55.7	54.8	60.7	50.7	51.8	49.3
Cambodia	38.1	37.8	38.5	44.4	35.1	41.4
East Timor	85.4	60.3	56.2	42.5	43.9	39.9
Laos	20.4	20.3	17.7	20.4	18.3	18.4
Thailand	24.0	17.3	19.1	15.1	15.2	10.6
Regional East Asia ⁵	28.4	30.3	26.1	31.7	28.8	37.1
Total East Asia	503.8	474.8	484.6	491.1	465.4	493.4
SOUTH ASIA, AFRICA & OTHER						
Bangladesh	32.8	34.6	30.8	32.3	27.9	28.7
Sri Lanka	9.5	10.8	14.0	16.2	22.2	23.0
India	25.3	18.1	15.9	22.6	17.4	17.2
Regional South Asia ⁵	15.4	16.5	21.1	17.3	19.8	17.6
Africa	74.0	64.5	70.6	61.4	71.4	67.5
Middle East and Central Asia ⁷	19.2	37.6	92.1	61.6	86.2	52.9
Total South Asia, Africa & Other	176.2	182.1	244.4	211.4	244.9	206.7
Other Government Departments ⁸ (not attributed to country/region)	43.9	128.0	145.6	207.9	149.7	168.5
Core contributions to multilateral organisations, other ODA ⁹	469.3	495.2	449.0	449.3	508.7	450.8
Reconciliation of expenses to cash ¹⁰	-58.6	-33.7	-17.4	24.8	-4.5	-5.1
Total ODA (cash)	1623.1	1755.1	1830.8	1893.8	2018.8	2133.1
ODA at constant 2003-04 prices	1749.8	1855.3	1885.6	1893.8	2018.8	2081.1
Real change over previous year (%)	-11.2	6.0	1.6		7.1	9.9 ¹¹
ODA/GNI Ratio (%) ¹²	0.25	0.25	0.25	0.25	0.26	0.26

NOTES TO TABLE 1

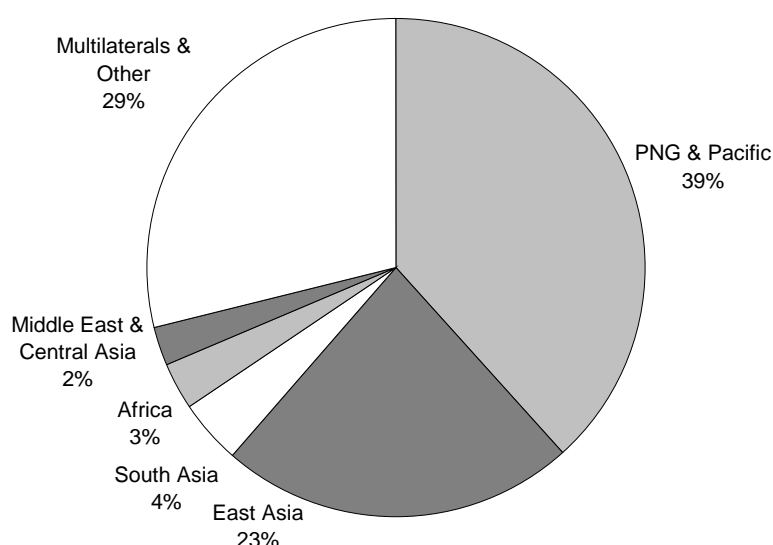
1. Shows total expenses, minus expenses to new multi-year liabilities (for example, the International Development Association (IDA) or the Heavily Indebted Poor Countries (HIPC) Initiative), plus cash payments for these multi-year liabilities. See Technical Notes for more detail.
2. Estimated expenses for 2003–04 represent Budget figures as at May 2003 and expected outcomes as estimated at May 2004.
3. PNG estimated expenses in 2003–04 and 2004–05 include ODA eligible expenditure by Other Government Departments (OGDs) related to the Enhanced Cooperation Program (ECP) of \$7.5 million and \$114.3 million respectively.
4. Solomon Islands estimated expenses in 2003–04 and 2004–05 include OGD expenditure related to the Regional Assistance Mission to Solomon Islands (RAMSI) of \$79 million and \$93.7 million respectively.
5. Regional Pacific, Regional East Asia and Regional South Asia include multi-country and regional activities and small bilateral programs identified in Table 3.
6. Nauru Additional represents additional funding appropriated to AusAID through new budget measures agreed by the Government.
7. Middle East and Central Asia includes Palestinian Territories, Afghanistan and Iraq.
8. OGD not attributed to country/region includes ODA eligible expenditure by OGDs/agencies that has not been allocated to a specific geographic area.
9. Core contributions to multilateral organisations, other ODA expenditure includes expense payments that cannot be attributed to a particular country/region 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 also 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 2003–04 Budget Figure of \$1,893.8 million.
12. See Technical Notes for an explanation of the change in terminology from Gross National Product to GNI.

CHAPTER ONE: FOCUS OF THE DEVELOPMENT COOPERATION PROGRAM

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

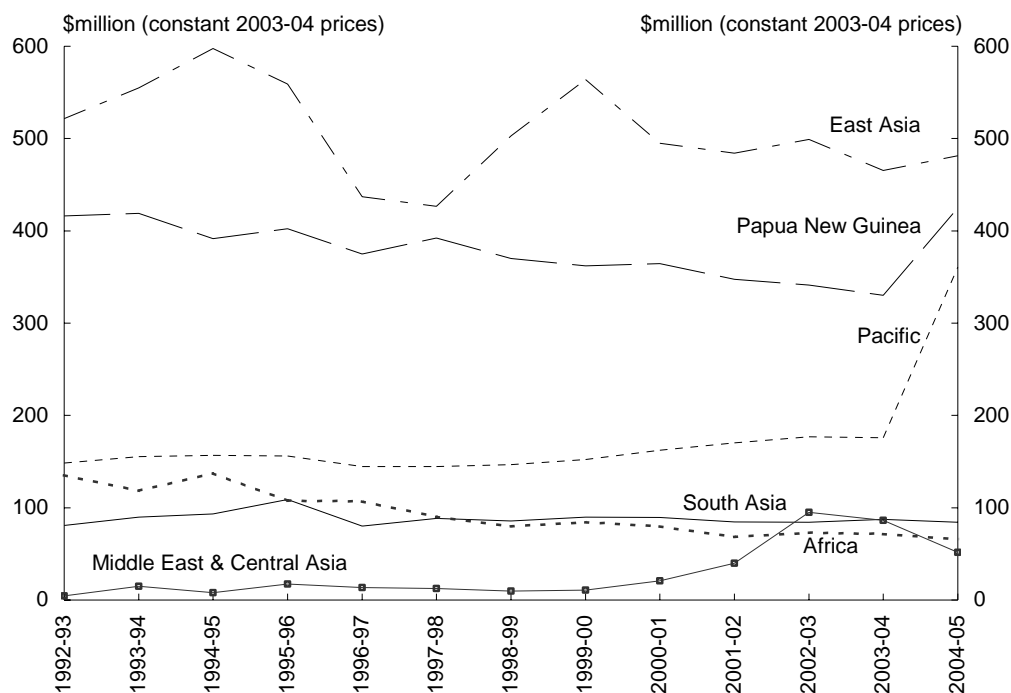
Australia's Official Development Assistance (ODA) to the Pacific and Papua New Guinea (PNG) will increase in line with the Australian Government's enhanced whole-of-government engagement. Support to Indonesia will also continue to grow, building on a major increase provided last year. While ODA to most major countries in East Asia and South Asia will remain at similar levels to those in recent years, it will decline for Thailand and India, in line with their steady economic growth. Australia will retain a strategic footprint in Africa while recognising the substantial and growing presence of other donors in this region. Significant contributions will continue to be provided to Iraq and Afghanistan.

Diagram 1: Australian ODA in 2004–05



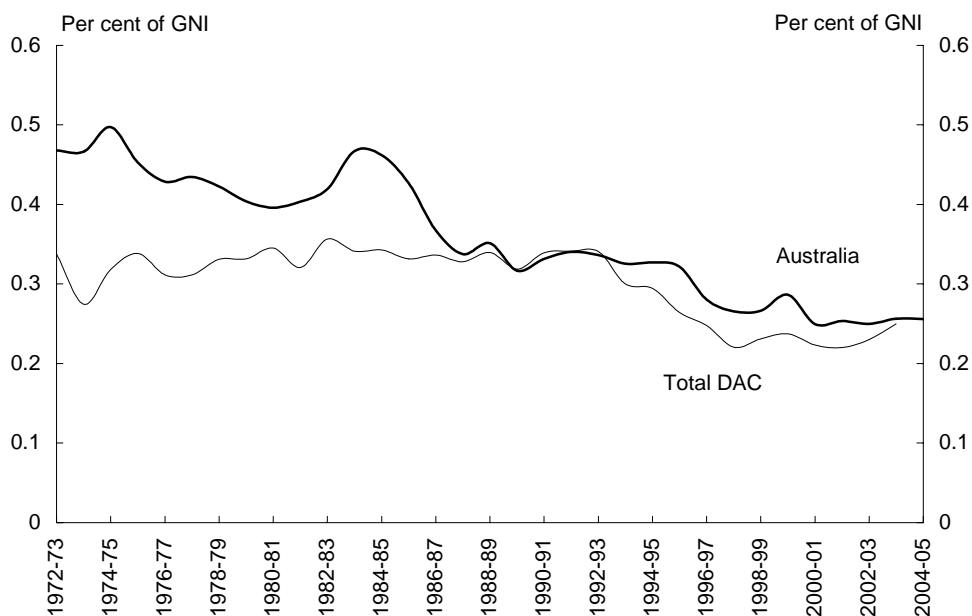
Note: 'Multilaterals & Other' includes expense payments that cannot be attributed to a particular country or region, for example payments to Multilateral Development Banks, some UN and Commonwealth organisations, and departmental expenditure.

Diagram 2: Trends in Australian ODA by region



Note: Figures for 2003-04 and 2004-05 are estimates.

Diagram 3: ODA to GNI ratio—Australia and total DAC



Note: Australian ODA figure for 2003-04 and 2004-05 are estimates. DAC 2003 figure is provisional.

Guiding Themes of Australia's Development Cooperation Program

Five guiding themes shape Australia's efforts to assist developing countries to reduce poverty and achieve sustainable development. These themes provide a lens through which Australia's development cooperation is programmed and implemented.

Governance: promoting democratic and accountable government and effective administration.

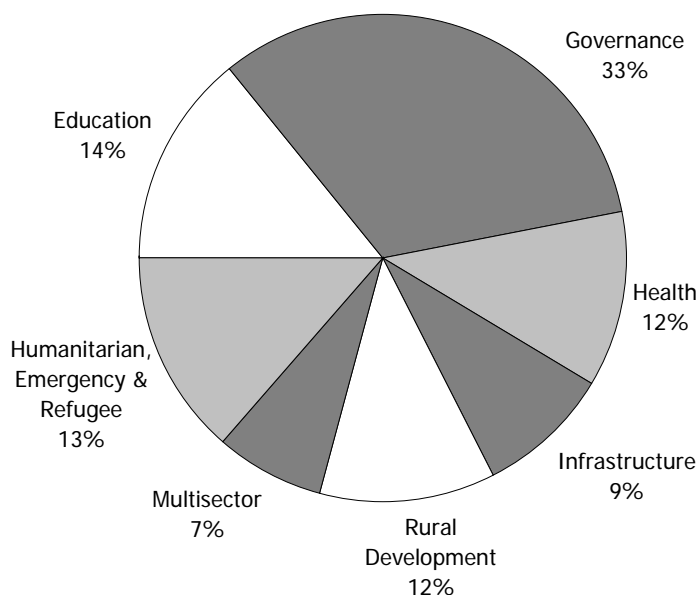
Globalisation: assisting developing countries to access and maximise the benefits from trade and new information technologies.

Human Capital: improving basic services to support stability and government legitimacy.

Security: strengthening regional security by enhancing partner governments' capacity to prevent conflict, enhance stability and manage trans-boundary challenges.

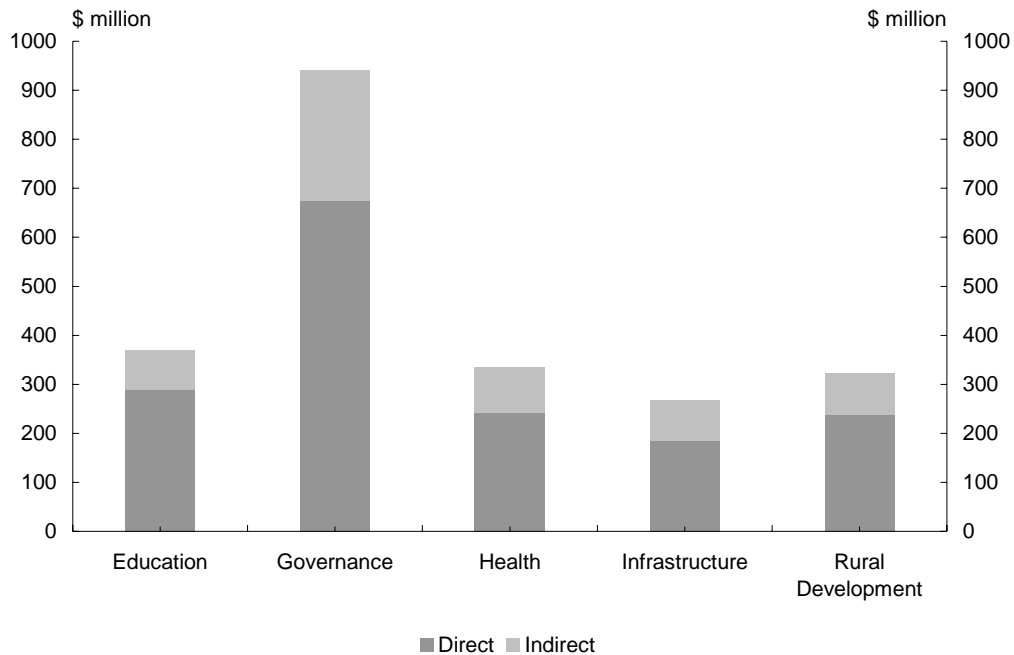
Sustainable Resource Management: promoting sustainable approaches to the management of the environment and the use of scarce resources.

Diagram 4: Estimated sectoral breakdown of Australian ODA 2004–05



Note: 'Multisector' includes direct expenditure on cross-cutting issues such as gender, environment and multisector program expenditure.

Diagram 5: Estimated Australian ODA expenditure by key sector 2004–05



GOVERNANCE

Governance cuts across the development agenda. In line with the pivotal role of governance in supporting improved long-term development outcomes, Australian support for governance programs has increased from 15 per cent of total Australian ODA in 1999–2000 to 33 per cent in this Budget. As outlined in the Ministerial Statement, *Australian Aid—Investing in Growth, Stability and Prosperity*, Australia’s approach to governance focuses on five key pillars:

- improved economic and financial management
- strengthened law and justice
- increased public sector effectiveness
- development of civil society
- strengthened democratic systems.

In 2004–05, an estimated \$674 million will be expensed on activities directly relating to these five areas, and it is estimated that a further \$265 million will be expensed on governance through other priority sectors, for example planning and management of basic service delivery (see diagram 5).

Efforts to promote more effective governance in the Asia-Pacific region directly serve Australia's national interest. Countries that are well governed are stable and prosperous. Recent World Bank research reinforces the strong correlation between sound policies and institutions, and growth and poverty reduction. An ability to plan and manage budgets, maintain sound macro-economic policies, establish and maintain the rule of law, and deliver basic services is essential to attract and mobilise resources for development. Weak governance undermines social and economic development and makes countries more vulnerable to trans-national crime and domestic corruption.

Supporting Good Governance in East Timor

On achieving independence on 15 May 2002, East Timor faced major challenges. While the basic institutions of government have now begun to take shape with the help of the international community, the resources available to run that government and deliver essential services are limited.

Working with the East Timor Ministry of Planning and Finance to manage a budget of approximately US\$74 million, Australia is providing training, on-the-job mentoring and operational support to assist public expenditure management. Australia is also helping East Timor with budget preparation and management, development of legislation, advice on application of tax laws, and establishment of systems to support registration, accounting, processing and payment of taxation.

Effective management of the resources available to the Government of East Timor will become even more critical when revenue from the Timor Sea oil and gas reserves come on-stream. While significant in terms of current resources available to the government, these funds are limited. With appropriate international support to improve fiscal management, East Timor will be more likely to achieve sustainable broad-based development for its people.

The importance of governance is well demonstrated by the events in Solomon Islands. Prior to the intervention by the Regional Assistance Mission to Solomon Islands (RAMSI), Solomon Islands showed many of the characteristics of a failed state—public sector salaries were not being paid and essential services, for example water and electricity, had almost ceased to function. Corruption within the police force and elsewhere had permitted armed criminal gangs to operate largely unchecked. Australia and its regional neighbours, through RAMSI, took a practical approach to tackling these problems by focusing first on two fundamentals of good governance—enforcing the law and stabilising the budget. These initial steps will now be followed-up by more comprehensive programs of reform to the machinery of government, economic and financial management, and the administration of law and justice.

In 2004–05, there will be significant growth in expenditure relating to law and justice, especially for basic policing. Major programs of assistance in the law and justice sector are being implemented in PNG, East Timor, Solomon Islands, Vanuatu and Fiji. These programs recognise the links across the justice sector and the need for all aspects of law—the police, courts and prisons—to function properly. Effective law and justice systems promote human, national and regional security, permit the effective delivery of government services, build business confidence and help attract investment.

Australia's International Development Cooperation—Tackling Corruption

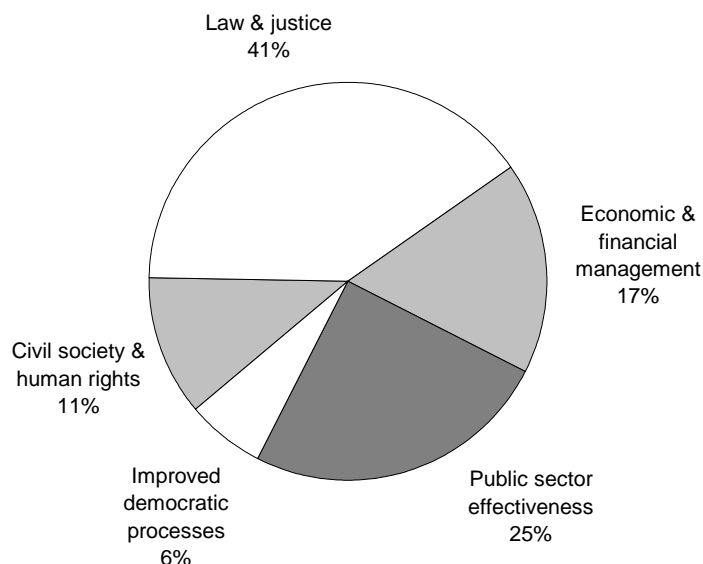
Corruption impacts negatively on growth. It undermines stability and security in the region, as well as in individual countries. In particular, corruption compromises the effectiveness of all public expenditure, limiting the provision of basic services to communities and undermining people's confidence in the ability of government to govern. The control of corruption is also essential if development cooperation expenditure is to be effective. Reducing corruption, however, is a challenging and long-term process.

Australia is actively engaging in efforts to counter corruption on a bilateral, regional and multilateral basis. Activities targeting corruption through Australia's development cooperation program include:

- promoting transparent and accountable government by improving investigation and enforcement capacities (such as audit), strengthening key government systems (such as procurement), and building a professional bureaucracy
- supporting community organisations and the media that create demand for transparent and accountable government processes, decision-making and delivery of basic services.

Internationally, Australia signed the Asian Development Bank–Organisation for Economic Cooperation and Development (OECD) Anti-Corruption Initiative in 2003, as well as the United Nations Convention Against Corruption. These instruments, coupled with the OECD Anti-Bribery Convention (which Australia signed and ratified in 1999), demonstrate Australia's commitment to tackling corruption.

Diagram 6: Estimated Australian ODA expenditure in the governance sector 2004–05



GLOBALISATION

Globalisation—the free movement of people, goods, capital and ideas—has lifted millions of people out of poverty. In 2000, total developing country export earnings were US\$2 trillion and total foreign direct investment reached US\$200 billion. By comparison, development assistance totalled US\$50 billion.

Globalisation provides opportunities and challenges for development. While a country's ability to benefit from trade and investment is dependent on a number of factors, particularly the quality of its domestic policies and institutions, no country has generated sustained growth and poverty reduction by closing themselves off to international trade and investment.

Through the development cooperation program, Australia is strengthening the capacity of developing countries to participate in global and regional trading arrangements and take advantage of new trade opportunities. Australia is providing technical advice to developing countries to engage in trade negotiations, and improving trade facilitation through more efficient port, customs and quarantine systems. Australia is also helping developing country economies maximise benefits from free trade opportunities, for example by reform of domestic policy on trade related aspects of intellectual property rights.

More broadly, Australia has aggressively pursued greater market access in the global trading regime, most recently through the Doha Round. Australia's markets are open to goods from developing countries through a number of trade policy measures. Australia has one of the lowest average tariff rates of all OECD countries. Australia has sought, through the Cairns Group, greater market access for agricultural products, an area of great potential benefit to developing countries. Australia has eliminated quotas and tariffs for all goods from Least Developed Countries effective from July 2003.

As well as helping, through the development cooperation program, to create a positive enabling environment for foreign direct investment in developing country partners, Australia is party to a number of agreements that facilitate effective and responsible foreign direct investment in our region. Australia has agreements with several countries, including Fiji, Kiribati and PNG, that prevent double taxation and fiscal evasion, and foster cooperation between Australia and partner government tax authorities.

Affordable access to relevant new information technology and knowledge can help developing countries benefit from globalisation. It can provide cost-effective ways for governments and people to gain from cutting-edge knowledge and link into the global information economy.

Benefiting from Globalisation—Access to Information Technology

Under the Virtual Colombo Plan, a \$200 million joint initiative by the Australian Government and World Bank, Australia's development cooperation program is helping developing countries to access knowledge networks and improved education.

In February 2004, Australia announced it would provide \$2 million to fund a high-speed broadband connection for the University of the South Pacific (USP) that will integrate Pacific island students and academics into international education and research networks, and improve teaching skills of USP staff. The establishment of video-conferencing and internet centres, under the World Bank's Global Development Learning Network, in China, East Timor, PNG and Vietnam, is also an example of Australia's practical support in this area.

HUMAN CAPITAL

Investing in basic service delivery systems—for example education, health, and water and sanitation—helps build human capital in developing countries. Poverty reduction can be accelerated when the poor have the necessary tools to participate in growth. Citizens who receive a good basic education and who are protected against easily preventable diseases will be more productive and will participate more fully in society and the economy. A healthy and well-trained workforce is also critical for developing

countries to compete in a global economy and maximise the gains from globalisation. In 2004–05, Australia will provide an estimated \$290 million and \$242 million respectively for education and health programs.

Diagram 7: Estimated Australian ODA expenditure in the health sector 2004–05

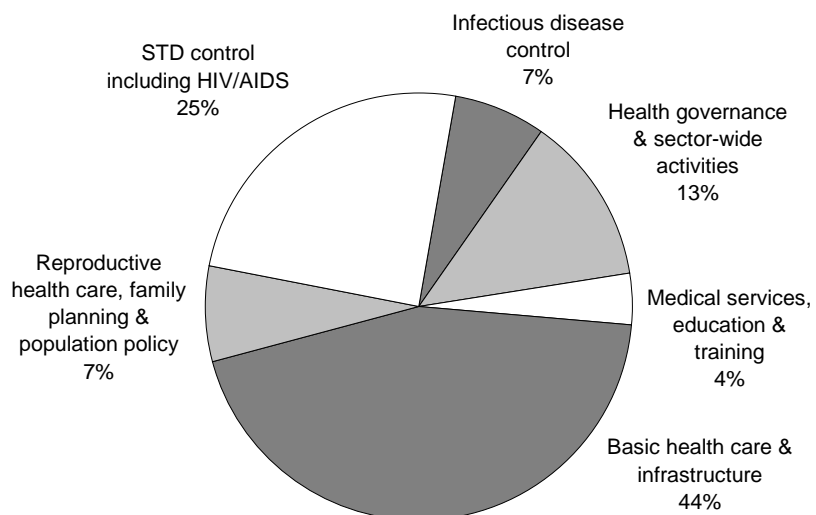
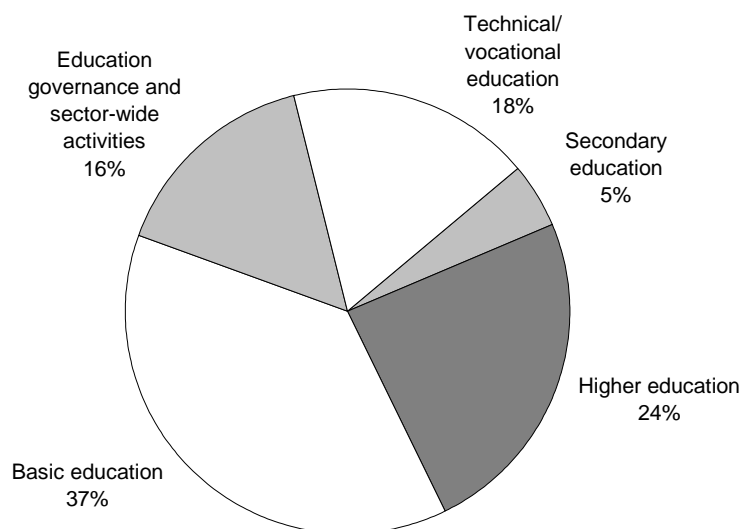


Diagram 8: Estimated Australian ODA expenditure in the education sector 2004–05



Ensuring basic service delivery is a key responsibility of government—if governments fail to fulfil this responsibility, their legitimacy could be questioned. For example, in PNG the breakdown of traditional safety nets and high population growth has intensified the demands on government to provide essential services. Australia is working with PNG to improve delivery of health and education services using existing government systems, and to assist rural and remote communities.

The spread of HIV/AIDS remains the major threat to the development of human capital in many developing countries. As part of the 6-year, \$250 million commitment, Australia's assistance to HIV/AIDS in 2004–05 is expected to total \$58.6 million, including major programs of cooperation in Indonesia, PNG and China, and other regional countries. Australia will contribute \$25 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Millennium Development Goals—Australia's Approach

At the Millennium Summit in 2000, member states of the United Nations endorsed goals relating to the elimination of poverty and hunger, improved health and education outcomes, increased gender equality and environmental sustainability, and forging a global partnership for development. A target of 2015 applies to almost all the Millennium Development Goals (MDGs).

Australia supports the MDGs and our efforts in areas such as health, education and rural development are closely aligned with these Goals. Essential to meeting the MDGs will be creating environments that are stable, secure and can support growth in developing countries. Uniform approaches to tackling poverty will not be sustainable. Instead, differentiated responses based on strong country knowledge and analysis will be crucial to progress against the MDGs. Individual countries must drive their own development strategies.

Nor will ODA on its own be sufficient to meet the MDGs. Real progress will require enhanced private as well as public sector investment generated from greater trade liberalisation, foreign direct investment and domestic savings. This highlights the strong linkages between good governance, economic growth and progress against the MDGs.

The World Bank Report on MDGs, *Global Monitoring Report 2004*, affirms the critical role of improved governance and growth in accelerating the pace of human development. In particular, the report highlights the relationship between countries' capacity to create enabling environments for economic activity and their capacity to empower and invest in the poor. The report also highlights the important role that effective and well-targeted development cooperation can play in supporting the governance conditions required for sustainable human development gains. Australia remains committed to working with its developing country partners to build those policy and institutional frameworks that will be required to achieve the MDGs.

SECURITY

Security is a fundamental pre-condition of broad-based economic development. Conflict, disease, and trans-national crime are some of the security challenges facing Australia and our regional neighbours. Poverty can create, as well as exacerbate, these challenges.

While Australia's development cooperation program focuses on reducing poverty and helping to improve basic education and health services as a key part of supporting a secure region, Australia also supports programs that directly promote security. Assistance is being provided to improve the rule of law across a range of Pacific island states and East Timor, including the judiciary, court systems and basic policing. Targeted support is also being provided to countries such as Indonesia, the Philippines and PNG to combat money laundering, strengthen counter-terrorism capacity, and improve customs and border protection.

Basic Policing—Building Security

Basic policing is fundamental to establishing an environment conducive to economic and social development. In conjunction with other Australian Government agencies, such as the Australian Federal Police and Attorney-General's Department, Australia's development cooperation program has funded a range of basic policing initiatives, and will continue to do so in 2004–05.

A \$17 million regional policing initiative will train up to 900 police from Pacific island countries each year, and support the region's efforts in fighting crime and corruption.

Australia's development cooperation program is also supporting the Government of PNG's sectoral approach to strengthening law and justice. This assistance includes working with local police, the court system and prisons to improve administration of law and justice. This support will be integrated with the proposed deployment of up to 230 Australian Federal Police under the Enhanced Cooperation Program, and will improve the leadership of the Royal PNG Constabulary and strengthen their capacity to handle a range of policing duties, including fraud and anti-corruption investigations, forensics and prosecutions.

In East Timor, Australia is developing a substantial program of assistance to coincide with the draw down of the UN presence. Part of this program will work with the East Timor police to improve basic police operations and investigations, strengthen training programs delivered by the Police Academy, and support more effective administration and policy development.

SUSTAINABLE RESOURCE MANAGEMENT

More than two-thirds of the world's poor rely on agricultural and natural resources for their food and livelihoods.

Australia will continue to demonstrate a strong commitment to sustainable management of the environment and the use of scarce natural resources through its development cooperation program. For example, in Cambodia, Australia will support increased incomes for the rural poor by focusing on agricultural research, strengthening district and provincial agricultural extension services to farmers, and improving milling and production technology through a private sector delivery model. In the Pacific, Australia's support for regional environmental and scientific organisations will continue to assist our smaller neighbours sustainably manage tuna and coastal fish stocks, food crops and forests.

Australia's International Development Cooperation—Fighting Arsenic Contamination in Drinking Water

Arsenic contamination affects groundwater supplies in many of the countries where Australia's development cooperation program works, including Bangladesh, Vietnam, Laos, Cambodia, Burma and Thailand. Arsenic occurs both naturally and as a contaminant produced as a result of mining and manufacturing industries. As part of the Australian Government's water policy, '*Making Every Drop Count*', interim guidelines and procedures for managing arsenic in drinking water have been developed. Australia is one of the first bilateral donors to produce such guidelines.

The guidelines reflect a broader international policy shift away from what is increasingly being viewed as the unsustainable and long-term risks of collection of groundwater. The objective of these guidelines is to ensure that water supply activities funded by Australia's development cooperation program are safe. The guidelines encourage consideration of alternatives to groundwater in the first instance, preclude Australia's development cooperation program funding new wells exceeding World Health Organisation guidelines (unless specifically negotiated and agreed with national authorities) and provide guidance on managing existing arsenic contaminated sources of water.

In 2004–05, Australia will spend an estimated \$280 million on environment-related activities in developing countries, including through global and regional environment organisations.

CHAPTER TWO: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

Country program estimate	\$300.0 million
Retirement benefits	\$13.8 million
Estimated other ODA	\$121.8 million
Estimated total ODA	\$435.6 million

PNG development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	976	42	57	65

Source: GNI per capita: DAC, 2002; other indicators: *Human Development Report*, UNDP, 2003.

The development of a secure and prosperous Papua New Guinea (PNG) remains a high priority for the Australian Government. Estimated total Official Development Assistance (ODA) to PNG will increase in real terms by 27 per cent in 2004–05. This increase reflects Australia's renewed efforts through the Enhanced Cooperation Program (ECP) to assist PNG overcome major constraints to stability and growth.

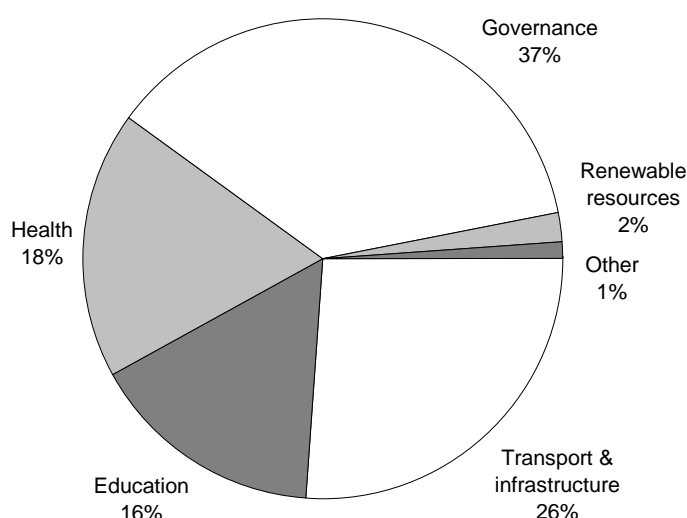
PNG is facing significant social and economic governance challenges. The society is highly fragmented with over 700 disparate cultural groups that test political and social unity. PNG has limited resources and a weak economy that relies on a small number of gas and mineral projects and forest logging. Communities remain isolated, have poor health indicators and high rates of illiteracy, and urban communities suffer from serious law and order problems. The increased prevalence of HIV/AIDS is a serious concern. Despite the efforts of the Government of PNG and key donors, such as Australia, earlier gains in key health and education indicators are now in danger of being eroded.

The most dramatic decline in PNG has been in the quality of governance. The PNG Government currently supports a wide range of programs that are not affordable within current budget parameters. Budget appropriations are often inadequate and agencies rarely receive the funds that have been appropriated. The result is that service delivery is limited and biased toward urban areas. The fundamental weakness of governance undermines investment by government, the private sector and development cooperation partners, threatening both prosperity and stability.

The overarching goal for Australia's development cooperation program is to assist PNG in building a secure and prosperous nation and thereby reducing the incidence

and severity of poverty across the country. Australia's experience over the past few years demonstrates there is nothing more certain to undermine this goal than persistent poor governance, poor service delivery and low rates of growth. These, then, will be the primary foci of our work.

Diagram 9: Estimated bilateral development cooperation to PNG by sector 2004–05



GOVERNANCE

The Australian Government recognised that in order to improve governance and tackle economic decline in PNG, the way Australia engaged with PNG needed to change. It was with this understanding that the governments of Australia and PNG agreed to the ECP in December 2003.

The ECP, a series of collaborative initiatives developed by both governments and tailored to suit PNG, will address core economic and development challenges. It will tackle some of the constraints to good governance—a functioning police force, a court system that can administer the law, a government that can generate revenue and manage budgets based on need and affordability, and an immigration system that protects border integrity.

The ECP will be implemented largely through the placement of selected Australian public servants and other officials into PNG Government departments and agencies. When fully implemented, these personnel will include specialists working across the legal sector (Solicitor General's Office, Prosecutor's Office, National and Supreme Courts), economic and public administration, and border protection and transport security. The ECP will also place up to 230 serving Australian Federal Police officers in

PNG to work with the Royal PNG Constabulary in Port Moresby, Lae, Mt Hagen, Bougainville, and along the Highlands Highway.

A fundamental objective of ECP is to build PNG capacity through lasting institution-to-institution linkages. The success of ECP will not be measured by improvements in PNG institutions at a point in time but through the establishment of broad ranging and long-term relationships between Australian and PNG institutions.

Australia will continue to fund a range of activities through the development cooperation program that support the objectives of the ECP. In addition to the law and justice sector program (see box below), Australia is providing support for governance at the provincial level, including financial management training, institutional capacity building, and support for the conduct of audits and improved financial reporting. Through the Civil Society Program, Australia is also promoting public debate on PNG's development choices and thereby building demand for better governance.

PNG Law and Justice Sector Program

The Law and Justice Sector Program supports PNG's National Law and Justice Policy and Plan of Action, and Medium Term Development Strategy 2003—2005. It adopts, for the first time in PNG, a sector-wide approach to law and justice. This is based on the recognition that weakness in one agency will impact on the operation of others. It provides a flexible mechanism to address PNG law and justice priorities through an incentive based approach to the use of resources at the national and provincial levels of government and through civil society. The program will be integrated with and support the ECP. Key elements of the sector approach include:

- supporting the PNG Government's National Coordinating Mechanism (comprised of the heads of all key sector agencies including the Chief Justice, Commissioners of Police and Corrections, Chief Ombudsman, Attorney General and Secretary of Planning and Rural Development), the key body promoting coordination between agencies
- adopting a longer planning timeframe involving strategic and annual plans and establishing priorities to support those areas expected to most directly improve overall sector performance
- increasing the use of PNG agencies' systems to plan, deliver and monitor assistance. Targeted support will be provided to develop and strengthen management and financial systems, and to establish a comprehensive performance framework for the sector.

The approach will build on successful interventions from recent projects and focus on building agency and individual capacity in planning, management and core operational functions.

ESSENTIAL SERVICES

In tandem with effective governance, the provision of basic health and education services are critical to the longer-term development needs of PNG. Australia will continue to support these basic services through innovative mechanisms. The ECP provides greater opportunities for Australian officials to work directly with central and line agencies to help improve resource allocation and expenditure management related to the provision of basic services.

Health and Education—Innovative Approaches to Service Delivery

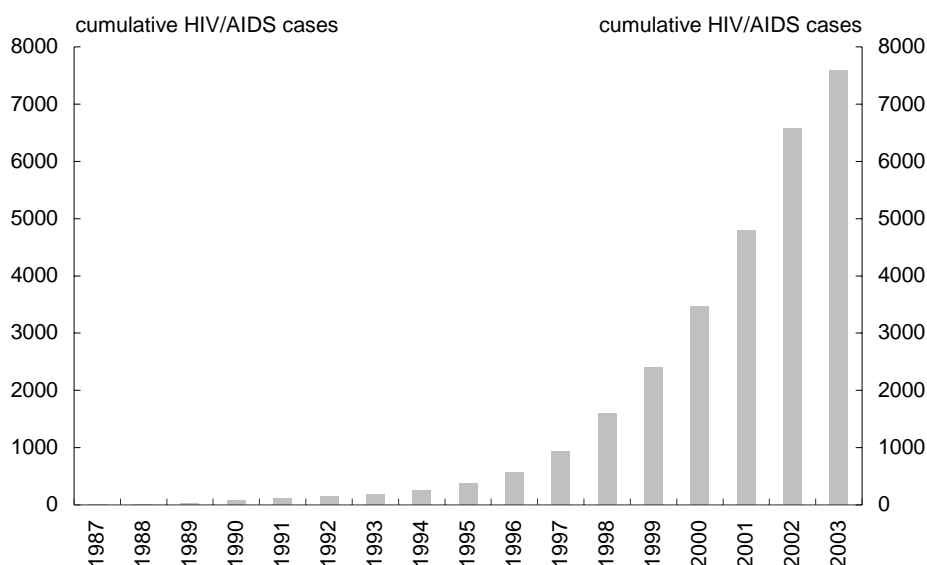
Over the past few years, Australia's development cooperation program has begun a significant shift in the way that it funds the delivery of basic health and education services in PNG. While there are a number of reasons for this, a key factor was that stand-alone project assistance could not effectively tackle the larger institutional constraints to delivering effective services, such as setting budget priorities and allocating resources.

With the PNG Government taking the lead, there has been greater focus in the health sector on using a sector-wide approach to improve services. Since 1999, Australia has been funding the Health Sector Improvement Program. This program has demonstrated innovative and practical ways to improve services. It has brought together the Government of PNG and all key donors, who have agreed to work towards a single set of priorities that they will collectively monitor. There is a stronger emphasis on working through mainstream PNG service delivery mechanisms and government systems, and using these systems where they are suitably accountable to manage donor funds. In addition, this approach is progressively integrating technical advisers into the PNG health system (rather than sitting outside government under the project model) and looking at ways to introduce incentives to encourage provincial and national governments to deliver health services more effectively.

In the education sector, Australia recently implemented the Education Capacity Building Program. This program provides a flexible mechanism to engage with the Government of PNG on key education policy issues such as setting priorities, the affordability of education and accountability mechanisms. Importantly, this program will work within the PNG Department of Education and will be linked into their National Education Plan.

One of the Australian Government's highest priorities is working with the Government of PNG to manage the impact and limit the spread of HIV/AIDS. This pandemic is a fundamental threat to PNG's development. PNG has the highest reported infection rate in the Pacific. A recent study highlighted that at present trends the size of the labour force could be reduced by one-third by 2020. Based on experiences in other parts of the world, HIV/AIDS in PNG will impact on the most productive members of the community, especially young working-age adults, and increase the burden on an already over-stretched health system.

Diagram 10: Cumulative total of confirmed cases of HIV/AIDS in PNG 1987–2003



Source: PNG National AIDS Council Secretariat and Department of Health, June 2003.
Note: total for 2003 is at 30 June 2003.

Australia is spending \$60 million over 5 years to assist PNG manage and deliver its national response to HIV/AIDS, and is looking at how to support communities in high risk provinces and groups such as youth, commercial sex workers and their clients. The task of addressing HIV/AIDS is being mainstreamed across all Australian development cooperation programs in PNG. For example, in the infrastructure sector a HIV/AIDS needs analysis and response is incorporated into all road maintenance activities.

ECONOMIC GROWTH

The medium-term outlook for growth in PNG is poor. As forecast by the PNG Treasury, growth in gross domestic product is expected to average 2 per cent per year over the period 2003 to 2007, and per capita incomes are expected to decline with

continued population increases. In spite of recent commodity price increases, private sector activity generally remains depressed at all levels and the declining mining sector has not been offset by better performance in other sectors. Importantly, deteriorating infrastructure hinders access to markets and services, imposes high transaction costs and reinforces economic isolation.

Australia's work on key governance issues, including through the ECP, will assist PNG to address some of the underlying economic issues that contribute to poor growth.

Australia's integrated approach to transport infrastructure works within PNG systems to determine priorities for road maintenance, including the Highlands Highway which serves 40 per cent of the population and is the single most important road in terms of trade volume. The extent of Australia's contribution to the maintenance of transport infrastructure will be linked to PNG budget outcomes that reflect national transport objectives and satisfactory progress with the implementation of key budget reforms. The transport infrastructure program will include support for the aviation and maritime sectors.

Australia's approach to rural development in PNG recognises that the main factors constraining growth in rural incomes are roads, crime, human capital, governance and agricultural information. The development cooperation program is working closely with the Asian Development Bank in the preparation of a strategy to support institutional and policy reform in the agricultural sector.

BOUGAINVILLE

With the support of Australia and other international development partners, Bougainville is consolidating the gains of the peace process and working to establish a self-reliant and autonomous government that will promote stability and economic growth.

A key Australian initiative will be the establishment of the Governance and Implementation Fund to assist Bougainville and the Government of PNG to implement the autonomy provisions of the Bougainville Peace Agreement. This fund will also provide support to finalise the Bougainville constitution, hold free and fair elections and develop systems for effective fiscal management.

Overview of Australia's Approach to Development Cooperation with PNG

	Governance	Essential Services and Social Stability	Broad-based Sustainable Growth
Key Challenges for PNG	<ul style="list-style-type: none"> Political instability. Weak machinery of government. Loss of expenditure control. Weak transparency and accountability. 	<ul style="list-style-type: none"> Deteriorating basic service delivery. Poor health indicators. High rates of illiteracy. Major HIV/AIDS epidemic. Rising and serious law and order problems. 	<ul style="list-style-type: none"> Medium-term outlook is poor. Private sector activity is depressed. The mining sector is in decline. Deteriorating infrastructure.
Strategic Objectives	<ul style="list-style-type: none"> Strengthen machinery of government. Improve public sector performance and public expenditure management to influence PNG's allocation of resources. Build stronger community constituency to demand accountability. 	<ul style="list-style-type: none"> Develop service delivery systems that are coherent, prioritised, affordable and implemented. Improve delivery of essential services in rural areas of PNG. Improve law and order situation. 	<ul style="list-style-type: none"> Ensure key transport infrastructure remains operational. Enhance conditions to achieve improvements in rural incomes. Improve immigration, customs, and aviation and maritime transport security.
Australia's Key Interventions	<ul style="list-style-type: none"> The ECP will work with the PNG Government to implement core strategic objectives listed above and ensure the integrity of law and justice system. Increased sub-national engagement recognises that formal responsibility for much service delivery is now at the sub-national level and the failure of decentralisation has resulted in its deterioration. Through the Civil Society Program Australia is promoting public debate on PNG's development choices. 	<ul style="list-style-type: none"> Through new approaches to health and education, PNG and international development partners are working through PNG government systems towards a single set of priorities that are collectively monitored. The Law and Justice Sector Program supports the ECP objectives and adopts, for the first time in PNG, a sector-wide approach to law and justice. The Governance and Implementation Fund will provide a financing mechanism to assist Bougainville autonomy. 	<ul style="list-style-type: none"> Integrated approach to transport infrastructure that works within PNG systems and with key partners to determine priorities for road maintenance. Australia's approach to rural development recognises that the main factors constraining rural incomes are roads, crime, human capital, governance and agricultural information.

The Pacific Region

Estimated ODA to the Pacific in 2004–05

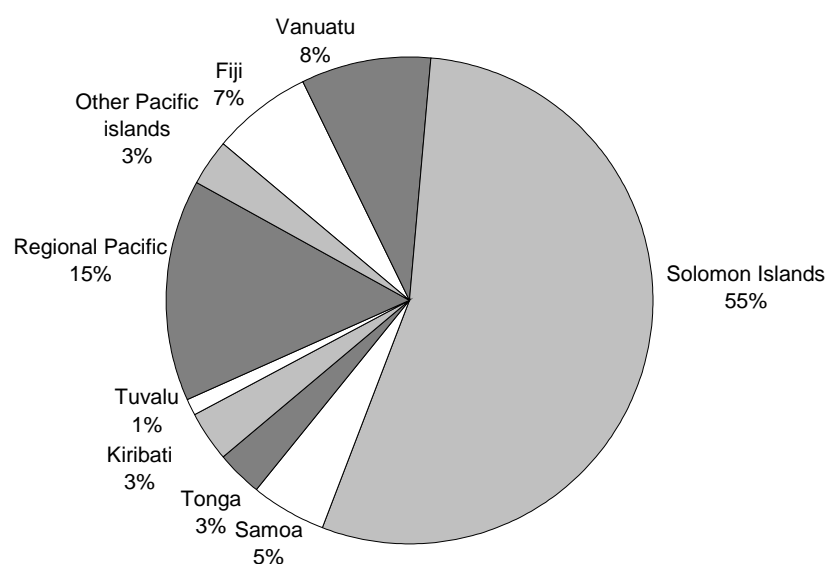
\$383.1 million

Pacific regional development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Solomon Islands	1050	71	69	77
Fiji	3977	47	69	93
Vanuatu	1989	88	68	34
Samoa	2615	99	70	99
Tonga	2596	100	68	99
Kiribati	1491	48	62	100
Nauru	–	100	58	95
Tuvalu	–	85	67	98

Source: GNI per capita: DAC, 2002 (except Nauru and Tuvalu); other indicators for Fiji, Vanuatu, Samoa and Solomon Islands: *Human Development Report*, UNDP, 2003; all other data: *Pacific Human Development Report*, UNDP, 1999. 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.

Diagram 11: Estimated Australian ODA to the Pacific by country 2004–05



REGIONAL OVERVIEW OF THE PACIFIC

Regional challenges

In spite of their diversity, many Pacific nations face similar development challenges, including isolation, limited resources, poor infrastructure, rapid population growth, shortages of trained personnel, increasing urbanisation, and environmental and climatic vulnerability. The region also faces particular constraints in taking advantage of the economic opportunities arising from increased global trade.

Australia has sharpened its focus on the Pacific—both through necessity following the deterioration in security in Solomon Islands, but also through a strengthened realisation that a porous, underdeveloped and insecure region can increasingly feed instability, inhibit development and pose a threat to Australia's national security. Activities such as drug and people smuggling and trans-national organised crime thrive where governance is weak.

Australia's role in the Regional Assistance Mission to Solomon Islands (RAMSI) reflects a more robust and concerted approach to development cooperation delivery, with an expansion of support for improved economic management, cross-border and internal security, capacity building in conflict prevention and resolution, and good governance.

Comprehensive reform in the Pacific is a long-term endeavour. Significant change will require sustained engagement by international development partners and Pacific island nations themselves. The prospects for sustainable reform across the Pacific's public and private sectors vary. Progress will inevitably be uneven and is prone to sudden reversals.

Regional strategies

The quality of governance has a decisive influence on development, particularly in small states with limited economies of scale and few opportunities for diversification. The Pacific's record on governance has been mixed, with a legacy of unaffordable systems inherited from colonial administrations. To build sustainable momentum for improved governance in the Pacific, it will be important to foster a sense of ownership of initiatives within countries themselves and tailor development cooperation programs to individual country needs and capacities.

At the 2003 Pacific Islands Forum, leaders supported consideration of options for increased pooling of regional resources, recognising that it will be increasingly difficult for Pacific states, particularly the smaller ones, to maintain all the arms of modern government on a discrete national basis.

The concept of regional pooling builds on the collaborative tradition Pacific states have developed over recent decades—from the South Pacific Forum, convened in 1971, to

the more recent active participation of regional states in RAMSI, which reflects an impetus towards collaborative management of regional problems.

Australia's development cooperation program is identifying opportunities for pooling regional resources, where appropriate, for more efficient and effective service delivery and improved administration. The pooled approach involves greater utilisation of the capabilities and significant expertise of Australian Government agencies in a whole-of-government approach to improving governance in the Pacific. Placing experienced Australian public servants within Pacific bureaucracies will enable agencies to develop long-term institutional links, and expand the quality of analysis and policy development. The new Pacific Governance Support Program will provide an additional \$6 million in 2004-05 to fund activities that enhance good governance and institutional capacity by transferring public sector expertise between Australia and the Pacific. Australia will also work with national police forces on a regional basis through the implementation of the Pacific Regional Policing Initiative (PRPI).

Pacific Regional Policing Initiative

Effective policing is critical to regional security, good governance and economic progress in the Pacific. The PRPI, to be implemented over five years, represents a long-term commitment to pooled regional governance by the Australian Government, as well as a significant commitment to policing, with funding of approximately \$17 million. This includes a contribution of NZ\$2.5 million from the New Zealand Government.

The PRPI will contribute to a safer, more secure and prosperous environment in Forum island countries. The initiative will train up to 900 Pacific police each year and will support the region's efforts to fight crime and corruption. It will develop practical solutions to the day-to-day policing challenges being experienced in individual Forum island countries, largely through training, revised procedures and processes, and on-the-job mentoring. Training will focus on improving basic policing, as well as technical skills such as forensics, and look at the longer-term development of police leadership, planning and management capacity.

Poor transport infrastructure in Pacific island countries is contributing to economic stagnation. Pacific airlines and shipping lines are facing severe challenges in continuing to provide economically viable services. As agreed at the 2003 Pacific Island Forum meeting, Australia is funding a Regional Pacific Transport Study to review the possibility of pooling transport resources.

Australia is also backing reform of the Pacific Islands Forum Secretariat. The appointment of Mr Greg Irwin as the Secretary-General is an opportunity for the Forum Secretariat to meet more effectively the needs of member states. Australia

strongly supports the outcomes of the Eminent Persons Group review of the Forum Secretariat, including additional funding announced by the Prime Minister at the 2004 Pacific Island Forum Special Leaders' Retreat to back an action-orientated reform agenda. This includes development of a Pacific Plan for reform, focusing the Forum on key regional policy issues, such as economic growth, good governance and improving communication between member states.

BILATERAL PACIFIC DEVELOPMENT COOPERATION PROGRAMS

Solomon Islands

Country program estimate	\$92.8 million
Estimated other ODA	\$108.9 million
Estimated total ODA	\$201.6 million

Enhanced Australian and regional engagement in Solomon Islands marked the beginning of a more 'hands-on' approach to assisting Pacific island countries. Solomon Islands has endured considerable challenges in the years following ethnic tensions and the coup of 2000. By early 2003 the country had many of the characteristics of a failed state—general lawlessness was growing while extortion and open corruption were rife. Government management of the economy and delivery of basic services had collapsed. In these difficult circumstances the Solomon Islands' Prime Minister, Sir Alan Kemakeza, sought the support of Australia and regional partners in the Pacific, and RAMSI was deployed on 24 July 2003.

The purpose of RAMSI, a regional assistance mission involving security and civil policing elements, is to restore physical and economic stability and the basic functioning of government to Solomon Islands. The operation has already secured real gains in re-establishing basic law and order and stabilising government finances.

RAMSI has been able to build on work already undertaken through Australia's development cooperation program, particularly in the justice sector, as well as existing support for economic reform, peace building, community development and health services. In 2004–05, RAMSI will focus on assisting Solomon Islands to implement a comprehensive reform agenda to improve the accountability and affordability of government. Priorities for reform are economic governance, rebuilding the machinery of government and strengthening the legal and judicial sector.

Overview of Australia's Development Cooperation Program with Solomon Islands

	Strengthening Rule of Law	Improving Governance	Supporting Peace Building and Basic Service Delivery
Key Challenges for Solomon Islands	<ul style="list-style-type: none"> Consolidating RAMSI law and order gains. Improving access to justice throughout Solomon Islands. 	<ul style="list-style-type: none"> Structural and social impediments to economic reform. Weakened accountability and effectiveness of government systems. 	<ul style="list-style-type: none"> Lack of capacity to deliver basic services. Limited progress in nation building.
Major Current Activities	<ul style="list-style-type: none"> Supporting strategic review of policing. Providing expatriate personnel to ensure fair trials and strengthen the Prison Service. Enhancing infrastructure and security of justice offices and prisons. 	<ul style="list-style-type: none"> Implementing a budget support program. Strengthening financial management, fiscal responsibility and maximising government revenues by implementing a budget stabilisation program. Providing assistance to government planning and donor coordination processes. 	<ul style="list-style-type: none"> Strengthening health service delivery. Supporting the National Peace Council to promote peace building. Strengthening community development through supporting local level initiatives.
Emerging Areas of Support	<ul style="list-style-type: none"> Capacity building to improve effectiveness of law and justice institutions. Developing alternative sentencing and stronger prisoner rehabilitation programs. 	<ul style="list-style-type: none"> Training and capacity building in core public administration and management skills. Reform and restructure of the public service. Assisting the Solomon Islands Government to progress the economic reform agenda. Strengthening accountability institutions and electoral processes. 	<ul style="list-style-type: none"> Increasing support for women and youth. Improving provincial government management and service delivery. Improving civic education and public awareness.

Vanuatu

Country program estimate	\$20.0 million
Estimated other ODA	\$10.9 million
Estimated total ODA	\$30.9 million

Australian development cooperation with Vanuatu is expected to increase by an estimated \$8.2 million in 2004–05, to address significant challenges of poverty and potential instability. Australia's development cooperation program will support long-term stability for Vanuatu by helping accelerate economic development and improve the welfare of the general population, through supporting governance reform, raising productive capacity to contribute to broad-based growth and improving service delivery.

Vanuatu is the third poorest country in the Pacific, with 40 per cent of the population living in poverty as defined by UNDP. After a decade of unstable government, law and order problems and economic decline, Vanuatu is making some progress towards stabilising its social and economic position. However, the outlook remains of concern and Vanuatu is at the crossroads of either consistent growth or further decline. Poverty, combined with a relatively weak governance structure and rapid population growth, provides the potential for instability without the sustained focus from the Vanuatu Government and support from donors, such as Australia. Strong demand for increased expenditure, particularly for the education and health services needed by a rapidly growing and young population (approximately 60 per cent of the population is younger than 24 years), is placing further pressure on the economy and the government's budget.

Under a new country strategy for development cooperation, Australia will work closely with Vanuatu to improve the governance of key institutions, including the police and judicial system, to achieve a stronger and more accountable law and justice sector and an environment that is conducive to investment and economic growth. Australia will continue to support public sector reform aimed at ensuring effective delivery of government services and maintaining government financial accountability.

To improve basic service delivery, Australia will support reforms that strengthen linkages between central and provincial government levels, including long-term joint programs in health and education.

Australia will focus on new initiatives to improve the enabling environment to support growth in the agriculture, rural livelihoods and tourism sectors, with a focus on increasing the productivity of vulnerable populations. Australia will identify opportunities to support the Government of Vanuatu to maintain an environment that is open to investment and able to provide jobs.

Fiji

Country program estimate	\$18.0 million
Estimated other ODA	\$7.1 million
Estimated total ODA	\$25.1 million

Australia's development cooperation with Fiji is expected to increase by an estimated \$5.1 million in 2004–05 to provide enhanced support to the Government of Fiji's efforts to improve governance, reduce poverty and foster stability. The UNDP estimates that around 40 to 50 per cent of the population are poor, and that political instability since May 2000 has exacerbated poverty amongst already vulnerable groups. However, Fiji has good, if declining, management and implementation capacities and, by Pacific standards, a large private sector that generates job opportunities and revenue for government services.

Australia's development cooperation program will compliment Fiji's own development priorities and focus on strengthening the operation of law and justice institutions, promoting effective, accountable and democratic government, and improving delivery of health and education services.

In the law and justice sector, Australia will work to improve planning and integrate approaches between the police, courts and prison systems. Assistance will also be provided to strengthen police capacity to investigate and prevent crimes, improve trial proceedings, sentencing and rehabilitation, and enhance community safety. Australia will also identify new approaches to support good governance in Fiji, in particular improving financial management processes of government, as well as supporting community organisations to create demand for transparent and accountable government processes.

Australia will continue to directly support improved health and education through long-term joint programs, promoting reform and assisting Fiji to ensure basic services are reaching rural areas.

Samoa

Country program estimate	\$12.5 million
Estimated other ODA	\$5.9 million
Estimated total ODA	\$18.4 million

Australia's development cooperation with Samoa will continue to focus on governance and essential service delivery. Priority will be given to sustaining on-going reform of the public sector and ensuring effective delivery of basic services, including strengthening the Samoan police service. Border security and quarantine measures in Samoa will be also be improved.

Nauru

Country program estimate	\$0.6 million
2004–05 additional ODA	\$13.5 million
Estimated other ODA	\$3.4 million
Estimated total ODA	\$17.5 million

Nauru faces significant development challenges, including a shrinking resource base and unsustainable government expenditure. In March 2004, the governments of Australia and Nauru signed the third Memorandum of Understanding (MOU) for management of the offshore processing centre for asylum seekers and Nauru's long-term development. Australia will provide, through the development cooperation program, an additional \$13.5 million in 2004–05 to help Nauru stabilise the country's economy and strengthen law and order.

Under the MOU, Australia and Nauru will prepare a sustainable development strategy to assist Nauru in meeting its economic and development challenges. A key aspect of this assistance will be the provision of an in-line Secretary of Finance, who will work to improve economic governance by reforming Nauru's budget processes, explore new sources of revenue, improve revenue collection, and seek better value for money on all government sector expenditure and activities. The Australian Federal Police will also assist to improve management and training of Nauru's police force.

Australia is also ensuring the maintenance of basic services, including essential power, water and ports infrastructure, and health and education services.

Other Pacific Countries

In **Tonga**, Australia will continue to support effective economic management, reform of the public sector, and health and education programs.

Australia will work to harmonise approaches and funding mechanisms with other key donors in the Pacific region, in particular New Zealand (for more details see box at page 59). In the **Cook Islands**, a pilot of a joint Australia–New Zealand development cooperation program will commence in July 2004. The development of a Trust Fund for **Niue** is being investigated. Australia, New Zealand and **Kiribati** will undertake a joint assessment of the education sector, with a view to implementing a sector wide approach. In **Tuvalu**, Australia will continue to support the operation of the Trust Fund, in addition to funding activities in the education sector.

Australia will assist the **Federated States of Micronesia** with border security, as well as tertiary scholarships for study in Australia and the Pacific region. Scholarships will also be offered to the **Marshall Islands**, **Palau** and **Tokelau**.

CHAPTER THREE: EAST ASIA

East Asia

Estimated total ODA to East Asia in 2004–05

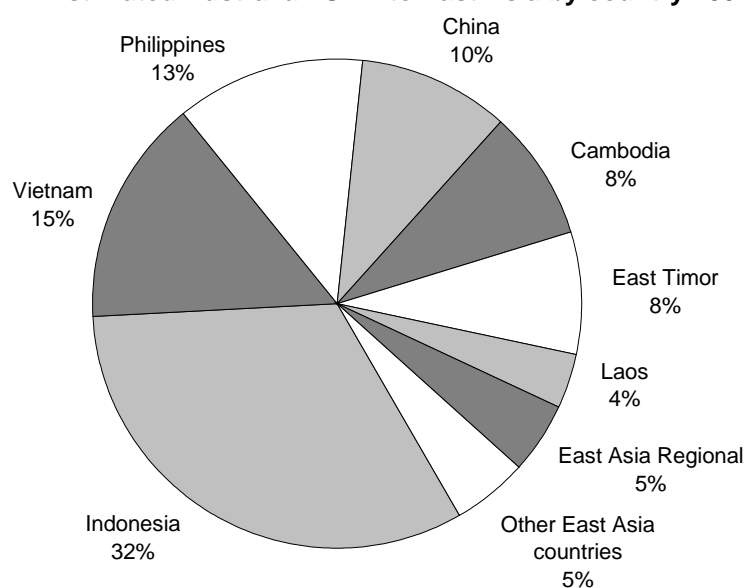
\$493.4 million

East Asia regional development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	1307	78	66	87
Vietnam	792	77	69	93
Philippines	1878	86	70	95
China	1731	75	71	86
Cambodia	516	30	57	69
East Timor	957	65	57	49
Laos	571	37	54	66
Thailand	3646	84	69	96
Burma	–	72	57	85
Mongolia	810	60	63	99

Source: GNI per capita: DAC, 2002; other indicators: *Human Development Report*, UNDP, 2003; East Timor GNI per capita: *East Timor—Building Blocks for a Nation*, UN common country assessment, 2000; East Timor all other indicators: *East Timor—The Way Ahead*, UNDP, 2002.

Diagram 12: Estimated Australian ODA to East Asia by country 2004–05



REGIONAL OVERVIEW

Economic activity is expected to strengthen in East Asia over 2004 as the region recovers from SARS and avian influenza, with full year growth estimated by the World Bank at around 6 per cent. A key factor contributing to the long-term recovery of East Asia is the improvement in the global economy, led by the United States and Japan with increased investment in the region, and strong growth in China that has increased imports from other East Asia nations. There are also better domestic conditions for investment in local economies—profitability, capital inflows and bank lending are rising, while financial markets are higher. As a result of economic growth, poverty rates across the region are expected to fall, but further reductions in absolute numbers of poor from current levels (around 680 million as calculated by the World Bank) may be difficult as poverty becomes more concentrated in rural areas, ethnic minorities and socially disadvantaged groups. For some countries in East Asia, enormous challenges remain in achieving sustained growth and development.

A priority in 2004 for countries in the region will be to implement prudent macroeconomic policy aimed at managing sustainable public debt without slowing growth. Continued progress in reform of the financial and corporate sectors and improved legal frameworks will be important for investment. Maintaining standards of basic services under decentralisation is also a significant emerging issue. Governments in East Asia will also need to continue to pursue open investment policies to increase their access to resources for development and poverty reduction. For many governments increased attention to counter-terrorism and security will also be needed.

East Asia Regional Programs

East Asia Regional Program estimate

\$32.1 million

The East Asia Regional Program addresses high priority economic and trans-boundary development challenges, such as trans-national crime, trade liberalisation and reducing the spread of communicable diseases. Funding in 2004–05 will include support for the Asia-Pacific Economic Cooperation (APEC) Forum and the Association of South-East Asian Nations (ASEAN).

Australia supports the efforts of APEC to tackle terrorism and will contribute \$1.5 million towards the Regional Trade and Financial Security Fund. This fund, administered by the Asian Development Bank, will finance counter-terrorism capacity building in APEC developing countries, with a particular focus on port security measures, and combating money laundering and terrorist financing. Australia will also provide funding through the APEC Support Program to increase trade liberalisation and harmonisation of customs processes across the region. Australian funding for ASEAN will focus on regional economic integration and assist developing countries to join, and participate effectively in, the World Trade Organisation.

In support of efforts to stop people trafficking in the Asia-Pacific, Australia will fund initiatives with the International Organisation for Migration and the governments of Laos, Cambodia, Burma and Thailand aimed at reintegrating victims of people-trafficking, including those in Australia, into their local communities.

The East Asia Regional Program will also tackle the spread of HIV/AIDS in Vietnam, Burma, and southern China through innovative strategies to target prevention of transmission among—and from—sex workers, their clients and injecting drug users.

Regional initiatives, including a new \$3.5 million program to strengthen quarantine processes for plants and animals, will improve border controls in ASEAN countries. Australia will expand cooperation with the Mekong River Commission to improve its capacity to manage the Mekong River Basin in a sustainable manner.

Regional Initiatives to Fight Communicable Diseases

In 2004–05, Australia will support work to stop the spread of communicable diseases, such as avian influenza, in the Asia-Pacific region. In January 2004, Australia announced a contribution of \$1 million to the World Health Organisation (WHO) to strengthen regional approaches to avian influenza using Australian expertise, provided funding to the Australian Department of Agriculture, Fisheries and Forestry for short-term advisors of regional animal health authorities, and provided support to the Cambodian Ministry of Agriculture to mobilise specialist response teams. Bilateral funding was also provided to the WHO Jakarta Office to support a public awareness campaign about avian influenza, undertake epidemiological surveillance and train staff at the Indonesian Ministry of Health.

In consultation with the departments of Health and Ageing, and Agriculture, Fisheries and Forestry, Australia's development cooperation program will develop a 3-year package of assistance focusing on improving animal and human health laboratory diagnostic capacity, surveillance, reporting and emergency preparedness in the region in order to identify and control the spread of animal and human epidemics.

BILATERAL EAST ASIA DEVELOPMENT COOPERATION PROGRAMS

Indonesia

Country program estimate	\$125.0 million
Estimated other ODA	\$35.8 million
Estimated total ODA	\$160.8 million

Indonesia's development outlook is mixed. Macroeconomic indicators are, on the whole, favourable and stable. The Indonesian Government's decision not to seek

further International Monetary Fund exceptional financing from the end of 2003 was well accepted by financial markets and international donors. The legislative elections of 5 April 2004, an unprecedented logistical task, were conducted freely, fairly and peacefully.

However, enormous challenges remain. Growth remains stubbornly low at just above 4 per cent, well below the level required to make inroads into poverty. More than half of Indonesia's 220 million people have incomes below the poverty line as defined by the World Bank. Investment in human capital and infrastructure, from sources domestic and foreign, government and private, continues to be inadequate. Conflict still affects several areas of the country, particularly the northernmost province of Aceh. Despite effective action on the part of the Indonesian police, the threat of terrorism has not yet been eliminated.

Australia's bilateral development cooperation program with Indonesia, its second-largest after PNG, is aimed squarely at these challenges. Its objectives, as agreed between the governments of Australia and Indonesia in 2003, are to strengthen economic and financial management, help build the institutions of democracy, promote stability and security, and improve the quality and accessibility of government service delivery, particularly in the poorer eastern provinces.

In 2004-05, Australia will provide increased levels of assistance in economic and financial management and democratic development. This will consolidate past assistance to key institutions such as Indonesia's debt management, state-owned bank monitoring units, and large-taxpayers office, as well as the Supreme Court, Human Rights Commission and Supreme Audit Board. New areas of assistance under consideration include support for a major restructuring of the Ministry of Finance, advice to the newly established Anti-Corruption Commission and expanded training for public prosecutors.

Australia's counter-terrorism capacity building initiative for Indonesian police, financial intelligence and border control agencies will continue, and a Trans-National Crime Centre, established with assistance from the Australian development cooperation program and the Australian Federal Police, will become fully operational.

The 5 July 2004 Presidential election, Indonesia's first-ever direct election for the Presidency, will receive substantial Australian support through the Australian Electoral Commission and other channels. In addition to training for election officials, Australia will fund the largest domestic voter education and election monitoring network, which will mobilise more than 140,000 volunteers across the archipelago.

Basic education institutions cater for approximately 45 million students across Indonesia. Work to substantially expand assistance to this sector will continue in 2004-05 (see box at page 34).

With an expanding program of assistance in HIV/AIDS prevention and treatment, Australia, working collaboratively with other key international development cooperation partners, is well positioned to help Indonesia deal with this growing problem. In partnership with the World Health Organisation, Australia will also support the Indonesian Health Ministry's efforts to build capacity in communicable disease surveillance and control. Outbreaks of dengue fever and the threat of human transmission of the avian influenza virus in early 2004 revealed the depth of need in this area, at both national and local level. New assistance will be provided to the Indonesian Red Cross in order to strengthen its disaster prevention and mitigation role.

The main elements of Australia's assistance to Bali's health system, pledged in the wake of the October 2002 Bali bombings as a practical, living memorial to the victims of the terrorist attack, are in place. The new intensive care centre and burns unit at Sanglah Hospital will be opened in mid-2004. Construction of the Australia-Bali Memorial Eye Centre will commence shortly afterward. The first group of awardees under the Bali Memorial Health Scholarship Scheme is already studying in Australia. Vocational assistance to Balinese people whose livelihoods were affected by the bombings, under Australia's Bali Rehabilitation Fund, will have been completed by the end of 2004-05.

From 2004-05, assistance to eastern Indonesia will move rapidly toward an area-based approach. Australia will initially work in selected districts of East Nusa Tenggara to build local government capacity, raise rural incomes and improve local service delivery, particularly in health and education. Existing programs of Australian assistance in these areas will be brought together in a more coordinated way so as to achieve greater synergies and reinforce impact. Over time, a similar approach will be adopted in a wider group of districts of East Nusa Tenggara and in selected other eastern provinces.

Indonesia remains vulnerable to natural disasters and inter-communal conflict. Australia, a major donor of humanitarian assistance to Indonesia since the economic crisis of the late 1990s, will maintain substantial levels of support for national and international agencies mandated to prevent, mitigate and/or respond to humanitarian crises. However, as a number of international agencies slowly phase down their presence in Indonesia, Australia will increasingly enter into longer-term, strategic partnerships with a small number of key humanitarian agencies, with the aim of building national capacity to recognise and defuse triggers for conflict, and to respond quickly and effectively to natural disasters.

Overview of Australia's Development Cooperation Program with Indonesia

	Improve Economic Management	Strengthen the Institutions and Practices of Democracy	Enhance Security and Stability	Increase the Accessibility and Quality of Basic Social Services
Key Challenges for Indonesia	<ul style="list-style-type: none"> Accelerating structural reforms. Maintaining macro-economic stability. Enhancing fiscal sustainability. 	<ul style="list-style-type: none"> Democratic structures still evolving. Lack of legal certainty. Corruption. 	<ul style="list-style-type: none"> Politically motivated violence around ethnic, religious and separatist causes. Vulnerability to natural disasters and environmental degradation. Risk of major regional epidemic of severe communicable disease. 	<ul style="list-style-type: none"> Poor health and education outcomes, particularly in eastern Indonesia. Unclear responsibilities following decentralisation. Lack of capacity to deliver basic services, creating instability.
Major Current Activities	<ul style="list-style-type: none"> Financial sector restructuring and supervision. Improving expenditure control and debt management. Supporting tax reform and other revenue enhancement measures. 	<ul style="list-style-type: none"> Assisting judicial reform. Promoting and protecting human rights. Supporting electoral processes and institutions. 	<ul style="list-style-type: none"> Humanitarian assistance to victims of natural disasters. Supporting post-conflict reconstruction, peace-building and services for internally displaced persons. Building counter-terrorism capacity. 	<ul style="list-style-type: none"> Improving maternal and child health services and minimising HIV/AIDS impacts. Strengthening basic and vocational education. Assisting development of water and sanitation policy at national and local levels.
Emerging Areas of Support	<ul style="list-style-type: none"> Assisting with fiscal aspects of decentralisation. Improving provincial and district-level financial and economic management. 	<ul style="list-style-type: none"> Supporting improved accountability of district governments. Strengthening civil society. 	<ul style="list-style-type: none"> Making humanitarian assistance more strategic and continuous with development initiatives. Building government capacity in communicable disease surveillance and control. 	<ul style="list-style-type: none"> Further increasing support for basic education in secular and Islamic schools. New assistance for technical and vocational education. Assisting district governments to improve planning and service delivery.

Improving Basic Education in Indonesia and the Philippines

A sound basic education that is relevant to the needs of the workforce gives citizens the skills to participate fully in the economy and society. Recognising its contribution to broad-based economic growth, Australia will expand assistance in basic education to Indonesia and the Philippines.

In **Indonesia**, Australia and other international development cooperation partners, working closely with the Indonesian Government, conducted in-depth diagnostic work on the basic (primary and early secondary) education sector in 2003–04. This pointed to a range of challenges, including generally low educational quality, high drop-out rates, an absence of adequate life-skills and vocational education, and uncertainty about the roles of national and local governments in the resourcing and regulation of education under decentralisation. It also highlighted the critical contribution of non-state, Islamic schools in the provision of basic education, particularly to poor children and girls.

In line with the agreed Australia–Indonesia development cooperation strategy, Australia will further expand support for improvements in the quality and accessibility of basic education. Several Australian programs, including a highly successful program with UNICEF, are already working with schools and local governments in a number of provinces including East Nusa Tenggara and East Java. A new learning assistance program for Islamic schools will upgrade teachers' skills, improve school management and provide essential educational resources for the benefit of one of the poorest sectors of the Indonesian school community.

In the **Philippines**, Australia will expand basic education programs in Mindanao. The Basic Education Assistance for Mindanao (BEAM) project aims to improve the quality of teaching and learning in both government and Islamic schools, and improve access to education for isolated and disadvantaged children. A second phase of BEAM is being developed to focus on mathematics, science, and English. Additional assistance is being considered which would directly target Islamic schools (*Madaris*) seeking government accreditation. This new initiative would work with selected *Madaris* to upgrade the quality of their curriculum and teachers to the required national standard.

Australia is also considering assistance to improve access to both formal and non-formal education in two provinces of the Visayas. This assistance will increase the options available for children and youth to obtain quality education and develop practical skills. In particular, it would target school dropouts and look at ways to either bring these children back into the formal school system or provide them with alternative paths for skills development. Australia will also continue co-financing UNICEF's Country Program for Children, a long-established and effective program assisting community efforts in support of education, health and child protection in Mindanao and the Visayas.

Vietnam

Country program estimate	\$59.4 million
Estimated other ODA	\$14.3 million
Estimated total ODA	\$73.7 million

While Vietnam has achieved remarkable economic success since the start of the reform process of *doi moi* (renovation) in 1986, about one third of the population—26 million out of 78 million—is still classified as poor by international measures. It also appears that the returns to Vietnam from the initial round of economic policy reforms are rapidly diminishing and external competitive pressures are increasing, creating new challenges for Vietnam to maintain high growth and reduce poverty.

Australia's development cooperation program with Vietnam, under a new country strategy, will aim to strengthen the governance of institutions required for a competitive market economy, and improve productivity and links to markets for the rural poor in the Mekong Delta and Central Coast region.

While continuing programs will support several Vietnamese Government agencies in policy development to help maximise the benefits of regional economic integration, new initiatives will be formulated in 2004–05 for supporting development of the private sector in Vietnam. Australian Development Scholarships (150 offered in 2004–05) will be enhanced by a greater focus on achieving and measuring strategic impact in key Vietnamese institutions to contribute to broad-based economic development.

In agriculture and rural development, a new phase of collaboration will support long-term partnerships between Vietnamese and Australian research institutions, to help increase the productivity and competitiveness of Vietnamese agriculture and related enterprises. Cooperation agreements with Australian non government organisations (NGOs) will fund new activities in water and sanitation and in disaster management.

Philippines

Country program estimate	\$55.5 million
Estimated other ODA	\$6.7 million
Estimated total ODA	\$62.2 million

The Philippines, despite generally favourable human development indicators, has not matched its economic potential. Lack of sustained growth over the past 30 years has seen it lag behind the achievements of many of its East and South-East Asian neighbours in reducing poverty. Another major challenge has been the on-going instability in southern Philippines, which has impacted on long-term and broad-based development. Australia's development cooperation program has revised its approach to development in the Philippines and will commence implementation of a new country strategy in 2004–05.

The strategy has three key objectives—improve economic governance in key Philippines ministries to create the environment for broad-based growth, strengthen security and stability through counter-terrorism capacity building and support for the Mindanao peace process, and raise the living standards of the rural poor in the south of the country.

A key feature of the program over the coming year will be expanding funding for basic education in southern Philippines for government and Islamic schools (see box at page 34). In addition, Australia will implement a new phase of the Philippines–Australia Governance Facility, strengthen the capacity of immigration, transport and law enforcement agencies to combat terrorism, and consider additional support to multi-donor and community based activities in support of the Mindanao peace process.

China

Country program estimate	\$40.0 million
Estimated other ODA	\$9.3 million
Estimated total ODA	\$49.3 million

It is predicted that by 2010 China could overtake Japan as the region's leading trading nation. However, an estimated 200 million people in China still live below the poverty line as defined by the World Bank. China's rapid economic growth will help to reduce poverty, but it also presents many challenges. China intends to balance economic growth through reforms that will result in sustainable development, without environmental destruction or widening the income gap. These reforms will focus on increasing farmers' incomes and meeting development needs in western China, as well as the rejuvenation of north-eastern China.

Under the current country strategy for China, which will be reviewed in 2004–05, Australia will assist China with on-going improvement in governance and policy reforms, including capacity building to enhance regional trade and investment. Australia's strategy will also focus on health, environmental management and assistance for regional security and stability. Australia will work with key ministries to undertake fiscal reform, improve technical and vocational education systems, and strengthen health systems in select western provinces to reduce the spread of communicable diseases, particularly HIV/AIDS. Australia will also continue to support the Human Rights Technical Cooperation Program, which underpins dialogue between the two countries on practical approaches to improvements in human rights.

Cambodia

Country program estimate	\$24.5 million
Estimated other ODA	\$16.9 million
Estimated total ODA	\$41.4 million

In the last decade Cambodia has taken significant steps towards national reconciliation, peace and stability following many years of devastating conflict. However, the country remains extremely poor, with social indicators that are amongst the worst in the world. Significant constraints on development are unchecked corruption and the weakness of public institutions, including the civil service and judiciary. Australia's strategy for development cooperation with Cambodia centres on three themes—strengthening the rule of law, increasing the productivity and incomes of the rural poor (particularly in the agriculture sector), and reducing the vulnerability of the poor to natural disasters.

Recognising the critical role of markets and trade to Cambodia's future prosperity, Australia will explore new initiatives to develop Cambodia's agricultural export potential and expand support to the Private Sector Forum Coordinating Bureau.

East Timor

Country program estimate	\$30.0 million
Estimated other ODA	\$9.9 million
Estimated total ODA	\$39.9 million

East Timor is also one of the poorest countries in the Asia-Pacific region, with the World Bank estimating that over 40 per cent of the population live below the poverty line. East Timor faces considerable constraints to broad-based economic growth—such as lack of skilled workers and weaknesses in public administration and law and justice. Australia will maintain a substantial post-independence development cooperation program and will continue to engage international community support for a peaceful, well-governed and democratic East Timor.

Australia's development cooperation will focus on three inter-related priorities—a government that can budget and deliver basic services, a police force that is impartial and has the confidence of the community, and a legal and judicial system that supports law and order and a secure environment for investment. Improvements in services and facilities available to the rural majority, which includes the bulk of the poor, are also fundamental to long-term stability and growth.

Australia will continue to support the work of the East Timor Ministry of Planning and Finance to better manage available resources. With the changing mandate of the United Nations in East Timor and recognising the critical role of an effective police force in maintaining stability, Australia will provide direct assistance for training and management capacity building through joint AusAID–Australian Federal Police support for the East Timor police service. A new program of activities will also be

developed to strengthen key institutions in the law and justice sector, such as the Office of the Provider for Human Rights and Justice. Assistance is also planned to improve access to more appropriate techniques and resources for agricultural production, together with on-going support for health services and rural water supply and sanitation.

Other East Asian Countries

Australia's development cooperation with **Thailand** has been reduced significantly in 2004–05 as it graduates from being an ODA recipient. Cooperation with **Laos** will be framed by a new country strategy that focuses on access to education, property rights in the transition to a market economy and reducing the vulnerability of poorer communities to natural disasters.

With a lack of progress on democratic reform and the chronic humanitarian situation, Australia's assistance to **Burma** will focus on vulnerable populations. Assistance will target ethnic minorities in areas of conflict and refugees on the Thai/Burma border, and will be delivered through local and international NGOs and UN agencies.

Australia's development cooperation program to **Mongolia** will continue to build the skills base of key government agencies and provide Australian Development Scholarships to develop specialised expertise and qualifications.

CHAPTER FOUR: SOUTH ASIA, AFRICA, MIDDLE EAST AND CENTRAL ASIA

South Asia

Estimated total ODA to South Asia in 2004–05

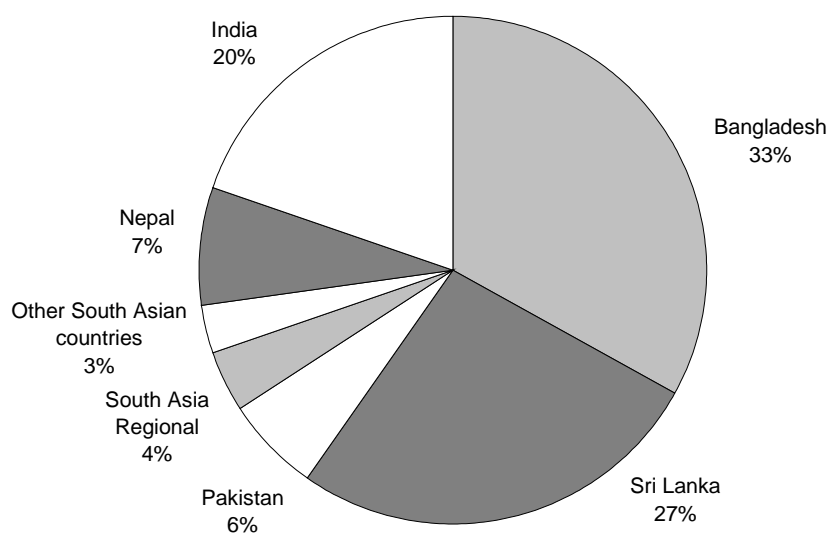
\$86.4 million

South Asia regional development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	663	97	61	41
Sri Lanka	1547	77	72	92
India	884	84	63	58
Nepal	423	88	59	43
Pakistan	755	90	60	44

Source: GNI per capita: DAC, 2002; other indicators: *Human Development Report*, UNDP, 2003.

Diagram 13: Estimated Australian ODA to South Asia by country 2004–05



South Asia is a region of significant poverty, where half a billion people are estimated by the World Bank to live below the poverty line. To address some of the major challenges facing the region, including HIV/AIDS, conflict and lack of food security, Australia's development cooperation program will shift away from bilateral stand-alone projects, to instead work through major multilateral partners, for example in basic education and coordinated responses to HIV/AIDS. The Australian development cooperation program in South Asia will support regional initiatives in areas such as governance reform and people trafficking. Australia will also continue to provide significant humanitarian assistance to South Asia, a region vulnerable to natural disasters.

Estimated Australian ODA to South Asia 2004–05

Country	Country Program Estimate	Estimated other ODA	Estimated total ODA
Bangladesh	\$20.7 million	\$8.0 million	\$28.7 million
Sri Lanka	\$7.0 million	\$16.0 million	\$23.0 million
India	\$12.0 million	\$5.2 million	\$17.2 million
Nepal	\$4.0 million	\$2.4 million	\$6.4 million
Pakistan	\$3.3 million	\$2.0 million	\$5.3 million

In **Bangladesh**, Australia's focus will remain on improving food security for vulnerable groups by working through the World Food Programme. Australia will provide funding to UNICEF to assist Bangladesh's efforts to increase the quality of its primary education sector.

Australia's development cooperation program to **India** is being phased-down following the Government of India's decision to reduce its engagement with smaller bilateral donors. Major activities already agreed by Australia and India for implementation will go forward on a modified basis—the water supply and sanitation project in Gangtok and Shillong and a HIV/AIDS program in North-East India and New Delhi.

Australia will continue to fund sustainable livelihood activities to increase income opportunities for the poor in selected rural areas in **Nepal** and **Sri Lanka**. A successful Vitamin A project that has contributed to reducing infant mortality in Nepal, will continue in 2004–05. In **Pakistan**, Australia will support access to quality primary education for vulnerable children, especially girls in Balochistan.

In addition to the activities above, Australia's development cooperation program will provide scholarships to a range of South Asian countries, including the **Maldives** and **Bhutan**, in priority areas such as governance, health and education.

Supporting Peace and Stability in Sri Lanka

Over 20 years of conflict in the north and east of Sri Lanka have impacted on the livelihoods of local people. Many were displaced from their homes and were unable to work their land or make a living. Trade between regions was almost impossible and basic services, such as education and health, were disrupted. The consequences of this long-term instability were significantly reduced economic growth and increased poverty in Sri Lanka.

Australia's strategy is to support the peace process by working closely with other donors to target the most vulnerable communities and focus on core needs—food security, removing mines and generating income. Australia's ODA to Sri Lanka will increase by an estimated \$7 million in 2004–05.

Australia's development cooperation program is supporting delivery of food aid to an estimated 460,000 people in Sri Lanka through the World Food Programme, including 24,000 children in 120 schools. This food aid supports poor communities, particularly their children, displaced by the conflict and without the resources to feed themselves.

In partnership with the United Nations Development Programme, Australia is funding the removal of unexploded ordnance and land mines. Without the constant threat of explosions, over 6,000 people have returned to their villages and started to earn a living.

Africa

Program estimate	\$32.5 million
Estimated other ODA	\$35.0 million
Estimated total ODA	\$67.5 million

Lack of food security, conflict and the spread of HIV/AIDS weaken and reverse development gains in Africa and leave increasing numbers of people in poverty. As part of international efforts to assist, Australia will continue to play a constructive role in Africa through a targeted development cooperation program.

As a relatively small development partner in Africa, Australia needs to be strategic in its use of limited resources. Australia will therefore focus on promoting good governance by strengthening basic service delivery and responding to immediate humanitarian needs. This strategy reflects the importance of assisting governments to more effectively manage their own resources for the benefit of local communities. Australia's development cooperation program will work with countries in southern and eastern Africa including a continuation of support for the post-apartheid transformation in South Africa.

The delivery of Australia's cooperation will be streamlined by maximising the benefits of partnerships with multilateral organisations, other donors, non government organisations (NGOs) and using regional mechanisms, such as the Africa Governance Fund.

Over the past 12 months, Australia has demonstrated its preparedness to assist those most in need by providing over \$20 million for drought-affected areas in the Horn of Africa and southern Africa. Australia will continue to monitor the drought situation in these areas, and the political situation in Zimbabwe, to assess whether further humanitarian assistance is required. Australia's development cooperation program will also work to reduce the spread of HIV/AIDS by funding Australian NGOs to deliver community based HIV prevention and AIDS care programs. This funding will provide basic support to orphans, educate workers in high-risk groups, such as commercial sex workers, and build the skills of local NGOs to contribute to community prevention.

Middle East and Central Asia

Estimated total ODA to the Middle East and Central Asia **\$52.9 million**

IRAQ

Australia continues to support international efforts to assist Iraq's complex transition to a democratic society with an open market-based economy.

Australia is supporting Iraq's reconstruction through strong multilateral engagement with the World Bank, UN agencies and other key donors. Around \$22 million of the Australian Government's current \$120.5 million commitment to Iraq's reconstruction remains to be disbursed in 2004–2005. Additional reconstruction funding will be considered as required. The focus of Australia's reconstruction support will continue to be on the agriculture sector. Short-term training programs in agriculture for Iraqi officials will be developed in parallel with senior advisory support and other assistance to the Ministry of Agriculture.

AFGHANISTAN

Australia will continue to support Afghanistan's transition from conflict to peace and stability. Since September 2001, Australia has pledged a total of \$110 million in reconstruction and humanitarian support to Afghanistan. An estimated \$18 million of this commitment remains to be disbursed in 2004–05. Along with Iraq and East Timor, Afghanistan is one of Australia's largest ever international humanitarian contributions.

Australia will support delivery of essential services through the Afghanistan Reconstruction Trust Fund and strengthen the institutional capacity of the Ministry of Finance. Australia will also assist the return and reintegration of displaced Afghans, improve food security and rural livelihood opportunities, and provide viable alternatives to opium growing for farmers through the use of improved wheat varieties. Australia will continue its support to women's health initiatives and the removal of landmines. A small number of scholarships will also be offered.

PALESTINIAN TERRITORIES AND REFUGEES

Australian ODA to the Palestinian Territories and refugees in 2004–05 is estimated at \$12 million and will focus on reducing the vulnerability of Palestinians to poverty and conflict through support for activities in education, health and food security. Australia will also provide funding to strengthen the capacity of Palestinian local government and community organisations to provide essential services, and continue support for peace-building efforts.

Australia will continue to work with multilateral agencies, such as the United Nations Relief and Works Agency (UNRWA), and NGOs in the Palestinian Territories and with Palestinian refugees.

Direct Aid Program

The Direct Aid Program (DAP) is a small grants scheme administered through Australia's diplomatic posts in developing partner countries, funding basic humanitarian and small-scale community development projects. A total of \$3.5 million will be provided for DAP in 2004–05.

CHAPTER FIVE: HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS

Humanitarian and Emergency Programs	\$131.0 million
International Refugee Fund	\$15.0 million

Australia's humanitarian, emergency and refugee programs lessen the adverse impacts of conflict and natural disasters on vulnerable populations. They support the promotion of peace and security in the Asia-Pacific region. In 2004-05, a stronger focus on the analysis of conflict and disaster vulnerability in the region will identify new peace building and disaster preparedness strategies and activities to better prepare communities at risk.

Funding for this humanitarian and emergency purpose is expected to increase by \$13.7 million 2004-05. Whilst largely targeting the Asia-Pacific region, Australia will continue to play a constructive role in emergencies beyond our immediate region. Food aid will remain an important component of Australia's humanitarian response. Strengthening preparedness in disaster prone countries is important in mitigating the effects of natural disasters. Australia continues to work with countries throughout the Asia-Pacific region to reduce their vulnerability to disaster by strengthening their capacity to plan and coordinate responses that minimise the impact on communities.

Funding for the International Refugee Fund will be maintained to address the needs of those displaced by conflict. The Fund provides assistance to help improve conditions for refugees and the reintegration of returnees, and supports durable solutions to people movement, particularly in the Asia-Pacific region.

Australia will continue to provide significant core support to key humanitarian agencies, such as the UN Office for the Coordination of Humanitarian Affairs (OCHA) and the International Committee of the Red Cross (ICRC), and will continue to work closely with effective delivery agencies, such as the World Food Programme (WFP) and United Nations Children's Fund (UNICEF), in important partner countries.

Australia will host the 2004 Donor Support Group of the ICRC. This will be an opportunity to increase donor focus on the Pacific, its unique development challenges, and the role of humanitarian action. In 2004-05, Australia will increase its core funding for ICRC to \$5 million annually.

Humanitarian assistance is one of the key themes that will be assessed as part of the OECD Development Assistance Committee (DAC) review of Australia's development cooperation program. This will be the first time that the DAC has specifically considered humanitarian assistance as part of the review process. By participating in this pilot and sharing its experiences, Australia will contribute to a body of knowledge that, over time, will improve the overall effectiveness of international humanitarian assistance.

CHAPTER SIX: MULTILATERAL REPLENISHMENTS

Multilateral Development Banks¹

Asian Development Fund—Asian Development Bank	\$95.1 million
Heavily Indebted Poor Countries Initiative	\$2.9 million
International Development Association—World Bank	\$98.1 million
International Fund for Agricultural Development	\$3.0 million
Total Multilateral Development Banks	\$199.1 million

Targeted support for effective multilateral organisations complements and reinforces Australia's bilateral efforts. The scale of World Bank and Asian Development Bank (ADB) operations enable them to mobilise resources far in excess of Australia's bilateral development cooperation programs to many key partner countries. Their analytical, advisory and capacity building products and services provide assistance to countries with weak policies and institutions where loans may have limited impact. Australia's membership and financial contributions to the Multilateral Development Banks provide the opportunity to influence the policies and focus of these organisations, consistent with Australia's national interest and development priorities.

Negotiations on replenishments of the Asian Development Fund (ADF) and the International Development Association (IDA), the concessional lending arms of the Asian Development Bank and World Bank respectively, commenced in 2003–04 and will conclude in 2004–05. The replenishments are an opportunity for donors to review the strategic directions of ADF and IDA and the appropriate level of funding for each institution.

The ADB is an important regional forum for promoting sound policies and institutions to advance stability, growth and poverty reduction in Asia and the Pacific. Australia's aims for the ADF replenishment include maintaining the momentum on major reforms, initiated during the last replenishment, to increase the ADB's transparency, accountability, country-responsiveness and effectiveness. Australia will also work to ensure that the ADB articulates a strategy for engagement with poorly-performing member countries, and continues to give due regard to the needs of its smallest member countries consistent with its mandate.

The World Bank is an unparalleled source of development analysis and expertise, and a leading global development forum. Australia's shareholding and contributions to the World Bank enable us to access Bank products and expertise, advocate for sound

¹ Figures for the Multilateral Development Banks are calculated on a cash basis. Refer to Technical Notes for further details.

global development policies and draw attention to the priorities of the Asia-Pacific region.

During the IDA replenishment, Australia will continue to emphasise the importance of growth and trade to poverty reduction, highlight the case for directing a higher proportion of IDA assistance to the Asia-Pacific region and support strategies for engaging with poor-performing countries.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

The Australian Government has announced its intention to withdraw from the International Fund for Agricultural Development (IFAD) considering its limited relevance and effectiveness relative to priority development partners in Asia and the Pacific.

Australia's contribution to IFAD for 2004–05 comprises commitments made during earlier replenishments of IFAD's resources. Annual payments for these remaining commitments will continue until 2007–08.

International Environment Programs

Australia recognises the global nature of environmental issues, such as ozone depletion and climate change, and their links to economic and social development. Through Australia's development cooperation program, a total of \$15.4 million will be provided to the Global Environment Facility (GEF). Assistance will also be given to developing countries to phase out ozone-depleting substances by contributing an estimated \$5.9 million to the Montreal Protocol Multilateral Fund.

CHAPTER SEVEN: UNITED NATIONS, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS

United Nations Development Organisations

In 2004–05, Australia will provide \$61.4 million in core contributions to the following United Nations (UN) development and humanitarian organisations:

World Food Programme (WFP)	\$31.0 million
United Nations High Commissioner for Refugees (UNHCR)	\$7.3 million
United Nations Development Programme (UNDP)	\$7.0 million
United Nations Children's Fund (UNICEF)	\$5.5 million
United Nations Relief and Works Agency (UNWRA)	\$4.2 million
United Nations Population Fund (UNFPA)	\$2.5 million
International Atomic Energy Agency (IAEA)	\$2.0 million
United Nations Drug Control Programme (UNDCP)	\$0.8 million
United Nations Development Fund for Women (UNIFEM)	\$0.6 million
United Nations Environment Programme (UNEP)	\$0.6 million

Australia recognises the important role that UN organisations can play in the Asia-Pacific region, from effective coordination of donor efforts at country and regional levels, to mobilising resources to address critical development issues where they have specialised expertise, for example in relation to HIV/AIDS, the conduct of elections and the protection of refugees and vulnerable groups.

Australia will continue to strengthen engagement with effective UN organisations working on priority development issues in the Asia-Pacific region. For instance, collaboration with the World Food Programme (WFP) and United Nations Children's Fund (UNICEF) will be an important element in Australia's response to issues of food security, improved basic education and child protection in key regional partner countries. Greater collaboration and monitoring and an increased emphasis on non-core contributions to the UN will encourage a greater focus by UN organisations on our region.

International Health Programs

The outbreak of SARS and more recently avian influenza, demonstrated the rapid and negative impact that communicable diseases can have on individual economies and regional economic relations. Australia's funding to the World Health Organisation (WHO) has contributed to the critical work of that organisation in developing effective responses to these and other communicable diseases.

In 2004–05, Australia will provide \$19.8 million to international health programs, including those managed by WHO. Australian funding is targeted at regional priority health needs including maternal and child mortality, HIV/AIDS and infectious diseases such as tuberculosis and malaria, particularly in PNG, East Timor, Indonesia and the Mekong countries.

The United Nations Population Fund and the International Planned Parenthood Federation are also important partners in the implementation of the International Conference on Population and Development Program of Action, the basis for most partner country policies on reproductive health and population issues.

Australia's Contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria

Australia will contribute \$25 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). The GFATM, established in 2002 by the international community under the patronage of United Nations Secretary General, works to attract and disburse additional resources to prevent and treat AIDS, tuberculosis and malaria—three of the world's most devastating diseases.

Australia's contribution recognises the achievements of the GFATM and its increased focus on the Asia-Pacific region where an estimated 7.5 million people are currently living with HIV/AIDS.

Australia's contribution to the GFATM will form part of an increased \$250 million commitment to reduce the spread and impact of HIV/AIDS in the Asia-Pacific. This commitment will also involve bilateral and regional programs with important partner countries such as PNG, Indonesia and China. Australian funding to UNAIDS will also increase to \$3.0 million in 2004–05.

Commonwealth Organisations

The Commonwealth Secretariat and associated development agencies have an important role to play in supporting democracy and good government—free and fair elections, the rule of law and the protection of human rights. Australia's support for the Commonwealth reflects these shared values and approaches. Australia will provide \$12.1 million to Commonwealth organisations in 2004–05 through the development cooperation program.

Australia's focus in 2004–05 will be on working to improve the effectiveness of the Commonwealth Secretariat, in particular its internal governance and approach to results-based management. A key challenge remains focusing the Commonwealth and associated resources on PNG and the Pacific.

Australia will continue to contribute to the Commonwealth Fund for Technical Cooperation to support economic and governance reform across the Commonwealth. This fund is providing valuable technical assistance to a range of Pacific island states, for example on improved parliamentary processes. Support will also be provided to the Technical Investment Advisory Fund to assist small island Commonwealth states undertake market reform and increase their access to international trade opportunities.

Global Crop Diversity Trust

Australia supports international efforts towards food security and in 2004–05 will contribute up to \$2.0 million to the Global Crop Diversity Trust (formerly the Global Conservation Trust). This joint initiative of the Food and Agriculture Organisation and the Consultative Group on International Agricultural Research, aims to ensure future food security by preserving the world's wealth of genetic material for food and agriculture.

CHAPTER EIGHT: NGO, VOLUNTEER AND COMMUNITY PROGRAMS

Non Government Organisations (NGOs), volunteer and community programs are an important component of Australia's development cooperation. These programs draw on the special skills and expertise in the Australian community to enhance the delivery of Australian development cooperation and promote community engagement with development issues.

Non Government Organisations

NGO program estimate

\$26.4 million

NGOs play an important complementary role in delivering a high quality development cooperation program. Besides mobilising Australian public support for development, NGOs are well placed to strengthen civil society in partner countries through their strong links with communities and partnerships with local organisations. They also provide specialist skills for community development, thereby enhancing sustainability.

The AusAID-NGO Cooperation Program (ANCP) supports accredited Australian NGOs to undertake cost-effective, practical and direct poverty reduction activities. Under this scheme, the Australian Government supplements funds provided by the Australian community. In 2004-05, funding for the ANCP will be \$25.6 million. Australia will work cooperatively with NGOs on program delivery, enhancing administration and accountability as well as supporting improvements in project design, management, implementation and evaluation.

The Australian development cooperation program has also embarked on a new approach of developing strategic partnerships with Australian NGOs. These partnerships are closely guided by bilateral country strategies to ensure Australia's funds are more effectively targeted for development priorities. To date, there have been three such agreements with Australian NGOs: Africa (\$50 million over 5 years), Solomon Islands (\$8 million over 3 years) and Vietnam (\$20 million over 5 years).

Volunteer Program

Volunteer program estimate

\$21.6 million

Volunteers foster Australian community involvement in development cooperation activities, providing opportunities for Australians to help reduce poverty through skills transfer and institutional strengthening. Within the Australian community, volunteers are also able to share their experience and knowledge of other countries

when they return home. This has enriched Australian society and strengthened links between Australia and its neighbours.

Following the completion of the accreditation process for volunteer programs in mid-2003, the Australian Government decided that it was timely and appropriate to tender the delivery of a range of volunteer services. This process will mark the first time that volunteer programs have been competitively tendered, and will promote value for money and greater effectiveness of these activities. In line with the newly developed policy for volunteer programs, these changes will also develop a closer alignment between the work undertaken by volunteers and the objectives of Australia's development cooperation program. The tender is expected to open in mid-2004 with the organisations in place by the end of the year.

The successful Australian Youth Ambassadors for Development Program will continue in 2004-05, with the one-thousandth youth ambassador to depart Australia in September 2004 as part of the twelfth intake. This program provides opportunities for young Australians to share their skills and knowledge and make a positive contribution to development in the Asia-Pacific region.

Outreach Activities and Development Education

Informing Australians about international development issues and the activities of Australia's development cooperation program in developing countries in our region is a high priority. Expenditure on media, outreach, publications, internet and global education activities for 2004-05 will be \$2.8 million.

Although the Australian Government's development cooperation program is delivered primarily through AusAID, other agencies and departments are now playing a more direct role in international development. AusAID's Public Affairs Group will work with other government agencies in developing communication programs to highlight this whole-of-government approach. In 2004-05, communication activities will seek to inform people in Australia and internationally through a variety of activities including media and publications programs, the AusAID Internet site, seminars for stakeholders and interested individuals, the global education teacher professional development program, and a series of community activities.

Speeches, media releases and publications produced by AusAID can be found on the AusAID Internet site <http://www.ausaid.gov.au> or by contacting the Public Affairs Group on (02) 6206 4840.

Academic and Research Program

Recognising the role of high quality and well-targeted research in strengthening the analytical foundations and focus of Australian development cooperation, a continued program of research in areas of strategic priority will be supported in 2004–05 under the Development Research Strategy, valued at approximately \$1.5 million. For example, working with national and international partners, research will be undertaken on ways to strengthen governance in the Pacific, the links between security and development, and practical issues of trade reform implementation.

International Seminar Support Scheme

The International Seminar Support Scheme assists participants from developing countries in the Asia-Pacific region to attend significant development-orientated seminars in Australia and overseas. The scheme helps to develop knowledge and technical expertise in developing countries and fosters information exchanges and linkages between the government, academic and community sectors in Australia and overseas. In 2004–05, an estimated \$0.9 million will be provided for the scheme.

CHAPTER NINE: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

The Australian Centre for International Agricultural Research (ACIAR) funds research that utilises the skills of Australian and developing country scientists through partnerships to address agreed priorities. The Centre's research and development projects are aimed at improving livelihoods through more productive and sustainable agriculture, reflecting the objectives of Australia's development cooperation program to assist developing countries reduce poverty and achieve sustainable development. As with the broader development cooperation program, ACIAR's focus is on the Asia-Pacific region.

In 2004–05, ACIAR's core funding will be \$47.5 million. Three quarters of ACIAR's research and development budget expenditure is on bilateral research linking Australian research institutions with those in one or more developing countries. The remaining quarter is allocated to multilateral research involving International Agricultural Research Centres (IARC), both through unrestricted grants and project-specific funding. Training activities for developing country researchers, through workshops, courses and postgraduate fellowships are also undertaken. Features of ACIAR's expenditure this year include:

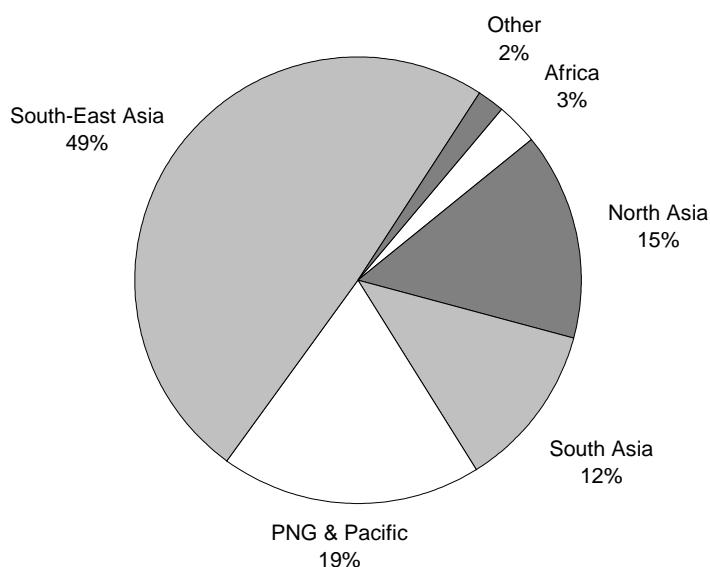
- a 12 per cent increase in funding to PNG and the Pacific, in line with the Australian Government's commitment to supporting regional development and stability
- a 9 per cent increase in funding to South-East Asia, with larger programs in Cambodia, Indonesia, the Philippines and Vietnam, including capacity building in agricultural research and development—a stimulus for institutional strengthening and economic growth
- greater focus within South Asia and Africa (South Africa)
- seeking greater co-investment in projects from countries well placed to provide research funds, such as Thailand and China
- cooperation with AusAID, which will provide an estimated additional \$3.5 million for ACIAR-managed agricultural research and development projects of mutual interest.

Bilateral Programs

ACIAR supports over 230 projects with developing countries, primarily across the Asia-Pacific region. Close collaboration with partnering research institutions during the course of the project ensures capacity building, knowledge and technology

exchange. Partner countries are also involved in identifying and prioritising agricultural and natural resource problems, with projects developed against these priorities. ACIAR's funding priorities are also informed by the intersection of the National Research Priorities, announced in December 2002, with Australian development priorities and those of partner countries. ACIAR implements the priorities, specifically those relevant to the Centre's mission—an environmentally sustainable Australia and safeguarding Australia. Several ACIAR projects in PNG and Indonesia are helping enhance controls against pests and diseases not yet in Australia, in turn safeguarding Australian agricultural industries. Project development also includes assessment of potential environmental impacts under the *Environmental Protection and Biodiversity Conservation Act 1999* guidelines, including a mechanism to trigger involvement from Environment Australia where relevant. Estimated bilateral research expenditure in 2004–05 will be \$29.1 million.

Diagram 14: Estimated ACIAR agricultural research assistance 2004–05



Major bilateral partners are PNG, the South Pacific, Indonesia, the Philippines, Vietnam, China, Cambodia and India. In 2004–05, projects will address agricultural and natural resource management areas that include:

- improving agricultural systems, economics and management, and state and institutional policy initiatives relating to agriculture
- animal health including diagnosis and disease control, and increasing productivity through better feeding and breeding options

- crop improvement through incorporation of improved germ plasm for greater yields, and protecting crops against weeds, pests and diseases
- identifying higher-yielding and disease-resistant forest products, and improving plantation management
- improving the management of soil and water resources and their interactions in cropping and other agricultural systems
- developing aquaculture systems and improving the sustainable management of wild fish resources
- improving the post-harvest handling and movement of agricultural produce.

Multilateral Programs

ACIAR administers the Australian Government's contribution to IARCs selected according to their ability to deliver the best and most relevant research to address developing country needs in our region. IARCs are autonomous, internationally funded organisations that conduct agricultural research with and for developing countries. ACIAR's multilateral program provides both core funding to IARCs and, increasingly, project-specific funding to link selected centres to Australian and developing country researchers. Projects funded fall within the same areas as those of the bilateral program. Estimated funding in 2004–05 is \$9.4 million.

Training Programs

Training to develop the skills of research scientists involved in ACIAR projects is conducted through courses and fellowships, which both complement in-project training. Up to 40 fellowships for postgraduate study in Australia and up to 6 short-term placements at Australian institutions are offered each year. Training activities are also financed by the ATSE Crawford Fund, which will receive \$0.65 million of Government funding through ACIAR. Training expenditure in 2004–05 is estimated at \$2.4 million.

Communicating Research

Research results and project related information from ACIAR-supported research is disseminated in both developing countries and Australia. Scientific publications and summaries are available in print and electronic form. Translations of some

publications are also being undertaken in a variety of languages. An estimated \$0.7 million will be spent on research dissemination and communication. ACIAR is also contributing to the implementation of the Australian Government's Virtual Colombo Plan initiative to improve the dissemination of educational material including agricultural research and development knowledge using modern information and communication technologies.

Evaluating Impacts

ACIAR will provide an estimated \$0.5 million to continue its program of ex-poste project evaluations. Impact studies will be commissioned for all large projects (those greater than \$0.4 million) that were completed in 2000–2001, and where no follow-up project was undertaken in order to assess the lasting impact of these projects. Funds are also allocated for formal cost-benefit studies and for ex-ante project impact studies.

Further information on ACIAR's programs is set out in its *Annual Operational Plan 2004–05*, available through <http://www.aciar.gov.au>.

CHAPTER TEN: ADMINISTRATION AND MANAGEMENT

The Australian Agency for International Development (AusAID) is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The agency is responsible for management of the Australian Government's international development cooperation program.

The Director General reports directly to the Minister for Foreign Affairs on all aspects of development 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 in 23 overseas diplomatic missions. Overseas representation, including Australian and locally-contracted staff, support the development cooperation program's operations in developing countries and engagement with multilateral agencies.

The Ministerial Statement *Australian Aid: Investing in Growth, Stability and Prosperity* and the *Twelfth Annual Statement to Parliament on Australia's Development Cooperation Program*, set out a renewed policy framework and identified ways to strengthen the impact of Australia's ODA. In implementing AusAID's current *Strategic Plan*, increased attention is being paid to advancing partnership arrangements with other key Australian Government agencies to support whole-of-government approaches to development issues in the Asia-Pacific region. As in-country management is implemented more widely, increasing emphasis is being placed on building AusAID's policy and analytical skills and expertise and improving AusAID's quality and risk management systems.

AusAID Outputs

AusAID's core business is to serve the Australian Government by advising on development issues and delivering Australia's development cooperation program with excellence. AusAID has a single objective—to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. The two agency outputs that contribute to this objective are policy and program management. The Government will purchase these two outputs from AusAID at an agreed price of \$14.5 million and \$58.2 million respectively in 2004–05. 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 development cooperation 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 Australia's national interest.

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

PROGRAM MANAGEMENT

AusAID manages Australia's international development cooperation program on behalf of the Australian Government. 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 partners including the private sector, public sector, international and regional development organisations, and community groups including NGOs.

In 2004–2005, AusAID's work will continue to harmonise delivery of development cooperation with other donors and select partner governments (see box at page 59) to increase effectiveness of development outcomes.

Harmonisation in Australia's Development Cooperation Program

Harmonisation of donor practices and alignment of development cooperation programs with partner governments' priorities and processes are important steps in improving effectiveness. Australia is implementing the 'Rome Declaration on Harmonisation' with a realistic and practical approach and is working with other donors and partner governments to maximise effectiveness and reduce the overall costs of managing development cooperation.

Australia is pursuing harmonisation in the Pacific, where our relationships and expertise provide us with a comparative advantage. For example, from July 2004 Australia and New Zealand will implement a single co-funded program for Cook Islands that will benefit from both donors' expertise in the region and decrease administrative requirements of partner governments.

Australian funded activities are also increasingly aligning with partner government procedures and priorities. All our country program strategies will consider national planning frameworks or sectoral initiatives. We are also aligning with partner government systems such as budget cycles, program planning cycles and monitoring and evaluation frameworks. This reduces partner transaction costs, strengthens local planning processes and promotes greater partner ownership of development cooperation programs.

In a range of partner countries in Asia, Australia is exploring joint activities with other donors, for example the United Kingdom. Channelling Australian support to extend existing programs of effective multilateral organisations also helps to reduce the administrative burden on developing partner countries.

IMPROVING IMPACT AND EFFECTIVENESS

In 2004–05, AusAID will increase the impact and effectiveness of Australia's development cooperation program by:

- refining country strategies to strengthen the analysis and targeting of Australia's development cooperation with key partner countries
- supporting the move to in-country oversight of development cooperation programs and strengthening associated monitoring and evaluation frameworks

- maintaining a rigorous peer review process to ensure key aspects of development cooperation program quality are strengthened, such as improving base-line data, incorporating lessons-learnt and addressing long-term sustainability
- undertaking independent completion reports of all significant activities, and up to eight in-depth evaluations per year, to provide lessons-learnt for future interventions.

PEOPLE MANAGEMENT

Effective people management remains a high priority for AusAID. Guided by the *People Management Strategy (2002–2006)* and AusAID’s People Management Advisory Group, a key challenge in 2004–05 will be to ensure that the skills of staff in the organisation support Australia’s greater whole-of-government engagement in the Asia-Pacific.

Work will continue in 2004–05 to assist all staff in-country to more effectively and independently oversee program delivery. AusAID will also promote the Australian Public Service Values and Overseas Code of Conduct in its work.

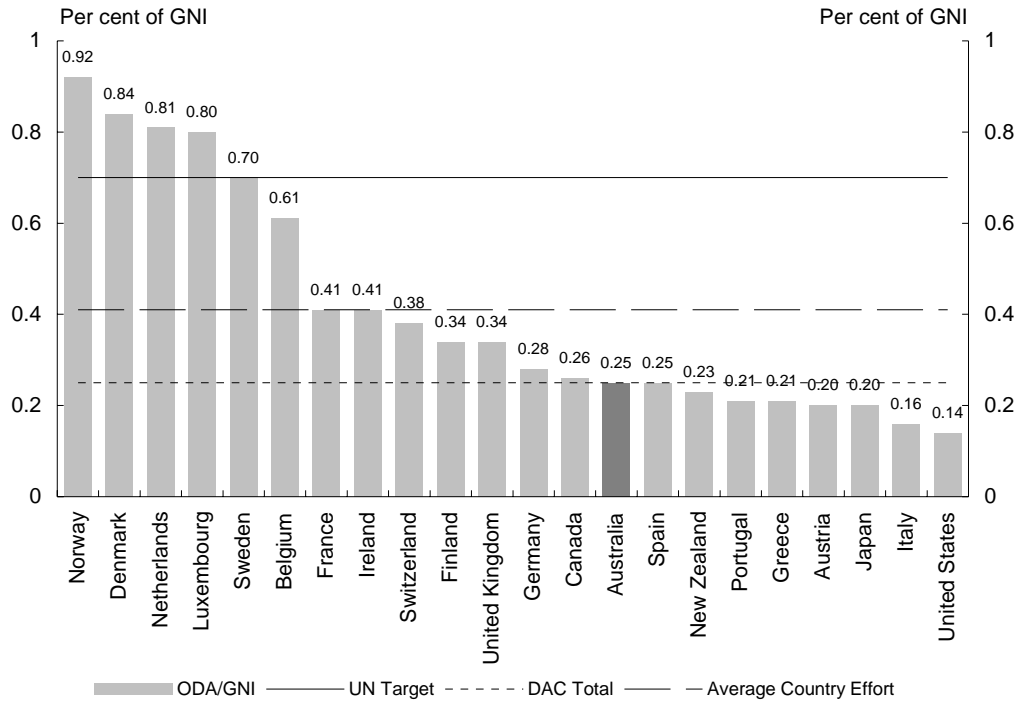
APPENDIX

Official Development Assistance

Table 2: Australia's ODA 1971–72 to 2004–05

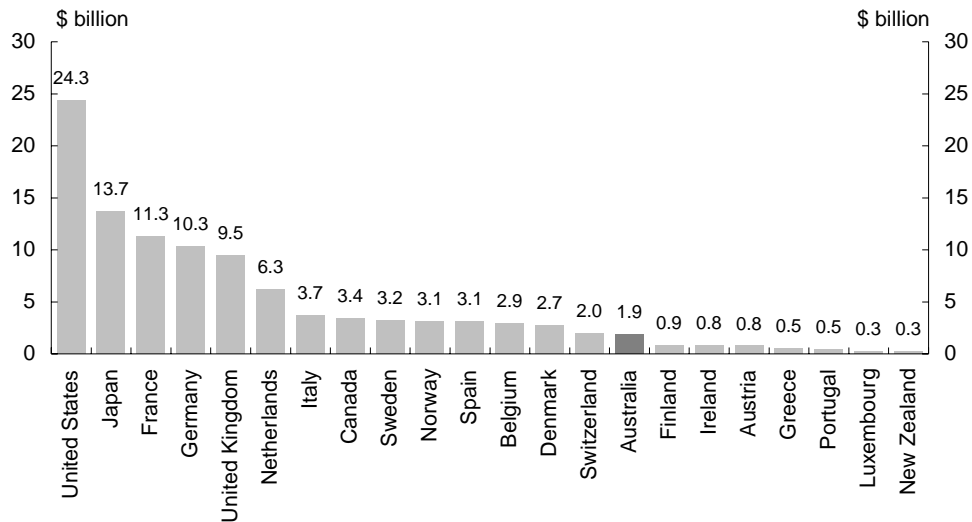
Year	Current prices (\$m)	Constant 2003-04 prices (\$m) ¹	Real change over previous year (%)	ODA/GNI ratio (%) ²
1971-72	200.5	1,433.5	4.0	0.48
1972-73	219.2	1,474.8	2.9	0.47
1973-74	264.9	1,558.4	5.7	0.47
1974-75	334.6	1,615.8	3.7	0.50
1975-76	356.0	1,489.7	-7.8	0.45
1976-77	386.2	1,439.8	-3.4	0.43
1977-78	426.1	1,461.1	1.5	0.43
1978-79	468.4	1,514.6	3.7	0.42
1979-80	508.7	1,501.7	-0.9	0.40
1980-81	568.0	1,519.3	1.2	0.40
1981-82	657.8	1,557.9	2.5	0.40
1982-83	744.6	1,584.2	1.7	0.42
1983-84 ³	931.8	1,856.1	17.2	0.47
1984-85	1,011.4	1,915.5	3.2	0.46
1985-86	1,031.0	1,840.1	-3.9	0.43
1986-87	975.6	1,626.0	-11.6	0.37
1987-88	1,019.6	1,582.8	-2.7	0.34
1988-89 ⁴	1,194.6	1,711.1	8.1	0.35
1989-90	1,173.8	1,583.5	-7.5	0.32
1990-91	1,261.0	1,623.2	2.5	0.33
1991-92	1,330.3	1,677.5	3.3	0.34
1992-93	1,386.1	1,728.9	3.1	0.34
1993-94	1,410.8	1,744.0	0.9	0.33
1994-95	1,483.7	1,819.5	4.3	0.33
1995-96	1,556.5	1,860.5	2.3	0.32
1996-97	1,432.0	1,677.7	-9.8	0.28
1997-98	1,443.0	1,666.7	-0.7	0.27
1998-99	1,528.6	1,757.6	5.5	0.27
1999-2000	1,748.7	1,970.1	12.1	0.29
2000-01	1,623.1	1,749.8	-11.2	0.25
2001-02	1,755.1	1,855.3	6.0	0.25
2002-03	1,830.8	1,885.6	1.6	0.25
2003-04 (est)	2,018.8	2,018.8	7.1	0.26
2004-05 (est)	2,133.1	2,081.1	9.9 ⁵	0.26

Diagram 15: DAC member countries' ODA/GNI ratio 2003



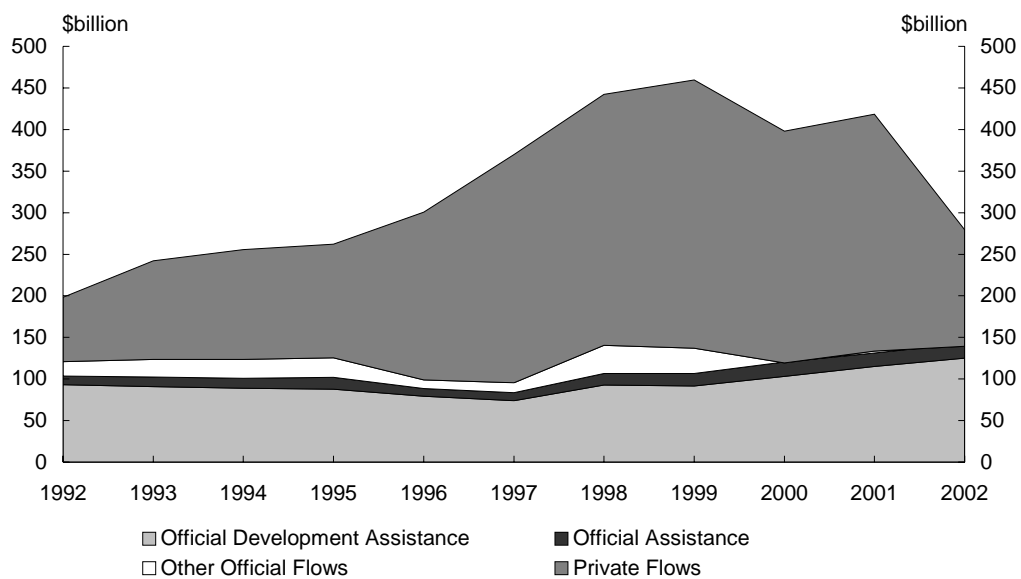
Source: DAC provisional figures for members' 2003 ODA.

Diagram 16: DAC member countries' net ODA 2003



Source: DAC provisional figures for members' 2003 ODA.

Diagram 17: Total net resource flows to developing countries



Source: DAC on-line database.

Table 3: Australian ODA to partner countries not detailed in Table 1

Countries / Regions	Outcome (\$m) Expenses ¹			Estimate (\$m) Expenses ¹	
	2000-01	2001-02	2002-03	2003-04 Expected Outcome	2004-05 Budget Estimate
Tuvalu	2.9	3.4	4.0	4.1	4.3
Nauru	3.1	3.4	3.5	3.9	4.0
Micronesia	1.3	2.3	3.3	3.4	3.5
Cook Islands	1.9	2.4	2.3	2.7	2.8
Niue and Tokelau	1.0	1.0	1.3	1.4	1.4
Burma	5.2	5.6	6.8	8.7	9.6
Mongolia	3.0	3.4	3.4	3.2	2.9
Nepal	8.2	7.2	7.9	7.7	6.4
Pakistan	3.5	3.8	6.3	5.9	5.3
Maldives	2.5	2.2	2.3	1.5	1.5
Bhutan	1.1	2.1	1.2	1.1	1.2
Iraq			58.2	40.3	22.0
Afghanistan	7.0	26.6	21.5	31.0	18.0
Individual countries/regions identified in Table 1	1127.7	1102.2	1131.8	1250.2	1436.1
Other Government Departments ² (not attributed to country/region)	43.9	128.0	145.6	149.7	168.5
Core contributions to multilateral organisations, other ODA ³	469.3	495.2	449.0	508.7	450.8
Reconciliation of expenses to cash ¹	-58.6	-33.7	-17.4	-4.5	-5.1
TOTAL ODA (cash)	1623.1	1755.1	1830.8	2018.8	2133.1

Development Cooperation Expenditure

Table 4: Country program expenditure estimates and outcomes

Country	Outcome (\$m) Expenses ¹			Estimate (\$m) Expenses ¹	
	2000-01	2001-02	2002-03	2003-04 Expected Outcome	2004-05 Budget Estimate
PAPUA NEW GUINEA & PACIFIC					
Papua New Guinea	312.3	311.8	310.4	313.7	313.8
Solomon Islands	19.6	19.1	24.0	77.7	92.8
Vanuatu	12.4	13.0	13.4	15.0	20.0
Fiji	12.9	12.3	13.9	14.5	18.0
Samoa	10.9	11.2	11.8	11.7	12.5
Tonga	9.7	8.8	9.6	9.0	9.0
Kiribati	7.2	8.2	8.3	8.0	8.0
Tuvalu	2.6	2.6	2.8	2.9	3.0
Micronesia ²	1.0	1.4	1.9	1.9	1.9
Cook Islands	1.5	1.3	1.0	1.5	1.5
Niue and Tokelau	1.0	0.8	0.9	1.0	1.0
Nauru	0.2	0.2	0.2	0.6	0.6
<i>Nauru Additional³</i>	0.0	18.8	21.3	15.5	13.5
Peace & Security Fund				7.5	10.0
Policy and Management Reform	15.0	20.0	20.0	15.0	22.0
Pacific Regional	32.9	34.5	38.8	32.7	40.0
Subtotal PNG & Pacific	439.3	464.0	478.2	528.0	567.6
EAST ASIA					
Indonesia	93.4	97.3	104.1	123.5	125.0
Vietnam	59.1	59.7	61.3	57.2	59.4
Philippines	54.5	56.0	55.7	47.4	55.5
China	39.3	40.5	42.5	39.9	40.0
East Timor	30.0	28.6	33.6	26.0	30.0
Cambodia	23.8	24.4	24.6	24.0	24.5
Laos	14.0	14.4	13.5	12.9	13.0
Thailand	16.2	11.0	10.6	6.9	3.5
Burma	1.4	1.6	2.2	3.0	3.0
Mongolia	2.2	2.7	2.6	2.2	2.2
East Asia Regional	29.9	23.7	20.9	27.9	32.1
Subtotal East Asia	363.7	359.9	371.6	370.8	388.2
SOUTH ASIA, AFRICA & OTHER					
Bangladesh	20.7	23.7	20.2	18.8	20.7
India	15.4	12.8	10.3	11.7	12.0
Sri Lanka	5.8	4.1	5.7	5.2	7.0
Nepal	5.6	5.1	5.2	5.3	4.0
Pakistan	3.0	3.0	4.5	4.1	3.3
Bhutan	0.9	0.8	0.9	1.0	1.0
Maldives	2.4	2.0	2.0	1.2	1.2
South Asia Regional	0.6	3.9	7.3	6.7	5.5
Africa	35.8	35.4	35.0	32.7	32.5
Palestinian Territories	2.1	2.1	3.2	3.0	3.0
Cross Regional Programs	12.1	21.6	19.5	20.9	21.0
Subtotal South Asia, Africa & Other	104.4	114.4	113.9	110.6	111.2
TOTAL COUNTRY PROGRAMS	907.4	938.3	963.6	1009.5	1066.9

Table 5: Global program expenditure estimates and outcomes

	Outcome (\$m) Expenses ¹			Estimate (\$m) Expenses ¹	
	2000-01	2001-02	2002-03	2003-04 ² Expected Outcome	2004-05 Budget Estimate
HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS					
Humanitarian and Emergency Programs	88.2	91.2	136.6	139.6	131.0
<i>of which:</i>					
<i>International Committee of the Red Cross</i>	<i>1.4</i>	<i>2.2</i>	<i>2.3</i>	<i>3.0</i>	<i>5.0</i>
International Refugee Fund			15.0	15.0	15.0
Subtotal	88.2	91.2	151.6	154.6	146.0
MULTILATERAL REPLENISHMENTS³					
ADF	291.1	0.0	0.0	0.0	321.7
IDA	0.0	0.0	342.0	0.0	409.0
IFAD	7.9	0.0	0.0	0.0	0.0
Heavily Indebted Poor Countries Initiative	14.8	13.7	18.0	0.0	0.0
MPMF	0.0	0.0	14.2	0.0	0.0
GEF	0.0	0.0	68.2	0.0	0.0
Subtotal	313.8	13.7	442.4	0.0	730.8
UN, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS					
United Nations Agencies	88.9	85.9	69.2	61.1	61.4
<i>of which:</i>					
<i>UNHCR</i>	<i>14.3</i>	<i>14.3</i>	<i>7.3</i>	<i>7.3</i>	<i>7.3</i>
<i>UNRWA</i>	<i>3.8</i>	<i>3.8</i>	<i>4.0</i>	<i>4.2</i>	<i>4.2</i>
<i>WFP</i>	<i>55.7</i>	<i>50.4</i>	<i>40.5</i>	<i>31.0</i>	<i>31.0</i>
<i>Other UN Agencies</i>	<i>15.1</i>	<i>17.5</i>	<i>17.5</i>	<i>18.6</i>	<i>18.9</i>
Commonwealth Organisations	10.5	11.6	12.2	12.1	12.1
Other International Programs ⁴	11.4	12.6	20.2	15.7	22.0
Subtotal	110.8	110.1	101.7	88.9	95.5
NGO, VOLUNTEER & COMMUNITY PROGRAMS					
Non Government Organisations	26.5	25.8	26.4	26.4	26.4
Volunteer Programs	12.8	13.8	15.0	14.6	14.6
AYAD	5.0	5.3	6.2	7.0	7.0
Public Information / Development Education	2.4	2.3	2.7	2.7	2.8
Development Research	0.8	0.6	1.0	1.5	1.5
Seminar Support	0.8	0.9	0.9	0.8	0.9
Subtotal	48.3	48.7	52.3	53.0	53.2
TOTAL GLOBAL PROGRAMS	561.1	263.7	748.0	296.5	1025.5

Table 6: Total ODA by subprograms

	Outcome (\$m) Expenses ¹			Estimate (\$m) Expenses ¹	
	2000-01	2001-02	2002-03	2003-04	2004-05
Country Programs	907.4	938.3	963.6	1009.5	1066.9
Global Programs	561.1	263.7	748.0	296.5	1025.5
Departmental Expenses	67.6	68.7	70.6	72.2	73.1
ACIAR ²	45.0	46.3	46.5	46.6	47.7
OGD ³	151.2	207.3	219.0	302.0	432.4
Adjustments					
<i>Administered</i> ⁴	-54.4	-29.9	-13.8	-2.5	-9.0
<i>Departmental</i> ⁵	-4.2	-3.8	-3.7	-2.0	3.9
<i>Less new multi-year expenses</i> ⁶	-298.9	0.0	-442.4	0.0	-730.8
<i>Plus cash paid to multi-year liabilities</i>	248.5	264.6	242.9	296.4	223.5
TOTAL ODA (cash)	1623.1	1755.1	1830.8	2018.8	2133.1

Table 7: Volunteer and Non Government Organisation expenditure

	Outcome (\$m) Expenses			Estimate (\$m) Expenses	
	2000-01	2001-02	2002-03	2003-04	2004-05
Country Programs	47.7	38.1	26.4	26.4	26.4
Regional and Cross Regional Programs	8.7	10.3	7.1	7.1	7.1
Humanitarian and Emergency	23.5	18.8	25.5	25.5	25.5
Volunteer Programs (including AYAD)	17.8	18.6	21.0	21.6	21.6
ANCP	25.5	25.3	25.3	25.4	25.6
Other funding through NGOs	0.5	1.3	4.8	4.8	4.8
TOTAL	123.7	112.4	110.1	110.8	111.0

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 un-rounded totals. Columns may not add due to rounding.
- This Budget Paper details total ODA which includes expenditure by Other Government Departments (OGDs) that is classifiable as ODA as outlined by the Development Assistance Committee (DAC) of the OECD.
- Where real figures are presented the Non-Farm Gross Domestic Product (GDP) Implicit Price 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 year, which is the financial year 2003-04 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).
- Unless stated the source of data is AusAID.
- In 2001, the 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 information published on the international development cooperation budget uses the concept of GNI.

ACCRUAL EXPENSES AND CASH

The Australian 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 and International Development Association are recorded as an expense at the time of signing the Instrument of Commitment, not when the cash is paid. 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 example Table 1) are adjusted from an expense to cash by excluding the total expense commitment for new multi-year liabilities but including the cash paid to those commitments. Adjustments are also made for items such as movements in creditors and depreciation.

Estimates of sectoral expenditure are in cash terms throughout as they relate to total ODA, which is reported in cash. A number of tables in this Budget Statement include an '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 to multi-year liabilities, such as the multilateral development banks, to convert expenses to cash.

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

- The Pacific expense estimate is less than cash as the Nauru Settlement Treaty (\$3.03 million in 2004–05) was recorded as an expense in 1993–94. In Table 1 and Table 3, the \$3.03 million cash for the Nauru Settlement is included with the flows to Nauru to give a more comprehensive picture of Australia's estimated contribution in 2004–05.
- The Multilateral Replenishment expense estimates (see Table 5) are \$730.8 million in 2004–05. Figures in Chapter 6 reflect the on-going cash contributions Australia is making to these international institutions (\$220.4 million) to give a more accurate picture of the flows to these organisations within the budget year. With the exception of Multilateral Replenishments all other Global Program expense estimates are equal to cash.

ESTIMATED TOTAL ODA

In estimating total ODA, 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 the time of the budget. These estimates are subject to change throughout the year. Estimated total ODA (Table 1) also includes ODA eligible expenditure by OGDs.

ESTIMATED SECTORAL EXPENDITURE

While the key sectors of governance, education, health, rural development and infrastructure remain high priorities for the Australian development cooperation program, centralised allocations are not made for expenditure in these sectors.

Programming decisions are made on the basis of individual country strategies that are developed in consultation with partner governments and address their priority needs.

Expenditure in any particular sector is thus the result of 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 past trends in expenditure recorded in AusAID's Activity Management System (AMS) for 2001–02, 2002–03 and 2003–04. The AMS tracks actual and estimated 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 2003–04 estimated expenditure extracted from the AMS in February 2004 includes planned expenditure to the end of the year, which is adjusted to account for over-programming. To this is added estimates for sectoral flows from multilateral organisations, based on these organisations' reports, and OGD expenditure estimates that are ODA eligible. Departmental running costs and other adjustments for movements in creditors and depreciation are not included in the Australian ODA sectoral breakdown. Further information relating to the value of imputed flows from multilateral organisations can be obtained from the Information and Research Services Unit, AusAID, on (02) 6206 4000.

Notes to Tables

TABLE 2

1. Based on Non-Farm GDP Implicit Price Deflators provided by the Australian Bureau of Statistics, which have been re-based to 2001-02.
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 2003-04 Budget figure of \$1,893.8 million (at 2003-04 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 not attributed to country/region includes ODA eligible expenditure by OGDs that has not been allocated to a specific geographic area.
3. Core contributions to multilateral organisations, other ODA expenditure includes, for example, expense payments which cannot be attributed to a particular country/region 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 to AusAID through new budget measures agreed by the government.

TABLE 5

1. See Technical Notes for an explanation of the relationship between expenses and cash.
2. Total ODA estimates for 2003–04 represents expected outcomes as estimated at May 2004.
3. New commitments to the Multilateral Development Banks, Montreal Protocol Multilateral Fund and Global Environment Facility are recorded as expenses at the time of commitment.
4. Other international programs include the International Tropical Timber Organisation, international health programs, and the Global Crop Diversity Trust.

TABLE 6

1. See Technical Notes for an explanation of the relationship between expenses and cash.
2. ACIAR figures equal their total cash expenditure per year. 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. OGD includes ODA eligible activities by State Governments and Commonwealth agencies other than AusAID and ACIAR. Included, for example, are capital contributions to Multilateral Development Banks funded by Treasury appropriations, and Department of Health and Ageing contributions to the World Health Organisation.
4. Includes accrual adjustments and adjustments for non-ODA eligible Administered expenditure such as miscellaneous receipts, GST payments and other non-ODA eligible expenditure.

5. Includes accrual adjustments and adjustments for non-ODA eligible departmental expenditure, such as receipts under section 31 of the *Financial Management and Accountability Act*, interest earned on bank deposits, GST payments and Fringe Benefits Tax.
6. Refer to the explanation of multi-year liabilities in the Technical Notes.

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