AUSTRALIA'S OVERSEAS AID PROGRAM 2006-07

STATEMENT BY
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MINISTER FOR FOREIGN AFFAIRS
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Internet

The Commonwealth budget papers and budget related information are available on the central Budget website at: www.budget.gov.au

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Abbreviations and acronyms

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	Asian Development Fund
ADRP	AusAID Development Research Program
AFP	Australian Federal Police
AGD	Attorney-General's Department
AIPRD	Australia-Indonesia Partnership for Reconstruction and Development
AMS	Activity Management System
ANCP	AusAID-NGO Cooperation Program
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors for Development
CFTC	Commonwealth Fund for Technical Cooperation
DAC	Development Assistance Committee (OECD)
DAP	Direct Aid Program
DEST	Department of Education, Science and Training
DFID	Department for International Development (UK)
DOFA	Department of Finance and Administration
ECP	Enhanced Cooperation Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund to fight HIV/AIDS, Tuberculosis and Malaria

GMS	Greater Mekong Subregion
GNI	Gross National Income
GNP	Gross National Product
GST	Goods and Services Tax
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
IFI	International Financial Institution
IPPF	International Planned Parenthood Foundation
MDB	Multilateral Development Bank
MDRI	G8 Multilateral Debt Relief Initiative
MPMF	Montreal Protocol Multilateral Fund
NGO	Non Government Organisation
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Co-operation and Development
OGD	Other Government Department
PNG	Papua New Guinea
RAMSI	Regional Assistance Mission to Solomon Islands
SMEs	Small and Medium-Sized Enterprises

SPA	Strategic Partnership Agreement
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
WFP	World Food Programme
WHO	World Health Organization

FOREWORD

2006-07 will be a watershed year for Australia's overseas aid program. The White Paper — *Australian Aid: Promoting Growth and Stability*, which I launched in April 2006, outlines a strategic framework that will guide Australia's aid program over the medium term. It provides a comprehensive plan on how the Government will approach the doubling of Australia's annual aid expenditure to about $4 billion by 2010, announced by the Prime Minister in September last year. This is also the first time that any Australian Government has made a multi-year commitment to increase aid funding.

This aid commitment, combined with the White Paper, underpins the Government's approach to reducing poverty and achieving sustainable development. The aid program is a key and integral element of Australia's engagement with the region. The Government is firmly of the view that reducing poverty and promoting development is also central to Australia's own peace and prosperity.

To achieve the aid program's objective, to reduce poverty and promote sustainable development in line with Australia's national interest, the White Paper focuses on four key themes: accelerating economic growth, fostering functioning and effective states, investing in people, and promoting regional stability and cooperation. The Government will also emphasise three overarching principles for the aid program: firstly a greater commitment to gender equality across all aspects of the program; secondly a closer partnership with recipient countries through the greater use of local systems and processes; and finally the untying of Australia's aid to enhance competition and value for money.

The Government is committed to ensuring that the additional aid dollars are spent effectively. Over the next 12 months there will be significant planning and development undertaken on the key initiatives outlined in the White Paper, with implementation to occur from 2007 onwards. Principal among these are the *Infrastructure for Growth* initiative, designed to help overcome one of the binding constraints to growth in the Asia-Pacific; the development of *Performance Incentives* to reward countries with additional aid that meet agreed performance measures; and major initiatives on *Delivering Better Health*, particularly for women and children, and on *Delivering Better Education* with the aim of getting more children into school, for longer and for a better quality education.

The Government is committed to enhancing the effectiveness of the aid program, particularly as additional aid resources come on stream. Indeed the announced increases in aid are contingent upon the continued effective application of resources and the performance of partner governments and institutions. In this respect, the Government will publish an *Annual Review of Development Effectiveness*, the first later this year to provide a practical link between additional aid and effectiveness. Other initiatives include a more rigorous approach to anti-corruption through the aid

program, and the mobilisation of the broader Australian community to help tackle the development challenges of the region. Implementation strategies for both initiatives will be developed this year.

In 2006-07 therefore, the Australian Government will lay the foundations for implementing the White Paper recommendations. Australian aid will increase to $2.946 billion, $455 million above the 2005-06 budget figure of $2.491 billion. This represents a real increase of 9.0 per cent over the 2005-06 budget expected outcome of $2.641 billion, or a 15.5 per cent real increase budget-to-budget.

The ratio of Australia's Official Development Assistance (ODA) to Gross National Income (GNI) for 2006-07 is estimated at 0.30 per cent. Australia is one of only six donor countries to show consecutive real increases in ODA between 2001 and 2005 (excluding debt relief).

For the Organisation for Economic Co-operation and Development (OECD) donor community as a whole, the average ODA/GNI ratio rose from 0.26 per cent in 2004 to 0.33 per cent in 2005. This sharp spike in the average resulted from the provision of debt relief to Iraq (approximately US$14 billion) and Nigeria (approximately US$5 billion). Australia's ODA/GNI ratio was below the average at 0.25 per cent for the calendar year 2005 (unchanged from 2004) reflecting the fact that Australia had no debt relief for either Nigeria or Iraq in that year. Recognition of Australia's debt relief for Iraq will take effect upon signing of a bilateral agreement between Iraq and Australia. The first tranche of Iraq debt relief is expected to be recognised in the second half of 2005-06 and reported in the 2006 calendar year.

For 2006-07, major initiatives to be implemented include a significantly expanded scholarships program, additional debt relief for heavily indebted poor countries, strengthening pandemic preparedness and combating corruption. The aid program will maintain its focus on Papua New Guinea (PNG) and Indonesia, as well as other parts of the Pacific and East Asia.

An enhanced scholarships program

The Australian Government will provide nearly $1.4 billion over the next five years in support of tertiary education across the region through an enhanced scholarships program. The package is to be known as Australian Scholarships and includes an additional $442.5 million of new funding. Australian Scholarships will provide over 19,000 scholarships during the five year period from 1 July 2006. Australian Scholarships will also bring existing government scholarship programs managed by the Australian Agency for International Development (AusAID) and the Department of Education, Science and Training (DEST) together under one umbrella, including new aid program funds of $257 million.

The Australian Scholarships program represents a whole-of-government approach to education cooperation between Australia and the countries of the Asia-Pacific region.

Under the new scheme, AusAID will refine the Australian Development Scholarships program and launch a flexible new program of Australian Leadership Awards focused on developing future leaders from all sections of the Asia-Pacific community. The new scheme allows a broader range of Australian educational institutions to receive aid-funded students. DEST will also greatly expand its existing Endeavour Scholarships Programme. This major new initiative demonstrates the high value Australia places on cooperation in education and skills development with our partner countries. Scholarships are a key vehicle to meet critical human resource needs in our region, and a practical and proven means of enhancing people-to-people and institutional linkages between Australia and the Asia-Pacific.

Reducing unsustainable debt burdens

Australia is committed to debt relief for heavily indebted poor countries. Multi-donor arrangements such as the Heavily Indebted Poor Countries (HIPC) Initiative and the G8 Multilateral Debt Relief Initiative (MDRI) provide significant debt relief to the world's poorest and most heavily indebted countries. They provide debt relief when a country has a proven track record of reforms ensuring that resources are used for poverty reduction and for key programs such as economic infrastructure, health and education.

In 2006-07, Australia will provide a substantial contribution of $136.2 million upfront to finance its share of multilateral debt relief through MDRI. Australia's contribution covers the first ten years of MDRI. Australian support will enable the World Bank's International Development Association to provide 100 per cent debt relief to eligible countries that qualify under the HIPC Initiative.

Strengthening pandemic preparedness

Pandemics and infectious diseases such as Avian Influenza threaten the stability and growth prospects of our neighbours. As announced at the November 2005 Asia-Pacific Economic Cooperation (APEC) meeting, Australia will take a proactive approach to combat the threat of pandemics and Avian Influenza within the region. Australia has committed $100 million over four years to this effort.

In 2006-07, $38.6 million of this commitment will assist partner countries to prepare for outbreaks and support relevant international organisations to provide a coordinated response to pandemic threats in the region. Australia will continue to provide funding for the Association of Southeast Asian Nations (ASEAN)'s Emerging Infectious Diseases Programme. Australia will also assist Pacific Island countries to improve their capacity to manage emerging pandemics, including through testing and implementing preparedness plans. Australia will also support several APEC forum initiatives, including assistance for a response team of health experts who can be deployed to the region at short notice.

Combating corruption

Addressing corruption is a prominent theme in the aid program. Anti-corruption will become a more explicit consideration when designing and implementing aid activities. AusAID will increasingly work with other Australian Government agencies and through regional and global initiatives to help mitigate corruption. Policy dialogue with partner governments in order to reduce corruption and promote good governance will receive further attention.

Australia will support PNG's own efforts to combat corruption. The revised Enhanced Cooperation Program (ECP) aims to help the PNG Government reduce corruption. Through the deployment of Australian personnel to PNG Government agencies, the ECP supports greater accountability and transparency in governance. Further support through the aid program will promote fair electoral processes in PNG, assist the PNG Media Council to foster public debate on corruption, and provide funding to the PNG Chapter of Transparency International. Australia will also bring together community organisations and the business and government sectors to unify action against corruption.

In Asia, corruption remains a significant impediment to broad-based economic growth and poverty reduction. Australia will assist partner countries to fight corruption by encouraging the rule of law, promoting improved public sector management and strengthening civil society. Alongside other APEC economies, Australia has committed $3 million over three years to support regional anti-corruption initiatives. Australia is also working closely with the World Bank to address corruption in natural resource management, and supports the OECD's Anti-Corruption Initiative for the Asia-Pacific.

Improving development outcomes in Papua New Guinea and the Pacific

Melanesian countries and Pacific microstates suffer from low economic growth, weak governance and high levels of poverty. HIV/AIDS is a major concern in PNG, and population growth across the Pacific threatens to create a youth bulge, increasing pressure on economies to generate further employment. Australia's aid program is working with partner governments, civil society and other donors to address these challenges. In 2006-07, Australian aid to PNG will be $332.2 million. Aid to the Pacific will total $434.4 million and is focused on Melanesian countries including Solomon Islands ($223.0 million) and Vanuatu ($34.7 million).

Australian support to PNG will be guided by a new country strategy which focuses on sustainable economic growth and productivity, governance and nation building, service delivery and HIV/AIDS. Australia is developing a performance-based partnership with PNG that is underpinned by the new country strategy and performance framework.

Further integration of Pacific Island nations with the global economy is essential given the challenges facing small island states. Australian aid is helping to promote greater

integration such as through trade facilitation. Strengthening skills development for Pacific Islanders is also vital for greater regional integration. The new Australia-Pacific Technical College, announced by the Prime Minister in October 2005, will provide training and qualifications to students to increase their employment opportunities and stimulate skilled labour mobility and income generation across the Pacific.

Australia is also promoting regional solutions to shared governance concerns, especially through bodies such as the Pacific Islands Forum. Australia will support the implementation of the Pacific Plan initially through strengthening regional audit arrangements, establishing a regional Ombudsman's office and upgrading statistical systems.

In recognition of the need to sustain growth and development outcomes over the long term, Australia commissioned the *Pacific 2020* report. To be released in May 2006, the report highlights major challenges facing the Pacific, PNG and East Timor over the next 15 years. It provides policy options for developing key productive sectors in Pacific economies and includes recommendations for building enabling environments for economic growth.

A key White Paper initiative that will be developed over the next year will be the Pacific Land Mobilisation program. Aiming to overcome one of the most binding constraints to growth in the region, the program will first survey and disseminate information on innovative land mobilisation practices and, where there is clear demand for it, support innovations and improvements in land tenure arrangements.
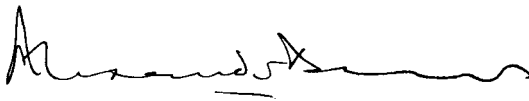
Fostering growth and development in East Asia

Australian support through the Australia-Indonesia Partnership for Reconstruction and Development has made a major contribution to international relief and reconstruction efforts in Aceh and other tsunami affected areas, as well as to broader development in Indonesia. The future program will improve economic and public sector management and rebuild essential infrastructure. Major new programs will also enhance broad-based economic growth through improved rural productivity and private sector development. Ongoing assistance will strengthen stability and security through addressing communicable diseases such as HIV/AIDS, as well as managing and responding to emergencies. Australia will continue to support the education and health sectors and contribute to development outcomes in eastern Indonesia.

Australia will provide targeted support to other East Asian countries. While the region as a whole experiences strong levels of economic growth, vulnerable countries such as Cambodia and Laos are yet to realise significant benefits. Threats to regional stability such as pandemics, transnational crime and conflict, undermine overall development. Australia will work to address these challenges through fora such as ASEAN and APEC. In recognition of low economic growth rates and high poverty levels, the aid program will adopt southern Philippines and eastern Indonesia as focal points for assistance.

Australia will intensify its efforts to promote development in the Philippines with a focus on conflict management, reconstruction and nation building. Australian aid to the Philippines will be $68.8 million in 2006-07. Assistance to Vietnam will be $81.5 million, where Australia will work increasingly with partner government agencies and harmonise aid delivery with other donors. The development of a growth zone in the Greater Mekong Subregion presents Australia with the opportunity to work with regional organisations to accelerate economic growth and increase opportunities for the poor. Australian aid to East Timor, totalling $43.6 million, will help build institutions and policies for effective utilisation of future oil and gas revenues.

The White Paper and the Government's goal to double aid present enormous opportunities. This is a critical year for the essential up front planning and program development work necessary to grasp these opportunities and underpin the effective delivery of future aid increases.

Alexander Downer

Table 1: Total Australian ODA flows to partner countries

Major Partner Countries / Regions	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]		
	2002-03	2003-04	2004-05	2005-06[2] Budget Figure	Expected Outcome	2006-07 Budget Estimate
PAPUA NEW GUINEA & PACIFIC						
Papua New Guinea	331.5	321.3	349.7	492.3	324.3	332.2
Solomon Islands[3]	33.5	139.5	179.1	246.8	235.7	223.0
Vanuatu	23.5	24.6	28.1	34.1	32.1	34.7
Fiji	20.9	21.9	29.4	30.5	29.5	33.8
Samoa	16.8	18.1	19.1	21.5	21.0	22.0
Tonga	12.2	12.1	13.9	14.2	13.0	13.4
Kiribati	11.9	11.4	10.7	12.5	12.1	13.0
Regional Pacific[4]	74.3	74.2	78.4	103.4	86.5	94.4
Total PNG & Pacific	**503.3**	**607.7**	**708.5**	**955.2**	**754.2**	**766.6**
EAST ASIA						
Indonesia (Ongoing program)	131.9	158.5	221.8	169.6	160.9	165.9
Indonesia (AIPRD)			8.7	132.1	94.1	178.4
Vietnam	70.8	73.5	69.3	77.3	76.2	81.5
Philippines	63.7	48.9	54.5	63.7	63.6	68.8
China	60.7	53.7	46.6	46.2	46.8	41.8
Cambodia	38.5	37.8	36.8	42.7	42.4	48.5
East Timor	56.2	44.8	65.3	42.0	43.5	43.6
Laos	17.7	18.6	18.0	19.6	18.4	21.9
Thailand	19.1	14.9	11.4	7.0	7.7	5.3
Regional East Asia[4]	26.1	29.8	45.2	45.8	39.4	57.8
Total East Asia	**484.6**	**480.4**	**577.6**	**646.1**	**592.9**	**713.4**
SOUTH ASIA, AFRICA & OTHER						
Bangladesh	30.8	28.1	32.2	32.3	32.4	36.3
Sri Lanka	14.0	21.8	43.7	29.1	25.2	31.0
India	15.9	17.1	17.2	13.7	10.0	9.8
Regional South Asia[4]	21.1	19.6	28.3	22.5	68.9	47.3
Africa	70.6	80.5	91.3	77.0	82.5	82.1
Middle East and Central Asia[5]	92.1	83.6	62.7	66.6	399.4	408.5
Total South Asia, Africa & Other	**244.4**	**250.6**	**275.5**	**241.3**	**618.4**	**614.9**
Other Government Departments[6] *(not attributed to country/region)*	145.6	144.2	195.5	173.2	205.0	202.8
Core contributions to multilateral organisations, other ODA[7]	449.0	506.5	463.5	486.2	480.4	653.2
Reconciliation of expenses to cash[8]	-17.4	-31.9	-22.3	-11.1	-10.1	-4.5
Total ODA *(cash)* [9]	**1830.8**	**1973.1**	**2198.1**	**2490.8**	**2640.9**	**2946.3**
ODA at constant 2005-06 prices	2057.6	2144.3	2297.0	2490.8	2640.9	2877.3
Real change over previous year (%)	1.1%	4.2%	7.1%		15.0%	9.0% [10]
ODA/GNI Ratio (%)[11]	0.25	0.25	0.26	0.28	0.29	0.30

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 2005-06 represent budget figures as at May 2005 and expected outcomes as estimated at May 2006.

3. Solomon Islands estimated expenses in 2005-06 and 2006-07 include ODA eligible expenditure by Other Government Departments (OGDs) related to the Regional Assistance Mission to Solomon Islands (RAMSI) of $128.4 million and $113.4 million respectively.

4. Regional Pacific, Regional East Asia and Regional South Asia include multi-country and regional activities and small bilateral programs identified in Table 4.

5   Middle East and Central Asia includes Palestinian Territories, Afghanistan and Iraq. Estimated expenses for Iraq in 2005-06 and 2006-07 include the recognition of the ODA component of debt relief from the Australian Government of $334 million in both years.

6. OGD not attributed to country/region includes ODA eligible expenditure by OGDs/agencies that has not been allocated to a specific geographic area.

7. 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.

8. See Technical Notes for an explanation of the relationship between expenses and cash.

9. Total ODA represents AusAID ODA (including AIPRD), ACIAR ODA and ODA from OGDs such as debt relief for Iraq.

10. Real per cent change is over 2005-06 expected outcome of $2,640.9 million. Budget-to-budget the real increase is 15.5 per cent.

11. See Technical Notes for an explanation of the change in terminology from Gross National Product to GNI.

Table 2: Total Australian ODA by agency

	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]		
	2002-03	2003-04	2004-05	2005-06		2006-07 Budget Estimate
				Budget Figure	Expected Outcome	
AusAID ODA	1565.3	1651.1	1691.0	1878.7	1838.0	2188.9
of which:						
Indonesia (AIPRD)			*8.7*	*132.1*	*94.1*	*178.4*
ACIAR[2]	46.5	46.8	47.6	48.1	48.2	49.6
Other Government Departments[3]	219.0	275.1	459.5	563.9	754.7	707.8
TOTAL ODA (cash)	**1830.8**	**1973.1**	**2198.1**	**2490.8**	**2640.9**	**2946.3**

Notes to Table 2

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.

3. Other Government Departments includes ODA eligible activities by State Governments and Commonwealth agencies other than AusAID and ACIAR.

CHAPTER ONE: FOCUS OF THE AID PROGRAM

- **Efforts to stimulate growth in 2006-07 include a commitment to the Australia-Pacific Technical College, promoting infrastructure policy and financing, and fostering rural and business development.**

- **There will be emphasis on political governance and anti-corruption activities which build demand for improved governance.**

- **A new scholarships program will double the number of awards for students from developing countries and enhance leadership capacity.**

- **Australia's commitment to combating transnational threats will include a major initiative on pandemic preparedness of $100 million over four years.**

Diagram 1: Australian ODA in 2006-07
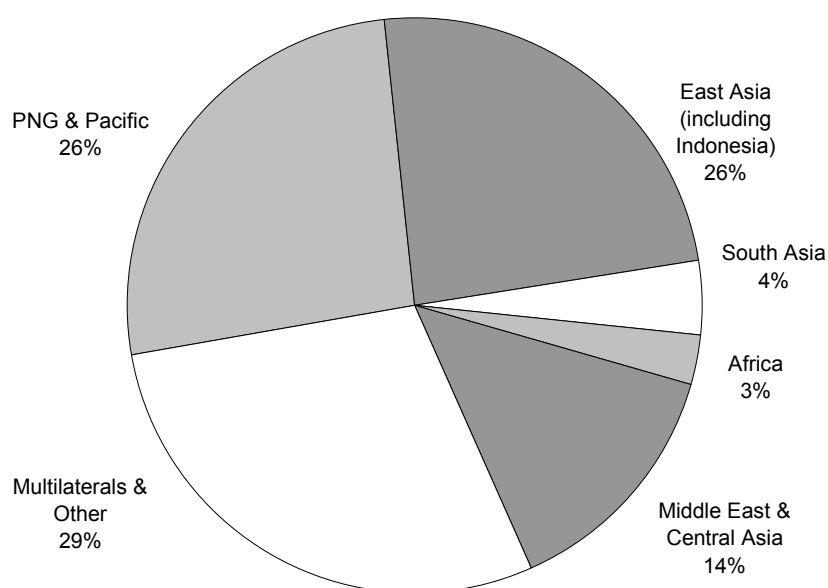
In 2006-07, Australia's aid program will continue its work with partner countries, donors and organisations to promote economic growth, stability, security and functioning governments. While maintaining the flexibility to handle crises and emerging challenges, the aid program will address long-term constraints including poor governance, corruption, instability and conflict, all of which undermine the fundamental aim of reducing poverty and promoting sustainable development.

Asia as a whole has experienced rapid economic growth. According to the World Bank, Gross Domestic Product (GDP) in East Asia grew at a rate of 6.8 per cent per capita in 2005. East Asian exports have also grown rapidly. South Asia, while not experiencing the same levels of economic growth as East Asia, has significantly reduced its poverty levels; yet in spite of these successes, Asia remains home to approximately 1.9 billion people living on less than US$2 per day.

The Pacific has had a modest development record when compared to Asia. While Polynesian countries such as Samoa and the Cook Islands have experienced some recent gains, the bulk of Melanesia continues to suffer from poor governance, weaknesses in health and education systems, and law and order problems.

The countries of the Asia-Pacific are closely connected through a variety of economic, social and cultural interactions. Trade, investment and people-to-people links unite the region; and China and India are contributing to growth both in the region and beyond.

Transboundary threats such as HIV/AIDS and Avian Influenza; transnational crime including people trafficking, illicit drugs, and money laundering; and other threats such as conflict, terrorism and environmental degradation, all jeopardise development prospects for our partner countries. Combating these threats requires effective action across countries as well as within them.

Diagram 2: Trends in Australian ODA by region
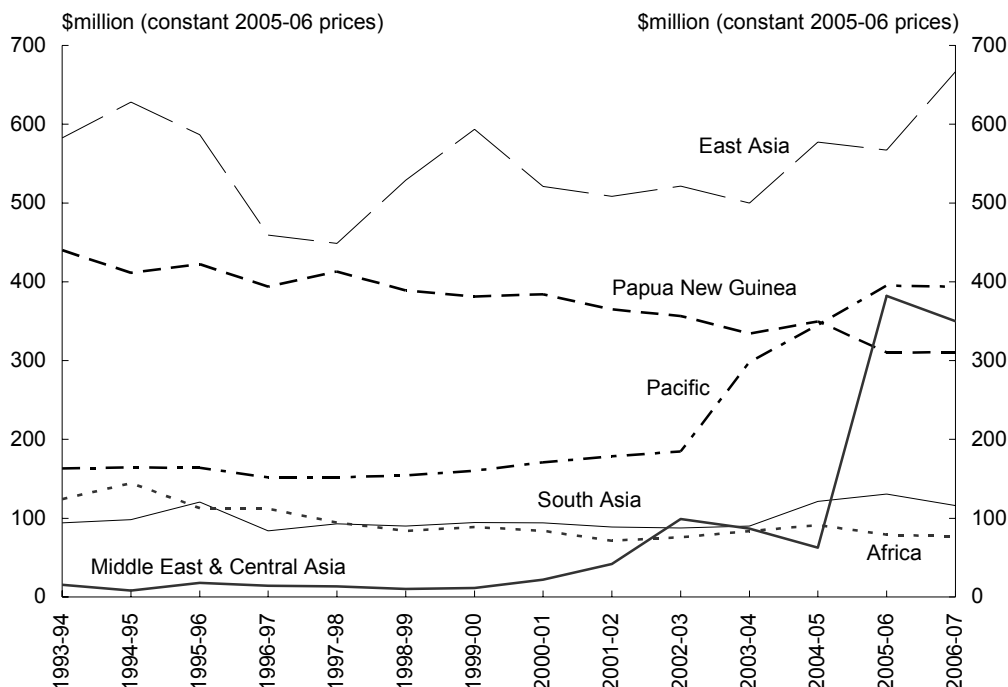
A new strategic framework — the White Paper

The White Paper — *Australian Aid: Promoting Growth and Stability*, launched by the Minister for Foreign Affairs in April 2006, provides the strategic framework to guide the direction and delivery of Australia's aid program over the medium term.

The White Paper is organised around four key themes: accelerating economic growth, fostering functioning and effective states, investing in people, and promoting regional stability and cooperation. The Government will also emphasise three overarching principles for the aid program namely gender equality, a closer partnership with partner countries and the untying of Australia's aid. The strategic framework and key initiatives to be pursued under each theme are represented in the chart below.

Diagram 3: Strategic framework for Australia's overseas aid program

OBJECTIVE

To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest

Overarching principles: Gender Equality, Untied Aid, Partnership

ORGANISING THEMES

ACCELERATING ECONOMIC GROWTH:	FOSTERING FUNCTIONING AND EFFECTIVE STATES:	INVESTING IN PEOPLE:	PROMOTING REGIONAL STABILITY AND COOPERATION:
> Policy environment > Promoting trade > Drivers of growth > Sustaining growth	> Economic management > Political governance > Public sector reform > Law and Justice > Emergency management	> Women's and children's health > Major diseases > Education access and quality > Scholarships	> Transboundary responses > Regional integration > Regional governance in the Pacific

EFFECTIVENESS STRATEGIES

STRENGTHENING PERFORMANCE ORIENTATION:	COMBATING CORRUPTION:	ENHANCING AUSTRALIA'S ENGAGEMENT IN ASIA-PACIFIC REGION:	WORKING WITH PARTNERS:
> Country strategies > Performance Allocations > Output-based aid > Lessons learnt/ Evaluation	> Mainstreaming > Whole-of-government strategy > Regional and global initiatives	> Coherence across government > Engagement beyond government	> Partner Governments > Bilateral donors > International Financial Institutions

INITIATIVES

Pacific Land Mobilisation Program	Building Stronger Leadership	Delivering Better Health	Strengthening Cooperation on Transboundary Threats
Infrastructure for Growth Initiative	Performance Incentives	HIV/AIDS – Leadership in the Region	Promoting Asian Integration
Australia-Pacific Technical College	Enhanced Emergency Response Capacity	Tackling Malaria in the Pacific	Pacific Plan Support
Rural and Business Development	Integrated Law and Justice Approach	Pandemics Preparedness	
Environment Strategy		Delivering Better Education	
		Australian Scholarships	

INITIATIVES

Office of Development Effectiveness	Anti-Corruption for Development	Larger and Diversified Development Research Program	IFI Replenishments
		Mobilising New Australian Links to the Region	

Accelerating economic growth

While governance reforms are important, the Government recognises the need to generate more immediate economic growth in developing countries. Growth is fundamental for poverty reduction and critical to stability in many parts of the region. As a means to achieve this, the aid program will:

- Improve the policy environment for growth. This includes efforts to address the complex issue of land tenure in the Pacific.

- Promote trade through assistance to enhance trade facilitation i.e. customs and quarantine services, and providing training in trade policy and analysis.

- Support the strengthening of important drivers of growth through assistance for infrastructure, skilled workforce development and rural and business development. Partner countries will be assisted in the development of infrastructure policy and projects. A new Australia-Pacific Technical College reinforces Australia's commitment to workforce development in our region. Assistance to strengthen rural development through research, small scale infrastructure, agricultural safeguards and business development, will improve the economic prospects of the region's poor, the majority of whom live in rural areas.

To assist efforts to sustain economic growth, Australia is committed to helping partner countries to address environmental challenges. A new environment strategy for the aid program will be developed which will concentrate on climate change and adaptation, water and environmental regulatory regimes.

Fostering functioning and effective states

Strengthening governance

Sound policies and robust institutions are critical for growth and development. Australia's increase in overseas aid, as the Prime Minister's announcement highlighted, is conditional on improved governance in our partner countries. The aid program has contributed significantly to governance reforms in our partner countries. In 2006-07, Australia will enhance its already strong focus on governance and build demand for stronger, more responsible leadership.

Planning for a new Pacific Leadership Program will commence in 2006-07. The program will foster the development of future leaders from a variety of fields including academic, social, scientific, business and political. A particular focus will be on enhancing the regional network of female parliamentarians and leaders. Links will be fostered between Australian political parties and their regional counterparts through programs such as those run by the Centre for Democratic Institutions.

Australia will also support relevant Australian and partner country organisations to generate greater demand for reform and accountability. This will build on successful media, civil society and civic education programs. A particular focus will be on supporting women's groups and strengthening independent analysis of government policy.

Assistance for improved governance will be complemented by an increased emphasis on incentives for good performance. Australia will also pay greater attention to conflict prevention and nation building efforts.

Australia's stronger focus on incentives will not be at the expense of maintaining aid efforts in poorly performing or fragile states, where local capacity to drive reform and make best use of international assistance is particularly weak.

Fragile states

Fragile states are countries where governments lack either the capacity or the will to effectively provide security, basic services and economic functions for the benefit of the general population. Without the effective delivery of such services, these countries exhibit lower literacy rates, greater unemployment and instability, and lower life expectancy than other countries. Development assistance to fragile states therefore needs to support fundamental reforms to governance and state institutions.

Australia is actively engaged in international research, analysis and program development with respect to fragile states. Expertise from AusAID, the Treasury, the Australian Federal Police, the Department of Defence and external research organisations, is being drawn upon to build understanding and analysis of fragile states, and improve the impact of Australian overseas aid. Australia's experience provides important lessons for future assistance and for the broader donor community.

In 2006-07, Australia will work with the OECD's Development Assistance Committee (DAC), international financial institutions including the World Bank, and other donors to ensure a coherent approach to development challenges in fragile states. Australia, together with New Zealand, is leading a pilot program of the DAC Principles of Good International Engagement in Fragile States in Solomon Islands, and is involved in an international review of whole-of-government responses in fragile states.

Investing in people

The aid program will strive to tap the rich human potential throughout the Asia-Pacific including through programs that promote greater gender equality. Gender equality is an essential element in all successful development efforts. Two-thirds of the 800 million people in the world who lack basic literacy skills are female. Girls are twice as likely to die from malnutrition and preventable diseases as boys. Investment in health and education for women and girls yields some of the highest returns including reduced maternal mortality, better educated and healthier children and increased household incomes. In 2006-07, the aid program will highlight the importance of gender equality through expanding activities in girls' education, maternal and reproductive health and promoting the role of women in decision making. The elimination of violence against women is also a priority for the aid program.

AusAID is developing new strategies in education and health to build stronger basic services, focusing on financial management, human resources and policy development. The aid program will build on Australia's HIV/AIDS leadership role, including through boosting its response to HIV/AIDS in PNG. Australia will

undertake significant planning and preparedness work to manage outbreaks of infectious disease. The aid program will also support higher education through scholarships and institutional links and promote women's and girls' health and education.

The challenge of HIV/AIDS

HIV/AIDS is one of the most serious global threats to development. An estimated 40.3 million people are now living with HIV/AIDS worldwide, including 8.3 million in the Asia-Pacific region.

Australia is a regional leader in addressing the spread of HIV/AIDS and has committed a total of $600 million from 2000 to 2010. Australia also makes significant contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria. An estimated $82 million will be spent on HIV/AIDS activities in 2006-07.

Australia is working with partner countries to reduce the spread of HIV/AIDS and mitigate its effects on people living with the disease. In Indonesia, Australian support is building the capacity of AIDS commissions at the national, provincial and district levels. In PNG, we are complementing prevention activities by increasing access to antiretroviral treatment. In Asia, the aid program focuses on harm reduction in vulnerable populations.

Australia's approach is supported through the position of Ambassador for HIV/AIDS and new public-private partnerships. The Government initiated the Asia Pacific Business Coalition on HIV/AIDS in February 2006. The Coalition encourages Australian business leaders to contribute to HIV/AIDS prevention in our region, including through workplace policies and disseminating prevention messages. The aid program has also started a new partnership with the Clinton Foundation to provide antiretroviral treatment for people living with HIV/AIDS in China, Vietnam and PNG.

Regional stability and cooperation

Working with partner countries to manage transnational threats to development and stability is fundamental to improving prospects for employment and growth. On the basis of a commitment of $100 million over four years, Australia will play a leading role in addressing the threat of pandemics in our region. Australia will also address corruption, illicit drugs, people trafficking and terrorism through a range of whole-of-government initiatives.

In addition to managing threats, opportunities exist to enhance growth and reduce the cost of governance through regional integration. Australia will support greater regional integration, where appropriate, through ASEAN, APEC and the ADB Greater

Mekong Sub-region program. Further assistance will be provided to promote regional governance in the Pacific, including targeted support for the Pacific Plan.

Sectoral breakdown

Australia's aid is delivered across a range of sectors, including governance, health, education, rural development, infrastructure and humanitarian assistance. Diagrams 3 and 4 illustrate the estimated sectoral breakdown for 2006-07.

Diagram 4: Estimated sectoral breakdown of Australian ODA 2006-07
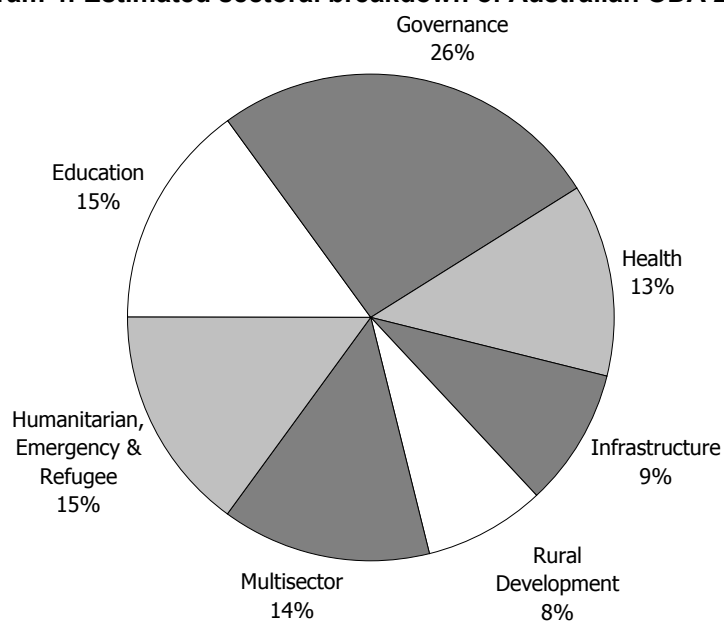
Note: Excludes recognition of Iraq debt relief.

Diagram 5: Estimated Australian ODA by key sector 2006-07
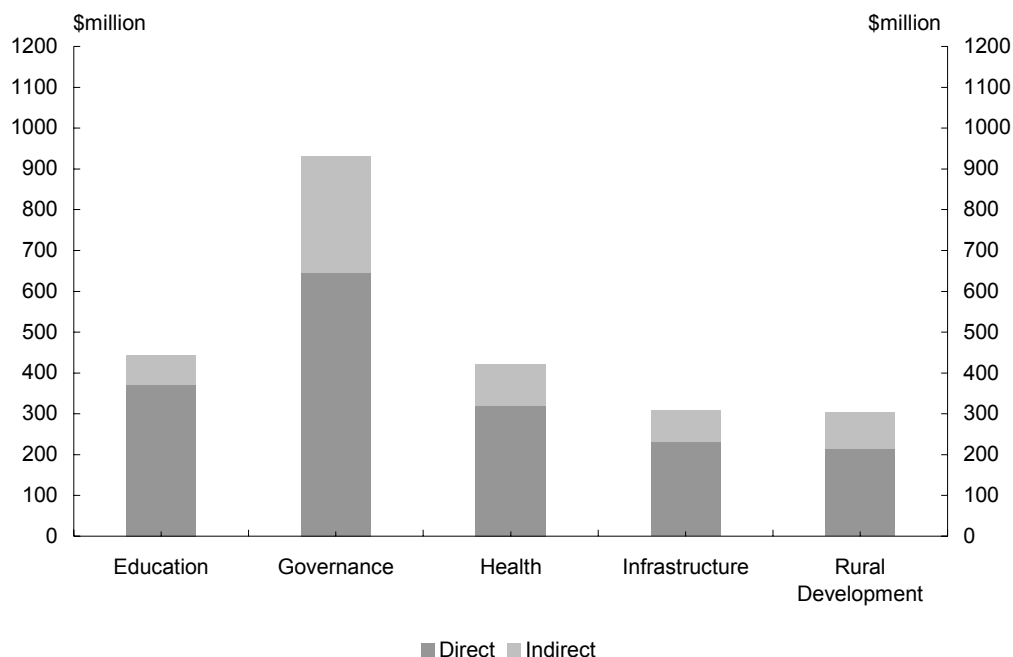
Note: Direct aid relates to aid funding allocated to a particular sector where that sector is the primary beneficiary sector. Indirect aid relates to aid funding allocated to a particular sector where that sector will benefit in some way by the initiative, but to a lesser extent than the primary sector.

Diagram 6: Estimated Australian ODA in the governance sector 2006-07
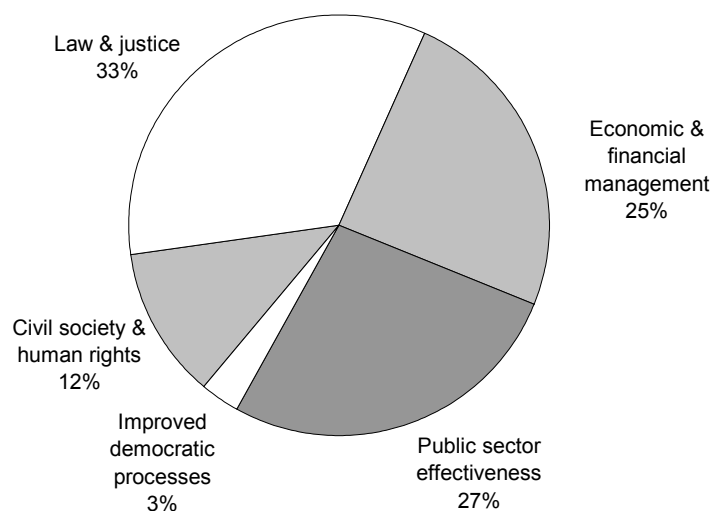
CHAPTER TWO: AID EFFECTIVENESS

- **There will be a greater focus on performance orientation at all levels of the aid program from country strategies to individual activities.**

- **Improved monitoring and evaluation will be undertaken through a new Office of Development Effectiveness (ODE) and an** *Annual Review of Development Effectiveness*. **The ODE will be a resource for all Australian Government agencies.**

- **The aid program will focus on the issue of corruption through a new whole-of-government anti-corruption strategy and consideration of corruption in the implementation and objectives of each aid activity.**

The projected increase in overseas aid by 2010 is subject to the continued effective application of resources and the performance of partner governments and institutions. The aid program will build on Australia's commitment to aid effectiveness and place it at the forefront of international development practice. Australia is a signatory to the March 2005 *Paris Declaration on Aid Effectiveness*, a major international exercise aimed at enhancing the impact of aid. Increased aid effectiveness will be pursued through four interlinked strategies: strengthening the performance orientation of the aid program, combating corruption, integrating and broadening Australian engagement with the region and working with partners.

Strengthening the performance orientation of the aid program

Greater prominence will be given to performance outcomes which will be reflected in country strategies. Such strategies will outline development expectations and facilitate improved review and evaluation of aid outcomes, including for whole-of-government partners.

Australia will provide significant incentives for good performance by allocating additional resources to countries that meet agreed performance criteria. In future years Australia may allocate up to 10 per cent of its aid on the basis of performance. Performance criteria in country strategies, where appropriate, will comprise a mix of qualitative and quantitative indicators specific to the conditions and situation in each country.

The aid program will incorporate performance considerations at the activity level through more effective monitoring and evaluation practices and stronger internal performance management systems. Better development outcomes will also be achieved through linking payment to outputs especially in the social and

infrastructure sectors. A new Office of Development Effectiveness (ODE) will be established to monitor the quality and evaluate the impact of Australian aid.

The new Office of Development Effectiveness

The ODE will work in six areas:

- Undertaking in-depth evaluations according to priorities set by AusAID and a steering group of government and independent experts;

- Monitoring the performance of Australian aid activities, policies and strategies against clear, agreed quality standards;

- Disseminating results from evaluations and lessons learnt to guide better aid management and implementation;

- Influencing the international development agenda through sharing results from evaluations and other work with multilateral agencies, bilateral donors and relevant research institutions;

- Raising awareness about the performance of the Australian aid program by preparing an *Annual Review of Development Effectiveness* which will be presented to the Government in advance of budget deliberations and subsequently published; and

- Advising on the development of new country and regional strategies, particularly in relation to the adequacy of performance frameworks, objectives and the degree to which they incorporate best practice.

Combating corruption

Australia's goal to increase overseas aid is conditional on strengthened governance and reduced corruption in partner countries. Chapter one highlighted how Australia will support improved governance in partner countries. Additional measures, however, are required to fight corruption at all levels. Anti-corruption will be a key consideration when designing and implementing aid activities. AusAID will work with whole-of-government partners and through regional and global initiatives to help mitigate corruption. The aid program will also work more closely with partner countries to help them better monitor their performance and to enhance policy dialogue around anti-corruption and good governance themes.

Anti-corruption

Australia has a strong record of combating corruption through integrated approaches in our partner countries including in PNG and through the Regional Assistance Mission to Solomon Islands (RAMSI). The aid program will build on these achievements through a new anti-corruption strategy to guide future Official Development Assistance (ODA). The strategy will be developed by AusAID in consultation with other relevant agencies including the Attorney-General's Department (AGD), the Australian Federal Police (AFP), the Treasury and the Department of Finance and Administration (DOFA). The strategy will focus on the development of appropriate incentive structures for developing countries, sub-national governments, institutions and individual officeholders to eliminate corruption. A core tenet of the strategy will be close cooperation with other donors and international organisations, as well as with the Australian private sector.

The strategy will include support for improved law and justice, economic and fiscal management and building demand for transparency and anti-corruption within developing countries themselves.

The strategy will emphasise preventative activities such as improved budget processes; government financial management and procurement systems; support for investigation and prosecution, including decriminalisation and recovery of assets; and assistance designed to build demand for better governance through education and awareness-raising.

Enhancing Australia's engagement with the Asia-Pacific region

Australia will build on its strong record of policy coherence in the Asia-Pacific region, especially in relation to trade and development policy.

AusAID is broadening its cooperation with other government departments (OGDs) and agencies to deliver more effective aid programs in the region. Strategic Partnership Agreements (SPAs) enhance collaboration between AusAID and OGDs to deliver a broader range of targeted assistance to partner countries. Seven SPAs have now been finalised. New country and regional strategies will also involve whole-of-government consultation and initiatives and provide a unified framework for planning and review of development activities.

In addition to stronger government engagement in the region, the aid program will promote further research, NGO and community links. The development research program will be underpinned by a new strategy which encourages long-term partnerships with research organisations both in Australia and overseas. Further assistance will be provided through NGO programs to support development priorities in partner countries. Linkages with new groups in the region such as

community-based organisations, professional bodies and businesses will also be fostered.

Partnerships

The aid program will work more closely with partner countries and other donors. Country strategies will reflect White Paper themes and individual country circumstances and priorities, and will be produced jointly with partner governments. The aid program will increasingly utilise partner country systems to strengthen capacity and reduce fragmentation. Wherever possible, partner governments will drive development activities and Australia will assist in a supporting role.

Australian overseas aid will be untied. Untying aid will strengthen relations with partner governments and achieve better value for money. Allowing partner country organisations to bid for contracts to supply goods and services to the aid program will further improve effectiveness through enhancing local capacity and involvement.

The aid program will closely partner with bilateral agencies to deliver aid. This may require joint analytical work, coordinated provision of technical assistance and delegation of responsibilities. Australia will also proactively engage with the multilateral development banks in order to leverage their support and resources to address development priorities in our region.

CHAPTER THREE: INDONESIA

Country program estimate	**$125.0 million**
Australia-Indonesia Partnership	
for Reconstruction and Development (AIPRD)	**$178.4 million**
Estimated other ODA	**$40.9 million**
Estimated total ODA	**$344.3 million**

Indonesia development indicators

Country	GNI per capita ($A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	1,249	78	67	88

Source: GNI per capita: World Development Indicators, World Bank, 2005; other indicators: Human Development Report, UNDP, 2005.

- **Through the AIPRD, Australia will provide $300 million to build and upgrade 2000 junior secondary schools, and support teacher development and financial and asset management. Australian assistance of $328 million will help upgrade national roads.**

- **Australia is working with Indonesia to strengthen economic and public sector management through a $50 million government partnerships initiative. In 2006-07, 253 Australian Partnership scholarship awards will be provided to Indonesian students.**

- **To date, $151 million has been allocated to assist reconstruction in Aceh and Nias, including for building 19 schools and 180 village halls and mapping over 24,000 parcels of land.**

- **Australia is providing $15.5 million to help mitigate Avian Influenza.**

Indonesia has made significant progress towards consolidating economic and financial stability and building democratic institutions. Following the Indian Ocean tsunami in 2004, the Indonesian Government successfully negotiated a peace settlement with the Free Aceh Movement, ending 30 years of civil conflict. In October 2005 the Indonesian Government reduced costly and poorly-targeted fuel subsidies and implemented an associated cash compensation program for the poor. While the compensation program is undergoing refinement, the reduction in subsidies has freed up a large portion of government spending for development-focused initiatives.

Indonesia has also made progress in rehabilitating the areas affected by the tsunami. Australian support has been instrumental in restoring basic services and rebuilding

communities. While there have been delays in the reconstruction process, reflecting the scale of the disaster and the challenges of local capacity and land ownership, real progress is now being made. In Aceh, through the collective efforts of governments and donors, by the end of 2005 over 16,200 new houses had been completed, 235 kilometres of roads had been restored, and 335 new schools had been built or were under construction.

In order to sustain long-term growth and development, Indonesia requires additional investment in its human capital. The number of Indonesians living on less than US$2 per day is approximately 100 million and growth rates of around 5 per cent, although strong, have remained persistently below the 7-8 per cent necessary to achieve significant inroads into poverty.

Australia is providing comprehensive assistance in support of Indonesia's economic and social development objectives. Australia's aid program to Indonesia, including the $1 billion AIPRD, focuses on four key areas: strengthening economic management and growth, promoting democracy, enhancing security and stability, and ensuring basic service delivery.

Diagram 7: Estimated AusAID programs in Indonesia by sector 2006-07
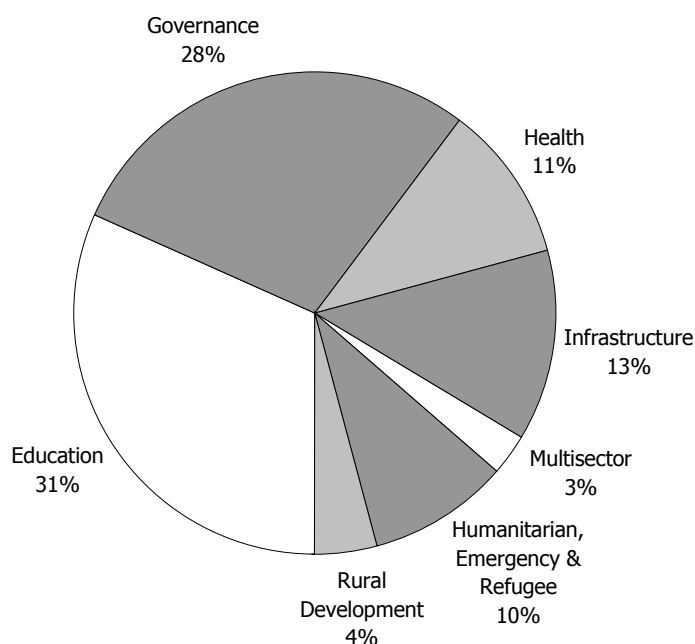
The Australia-Indonesia Partnership for Reconstruction and Development

The AIPRD is a landmark partnership between Indonesia and Australia. The AIPRD engages both governments at the highest political levels in support of Indonesia's reconstruction and development efforts, both within and beyond tsunami-affected areas. The AIPRD is governed by a Joint Commission, overseen by the Prime Minister of Australia and the President of Indonesia. The Commission also comprises Australia's Minister for Foreign Affairs and Treasurer; and Indonesia's Minister for Foreign Affairs, Minister for Finance, and State Minister for National Development Planning and Chair of the National Planning Board.

The AIPRD consists of $500 million in grant funding and $500 million in highly concessional loans. AIPRD is in addition to the existing Australian aid program to Indonesia. By the end of December 2005 almost $950 million of the AIPRD's $1 billion available funding had been allocated to activities agreed by the Joint Commission. This included:

- Over $150 million for Aceh;

- $300 million for basic education;

- $328 million for the improvement of national roads;

- $78 million for postgraduate scholarships; and

- $50 million for government partnerships in economic and public sector administration.

Economic management and growth

Economic management

Australia is working with Indonesia to strengthen economic and public sector management. Australia, through a range of agencies including the Treasury, the Australian Taxation Office and the Australian Public Service Commission, is assisting central Indonesian economic and public sector agencies. Technical assistance to Indonesian economic ministries is also being provided in areas such as infrastructure policy, financial sector development, debt management and trade policy.

Economic infrastructure

Through the AIPRD loans program, Australia is supporting the improvement and rehabilitation of more than 2,000 kilometres of national roads, and the replacement of 4,500 metres of steel truss bridges in eastern Indonesia. Grant funds will be used to build the capacity of the Ministry of Public Works in road design, management and

maintenance. Australia's direct support for road infrastructure is complemented by the provision of expert advice on infrastructure policy.

Private sector development

Australia is working with the International Finance Corporation and other donors to support the growth of small and medium-sized enterprises (SMEs) in eastern Indonesia. Australian support is improving access to finance, strengthening business performance and improving the regulatory environment.

Through the Smallholder Agribusiness Development Initiative, a $25 million program over four years, Australia is assisting agribusinesses in eastern Indonesia to improve production and marketing practices and strengthen agricultural research through the Australian Centre for International Agricultural Research.

Democracy

Australia is supporting the development of strong democratic institutions and encouraging broad participation in democratic processes.

Civil society

The Australian Community Development and Civil Society Strengthening Scheme aims to improve the capacity of participating NGOs to support local development and poverty reduction programs. The scheme also includes the Bali Rehabilitation Fund which improves employment opportunities for economic victims of the October 2002 bombings, supports Balinese SMEs and improves prospects for alternative income generation.

Mainstream Islamic organisations

Mainstream Islamic organisations play a crucial role in the development of a democratic, peaceful and tolerant Indonesia. Australia is collaborating with the Asia Foundation to strengthen civil society, enhance women's rights, ensure free and fair elections, support education reform and build tolerance and understanding. This work is primarily carried out through partnerships with Muslim mass-based organisations which are well supported by the poor and disadvantaged.

Elections

Australia is currently the only donor supporting voter education and election monitoring in connection with a series of elections at provincial, district and city level across Indonesia. Australia works in partnership with the Asia Foundation and the People's Network for Voter Education: a large coalition of mainstream Islamic, Christian and secular NGOs.

Legal and judicial reform

Australia supports Indonesian Government agencies, legal and judicial institutions and human rights-focused civil society organisations to advance essential legal and judicial reform. Australia will assist Indonesia's Prosecution Service and the Anti-Corruption Commission to improve the justice system and promote accountability in public office.

Security and stability

Australia is facing a substantially more complex and challenging regional security environment. The aid program will continue to prepare for and respond to new and emerging challenges and security threats, such as pandemics, transnational crime and terrorism, by supporting the Government's efforts to advance stability and security in the immediate region.

Avian Influenza and other communicable diseases

The Government through AusAID, the Department of Health and Ageing and the Department of Agriculture, Fisheries and Forestry, is working with Indonesia to strengthen its capacity to prepare for and respond to infectious diseases such as Avian Influenza. Australia has so far provided assistance valued at $15.5 million to mitigate Avian Influenza. The funding is improving the response to a potential outbreak through strengthening public awareness and information-sharing, and supporting improvements in disease detection, diagnosis and containment.

Australian funding is also being used to address the spread of HIV/AIDS. Australia is currently funding HIV/AIDS programs to the value of $38 million. Australian assistance focuses on high priority issues such as improving HIV/AIDS care and treatment in vulnerable provinces.

Australian support is helping to contain the recent resurgence of polio in Indonesia. Through the World Health Organization (WHO), Australia has helped Indonesia vaccinate 24.5 million children and reached some 87 per cent of the population.

Emergencies and disasters

Australia is working with key partners such as Emergency Management Australia and BAKORNAS (the Indonesian disaster management agency) to strengthen disaster preparedness and response procedures. The aid program works with key Islamic and civil society organisations such as the Indonesian Red Cross to strengthen disaster preparedness and increase community awareness. During 2005 and 2006, Australia provided responsive and effective assistance to deal with emergencies such as the Nias earthquake on 28 March 2005, Bali bombings of 1 October 2005 and floods which hit East and Central Java in January 2006.

Assistance to Aceh and Nias

In the wake of the tsunami, Australia contributed $122.8 million to humanitarian and emergency relief, of which over $71.8 million went to the Aceh and North Sumatra provinces in Indonesia. The AIPRD is now assisting Aceh and Nias to rebuild over the long term. Over $151 million has been allocated from the AIPRD to restore infrastructure and services to Aceh.

Current priorities include the rebuilding of essential infrastructure such as the major provincial hospital and school buildings; Banda Aceh's main port facility of which an interim terminal was opened on 8 December 2005; and community infrastructure such as village halls and local government offices.

Land mapping is restoring property boundaries and providing security of title where records have been lost. Australian NGOs are involving local communities in reconstruction, upgrading and rebuilding temporary and permanent shelters and enhancing local government planning.

Australia is directly helping villagers through community construction programs that generate employment, and through the restoration of vital agricultural and fishing industries.

The total Australian Government commitment to relief and reconstruction activities in Aceh and Nias (including humanitarian and emergency and other government department expenditure) is over $220 million to date.

Counter-terrorism

Australia will assist Indonesia to strengthen its legal regime to counter terrorism and transnational crime and help Indonesian institutions coordinate counter-terrorism policies and responses. This complements the AFP's support to the Indonesian police force through the Transnational Crime Centre. Australian support is furthering financial and legal reforms to identify and prosecute money laundering, including assistance to Indonesia's Financial Transaction Reports and Analysis Centre. The aid program works closely with the Department of Transport and Regional Services and the Department of Immigration and Multicultural Affairs to assist Indonesia in the areas of aviation and people movement.

Service delivery

Education

A total of $300 million (comprising $100 million in grants and $200 million in AIPRD loans) will be used to expand construction of junior secondary education facilities. Assistance will be provided to poor and remote districts that have low enrolment rates

and an under-representation of girls in schools. Infrastructure support will be complemented by assistance for teacher development and financial and asset management.

Australia will work closely with the Government of Indonesia and other donors to improve the quality and accessibility of primary and early secondary schooling in secular and mainstream Islamic schools. Australia's support will provide teaching resources and enhance teacher skills through in-service training.

Scholarships and training

Of the 600 additional Australian Partnership Scholarships announced by the Prime Minister and the Indonesian President in April 2005, 347 have been awarded and 253 will be awarded in 2006-07. The scholarships focus on, in particular, economic governance, public sector management and education. They are additional to the large number of postgraduate scholarships awarded each year under the Australian Development Scholarships program. Australia's investment in the people of Indonesia is reinforced through the provision of specialised training programs to around 5500 participants per year, who mainly come from provincial and district government agencies.

Health

Health programs in the East Nusa Tengarra and Papua provinces aim to improve maternal and child health, and work closely with the United Nations Children's Fund (UNICEF). A major new program in maternal and child health will complement new area-based development programs in eastern Indonesia.

Australia has provided approximately $10.5 million to improve health services in Bali since the October 2002 bombing. Australian support is assisting the Sanglah Hospital and funding construction of the Australia-Bali Memorial Eye Centre. Australia is also providing medical scholarships and short course training for Balinese health workers.

Map 1: Indonesia

Source: GRi.D Communications Pty Ltd.

Strengthening livelihoods in eastern Indonesia

Indonesian provinces such as East and West Nusa Tenggara, South and South East Sulawesi and Papua remain among the poorest in Indonesia. Australia is implementing several major development projects in eastern Indonesia in health, education, HIV/AIDS prevention and care and local NGO capacity building.

Australia is moving toward area-based approaches in eastern Indonesia which promote integrated strategies for development by strengthening the capacity of regional governments to respond to priorities. These approaches draw together and maximise the impact of Australian programs and accord high priority to joint work with other donors. To be effective, area-based approaches must ensure coherence, collaboration and alignment with government policies and programs.

The Australia-Nusa Tenggara Assistance for Regional Autonomy Program, for example, aims to build government administrative capacity, increase peri-urban and rural incomes and improve the access to and quality of essential services. The program draws upon a budget of $30 million over five years to achieve these goals.

Water and sanitation

Australia works closely with the Government of Indonesia to improve implementation of sound water and sanitation policy. Poor communities, especially those outside Java, continue to suffer from inadequate access to clean drinking water. Australian assistance aims to improve the delivery of essential, affordable services to low income communities, particularly at the district level. Australian support for the Water and Sanitation Policy Formulation and Action Project and the World Bank Water Supply and Sanitation for Low Income Communities Project totals $19.2 million.

CHAPTER FOUR: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

Country program estimate   **$300.0 million**
Retirement benefits   **$13.6 million**
Estimated other ODA   **$18.6 million**
Estimated total ODA   **$332.2 million**

PNG development indicators

Country	GNI per capita ($A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	771	45	55	57

Source: GNI per capita: World Development Indicators, World Bank 2005: other indicators: Human Development Report, UNDP 2005.

- **The new PNG-Australia Development Cooperation Strategy 2006-2010 aims to improve governance and state building, encourage sustainable economic growth and productivity, enhance stability and service delivery, and fight HIV/AIDS. A performance framework linked to annual aid allocations will monitor progress towards these objectives.**

- **The Enhanced Cooperation Program (ECP) supports PNG's own reform efforts and has an explicit focus on anti-corruption. ECP assistance will promote stronger accountability and greater effectiveness in the use of PNG's resources.**

- **Australia will support PNG's National Strategic Plan on HIV/AIDS. Australian assistance will address gender aspects including domestic violence, and will assist primary health care providers to combat sexually transmitted infections.**

The PNG Government has initiated strong reforms with respect to central bank independence, tariff reforms, the labour market and the financial sector. Developments such as the PNG-Australia gas pipeline present new opportunities for long-term growth. Nevertheless PNG faces considerable challenges. Economic activity suffers because of poor infrastructure, burdensome regulation and licensing, and the effects of crime. Over 40 per cent of the population lives on less than US$1 per day, and current estimates place HIV/AIDS prevalence at 1 per cent in rural areas and 4 per cent in urban areas. In addition, rapid population growth and instability in several parts of the

country threatens economic growth prospects. It is predicted that even if economic growth could be sustained at 3.5 per cent per annum to 2025, GDP would still only reach the levels of the early 1990s.

The PNG-Australia Development Cooperation Strategy 2006-2010 supports broad-based economic growth and focuses on four central themes: improved governance and state building, sustainable economic growth and productivity, improved stability and service delivery and fighting HIV/AIDS. It utilises performance-based funding: whereby a substantial proportion of aid funds may be allocated subject to agreed performance measures.

Diagram 8: Estimated breakdown of AusAID programs in PNG by sector 2006-07
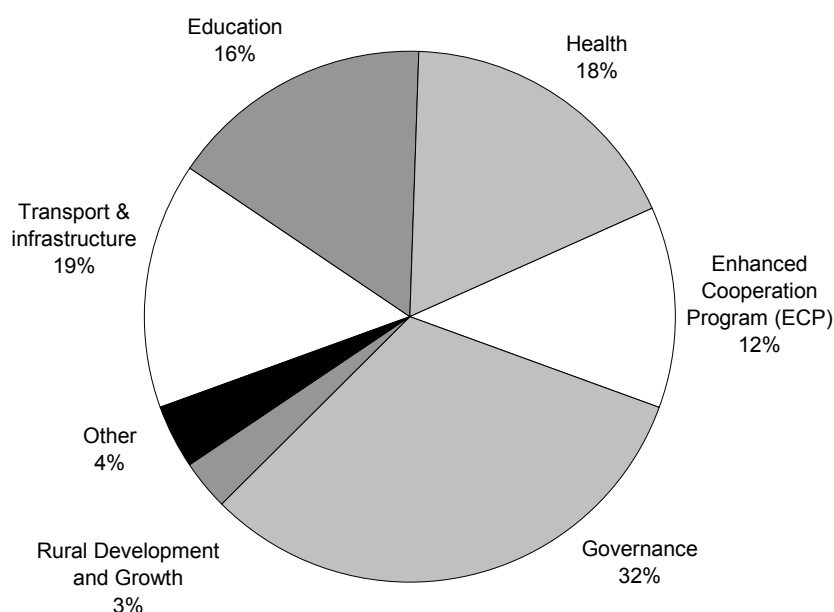
Governance and state building

In 2006-07, Australia will continue to assist PNG with economic and public sector reforms including implementation of the PNG Government's Public Sector Reform Strategy and efforts to review and rationalise public expenditure. Other assistance will cover corporate planning, provincial financial management and payroll integrity.

Australia will support the new Enhanced Cooperation Program, resulting from negotiations with PNG over the last 12 months. The revised program will emphasise action to address corruption; and seek to improve economic management and growth, law and order, and border security and transport security. The ECP draws on the

resources of more than 10 Australian Government agencies and deploys a number of Australian officials to work directly in PNG Government departments.

Anti-corruption for development

Corruption hinders reform efforts, undermines broad-based economic growth and reduces aid effectiveness. PNG was ranked 130 out of 159 countries on Transparency International's 2005 Global Perceptions Index. The aid program's emphasis on anti-corruption is designed to promote the effective use of both donor funds and PNG's own budgetary resources. Examples of Australian assistance to combat corruption includes:

- Ongoing work with the PNG Ombudsman Commission, including support for the Complaints and Leadership Divisions, the Office of Legal Counsel and public outreach and education;

- Assistance under the Electoral Support Program, including voter education and assistance to the PNG Electoral Commission; and

- Support for civil society, which includes Media Council assistance and funding for the PNG Chapter of Transparency International. Support for the Consultation, Implementation and Monitoring Council brings community, business and government together to address corruption.

Support for the law and justice sector will be enhanced in 2006-07. Australia will assist key agencies and community organisations in accordance with priorities set by PNG's National Law and Justice Policy and Plan of Action, and Medium Term Development Strategy 2005-2010. The Law and Justice Sector Program operates across the sector utilising an integrated approach to strengthen law and justice systems across a number of agencies.

To complement this assistance, the aid program will seek to increase local demand for better governance and accountability in order to promote more sustainable development. Australia will work to strengthen PNG civil society groups through a new innovative strategy which builds linkages between NGOs, churches, the media and the state. In addition, to prepare for elections in 2007, Australia will work with the PNG Electoral Commission to improve elections policy and administration, civic education, voter awareness and participation in the electoral system.

Sustainable economic growth and productivity

Approximately 87 per cent of Papua New Guineans live in rural areas. The majority of rural Papua New Guineans are supported by semi-subsistence agriculture (subsistence farming supplemented by cash cropping), which also makes up the vast proportion of

informal economic activity. Agriculture is the main livelihood for 80 per cent of the poor in PNG.

Australia is assisting PNG achieve broad-based economic growth which engages rural populations as both contributors and beneficiaries. Commencing in 2006-07, Australia will provide assistance worth $32 million to PNG's primary agricultural research and development institutions over five years through the PNG-Australia Agricultural Research and Development Support Facility. The facility will include a competitive small grants scheme to fund the dissemination of innovative agricultural technologies to smallholders.

The development of infrastructure, particularly roads, communications, airports and sea ports, is critical to sustaining economic growth. The development and maintenance of good quality roads plays a key role in linking people, products and markets, and is important to the development of other sectors such as law and order, health and education. Australia's assistance to this sector will be provided through the Transport Sector Support Program which adopts an integrated approach to addressing PNG's transport infrastructure constraints.

Strengthening the private sector remains an important component of Australia's approach in PNG. In addition to investment in infrastructure and rural development, Australia is working with the private sector and with the Asian Development Bank (ADB) to develop small and medium-size enterprises in PNG.

Stability and service delivery

Education has a central function in reducing poverty. However, education outcomes in PNG are poor compared to other countries in the Asia-Pacific. More than 10 per cent of children never enrol in school, and of those who do, more than 40 per cent fail to complete Year 6. Australia supports PNG's National Education Plan 2005-2014 through a program which promotes dialogue with the PNG Government on education policy and performance improvement, and uses a flexible funding mechanism. Australian support will assist PNG to improve education delivery, in areas such as teacher training, curriculum development and infrastructure maintenance. A sector program to cover the whole of the school system is currently being developed under the leadership of PNG's National Department of Education with strong Australian Government support.

Australia works closely with other donors to support improvements in PNG's health sector, including through capacity building and training delivered to key health sector providers, delivery of clinical health services and training of local staff. In recognition of the health concerns in the Torres Strait, Australia also supports health activities in Western Province to assist both the PNG and Torres Strait communities.

Australia also works with sub-national government institutions to improve planning, and human resource and financial management to deliver better quality and more accessible services.

Australia is assisting Bougainvilleans and the Government of PNG to implement autonomy in Bougainville. Australia provides practical support to the autonomous Government and for economic development, with self-reliance and stability as the goal. Australian support to Bougainville will continue to be provided through both national-level and Bougainville-specific programs, covering education and health, governance, civil society, law and justice, and economic development.

Australian support for emergency response and preparedness will be extended to PNG's National Office for Disaster Management and local and international NGOs.

HIV/AIDS

HIV/AIDS prevalence in PNG is approaching 2 per cent of the adult population. A 2006 AusAID report, *Impacts of HIV/AIDS 2005-2025 in Papua New Guinea, Indonesia and East Timor,* found that if HIV interventions remain at current levels, by 2025 HIV prevalence in PNG will rise to over 10 per cent of the population; at the same time over 70 per cent of medical beds will be occupied by people living with AIDS.

Australia is currently working to support PNG's implementation of its National Action Plan on HIV/AIDS. In particular, the aid program will address gender aspects of HIV/AIDS including domestic violence; increase support for primary health care services to handle sexually transmitted infections; expand prevention and behavioural change programs; and support stakeholders, including government and community-based organisations.

The Pacific

Estimated ODA to the Pacific in 2006-07   **$434.4 million**

Pacific regional development indicators

Country	GNI per capita ($A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Solomon Islands	925	70	62	77
Fiji	3,638	47	68	93
Vanuatu	1,819	60	69	74
Samoa	2,466	88	70	99
Tonga	2,297	100	72	99
Kiribati	1,357	48	64	100
Nauru	na	na	63	95
Tuvalu	na	100	61	98

Source: GNI per capita from World Development Indicators, World Bank 2003; other indicators from Human Development Report, UNDP 2004 and Human Development Report, UNDP, 2005.

- **Australia will implement key recommendations of the Pacific Plan in support of stronger regional governance and better development outcomes.**

- **To accelerate the economic growth agenda, the *Pacific 2020* report will provide policy options for regional decision makers in nine key areas to maximise growth.**

- **A new Australia-Pacific Technical College will deliver training and Australian-standard qualifications to Pacific Islanders to increasingly integrate the Pacific with the global economy.**

- **Australia's contribution to RAMSI will involve broader Australian Government expertise in order to address economic, legal and public sector reform.**

Most countries in the Pacific region have under-resourced institutions and narrow economic and resource bases. They suffer from small size, remoteness from major markets and vulnerability to natural disasters. High fertility rates, particularly in Melanesian countries such as Vanuatu and Solomon Islands, have resulted in a large number of young working age people. Combined with low economic growth, this has led to high unemployment, a growing rural-urban drift and increased poverty. Where governance is weak, these trends present opportunities for crime, social conflict and in extreme cases, political instability. While HIV/AIDS is still at a low level in many Pacific countries, weak health and social systems make these countries more vulnerable to infectious diseases.

Map 2: The Pacific
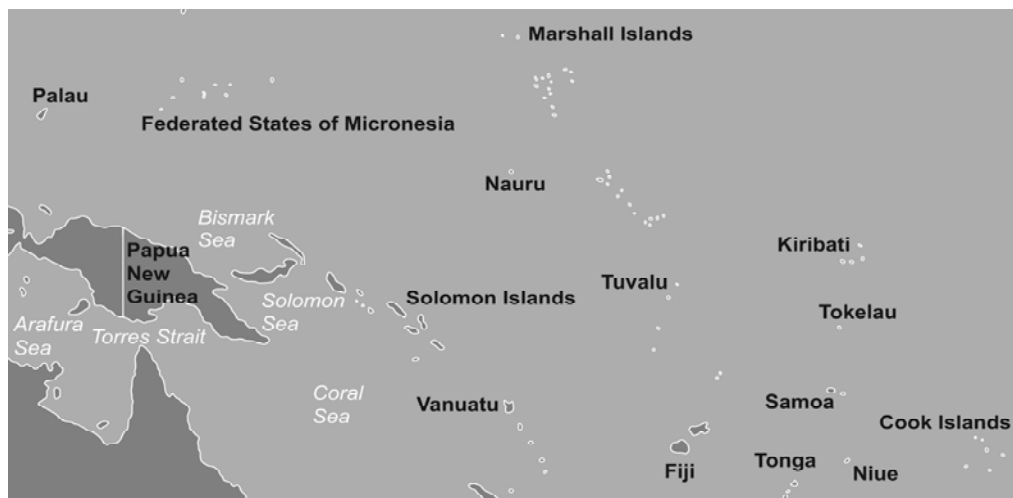
Source: GRi.D Communications Pty Ltd.

Regional programs

Pacific regional program estimate   **$73.5 million**

Australia's Pacific Regional Aid Strategy 2004-2009 provides a framework for assistance to the Pacific to support its development goals. The strategy focuses on four themes: strong broad-based growth; effective, accountable and democratic government; strengthened law, justice and security; and enhanced service delivery. It focuses on measures to enhance aid effectiveness, particularly through greater research and analysis, and harmonising programs with other donors. Recognising the particular development challenges faced by countries such as Solomon Islands and Vanuatu, the strategy channels an increased proportion of assistance to these parts of the Pacific.

Diagram 9: Estimated Australian ODA to the Pacific by country 2006-07

Vanuatu
8%

Fiji
8%

Other Pacific
islands
7%

Regional Pacific
13%

Tuvalu
1%

Kiribati
3%

Tonga
3%

Samoa
5%

Solomon Islands
52%
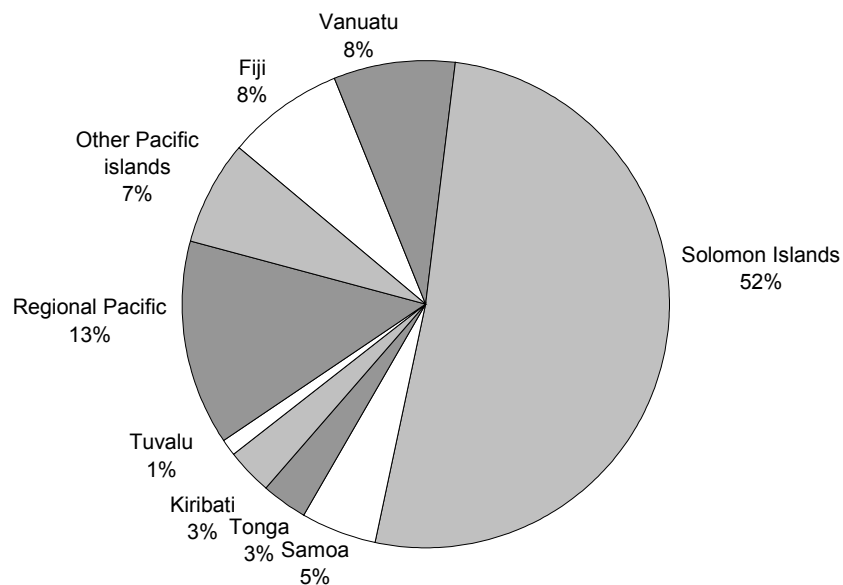
Pacific 2020

The Pacific 2020 project is part of a commitment to support broad-based economic growth in the Pacific. As a first step, an analytical report will highlight major challenges facing the Pacific, PNG and East Timor over the next 15 years. It will emphasise the importance of economic growth and provide policy options in the following nine key areas:

- Five productive sectors: agriculture, fisheries, forestry, tourism, and mining and petroleum; and

- Four areas which enable growth: private sector, political governance, land, and employment and labour markets.

The report is aimed at decision makers in Pacific governments, the private sector and civil society.

As a means to accelerate economic growth in the Pacific, Australia, through a new Pacific Land Mobilisation program, will contribute to research on the difficult issue of land tenure and disseminate information on innovative land mobilisation practices. Where there is clear demand, Australia will work with Pacific partners to deliver innovations and improvements in land tenure arrangements.

Australia will support regional governance solutions, where appropriate, to foster greater stability and cooperation. The small size of most Pacific island countries means they have difficulty generating adequate resources to support the array of institutions that typically underpin a functioning nation-state. The Pacific Plan, endorsed by Pacific leaders in October 2005, provides a strategic framework through which Australia can assist the Pacific to develop its own solutions to challenges affecting the region. Australian support for key Pacific Plan programs will include strengthening regional audit arrangements, establishing a regional ombudsman's office to implement the Forum's Principles of Good Leadership and Accountability, and building country and regional statistical systems.

The Australia-Pacific Technical College

Despite the enormous diversity within the Pacific region, labour markets in all Pacific countries are characterised by a lack of skilled labour. Most Pacific island economies have a shortage of technical skills but an abundance of often young, untrained workers.

Australia will establish an Australia-Pacific Technical College to deliver Australian-standard qualifications to the Pacific, and contribute to the upgrading of technical skills. Pacific island economies will benefit from a larger skilled workforce to support economic growth; and graduates will benefit from greater employment prospects in both domestic and regional labour markets.

Initially, training will be selected from the sectors of health care and personal services; hospitality and tourism; and the automotive, construction and electrical trades. To ensure that the training is flexible and continues to meet industry needs, the college will build partnerships with Australian and Pacific industry associations, private training providers and educational institutions.

In 2006-07, Australia will assist the Pacific to address its environmental challenges, including changing sea levels and climate variability. A new environment strategy will focus on climate change and adaptation, freshwater management and strengthening environmental regulatory regimes. In the Pacific, Australian aid will also support the identification, removal and safe destruction of stockpiles of persistent organic pollutants.

The major factors influencing transmission of HIV/AIDS in the Pacific region include a young mobile population, high rates of other sexually transmissible infections, and gender issues that exacerbate risk and vulnerability. Australia will continue to take a leadership role in coordinating expanded access to HIV/AIDS treatment. In addition, within the framework of the Pacific Regional HIV/AIDS Strategy endorsed by Pacific leaders, Australia will continue its assistance to prevent the spread of HIV/AIDS, including through surveillance, behavioural change and community-based programs.

Australia has also pledged $8 million to assist Pacific countries prepare for emerging diseases, including Avian Influenza, with a particular focus on strengthening the capacity of regional and national systems to respond to potential outbreaks.

Bilateral programs

SOLOMON ISLANDS

Country program estimate	**$99.5 million**
Estimated other ODA	**$123.5 million**
Estimated total ODA	**$223.0 million**

The situation in Solomon Islands has improved significantly since 2003, however as demonstrated by the recent civil unrest in the capital, Honiara, key development challenges remain. The economy has stabilised but long-term growth prospects remain uncertain. More than 80 per cent of Solomon Islanders rely on subsistence agriculture and fishing, and a large proportion live in remote locations. The community continues to experience health problems with a rising incidence of 'first world' diseases such as heart disease, diabetes and cancer. Malaria rates are high and HIV/AIDS and mental health are emerging concerns. Population growth rates will also impact on the delivery of basic services; and corruption remains an ongoing issue constraining future progress.

Australia will support Solomon Islands as it shifts from stabilisation to long-term growth and development. Development assistance is provided through the Regional Assistance Mission to Solomon Islands (RAMSI) and through a bilateral aid program. Australia's contribution to RAMSI involves broader Australian Government expertise including the Australia Federal Police (AFP), the Treasury, the Department of Foreign Affairs and Trade, the Department of Finance and Administration, the Department of Defence, and state government agencies in the law and justice program.

Total ODA to Solomon Islands is $223.0 million in 2006-07. AusAID program assistance to Solomon Islands totals $99.5 million. Aid will be organised around four broad themes: helping government better serve the Solomon Islands people; contributing to a safer and more secure Solomon Islands; encouraging broad-based growth for a more prosperous Solomon Islands; and helping build strong and peaceful communities.

Helping government better serve the Solomon Islands people

The Machinery of Government program is an essential component of RAMSI. Recognising the centrality of state building in fragile states, the program seeks to address serious ongoing deficiencies in government functions through assistance to improve the functioning of the public service, cabinet processes, accountability institutions, Parliament and elections.

Australia has assisted the Solomon Islands Government target corruption and deliver comprehensive strategies for public administration reform and management. Australian assistance has been important in improving recruitment policies and procedures, as well as promoting transparency and accountability in government. Major audit reports, for example, were tabled in Parliament in 2005 for the first time in almost two decades. Recent Australian assistance for Parliamentary reform, electoral reform and a nationwide civic education program serves as part of a broader strategy to strengthen Parliament and democratic accountability.

Australian support through the program in 2006 will build on achievements. There will be a focus on strengthening policy processes to reinforce the demand for good governance, including through improving public service practices and financial management and accountability, as well as promoting the role of women in government.

Australia is also assisting the health sector in Solomon Islands. This will include financial support for essential health services as well as activities designed to improve planning and management in the sector. There will be an increased focus on HIV/AIDS as well as work to address the problems of malaria and mental health.

Ensuring a safer and more secure Solomon Islands

Australia's assistance to the law and justice sector is guided by a new framework developed in conjunction with the Solomon Islands Government. A law and justice program unit in the Ministry of Police, National Security, Justice and Legal Affairs is assuming responsibility for the management of Australia's assistance to the sector. Australian support is aimed at equitable access to justice through efficient, affordable and accountable institutions.

There will be a stronger focus on the effectiveness of key accountability institutions, as well as further programs that aim to foster broader community demand for good governance. Key emphasis will be placed on strengthening investigative capacity, education and prevention, institutional strengthening and increasing understanding in the broader community of the detrimental effects of corruption. Addressing corruption will require a multi-tiered approach across RAMSI and the bilateral program, and strong partnerships with both government and civil society.

To complement this assistance, Australia will work with the RAMSI Participating Police Force to contribute to stability in provincial areas, including through support for justice and prison infrastructure.

Encouraging broad-based growth and a prosperous Solomon Islands

In 2006-07, Australian government agencies will continue to assist the Solomon Islands Department of Finance and Treasury through the provision of inline and advisory support. Australia will assist the Solomon Islands program of targeted economic reform in areas such as taxation, transport (including in aviation and shipping), industry revitalisation and the regulatory environment.

Australia is also providing assistance for agriculture, forestry and land administration reform. In partnership with the European Union and World Bank, Australia is developing a strategy to strengthen rural livelihoods in Solomon Islands through support for subsistence agriculture and facilitation of income-generating activities in rural areas.

Australia will strengthen partnerships with New Zealand and the Asian Development Bank (ADB) to improve rural roads infrastructure and examine the feasibility of developing a sector-wide approach to improve transport infrastructure.

Helping build strong and peaceful communities

Australia is seeking to build strong and resilient communities to foster lasting peace. Australia assists the Solomon Islands National Peace Council and supports the media to improve communication, information sharing and sports development across the country.

Through NGO Cooperation Agreements, Australia supports community organisations to deliver basic services, develop local capacity for peace and conflict prevention and foster local demand for good governance.

Australian assistance helps create livelihoods for women and youth through small-scale community-based activities, including strengthening local organisations, building schools and health clinics, road rehabilitation, and water and sanitation projects.

VANUATU

Country program estimate	**$25.0 million**
Estimated other ODA	**$9.7 million**
Estimated total ODA	**$34.7 million**

Vanuatu has enjoyed relative political stability since 2004. Its fiscal position has improved through key financial reforms, the introduction of more transparent and accountable budget processes, and improved public sector practices. Sustaining long-term growth will be a challenge for Vanuatu given its young and growing population. Poverty levels in Vanuatu are amongst the highest in the Pacific and improving the delivery of basic services remains a high priority.

Australia's aid program supports long-term stability for Vanuatu through accelerating broad-based growth focusing on governance. A major governance initiative, due to commence in late 2006, will focus on supporting necessary structural reforms and government policies that promote economic growth and improve services to ni-Vanuatu. Australia will also support opportunities for strengthening political systems in Vanuatu.

Australia is working with the Vanuatu Government and other donors to encourage growth in key productive sectors, in particular agriculture and tourism. Future assistance will focus on market development in areas of comparative advantage for Vanuatu. Australian assistance will help establish an enabling environment for the private sector through regulatory and state-owned enterprise reform. Australia will also explore support for infrastructure development in conjunction with the international financial institutions.

Support for the law and justice sector will continue through new police and legal capacity building programs drawing on the technical expertise of the AFP and the NSW Attorney-General's Department. Australia will also support initiatives which strengthen national health and education systems.

FIJI

Country program estimate	**$22.5 million**
Estimated other ODA	**$11.3 million**
Estimated total ODA	**$33.8 million**

While the Fijian economy has recovered well from the 2000 coup, recent growth has been driven by the tourism and construction sectors. The estimated growth forecast for 2006 is less than 1 per cent, which is insufficient to generate the employment and incomes necessary to improve the economic welfare of Fijians over the long term. The continued decline of Fiji's sugar, textile, clothing and footwear industries in the face of eroding trade preferences and global competition compounds this trend.

Australia will continue to work with the Fiji Government and other donors to promote economic growth and stability, in particular by strengthening the enabling environment for private sector development. This will include state-owned enterprise reform and reducing incentive distortions in the taxation system. Equally important is

supporting Fiji's own public sector reform agenda, with a focus on financial management, planning and human resource development. Targeted assistance for structural adjustment to Fiji's sugar, textile, clothing and footwear sectors will also be explored.

Support for the law and justice sector will be expanded to help create a more secure investment climate and promote economic growth. Assistance will improve access to justice, as well as strengthening alternative dispute resolution and restorative justice mechanisms. Anti-corruption and prison reform are also key priorities. Australia is also providing significant support to the health and education sectors, particularly in rural areas, to improve management, training and service delivery.

Australia, together with New Zealand, is providing considerable assistance for Fiji's 2006 elections. This includes voter registration, electoral officer training through the Australian Electoral Commission, public education and practical support to Fiji's police force to ensure election security.

OTHER PACIFIC COUNTRIES

Australian assistance to **Samoa** will focus on law and justice, education and public sector reform. Australia will join with Samoa, the ADB and New Zealand in funding an education sector program which includes support for the construction of a new Ministry of Education headquarters in Apia.

Economic and political reforms are key issues for **Tonga's** long-term development prospects. Australia is providing funding and technical support to the National Committee for Political Reform to support priority political and democratic reforms. Tonga's health system and fisheries-related industries will receive further Australian assistance.

Assistance to **Kiribati** will continue to focus on improving education, technical and vocational training, and public sector management and performance.

In the **Cook Islands,** a delegated cooperation program with New Zealand will reduce the administrative burden of coordinating development assistance, as well as deliver the benefits of a larger combined aid program.

Australia will make further contributions to the **Niue** Trust Fund, supported by targeted scholarships and technical assistance. There will be a greater focus on improved budget management in **Tuvalu**, along with tertiary scholarships and continued support to the Tuvalu Trust Fund. Australia will support enhanced border security in the **Federated States of Micronesia**, along with provision of scholarships to strengthen capacity for management and policy development. Scholarships will remain the cornerstone of Australian assistance to the **Marshall Islands**, **Palau** and **Tokelau**.

The Government of Australia signed the fourth Memorandum of Understanding for development assistance with **Nauru** in September 2005. Priorities are: economic reform and management; improving service delivery; and supporting alternative livelihoods. Assistance will promote realistic reforms, and explore regional solutions to Nauru's development challenges, consistent with the Pacific Plan. There will be greater emphasis on incentives and linking assistance to specific reforms. Support for essential services includes the deployment of Directors of Health and Education to oversee reform tasks in these sectors. Australia will also work with the ADB to reform Nauru's power sector.

CHAPTER FIVE: EAST ASIA

Estimated ODA to East Asia in 2006-07   **$713.4 million[1]**

East Asia regional development indicators

Country	GNI per capita ($A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Vietnam	740	73	71	90
Philippines	1,665	85	70	93
China	1,696	77	72	91
Cambodia	478	34	56	74
East Timor	663	na	50	59
Laos	493	43	55	69
Thailand	3,376	85	70	93
Burma	na	80	60	90
Mongolia	740	62	64	98

Source: GNI per capita, World Development Indicators, World Bank, 2005; other indicators: Human Development Report, UNDP, 2005.

- **Support for planning and managing outbreaks of Avian and pandemic influenza will total $38.6 million in 2006-07. This includes programs with ASEAN, APEC and East Asian bilateral partners.**

- **Australian aid to the Philippines will total $68.8 million. Australian aid will focus particularly on the south given higher rates of poverty, emerging peace processes and a lack of economic opportunities.**

- **In the Mekong subregion, Australia will promote integration between strong performers and vulnerable countries through the ADB Greater Mekong Sub-region Initiative. Australian support is likely to focus on infrastructure and natural resource management.**

The East Asian region has enjoyed strong economic growth and reductions in poverty levels. The percentage of people living on less than US$1 per day in East Asia dropped from 58 per cent in 1981 to 15 per cent in 2001. This trend continues, largely due to growth in China. Yet despite this progress, East Asia remains home to 585 million people living on less than US$2 per day; and many parts of the region, including the southern Philippines and eastern Indonesia, lack economic opportunities and suffer high poverty rates.

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1 Includes total ODA to Indonesia.

The region also faces numerous transnational threats to stability and security. HIV/AIDS, pandemics, transnational crime and the risk of terrorism add to the challenges of development arising from rapidly growing populations.

Australian aid to the Mekong region will focus on economic integration encompassing strong performers such as Vietnam as well as less developed countries such as Cambodia and Laos. As circumstances permit, Australia will look to improve the humanitarian situation in Burma. Australia will also assist East Timor to build the institutions and policies for the effective utilisation of future oil and gas revenues. The aid program with China will be based on shared priorities and focus on areas where Australia has skills and expertise, including in HIV/AIDS, clean energy, trade and managing transnational threats to development.

Diagram 10: Estimated Australian ODA to East Asia by country 2006-07
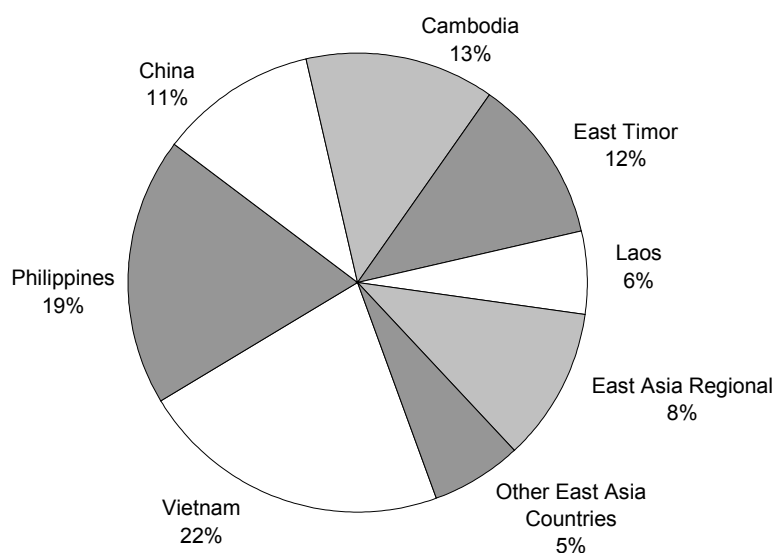
Note: Excludes total ODA to Indonesia.

Regional programs

East Asia regional program estimate   **$76.0 million**

Strengthening cooperation on transboundary threats

Australia will support regional initiatives to address and manage threats such as pandemics, disasters and transnational crime (including people smuggling, illegal fishing, drug trafficking and money laundering). These threats demand national as well as transnational responses.

Regional pandemics

Australia is playing a leading role in developing a coordinated response to Avian Influenza in the Asia-Pacific. At the APEC meeting in November 2005, the Prime Minister announced $100 million over four years for initiatives that combat the threat of pandemics and other emerging infectious diseases within the region. This new commitment includes significant new funding for 2006-07.

These funds are in addition to the $41 million Australia has already committed since 2003 to combat Avian Influenza and other infectious diseases, which includes $15.5 million for Indonesia, $8 million for the Pacific and $3 million for Vietnam.

Of the new funding, $90 million will be used to help regional economies and support organisations working to combat the threat of pandemics across the region, such as the World Health Organization, the Food and Agriculture Organization, the World Organisation for Animal Health and the World Bank.

A further $10 million will be used for specific APEC activities on Avian influenza including a regional exercise to test communications networks and ensure preparedness, and the establishment of a register of health and disaster response experts.

Australia's response to avian influenza focuses on partner countries in our region which have been affected by the disease, including Indonesia and Vietnam. Assistance will also be provided to develop stockpiles of protective equipment and medical supplies. Australia will continue to provide further funding for ASEAN's Emerging Infectious Diseases Programme, and for strengthened animal health surveillance and diagnostic capacity through the Australian Animal Health Laboratory.

Australia provides a valuable contribution to addressing HIV/AIDS in the region. The threat of HIV/AIDS in Burma, Vietnam and China is being addressed through a $10.3 million commitment over four years. Australia's regional assistance will support the reduction of HIV-related harm associated with injecting drug use and strengthen national HIV policy making and programming.

Illicit drugs and human trafficking are growing problems which are closely linked to organised crime and corruption. Australia is providing $2 million to improve treatment for injecting drug users and establish a regional information management system for combating amphetamine type substances. This new commitment complements contributions to the UN Office on Drugs and Crime. Australia is also working with Laos, Burma, Cambodia and Thailand to combat human trafficking. Our assistance will expand to other countries in the region and look for opportunities to build partnerships through ASEAN.

Corruption is a major impediment to broad-based economic growth and poverty reduction. Australia will address this issue through further developing its anti-corruption strategy to encourage the rule of law, promote improved public sector management and strengthen civil society. Australia has committed $3 million over three years to support regional anti-corruption initiatives. Australia will also work with the World Bank to address corruption in natural resource management and infrastructure, and will support the OECD's Anti-Corruption Initiative for the Asia-Pacific.

Promoting regional integration

In 2006-07, Australia will support studies on integration across Asia among the ASEAN+6 countries (including Australia, New Zealand, India, China, Japan and Korea). Support to ASEAN will also continue through a $2.7 million initiative focusing on the East ASEAN Growth Area. Through this initiative, the aid program will work with ASEAN, multilateral development banks and other key donors to pilot activities in regional security, private investment, infrastructure development and donor coordination, focusing particularly on development challenges in eastern Indonesia and the southern Philippines.

Australia will chair APEC in 2007 which will provide opportunities to engage partners on regional development priorities. Support will continue for the key role that APEC plays in the region through assisting its members to strengthen trade liberalisation, economic governance and financial and trade security.

Bilateral programs

PHILIPPINES

Country program estimate	**$56.6 million**
Estimated other ODA	**$12.2 million**
Estimated total ODA	**$68.8 million**

The Philippines is falling behind in international competitiveness, its governance remains weak and instability is a concern, particularly in the south. The public debt to GDP ratio is still around 100 per cent and a further deterioration in performance would have serious implications for the 46 per cent of the population who live on less than US$2 per day.

Australia will intensify efforts to promote development in the Philippines. Australia will build its analytical research and policy dialogue in areas such as conflict management, reconstruction and nation building. In 2006-07, Australia will lay the foundation for performance-based initiatives which will support health, education and

infrastructure investments. Australia will also aim to improve infrastructure policy and stimulate infrastructure financing for development.

Australia's development cooperation program with the Philippines is currently built around three priorities: economic governance, security and stability and rural poverty in the southern Philippines.

Australia, through the provision of expertise and capacity building, continues to address key economic governance reforms in the Philippines including in fiscal reform, trade and private sector development. Australia is also working with the World Bank to address broader governance issues such as water and sanitation policy and land administration.

Education and training projects in poorer regions, especially in the south, remain a central focus. Australia is strengthening the quality of educational management and responding to local educational needs in Mindanao, especially those of minority and isolated communities. Australia will continue to support UNICEF programs and work to improve education outcomes in selected regions. Vocational and technical education will remain high priorities.

Australia will support activities to promote security and stability in the Philippines. The Government, through the Australian Federal Police, is building capacity within key Philippines law enforcement agencies to counter terrorism. Support is also being provided through the Department of Transport and Regional Services, and the Department of Immigration and Multicultural Affairs to improve port security and border control.

In Mindanao, Australia is the largest donor to the UN Multi-Donor Programme established in support of the 1996 peace accord between the Philippines Government and the Moro National Liberation Front. Support is also provided to the Mindanao Women's Commission, a key player in the peace process, in order to increase women's participation in conflict resolution and peace building.

VIETNAM

Country program estimate	**$61.0 million**
Estimated other ODA	**$20.5 million**
Estimated total ODA	**$81.5 million**

Australia's aid program to Vietnam will seek to strengthen broad-based growth through improving private sector development and facilitating economic integration. Australia's development cooperation program supports Vietnam's Five Year Socio-Economic Development Plan 2006-10. Australia, as part of a new focus on enhanced partnerships with regional governments, is pursuing opportunities to work

through Vietnamese government systems and engage sub-national institutions. Australia will increasingly harmonise its assistance with other donors. The aid program is also examining opportunities to support Vietnamese Government National Targeted Programs, such as the Socio-economic Development Program for Ethnic Minority and Remote Areas.

In recognition of persistent rural poverty, Australian aid seeks to improve livelihoods for the rural poor in the Mekong Delta and Central Coast regions. There, Australian efforts will concentrate on increasing rural productivity, assisting with disaster and flood mitigation and strengthening the capacity and accountability of provincial governments.

Map 3: The Greater Mekong Subregion

Source: GRi.D Communications Pty Ltd.

Assistance to the Greater Mekong Subregion

Australia is strengthening its focus on the Mekong region to enhance integration and development prospects for vulnerable countries such as Cambodia and Laos. Strong trade flows with China are creating an economic growth zone in the Mekong. The Greater Mekong Subregion (GMS), comprising Vietnam, Cambodia, Laos, Burma, Thailand and southern China is one of the fastest growing subregions in the world. Real GDP in the GMS countries grew by at least 6 per cent in 2004. Exports from the subregion and investment flows to GMS countries have increased. Yet despite these improved economic circumstances, large numbers of poor continue to be locked out of broader gains, especially in rural areas.

Australia is developing a program of subregional engagement in partnership with the ADB's Greater Mekong Sub-region Economic Cooperation Program. The program has extended US$1.4 billion in loans for 19 investment projects and $109 million of technical assistance since its inception in 1992. The program works with GMS countries to promote economic ties and infrastructure development primarily in energy, telecommunications and transport. Australian involvement beyond these areas is likely to focus on issues such as agricultural standards and trade facilitation, transboundary diseases, and sustainable use of energy resources.

CAMBODIA

Country program estimate	**$25.3 million**
Estimated other ODA	**$23.2 million**
Estimated total ODA	**$48.5 million**

Australia's strategy for development cooperation with Cambodia has 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. Australia is a lead donor in the agriculture and rural development sectors. In the law and justice and agriculture sectors, Australia is designing new phases of programs to build on recent achievements.

Years after the cessation of conflict, land mines still threaten vulnerable populations. Australian funding to the Cambodian Mine Action Centre assists the clearing of landmines and helps reduce casualties. In July 2005, Australia announced a new commitment to mine action of $75 million over five years. Australia was one of the original signatories of the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. Australia is serving as President of the Convention in 2006.

EAST TIMOR

Country program estimate	**$30.3 million**
Estimated other ODA	**$13.3 million**
Estimated total ODA	**$43.6 million**

On 12 January 2006, Australia and East Timor signed a treaty establishing a framework for exploitation of Timor Sea oil and gas reserves including equal sharing of future revenues. These revenues will deliver significant new financial resources for the development of one of our closest neighbours.

Australia will assist East Timor to build appropriate institutions and policies for the efficient use of these new revenues. Australia will support effective and accountable planning, budgeting and expenditure management (including at the district level), and work to improve broader public sector management.

In support of stability and prosperity, Australia will continue to assist the Timor-Leste National Police Force through a joint program between AusAID and the AFP. Australia will also assist the justice sector and support accountability and oversight mechanisms including the Parliament and the nation's electoral system.

Australian support to improve delivery of basic services in East Timor will continue. This includes assistance for strengthened rural water supply and sanitation, with an emphasis on environmental health, better health sector management and improved food security.

CHINA

Country program estimate	**$35.0 million**
Estimated other ODA	**$6.8 million**
Estimated total ODA	**$41.8 million**

China has experienced annual economic growth in excess of 9 per cent since 2003, and is expected to continue growing at around 8 per cent per year to 2010. This growth is accompanied by expanding foreign trade and investment. While many economic indicators are improving, growing inequalities within China, environmental degradation and remaining core poverty impede sustainable long-term development.

China is of great strategic importance to Australia and is instrumental in the region's development. The aid program will focus on shared priorities where Australia has particular expertise. Australia will implement a new China-Australia Country Program Strategy 2006-2010 which supports priority sectors: governance, environment and health. Institutional linkages will also be pursued and Australia will work with

China to address regional development challenges such as HIV/AIDS and water resource management.

OTHER EAST ASIAN COUNTRIES

Australia will assist **Laos** to build human capital by improving access to education and supporting the application of new skills and knowledge. Australia will strengthen the enabling environment for private sector development and promote regional integration. The vulnerability of the poor is being addressed through mitigating the impact of natural disasters, and reducing the danger of unexploded ordnance through de-mining programs.

The humanitarian situation in **Burma** continues to decline, particularly with respect to communities in border areas. Australia will continue to focus on providing basic humanitarian support through the International Committee of the Red Cross (ICRC), and UN and NGO bodies. Work to minimise the spread of HIV/AIDS will be carried out in partnership with other key donors.

Australian aid to **Thailand** is being reduced reflecting Thailand's economic development. Future assistance will be implemented largely through the Public Sector Linkages Program.

Assistance to **Mongolia** will seek to improve performance in selected government agencies, and provide scholarships to strengthen people-to-people links and build expertise for long-term development.

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

South Asia

Estimated total ODA to South Asia   **$124.3 million**

South Asia regional development indicators

Country	GNI per capita ($A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	617	75	63	41
Sri Lanka	1,434	78	74	90
India	817	86	63	61
Nepal	370	84	62	49
Pakistan	725	90	63	49

Source: GNI per capita: World Development Indicators, World Bank, 2005; other indicators: Human Development Report, UNDP, 2005.

- **Australia is providing $40 million over three years to help rebuild communities in Pakistan after the devastating 8 October 2005 earthquake. Reconstruction assistance will be channelled to rebuild schools and health facilities.**

- **Australia's regional aid to South Asia includes collaborative programs with the Australian Research Council and with the Joint United Nations Programme on HIV/AIDS (UNAIDS).**

- **Australian aid to Afghanistan supports the Afghanistan Compact and programs to strengthen human rights, basic services, security and stability.**

South Asia has seen a reduction in overall poverty from 52 per cent of the population in 1981 to 31 per cent in 2001. Nevertheless, it remains one of the world's poorest regions. More than 40 per cent of its 1.4 billion people live on less than US$1 per day. Australia, as a relatively small donor in the region, will continue to work primarily through regional mechanisms and multilateral donors, while retaining the flexibility to deliver priority bilateral programs.

REGIONAL PROGRAMS

South Asia Regional Program Estimate   **$12.5 million**

Australia is developing a larger and more diverse development research program in South Asia. AusAID will work with the Australian Research Council and Australian universities through a $3 million program over five years to facilitate research on key development issues. Australia will also support high priority governance and education activities.

Australia partners with the Joint United Nations Programme on HIV/AIDS (UNAIDS) and other international organisations in order to promote HIV/AIDS prevention and care. Regional programs will seek to reduce the spread of the disease in injecting drug user populations and improve HIV/AIDS advocacy and awareness.

PAKISTAN

Country program estimate   **$13.3 million**
Estimated other ODA   **$3.7 million**
Estimated total ODA   **$17.0 million**

Australia is assisting Pakistan through the commitment of 500 new scholarships for study in Australia. These scholarships will be provided over the next five years through AusAID in partnership with the Department of Education, Science and Training. Assistance for research and institutional linkages to boost Pakistan's agricultural productivity will also be enhanced.

On 8 October 2005, a massive earthquake measuring 7.6 on the Richter scale was followed by numerous small earthquakes affecting Pakistan, Afghanistan and India. By mid-January 2006, the Government of Pakistan estimated that more than 73,000 people were dead, more than 69,000 injured and over 3.3 million left homeless.

In addition to Australia's emergency response in 2005-06, Australia has committed a further $50 million in relief and reconstruction assistance. Australia's total humanitarian contribution for earthquake relief and reconstruction now stands at approximately $80 million. Australia's support to Pakistan's reconstruction efforts will include rebuilding of education and health facilities. The aid program will also engage Australian expertise and work with key donors such as the ADB and UNICEF to meet emerging reconstruction needs.

OTHER SOUTH ASIAN COUNTRIES

In **Bangladesh,** Australia will support education and foster stronger governance through regional and bilateral mechanisms. Australian aid in 2006-07 will be an estimated $36.3 million. Australia will work closely with key donors, including UNICEF in district education and the World Food Programme in food security.

In **Sri Lanka,** Australia is building consensus for durable peace through international NGOs, UN agencies and local partners, and is providing assistance to communities affected by conflict. Australian support will also strengthen natural resource management. Total assistance in 2006-07 will be an estimated $31 million.

Australian aid to **India** will be based on issues of mutual interest where Australian skills and expertise will be of most value. Australia will increasingly delegate activities to other donors such as the World Bank and the UK Department for International Development (DFID) to utilise their local knowledge and capacity. In 2006-07, the aid program will support agricultural research collaboration, NGO programs and HIV/AIDS prevention and care activities.

Africa

Country program estimate	**$34.8 million**
Estimated other ODA	**$47.3 million**
Estimated total ODA	**$82.1 million**

Australia plays an important niche role in Africa. Given the focus on Africa by other donors and Australia's strengths in the Asia-Pacific, Australia will seek to streamline assistance through multilateral support and delegation to bilateral donors. Lessons, knowledge and insights gained from aid experiences in the Pacific and Africa can mutually inform both Australian aid in our region and development initiatives in Africa.

Australia has a strong record in responding to humanitarian situations in Africa and will continue to help ease the impact of humanitarian crises. In 2005-06, $18.4 million has been allocated for emergency and humanitarian relief.

Complementing our humanitarian assistance, Australia addresses long-term development needs in countries in southern and eastern Africa. Australia's contribution to UN development organisations, the World Bank and the Heavily Indebted Poor Countries (HIPC) Initiative, constitute significant investments. In 2006-07, the Government will work with WFP, UNICEF, the World Bank and DFID to facilitate HIV/AIDS prevention and care, provide for vulnerable children, improve water and sanitation, and enhance food security. This complements the Australian

Partnerships with African Communities Program which links Australian NGOs with local African agencies to strengthen their health and community activities.

Middle East and Central Asia

Estimated total ODA to the Middle East and Central Asia   **$408.5 million**

The close relationship between security and economic and social development is clearly evident in the Middle East. The Government has committed to significant debt relief, and will continue to respond flexibly to emergencies and international humanitarian and peace-building initiatives.

AFGHANISTAN

At the London Conference on Afghanistan from 31 January to 1 February 2006, the Australian Government pledged an indicative $150 million over the next five years to support Afghan peace and nation building efforts. In 2006-07, Australian ODA to Afghanistan will be an estimated $33.9 million. Australia will support the Afghanistan Compact which provides a road-map for building a stable and democratic state. Australian support beyond mid-2007 will depend on performance against benchmarks contained in the Compact.

Australia will be involved in international efforts to support security and stability in Afghanistan, including through provincial reconstruction. Australian assistance will also help rebuild government institutions, provide further support for human rights and deliver critical health and education services.

IRAQ

Australia will provide further assistance to Iraq to support international efforts to establish a viable and stable democracy. Australian aid assistance to Iraq will be $357 million in 2006-07, which includes recognition of an estimated $334 million in bilateral debt relief. Other assistance will focus on strengthening governance and institutional capacity in key Ministries, including through further training and support for Ministry of Agriculture officials and Iraqi police. Australia will also explore niche contributions in support of economic reforms, while continuing its support through multilateral organisations.

PALESTINIAN TERRITORIES AND REFUGEES

Australia will partner with UN agencies, international NGOs and other multilateral agencies to support the peace process and assist vulnerable Palestinians. Australian

ODA to the Palestinian Territories and for refugee support for 2006-07 is estimated at $16.2 million. In 2006-07, Australia will continue to work with the UN Relief and Works Agency and NGOs to reduce the vulnerability of Palestinians to poverty and conflict, and support activities that deliver essential services.

CHAPTER SEVEN: HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS

Humanitarian and Emergency Programs	**$175.3 million**
International Refugee Fund	**$15.0 million**

- **Australia will focus on building strong humanitarian and emergency response capacity in our partner countries through links with local disaster management bodies, community groups and governments.**

- **Relevant UN and international agencies will be supported to carry out further essential humanitarian and emergency response functions. This includes $9 million for ICRC and further funding for UNOCHA.**

Recent events in the Asia-Pacific underscore the high degree of vulnerability our partner countries face when it comes to natural disasters and humanitarian crises. The 2004 Indian Ocean tsunami killed more than 167,000 people and caused up to US$1.2 billion in damage to productive sectors. The recent South Asia earthquake killed more than 73,000 people, injured more than 69,000 and left over 3.3 million homeless. In the Pacific, cyclones and other natural disasters, such as volcanic eruptions, are an ongoing concern. Australia's humanitarian, emergency and refugee programs significantly contribute to reducing the impact of conflict, and natural and other disasters on vulnerable groups.

In 2006-07, Australia will continue to strengthen its humanitarian and emergency response capacity. Australian funding for humanitarian and emergency programs in 2006-07 will be $175.3 million. Australia will focus humanitarian operations in the Asia-Pacific, but retain the ability to respond flexibly to situations across the globe. The aid program will consider the feasibility of placing additional stores of relief and humanitarian supplies in Australia, the Pacific and Southeast Asia. Partnerships will be strengthened with Australian institutions. These partnerships will draw in expertise and personnel from both State Government and Federal Government agencies, and from the volunteer, health and business sectors.

Australia will also bolster partner country disaster and emergency response capabilities. NGO Cooperation Agreements are currently being reviewed to put in place mechanisms to deliver a more effective response to humanitarian situations in our partner countries. The reviews will look at options for building stronger links with local communities in developing countries.

Australia will also continue core support for key humanitarian agencies such as the UN Office for the Co-ordination of Humanitarian Affairs (UNOCHA), and the

International Committee of the Red Cross (ICRC). Core funding for the ICRC will be $9 million in 2006-07. Australia also recently committed $10 million to the UN Central Emergency Response Fund. Australia will continue its significant partnership with the World Food Programme (WFP) and look to work closely with the UN High Commissioner for Refugees (UNHCR).

Through the International Refugee Fund, Australia will address the needs of people displaced by conflict. In 2006-07, the Fund will receive an Australian contribution of $15 million.

CHAPTER EIGHT: MULTILATERAL REPLENISHMENTS

Multilateral development banks

Asian Development Fund — Asian Development Bank (ADB)	**$95.1 million**
Heavily Indebted Poor Countries Initiative (HIPC)	**$14.4 million**
G8 Multilateral Debt Relief Initiative (MDRI)	**$136.2 million**
International Development Association (IDA) — World Bank	**$93.6 million**
International Fund for Agricultural Development (IFAD)	**$3.0 million**
Total multilateral development banks	**$342.3 million**

- **In 2006-07, Australia will provide a significant contribution of $136.2 million upfront to finance its share of multilateral debt relief through the MDRI.**

- **Australia will encourage greater International Financial Institution (IFI) involvement in our region, especially in the Pacific. Partnerships with IFIs in infrastructure and through bilateral trust funds will be a priority.**

- **The aid program will develop a program-wide environment strategy and will increase support for international environment programs.**

Australia channels a relatively low proportion of its aid through multilaterals when compared to other donors. Australia's greater use of bilateral aid reflects its focus on Asia and especially the Pacific, where Australian expertise is greater. Nevertheless, the World Bank and ADB are principal partners in our region given their financial resources, specialist skills and important roles in global development policy.

Australia's membership and financial contributions to both the ADB and World Bank provide opportunities to influence IFI priorities and programs in our region. Australia contributes to the World Bank and the ADB through their concessional arms: the International Development Association (IDA) and the Asian Development Fund (ADF). The most recent IDA and ADF replenishments resulted in a 25 per cent increase in Australian commitments.

The Government will be active in encouraging the IFIs to focus on policies and initiatives that are consistent with the White Paper framework. For example, Australia will leverage greater IFI involvement in infrastructure in Asia, where Australia's programs and expertise can add value to World Bank and ADB initiatives. Australia will also foster enhanced IFI engagement in the Pacific, including through the AusAID/World Bank Pacific Facility.

In 2006-07, Australia will continue supporting the HIPC Initiative. This provides multilateral debt relief to the world's poorest and most heavily indebted countries which have demonstrated commitment to reform.

Australia will provide a substantial contribution of $136.2 million upfront to finance its share of multilateral debt relief through the G8 Multilateral Debt Relief Initiative (MDRI). Australia's contribution covers the first ten years of MDRI. Australian support will enable the World Bank's IDA to provide 100 per cent debt relief to eligible countries that qualify under the HIPC Initiative.

In 2006-07, Australia and other donors will contribute to mid-term reviews of both IDA and ADF. The reviews will examine priorities and analyse progress on issues of interest to our region such as engagement with fragile states.

The Government will withdraw from the International Fund for Agricultural Development (IFAD) on 31 July 2007. Australia's contribution to IFAD for 2006-07 comprises commitments made during earlier replenishments of IFAD's resources. Annual payments for these remaining commitments will end in 2007-08.

International environment programs

Australia will develop a new environment strategy that will address three themes: climate change and adaptation, water and strengthening environmental policy. The environment strategy will inform the aid program's bilateral activities, as well as complement multilateral environmental efforts such as the Asia-Pacific Partnership for Clean Development and Climate.

Australia will continue its commitment to the Global Environment Facility (GEF) through an estimated contribution of $19.1 million in 2006-07. The fourth replenishment of the GEF remains under negotiation. GEF supports projects in developing countries related to biodiversity, climate change, international waters, the ozone layer, land degradation and persistent organic pollutants.

In 2006-07, an estimated $3.7 million will be provided to the Multilateral Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer, following the successful completion of its sixth replenishment.

CHAPTER NINE: UNITED NATIONS, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS

- **Australian support for United Nations (UN) development organisations will total $69.8 million in 2006-07. This includes $32.8 million for the World Food Program (WFP) and $8.5 million for the United Nations Children's Fund (UNICEF).**

- **International health facilities such as the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM) will be important vehicles for Australian aid in the health sector.**

United Nations development organisations

Support for UN development agencies extends the reach of Australia's aid program. These organisations mobilise and coordinate resources on a scale beyond the capacity of individual donors, and play a significant role in consensus-building on development issues.

Australia will continue to advocate for UN reform by encouraging a greater focus on strengthening performance, reducing duplication and improving results in the field. Such reform will ensure that aid is delivered effectively, coherently and in a timely manner.

Australia will support core UN agencies that play a significant global developmental role. Beyond that, support for multilateral agencies will depend on the relevance of their work to Australia's priorities and their continued effective performance. In 2006-07, Australia will strengthen our engagement with UN partners that focus on HIV/AIDS, emerging infectious diseases, women and children's health and good governance.

In 2006-07, the implementation of Australia's strategic partnerships with UNICEF and the United Nations Development Programme (UNDP) will be a priority. Australia will increase core funding to UNICEF and UNDP to $8.5 million and $7.1 million respectively. WFP will remain Australia's largest UN partner, reflecting its vital role in humanitarian assistance and its effective performance in Asia. The aid program will also engage strategically with the UN Development Fund for Women to advance gender equality. Support for the UN Population Fund to strengthen partner country policies on population and reproductive health will continue through core funding of $4.5 million. Total core contributions to UN development agencies will be an estimated $69.8 million.

Commonwealth organisations

Australia's support for Commonwealth organisations will focus on the Commonwealth Fund for Technical Cooperation (CFTC) which provides assistance to member countries — many of them small island developing nations. Australia's support for the CFTC will increase to $10.7 million in 2006-07.

At the 2005 Commonwealth Heads of Government Meeting in Malta, the Prime Minister announced a new Australian Sports Outreach Programme. The $10 million, five year program will start in 2006-07 and promote fitness, exercise and skills development, particularly in the Pacific. The program is also a vehicle for strengthening community cohesion through youth leadership and development; and for raising awareness of HIV/AIDS and non-communicable diseases, such as diabetes.

International health assistance

Australia's work in international health will be guided by a new health strategy which will focus on the needs of women and children, national health systems and country specific health priorities. Assistance to partner countries will address severe health issues such as maternal and child mortality, the spread of HIV/AIDS particularly among women, and infectious diseases such as malaria and tuberculosis.

The aid program will continue to support the Global Fund to Fight AIDS, Tuberculosis and Malaria through a contribution of $15 million. In 2005-06, Australia brought forward an additional $2 million of its 2006 pledge to enable Round 5 grants to proceed, including grants to the Pacific region. The World Health Organization (WHO)'s work in strengthening health systems and improving maternal and children's health will be enhanced through core funding of $7.1 million. Assistance will be provided for regional and global health security through the WHO Outbreak Alert and Response Networks and the Global Influenza Program.

Australia provides annual core contributions to the International Planned Parenthood Foundation (IPPF), the largest voluntary family planning and reproductive health organisation in the world. Partnering with the IPPF furthers the aid program's efforts in adolescent reproductive health, family planning and HIV/AIDS.

CHAPTER TEN: NGO, VOLUNTEER AND COMMUNITY PROGRAMS

- **Strong partnerships will be established with Non Government Organisations (NGOs) through NGO Cooperation Agreements and the AusAID NGO Cooperation Program (ANCP). Funding for ANCP will rise to $27.5 million in 2006-07.**

- **Funding for volunteer programs includes an increase of $5 million to the Australian Youth Ambassadors for Development (AYAD) program.**

- **The development research program will fund high quality and targeted research through national and international partners.**

Australia will continue to support NGO, volunteer and community programs as valuable components of Australian aid. The Government works with a range of community groups on development issues and activities in our region. Broader relationships with community groups will be developed selectively through increasing Australian links to our region. The aid program will develop ties with community-based organisations, professional bodies, businesses, and local government institutions to diversify its range of partners addressing regional development challenges. Funding for AusAID NGO, community and volunteer programs will be $66.9 million in 2006-07.

Non Government Organisations

NGO program estimate   **$28.1 million**

NGOs play an important role in the delivery of Australian aid. They mobilise public support for development and, through their networks in partner countries, strengthen civil society and provide specialist skills. By assisting the development of local communities, NGOs can help build sustainability and enhance ownership of the development process. Table 8 in the Appendix shows that overall aid program funding to NGOs and Volunteers will rise to an estimated $143.7 million in 2006-07, an increase of over $14 million compared to the 2005-06 expected outcome of $129.4 million.

Accreditation underpins the Government's relations with Australian development NGOs. It ensures that the Government funds professional, well managed, accountable NGOs capable of delivering quality outcomes. The aid program's accreditation system continues to meet Commonwealth and international accountability, transparency and quality standards.

NGO Cooperation Agreements established during 2004-05 remain the key arrangement for AusAID's engagement with the NGO sector. These Cooperation Agreements ensure selected Australian NGOs contribute strategically to achieving aid program objectives.

The AusAID NGO Cooperation Program (ANCP) supports accredited Australian NGOs to undertake cost-effective, practical and direct poverty reduction activities. In 2006-07, funding for the ANCP will be $27.5 million, an increase of $0.5 million. The Government will work with NGOs to ensure programs are well designed, managed and delivered. This will include evaluating performance and enhancing accountability.

Volunteer programs

Volunteer program estimate   **$32.0 million**

Volunteer programs provide opportunities for Australians to help reduce poverty in partner countries through skills transfer and institutional strengthening. Volunteers help foster understanding between the Australian community and local communities in partner countries. They also increase understanding within Australia of the aid program and of development issues more broadly.

The Australian Youth Ambassadors for Development (AYAD) program places skilled young Australian volunteers, aged 18-30, on short-term assignments in developing countries throughout Asia and the Pacific. In 2005-06, the AYAD program achieved the Prime Minister's target of placing 400 Youth Ambassadors in developing countries. Australia will commit a further $5 million to the AYAD program in 2006-07 increasing total support to $15.5 million.

The Australian Volunteer Program, which was competitively re-tendered in 2005, now funds Australian Volunteers International, Australian Business Volunteers and a new program, Volunteering for International Development from Australia which prepares and supports volunteers to work with people of other countries to enhance the sustainable development of their communities.

Direct Aid Program

The Direct Aid Program (DAP) is a small grants scheme administered by Australia's diplomatic posts in developing partner countries. It is used to fund basic humanitarian needs and small-scale community development projects. A total of $4 million will be provided for the DAP in 2006-07.

Public engagement and development education

Devastating events such as the Indian Ocean tsunami in 2004 and the South Asia earthquake in 2005 have markedly increased, not only public awareness of development issues, but also interest in aid expenditure. In 2006-07, highlighting aid program achievements and raising community awareness of development issues will be a high priority.

AusAID will proactively use community events, curriculum materials for schools, public progress reports, media personalities and events, and travel and thematic publications to communicate Australia's aid program achievements to the public. These activities will demonstrate accountable and transparent use of aid funds. Expenditure on media, community activities, publications, internet and global education activities will total $3.1 million.

Development research program

The Australian aid program will strengthen the analytical foundation of Australian aid and contribute to innovative international research. The AusAID Development Research Program (ADRP) will develop a new strategy guided by White Paper themes such as anti-corruption and political governance. The new strategy will promote long-term partnerships with research organisations, and build domestic and international research capacity focusing on the Asia-Pacific.

Current priorities for the ADRP include research on the conditions for promoting and sustaining quality economic growth in the Asia-Pacific region; engagement with fragile states; the economic, health and development costs of transnational challenges, such as HIV/AIDS; and the development dimensions of political stability and security.

International Seminar Support Scheme

The International Seminar Support Scheme assists participants from developing countries in the Asia-Pacific region to attend development-oriented seminars in Australia and overseas. The scheme helps to build knowledge and technical expertise; and strengthen linkages between the government, academic and community sectors in Australia and our partner countries. An estimated $1.3 million will be provided for the scheme in 2006-07.

CHAPTER ELEVEN: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

- **In 2006-07, ACIAR's total ODA will be an estimated $49.6 million, of which 80 per cent is allocated to bilateral programs and the remaining 20 per cent to multilateral programs.**

- **Bilaterally, ACIAR will commence more than 40 new projects in 2006-07. Indonesia and PNG will remain its largest partners.**

The Australian aid program aims to accelerate economic growth by, among other things, supporting rural development. Boosting agricultural productivity increases incomes, stimulates the economy, and generates employment in rural areas where the majority of poor people live. Australia will work more closely with partner countries to promote rural development through agricultural research and training.

The Australian Centre for International Agricultural Research (ACIAR) promotes linkages between Australian agricultural scientists and their counterparts in Asia-Pacific developing countries in order to improve livelihoods through more productive and sustainable agriculture.

In 2006-07, ACIAR's total ODA will be an estimated $49.6 million. Consistent with ongoing policy, around 80 per cent of ACIAR's research and development expenditure is allocated to bilateral programs. The remaining 20 per cent is allocated to multilateral programs, involving selected International Agricultural Research Centres (IARCs) through unrestricted grants and project-specific funding.[2]

Bilateral programs

In 2006-07, ACIAR will support around 200 bilateral projects in countries across the Asia-Pacific region. Through close collaboration with partner government policy makers and research institutions, the projects are designed to promote policy initiatives, capacity building and knowledge and technology exchanges. Increasingly, delivery of benefits to policy makers, natural resource managers and farmers will be achieved by utilising pilot delivery of research outcomes, through research partners and through relevant NGOs and other agencies. Estimated bilateral research expenditure in 2006-07 will be $34.2 million, compared with $30.3 million in 2005-06.

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2 ACIAR's full financial statements are available in the Foreign Affairs and Trade Portfolio Budget Statement.

Diagram 11: Estimated ACIAR research expenditure by region 2006-07
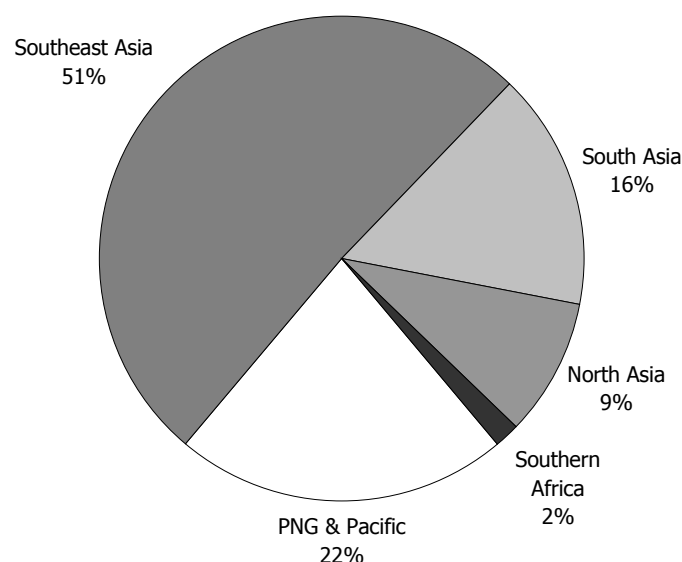
ACIAR is expecting to commence more than 40 new projects in 2006-07. Indonesia will remain ACIAR's largest partner, with PNG second, followed by a cluster of similar smaller-sized investments in China, the Philippines, Vietnam, several Pacific Islands and India.

ACIAR bilateral programs in the Mekong region will expand in Laos and Cambodia, while the program is being wound down in Thailand. In India and China, programs will, in relative terms, decrease in size and focus more on co-funding in recognition of strong development prospects for these countries. New initiatives will commence in East Timor and Pakistan.

ACIAR projects will reflect themes of the National Research Priorities such as environmental sustainability including water, soil loss, salinity and acidity; and safeguards with a focus on invasive pests and diseases. In 2006-07, programs will be organised around four clusters:

- Economics/farming systems;

- Cropping systems;

- Livestock systems; and

- Natural resource management.

In 2006-07, there will be an increased emphasis on horticulture, systems approaches and actively linking practical policy investigations to biophysical research. Post-harvest work has been integrated into sector programs to assist in developing a supply chain approach to addressing research and development problems. Broad-scale natural resource management research, with a particular focus on achieving a better understanding of adoption pathways and policy incentives to adoption, will be emphasised.

Multilateral programs

ACIAR administers the Government's contributions to IARCs: internationally-funded organisations that conduct agricultural research and development activities in developing countries. Estimated funding for multilateral programs in 2006-07 is $10 million. Of this, $5.5 million will go to core expenditure with the remainder tied to funding for project-specific research.

Funding for IARCs considers the centre's relevance to the Asia-Pacific region, its comparative research advantages and its mandate and location. In addition, project-specific funding is considered annually on a competitive basis. Projects are selected on the basis of relevance to ACIAR's country priorities, impact focus and networking between National Agricultural Research Systems in ACIAR partner countries and Australian research agencies.

Training programs

ACIAR develops the skills of partner-country research scientists through formal training courses and informally through project activities. ACIAR operates two fellowship schemes: one for postgraduate studies in Australia, with 25 new scholarships in 2006-07; and a second for short-term research management training of outstanding leaders at Australian institutions. Under both schemes all fellows are involved in ACIAR-funded research projects. The ATSE Crawford Fund, which will receive $0.69 million of government funding through ACIAR, also finances some training activities. Training expenditure in 2006-07 is estimated at $3.6 million.

Communicating research results

ACIAR is allocating $0.7 million in 2006-07 towards communicating the results of research that it funds. Electronic and hard-copy scientific publications form the bulk of this allocation, as well as research and development awareness publications. The scientific publishing program will continue to help build the bridge between research and practice by providing low cost access to a range of publications. The program is complemented by the flagship quarterly publication, *Partners* magazine, which aims to communicate the benefits of ACIAR research to a wide range of audiences, general and scientific. ACIAR is also contributing to training and capacity-building activities in

science communication, and the use of information and communication technologies in disseminating agricultural research.

Evaluating impacts

ACIAR will commit $0.5 million in 2006-07 for its ongoing program of project evaluations. It will continue to commission adoption statements on all large projects (greater than $0.4 million), focusing on projects that were completed in 2002-03, where there has been no follow-up project. Funds are also allocated for six formal cost-benefit studies.

Further information on ACIAR's programs is set out in its *Annual Operational Plan 2006-07*, available at: www.aciar.gov.au

CHAPTER TWELVE: CORPORATE GOVERNANCE

- **Ensuring the aid program's capacity to implement White Paper initiatives will be a major corporate priority from 2006-07 onwards.**

- **A new Agency Business Plan 2006-2010 and a new Corporate Plan 2006-2010 will outline organisational and people management systems and business processes to meet these new challenges.**

- **Stage 2 of the new information management system, *AidWorks*, is due to be operational by mid-2006.**

AusAID is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The agency is responsible for management of the overseas aid 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 local staff, supports the aid program's operations in developing countries and cooperation with multilateral agencies.

A new corporate agenda

The commitment to increase Australia's ODA to about $4 billion by 2010 poses a number of challenges for the aid program. Accordingly, 2006 and 2007 will involve much planning and program development and design, with major implementation to follow piloting of new initiatives. AusAID will carry the primary responsibility for program development and implementation of White Paper initiatives, while working closely with other whole-of-government partners. White Paper implementation will be supported by key reforms in AusAID's management systems, underpinned by a new Corporate Plan 2006-2010 and a new Agency Business Plan 2006-2010. The latter will detail plans for delivery of a more effective and larger aid program.

New agency task forces will develop specific initiatives to support White Paper priorities in the areas of education and scholarships, the environment and rural development, and infrastructure. In addition, the White Paper will demand a greater level of policy engagement with developing country governments and institutions.

AusAID outcomes and outputs

AusAID has two outcomes specified by the Government. Outcome one is to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development.[3] Two agency outputs contribute to this outcome: Policy and Program Management. In 2006-07, the Government will purchase these two outputs from AusAID at agreed prices of $16.9 million and $70.6 million respectively. AusAID's people management and corporate systems support the delivery of these two outputs.

AusAID's role in the ongoing administration of the $1 billion AIPRD is reflected in outcome two: to advance Australia's national interest by implementing a partnership between Australia and Indonesia for reconstruction and development. This outcome is supported by one output: AIPRD Management, at a cost of $5.7 million in 2006-07.

Policy

AusAID provides analysis and advice on all aspects of development policy, program direction and international trends to the Minister for Foreign Affairs, the Minister for Trade, and the Parliamentary Secretary to the Minister for Foreign Affairs. The provision of timely, comprehensive and accurate policy analysis and advice 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, Parliamentary question replies, community outreach and publications. These activities help build community awareness of development issues and ensure that the aid program is accountable to the Government, the Parliament and the Australian public.

Program management

AusAID's program management seeks to:

- Ensure programs and projects correspond with government priorities and are defined in consultation and partnership with the people and governments of developing countries;

- Ensure high quality projects and programs through effective needs analysis and design, regular monitoring and evaluation, identification of lessons learnt, and access to technical expertise and external advice; and

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3 The wording of outcome one will be reviewed in light of the White Paper — *Australian Aid: Promoting Growth and Stability*.

- Establish and manage contracts with delivery partners including the private and public sectors, international and regional development organisations, and community groups including NGOs and Australian-based universities and technical colleges.

Corporate resources

In 2006-07, AusAID will seek to improve its operational effectiveness including through management arrangements that encourage flexibility, responsiveness and innovation. AusAID's core governance committees and groups including people, financial and information management will continue to advise the agency executive on measures to improve corporate functions; ensuring at the same time that ongoing improvements are implemented.

AusAID is strengthening its information management systems to enable greater interoperability of agency business processes in Canberra and overseas. Stage 1 of AusAID's new information management system, *AidWorks*, was implemented in December 2005. *AidWorks* provides AusAID with better access to program and financial information for the implementation of development activities. *AidWorks* Stage 2 will be delivered by mid-2006 and will further enhance reporting capabilities. In 2006-07, *AidWorks* will continue to evolve to meet the needs of AusAID's changing business requirements. AusAID has introduced revised financial management processes in conjunction with the implementation of *AidWorks* to better structure financial information to assist management decision making.

In 2006-07, AusAID expects to commence a new Collective Agreement with staff. The new agreement will be competitive, flexible and inclusive. It will ensure that human resources in AusAID are available now and into the future to meet the needs of an evolving and growing aid program, which will be increasingly managed overseas.

AusAID's central office in Canberra will move to its new purpose-built accommodation in July 2007. The new accommodation applies sustainable design principles to ensure low energy consumption throughout its life cycle. The design and layout of the building incorporates features that will permit maximum flexibility and efficient use of space to support the agency's future program of activities.

APPENDIX

Official Development Assistance

Table 3: Australia's ODA 1971-72 to 2006-07

Year	Current prices ($m)	Constant 2005-06 prices ($m)[1]	Real change over previous year (%)	ODA/GNI ratio (%)[2]
1971-72	200.5	1,468.6	4.0	0.48
1972-73	219.2	1,509.9	2.8	0.47
1973-74	264.9	1,592.5	5.5	0.47
1974-75	334.6	1,649.2	3.6	0.50
1975-76	356.0	1,632.4	-1.0	0.45
1976-77	386.2	1,577.9	-3.3	0.43
1977-78	426.1	1,602.5	1.6	0.43
1978-79	468.4	1,658.1	3.5	0.42
1979-80	508.7	1,645.3	-0.8	0.40
1980-81	568.0	1,663.9	1.1	0.40
1981-82	657.8	1,706.2	2.5	0.40
1982-83	744.6	1,736.6	1.8	0.42
1983-84[3]	931.8	2,033.5	17.1	0.47
1984-85	1,011.4	2,097.7	3.2	0.46
1985-86	1,031.0	2,015.2	-3.9	0.43
1986-87	975.6	1,782.0	-11.6	0.37
1987-88	1,019.6	1,734.1	-2.7	0.34
1988-89[4]	1,194.6	1,876.2	8.2	0.35
1989-90	1,173.8	1,735.6	-7.5	0.32
1990-91	1,261.0	1,777.5	2.4	0.33
1991-92	1,330.3	1,837.1	3.4	0.34
1992-93	1,386.1	1,894.9	3.1	0.34
1993-94	1,410.8	1,914.2	1.0	0.33
1994-95	1,483.7	1,998.1	4.4	0.33
1995-96	1,556.5	2,040.5	2.1	0.32
1996-97	1,432.0	1,841.8	-9.7	0.28
1997-98	1,443.0	1,832.1	-0.5	0.27
1998-99	1,528.6	1,931.7	5.4	0.27
1999-2000	1,748.7	2,167.0	12.2	0.29
2000-01	1,623.1	1,925.8	-11.1	0.25
2001-02	1,755.1	2,035.7	5.7	0.25
2002-03	1,830.8	2,057.6	1.1	0.25
2003-04	1,973.1	2,144.3	4.2	0.25
2004-05	2,198.1	2,297.0	7.1	0.26
2005-06 (est)	2,640.9	2,640.9	15.0	0.29
2006-07 (est)	2,946.3	2,877.3	9.0 [5]	0.30

Diagram 12: DAC member countries' net ODA 2005

$billion

United States	36.0
Japan	17.2
United Kingdom	14.1
France	13.2
Germany	13.0
Netherlands	6.7
Italy	6.6
Canada	4.9
Sweden	4.3
Spain	4.1
Norway	3.6
Denmark	2.8
Belgium	2.6
Switzerland	2.3
Australia	2.2
Austria	2.0
Finland	1.2
Ireland	0.9
Greece	0.7
Portugal	0.5
New Zealand	0.4
Luxembourg	0.3
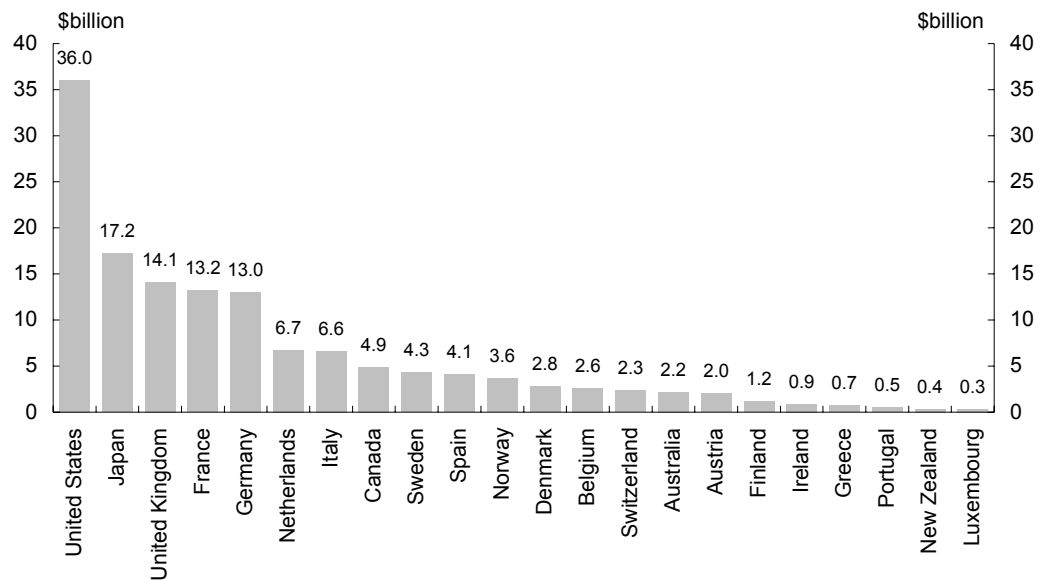
Diagram 13: Total net resource flows to developing countries

$billion

□ Official Development Assistance   ■ Official Assistance
□ Other Official Flows   ■ Private Flows
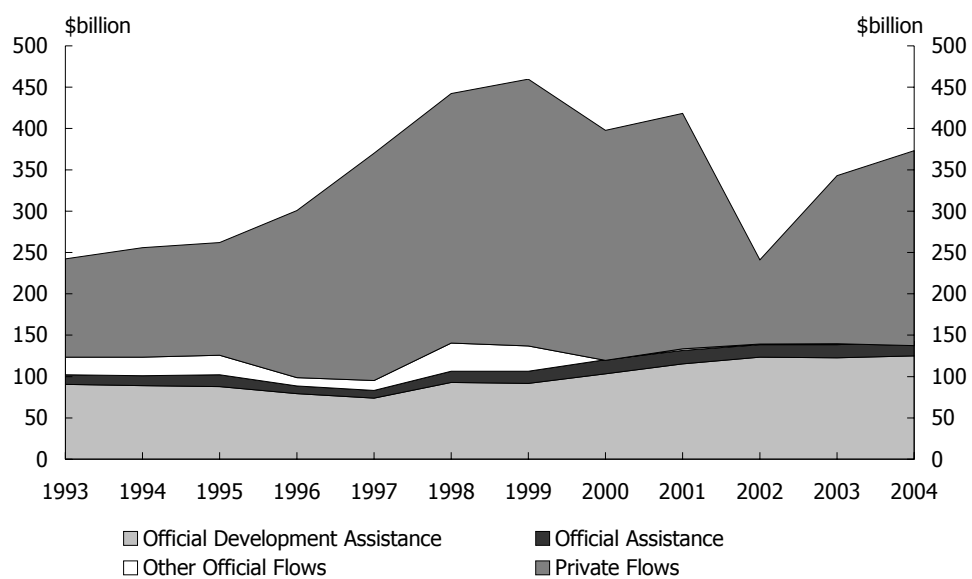
Source: DAC on-line database.

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Table 4: Australian ODA to partner countries not detailed in Table 1

Countries / Regions	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]	
	2002-03	2003-04	2004-05	2005-06 Expected Outcome	2006-07 Budget Estimate
Tuvalu	4.0	3.9	5.0	5.2	5.4
Nauru[2]	3.5	3.8	2.8	3.7	4.8
Micronesia[3]	3.3	2.9	5.8	5.8	6.6
Cook Islands	2.3	2.3	3.1	3.7	3.6
Niue and Tokelau	1.3	6.3	3.2	2.4	2.5
Burma	6.8	9.8	11.8	12.2	11.3
Mongolia	3.4	3.1	2.8	3.2	3.9
Nepal	7.9	6.4	5.7	5.2	7.2
Pakistan	6.3	6.9	4.2	51.3	17.0
Maldives	2.3	1.5	5.0	3.2	2.8
Bhutan	1.2	1.0	1.2	1.3	1.7
Iraq	58.2	44.1	20.4	360.8	357.0
Afghanistan	21.5	23.7	22.8	20.6	33.9
Individual countries/regions identified in Table 1	1131.8	1238.6	1467.7	1487.0	1637.2
Other Government Departments[4] *(not attributed to country/region)*	145.6	144.2	195.5	205.0	202.8
Core contributions to multilateral organisations, other ODA[5]	449.0	506.5	463.5	480.4	653.2
Reconciliation of expenses to cash[1]	-17.4	-31.9	-22.3	-10.1	-4.5
TOTAL ODA *(cash)*	**1830.8**	**1973.1**	**2198.1**	**2640.9**	**2946.3**

Aid program expenditure

Table 5: AusAID country program expenditure estimates and outcomes

Country	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]	
	2002-03	2003-04	2004-05	2005-06 Expected Outcome	2006-07 Budget Estimate
PAPUA NEW GUINEA & PACIFIC					
Papua New Guinea	310.4	305.9	307.1	313.6	313.6
Solomon Islands	24.0	79.2	92.6	98.5	99.5
Vanuatu	13.4	14.7	20.9	24.0	25.0
Fiji	13.9	14.4	17.4	19.9	22.5
Samoa	11.8	12.1	12.5	13.0	13.2
Tonga	9.6	9.0	9.2	9.2	9.2
Kiribati	8.3	7.9	7.5	9.0	9.1
Tuvalu	2.8	2.7	2.9	3.2	3.4
Micronesia[2]	1.9	1.5	1.6	1.9	1.9
Cook Islands	1.0	1.2	1.2	1.7	1.7
Niue and Tokelau	0.9	5.0	1.2	1.2	1.2
Nauru[3]	0.2	0.3	0.2	0.6	0.6
Peace & Security Fund		7.5	5.4	10.0	8.5
Policy and Management Reform	20.0	15.0	17.2	23.0	23.0
Pacific Regional	60.1	47.2	64.8	53.6	54.9
Total PNG & Pacific	**478.2**	**523.8**	**561.8**	**582.6**	**587.3**
EAST ASIA					
Indonesia (Ongoing program)	104.1	125.2	119.6	125.0	125.0
Vietnam	61.3	61.3	55.0	60.4	61.0
Philippines	55.7	41.6	46.1	55.5	56.6
China	42.5	40.8	40.7	38.0	35.0
East Timor	33.6	26.2	28.5	30.0	30.3
Cambodia	24.6	23.6	22.5	25.0	25.3
Laos	13.5	12.9	12.5	12.0	12.0
Burma	2.2	2.9	3.1	3.1	3.2
Mongolia	2.6	2.1	1.9	2.2	2.2
Thailand	10.6	6.1	2.3	1.9	1.0
East Asia Regional	20.9	27.0	31.8	34.7	76.0
Total East Asia	**371.6**	**369.8**	**364.0**	**387.9**	**427.6**
SOUTH ASIA, AFRICA & OTHER					
Bangladesh	20.2	18.8	19.8	21.2	21.5
Sri Lanka	5.7	5.9	6.5	11.0	11.1
India	10.3	11.8	12.0	5.3	3.0
Nepal	5.2	4.8	4.5	4.0	3.6
Pakistan	4.5	4.2	2.5	13.3	13.3
Maldives	2.0	1.5	1.6	1.2	1.0
Bhutan	0.9	0.9	1.0	1.0	1.0
South Asia Regional	7.3	6.7	4.9	10.4	12.5
Africa	35.0	32.6	33.0	34.5	34.8
Palestinian Territories	3.2	3.2	2.6	4.0	4.0
Cross Regional Programs	19.5	15.2	18.6	31.1	28.0
Australian Scholarships					25.2
Total South Asia, Africa & Other	**113.9**	**105.6**	**107.1**	**137.0**	**159.0**
TOTAL COUNTRY PROGRAMS	**963.6**	**999.2**	**1032.8**	**1107.5**	**1173.9**

Table 6: AusAID global program expenditure estimates and outcomes

	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]	
	2002-03	2003-04	2004-05	2005-06[2] Expected Outcome	2006-07 Budget Estimate
HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS					
Humanitarian and Emergency Programs	136.6	139.7	191.2	151.8	175.3
of which:					
International Committee of the Red Cross	*2.3*	*3.0*	*7.4*	*7.0*	*9.0*
International Refugee Fund	15.0	15.0	15.0	15.0	15.0
Subtotal	**151.6**	**154.7**	**206.2**	**166.8**	**190.3**
MULTILATERAL REPLENISHMENTS[3]					
IDA	342.0	0.0	389.2	0.0	0.0
ADF	0.0	0.0	295.4	0.0	0.0
MDRI					136.2
HIPC	18.0	0.0	34.8	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0
GEF	68.2	0.0	0.0	0.0	71.7
MPMF	14.2	0.0	0.0	11.1	0.0
Subtotal	**442.4**	**0.0**	**719.3**	**11.1**	**207.9**
UN, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS					
United Nations Agencies	69.2	56.3	61.7	77.7	69.8
of which:					
WFP	*40.5*	*26.0*	*31.0*	*32.5*	*32.8*
UNICEF[4]	*5.0*	*5.5*	*5.5*	*8.5*	*8.5*
UNHCR	*7.3*	*7.3*	*7.3*	*7.3*	*7.4*
UNRWA	*4.0*	*4.2*	*4.2*	*4.2*	*4.2*
UNFPA	*2.2*	*2.5*	*2.8*	*4.0*	*4.5*
Other UN Agencies	*10.2*	*10.8*	*10.9*	*21.2*	*12.7*
Commonwealth Organisations	12.2	12.1	12.1	11.3	12.7
Other International Programs[5]	20.2	29.0	43.0	39.5	39.6
Subtotal	**101.7**	**97.4**	**116.8**	**128.5**	**122.1**
NGO, VOLUNTEER & COMMUNITY PROGRAMS					
Non Government Organisations	26.6	29.4	27.5	27.6	28.1
Volunteer Programs	14.9	12.8	11.3	16.0	16.5
AYAD	6.2	6.7	8.0	10.5	15.5
Public Information / Development Education	2.7	2.7	2.8	3.0	3.1
Development Research	1.0	1.4	0.9	2.3	2.5
Seminar Support	0.9	0.8	1.2	1.5	1.3
Subtotal	**52.3**	**53.9**	**51.5**	**60.9**	**66.9**
TOTAL GLOBAL PROGRAMS	**748.0**	**305.9**	**1093.9**	**367.3**	**587.3**

Table 7: Total ODA by subprograms

	Outcome ($m) Expenses[1]			Estimate ($m) Expenses[1]	
	2002-03	2003-04	2004-05	2005-06 Expected Outcome	2006-07 Budget Estimate
AusAID Country Programs	963.6	999.2	1032.8	1107.5	1173.9
AusAID Global Programs	748.0	305.9	1093.9	367.3	587.3
AusAID Departmental Expenses	70.6	71.2	75.1	79.3	93.5
AIPRD[2]			8.7	94.1	178.4
ACIAR[3]	46.5	46.8	47.6	48.2	49.6
OGD[4]	219.0	275.1	459.5	754.7	707.8
Adjustments					
Administered [5]	*-13.8*	*-29.7*	*-22.3*	*-11.2*	*-9.4*
Departmental [6]	*-3.7*	*-2.2*	*0.0*	*1.1*	*4.9*
Less new multi-year expenses [7]	*-442.4*	*0.0*	*-719.3*	*-11.1*	*-207.9*
Plus cash paid to multi-year liabilities	*242.9*	*306.7*	*222.2*	*211.0*	*368.3*
TOTAL ODA (cash)	**1830.8**	**1973.1**	**2198.1**	**2640.9**	**2946.3**

Table 8: Volunteer and Non Government Organisation expenditure

	Outcome ($m) Expenses			Estimate ($m) Expenses	
	2002-03	2003-04	2004-05	2005-06 Expected Outcome	2006-07 Budget Estimate
Country Programs	31.3	26.0	20.0	28.9	30.9
Regional and Cross Regional Programs	6.0	2.2	3.4	3.6	4.8
Humanitarian and Emergency	41.6	38.2	45.3	38.3	42.9
Volunteer Programs (including AYAD)	21.0	19.4	19.1	26.5	32.0
ANCP	25.5	28.5	26.7	27.0	27.5
Other funding through NGOs	5.8	5.1	3.2	5.1	5.5
TOTAL	**131.2**	**119.3**	**117.8**	**129.4**	**143.7**

Diagram 14: Estimated Australian ODA in the health sector 2006-07

Basic health care
& infrastructure
22%

Medical services,
education &
training
3%

Health
governance &
sector-wide
activities
21%

STD control
including
HIV/AIDS
28%

Reproductive
health care,
family planning &
population policy
9%

Infectious
disease control
17%
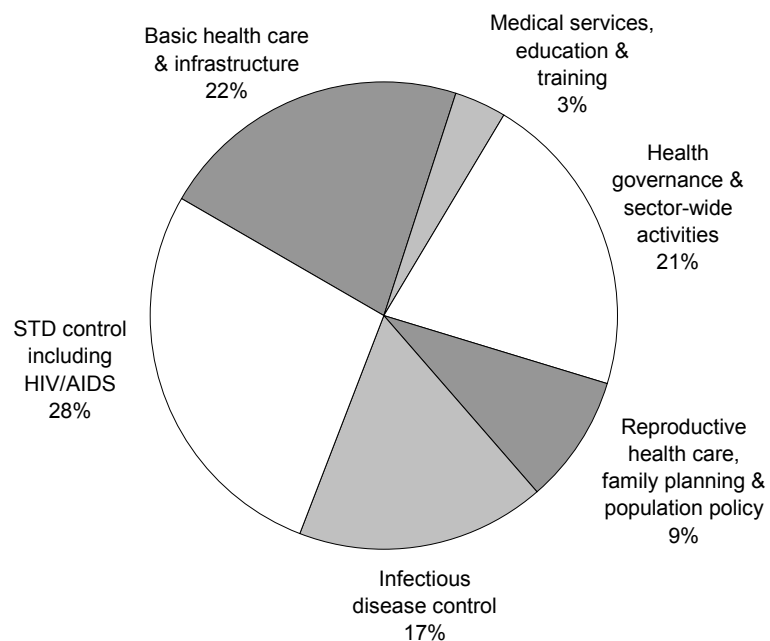
Diagram 15: Estimated Australian ODA in the education sector 2006-07

Education
governance and
sector-wide
activities
24%

Technical/
vocational
education
19%

Secondary
education
4%

Basic education
28%

Higher education
25%
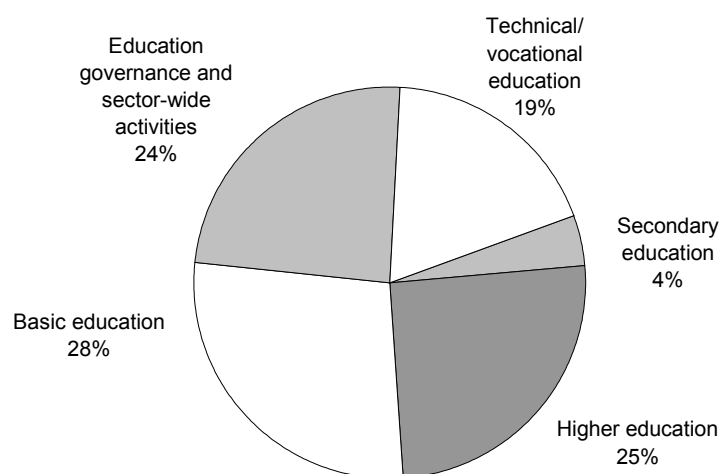
Technical notes

GENERAL

- Normal rounding rules apply where the end digit is less than five. In accordance with 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 GDP Implicit Price Deflator has been used.

- All estimates are exclusive of recoverable Goods and Services Tax (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 2005-06 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.

- Unless stated, increases quoted are based on a comparison of 2005-06 and 2006-07 budget figures.

- 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 aid budget uses the concept of GNI.

ACCRUAL EXPENSES AND CASH

The Government moved to an accrual budgeting framework in 1999-2000 and subsequently budget estimates, for example Tables 5 and 6, are presented in terms of expenses. Multi-year liabilities, such as payments to the ADF, IDA and IFAD 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 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 7 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 ($3.2 million in 2006-07) was recorded as an expense in 1993-94. In Table 4, the $3.2 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 2006-07.

- The Multilateral Replenishment expense estimates (see Table 6) are $207.9 million in 2006-07 representing the estimated total value of new multi-year contributions Australia expects to enter next financial year. Figures in Chapter 8 reflect the ongoing cash contributions Australia is making to these international institutions ($365.1 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.

- AusAID received the $1 billion appropriation for the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) through the 2004-05 Portfolio Supplementary Additional Estimates. In addition, AusAID has received supplementary funding to implement the AIPRD through the 2004-05 Portfolio Supplementary Additional Estimates and 2005-06 and 2006-07 Portfolio Budget Statements. On current estimates, cash disbursements of this funding will be $94 million in 2005-06 and $178 million in 2006-07. Figures (in Tables 1, 2 and 7) reflect the estimated total cash disbursements each year rather than amounts appropriated or expected to be expensed.

ESTIMATED TOTAL ODA

In estimating total ODA flows, AusAID begins with budget estimates for particular countries. 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 reflect previous expenditure patterns and are subject to change throughout the year. Estimated total ODA flows (Table 1) also include 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 aid 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, addressing 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 2003-04, 2004-05 and 2005-06. In future years *Aidworks* will be used to track sectoral expenditure. *Aidworks* and AMS both track 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 2005-06 estimated expenditure extracted from the AMS includes planned expenditure to the end of the year, which is adjusted to account for over-programming. Estimates are then added to this for sectoral flows from multilateral organisations, based on these organisations' reports, and OGD expenditure estimates that are ODA eligible. Further information relating to the value of imputed flows from multilateral organisations can be obtained from the Information and Research Services Unit, AusAID (ph 02 6206 4000).

Notes to tables

Table 3

1.   Based on Non Farm GDP Implicit Price Deflators provided by the Australian Bureau of Statistics, which have been rebased to 2003-04.

2.   See Technical notes for an explanation of the change in terminology from GNP to GNI.

3.   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 9.0 per cent increase over the 2005-06 expected outcome figure of $2,640.9 million (at 2005-06 constant prices) as detailed in Table 1. Budget-to-budget the real increase is 15.5 per cent.

Table 4

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

2.   This does not include Nauru Additional. Funding for Nauru Additional is provided under the MOU which is negotiated on an annual basis with the Government of Nauru. The funding details of the assistance package are not for publication.

3.   For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau and the Republic of the Marshall Islands.

4.   OGD not attributed to country/region includes ODA eligible expenditure by OGDs that has not been allocated to a specific geographic area.

5.   Core contributions to multilateral organisations, other ODA expenditure includes, for example, expense payments which cannot be attributed to a particular country such as payments to some UN and Commonwealth organisations, and departmental expenditure. The ODA eligible components of cash payments to IDA, ADF, IFAD, GEF, HIPC and the MPMF are included in this line item.

Table 5

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. This does not include Nauru Additional. Funding for Nauru Additional is provided under the MOU which is negotiated on an annual basis with the Government of Nauru. The funding details of the assistance package are not for publication.

Table 6

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

2. Total estimates for 2005-06 represent expected outcomes as estimated at May 2006.

3. New commitments to the MDBs, MPMF and GEF are recorded as expenses at the time of commitment.

4. Core contribution to UNICEF increased during 2005-06 from the original budget figure of $8.0 million to an $8.5 million expected outcome.

5. Other international programs include the International Tropical Timber Organisation, international health programs and the Global Crop Diversity Trust.

Table 7

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

2. The ODA figure for AIPRD in Table 7 includes expected expenses from the supplementary funding received by AusAID to implement the AIPRD through the 2004-05 Portfolio Supplementary Additional Estimates and the 2005-06 and 2006-07 Portfolio Budget Statements, expected expenses under the AIPRD grants program, and expected cash disbursements under the AIPRD loans program.

3. 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.

4. 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 WHO.

5.   Includes accrual adjustments and adjustments for non ODA eligible administered expenditure such as miscellaneous receipts, GST payments and other non ODA eligible expenditure.

6.   Includes accrual adjustments and adjustments for non ODA eligible departmental expenditure such as receipts under section 31 of the Financial Management and Accountability Act 1997, interest earned on bank deposits, GST payments and Fringe Benefits Tax.

7.   Refer to the explanation of multi-year liabilities in the Technical notes.

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