



Australian Government

Department of Foreign Affairs and Trade



# Strategy for Australia's aid investments in agriculture, fisheries and water

February 2015

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Weed removal by hand on a vegetable farm in Takeo Province, Cambodia. Photo: Courtesy of the Cambodia Agricultural Value Chain Program (CAVAC) Photo Library.

Fish for sale at an open-air market in Honiara, Solomon Islands. Photo: Rob Maccoll/DFAT.

A woman waters her vegetable plot in Laman District, Laos. Photo: Jim Holmes/DFAT.

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A fruit and vegetable market in Baguio, Benguet Province, Philippines. Photo: Rowena Harbridge/DFAT.

# Strategy for Australia's aid investments in agriculture, fisheries and water

## Summary

Agriculture, fisheries and water are, together, one of the six priority areas under Australia's new development policy<sup>1</sup>. This strategy<sup>2</sup> is intended to ensure Australia's aid investments in this priority area (through DFAT, ACIAR and other relevant agencies) align with and support the Government's new aid paradigm, aid-for-trade target<sup>3</sup> and broader economic diplomacy efforts. Innovative and catalytic use of Australia's aid and expertise – particularly through leveraging private sector partnerships and investment – will generate change on a wider scale than is possible through ODA funding alone.

The agriculture and fisheries sectors are key sources of jobs, incomes and exports and will continue to play an important role in economic growth and poverty reduction across the Indo-Pacific region. At present, enough food is produced to feed the world's population, yet over 800 million people still suffer chronic hunger<sup>4</sup>. Over seventy per cent of the extreme poor live in rural areas and depend heavily on agriculture and fisheries<sup>5</sup>. Women's economic empowerment is integral to tackling poverty and maximising development outcomes.

Global food demand is expected to rise by 60 per cent by 2050 as population and wealth increase<sup>6</sup>. This will create significant business opportunities, but also challenges. There will be increasing and competing pressures on land, water, energy and fishery resources, amid further climate variability. If not well managed, these pressures could significantly constrain future prosperity and well-being.

Meeting future food demand sustainably will require major advances in productivity, market systems, resource management and governance. This must be underpinned by wider and more innovative partnerships, policies and practices that bring together public and private sector interests and responsibilities.

Australia's aid investments in agriculture, fisheries and water will 'promote prosperity, reduce poverty and enhance stability'<sup>7</sup> through contributions to both private sector development and human development. In particular, efforts in these sectors will seek to:

- increase contributions to national economic output;
- increase incomes of poor people; and
- enhance food, nutrition and water security.

To meet these core objectives, the Government will prioritise efforts in three areas:

- **Strengthening markets:** To help increase small-scale farmers and fishers' participation in markets and address constraints to agri-food business, including by leveraging private sector investment and innovation (with an emphasis on women's economic empowerment).
- **Innovating for productivity and sustainable resource use:** To improve productivity along food and agriculture value chains and promote more efficient and sustainable use of natural resources, using international and Australian research and expertise.
- **Promoting effective policy, governance and reform:** To assist partner countries achieve more effective policy settings to promote sustainable and inclusive growth and open trade, and improve the enabling environment for business, investment and innovation.

<sup>1</sup> The Minister for Foreign Affairs launched Australia's new development policy on 18 June 2014.

<sup>2</sup> This document should be read in conjunction with other related DFAT sectoral and thematic aid strategies and the [ACIAR Strategic Plan 2014-18](#). More detailed policy and operational notes will also be prepared to guide country and regional program areas.

<sup>3</sup> Aid-for-trade investments are targeted to reach 20 per cent of the aid budget by 2020. As productive sectors, agriculture and fisheries currently account for over a quarter of Australia's aid for trade.

<sup>4</sup> *The State of Food Insecurity in the World*, Food and Agriculture Organization, Rome, 2014.

<sup>5</sup> *Rural Development and Poverty Reduction: Is Agriculture Still the Key?*, ESA Working Paper No. 07-02, FAO, Rome, 2007.

<sup>6</sup> *World Agriculture Towards 2030/2050 (The 2012 Revision)*, ESA Working Paper No. 12-03, FAO, Rome, 2012.

<sup>7</sup> Aid program purpose under Australia's new development policy.

# Purpose

This strategy outlines the overarching rationale, objectives and priorities for the Australian aid program's investments in the 'agriculture, fisheries and water'<sup>8</sup> sectors. Together, these sectors comprise one of the six priority areas outlined in Australia's development policy, [\*Australian aid: promoting prosperity, reducing poverty, enhancing stability\*](#), launched by the Minister for Foreign Affairs on 18 June 2014. The strategy applies to aid investments managed by the Department of Foreign Affairs and Trade (DFAT), the Australian Centre for International Agricultural Research (ACIAR) and other Australian government agencies delivering Official Development Assistance (ODA) in these sectors. More detailed policy and operational notes will complement this strategy and will be made available, as appropriate, to other relevant agencies and partners. This document should also be read in conjunction with other DFAT aid strategies in related sectoral and thematic areas<sup>9</sup>, as well as the [\*ACIAR Strategic Plan 2014-18\*](#).

## Context

### A new aid paradigm

Australia's strategic approach to aid investments in agriculture, fisheries and water must be viewed through the lens of the Australian government's broader economic diplomacy efforts. Economic diplomacy is at the core of the Government's international engagement. This includes using the aid program to support Australia's national interests by contributing to sustainable economic growth, poverty reduction and enhanced regional stability. Aid for trade and strengthening the private sector are priorities for the Australian aid program.

The strategic framework presented in this document responds to the new paradigm for Australia's aid investments. The strategy's three priority areas of engagement – (1) strengthening markets; (2) innovating for productivity and sustainable resource use; and (3) promoting effective policy, governance and reform – will help ensure agriculture, fisheries and water investments align with and support the Government's new aid approach. Australian aid in these sectors will become more innovative and catalytic, particularly through leveraging private sector partnerships and investment. Aid will also drive policy and governance reforms that strengthen the business enabling environment and unlock other sources of finance to catalyse change on a wider scale than is possible through ODA funding alone.

### Challenges and opportunities

A projected 60 per cent increase in global demand for food in coming decades will create significant economic and business opportunities across the region, but will also present major challenges. Translating the opportunities into the best possible development outcomes, without compromising sustainability, will require major advances in productivity, market systems, resource management and governance. This requires taking an integrated, systemic approach: interventions targeting agriculture, fisheries and water will often need complementary action in other areas such as infrastructure, governance, health, education, financial inclusion and resilience.

Improving the economic performance of the agriculture and fisheries sectors has a direct impact on the lives of the poorest people, while access to water is emerging as a key constraint to increased productivity. Agriculture and fisheries contribute directly to food and nutrition security, employment and household income. Consequently, pro-poor investments in these sectors are critical to creating pathways out of poverty. Agriculture and fisheries remain an important foundation for private sector development and economic growth across much of the Indo-Pacific region and also provide substantial

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<sup>8</sup> For the purposes of this document, 'agriculture' covers crop, livestock and forestry systems and associated value chains; 'fisheries' covers wild capture and aquaculture; and 'water' covers water resource management and the critical role of good water governance in sustaining agriculture and fisheries.

<sup>9</sup> In particular, private sector development and engagement, aid for trade, infrastructure, gender, health, education, nutrition, resilience, disability, governance, and social and environmental safeguards.



export earnings. Ensuring long-term food and nutrition security and the sustainability of critical resources, such as fisheries stocks, is essential for regional prosperity and stability.

Water – a key resource for these productive sectors – is coming under increasing pressure. Globally, agriculture currently uses 70 per cent of available fresh water resources<sup>10</sup>, but escalating energy demands, combined with urbanisation, pollution and climate variability, are posing significant challenges for water security. Water demand is leading to over-allocation of surface water flows and groundwater depletion. Global water demand (in terms of water withdrawals) is predicted to increase by 55 percent by 2050 and more than 40 per cent of the world's population is projected to be living in areas of severe water stress by this time<sup>11</sup>. Community tensions over access to drinking water and political differences over trans-boundary water resources can easily become a source of conflict undermining local and regional peace and stability. Moreover, as the energy intensity involved in supplying water continues to rise (e.g. due to the lowering of groundwater tables, the increased use of desalination processes, development of large dams etc.), effective co-management of water and energy is becoming critical to achieving sustainability.

Economic growth in the agriculture and fisheries sectors can play a major role in women's economic empowerment. However, women farmers and small-business owners often have less access than men to productive resources and economic opportunities. If given the same access, women could potentially increase their farm yields by between 20 and 30 per cent<sup>12</sup>. Efforts to reduce gender inequality will only be successful if supported by strong political commitment and concerted policy action<sup>13</sup>.

### Australia's comparative advantage

Australia has a long history of working within the Indo-Pacific region to address challenges in agriculture, fisheries and water resources management. Australia's research capacity and technical expertise is recognised globally and valued highly in the region, and there is much to gain mutually from investing wisely in these areas.

In agriculture, for example, Australia has world-class expertise and a strong portfolio of aid investments that effectively partner with the private sector<sup>14</sup>. ACIAR is a global leader in developing and delivering effective agricultural research partnerships in developing countries and extensively uses Australian research capability. Australia also has world-leading expertise in biosecurity and food safety, providing support in these areas to improve partner countries' domestic production and export income, as well as enhancing regional pest and disease management. In addition, Australia has been an early and generous contributor to G20 food security initiatives such as the Global Agriculture and Food Security Program (GAFSP) and AgResults.

Australia is also well placed to assist in the water sector. Many countries in the Indo-Pacific region lack the institutional and technical capability and tools to effectively manage the competing demands on water. Australia has an internationally recognised comparative advantage in water management, based on decades of experience in: reforming the domestic water sector to increase the efficiency of service provision; introducing better systems for allocating water between competing uses, including market-based measures; establishing appropriate institutional arrangements; and introducing management tools, with the aim of achieving sustainable water-use.

Australia supports, and builds the capacity of, policymakers and researchers in these sectors through scholarships and awards programs, in particular the Australia Awards. There is now greater scope for

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<sup>10</sup> *Water withdrawal by sector, around 2006*, Aquastat, FAO, Rome, 2012.

<sup>11</sup> *United Nations World Water Development Report 2014: Water and Energy*, United Nations World Water Assessment Program (UNWWAP), UNESCO, Paris, 2014.

<sup>12</sup> *State of Food and Agriculture 2010–2011: Women in Agriculture: Closing the Gender Gap for Development*, FAO, Rome, 2011.

<sup>13</sup> Duflo, E., "Women's Empowerment and Economic Development", *Journal of Economic Literature* 50 (4), 2012.

<sup>14</sup> Key examples include the Cambodia Agricultural Value Chain Program (CAVAC), the Australia-Indonesia Partnership for Rural Economic Development (AIP-Rural), the Pacific Horticultural and Agricultural Market Access Program (PHAMA), the Market Development Facility (MDF) and the Africa Enterprise Challenge Fund (AECF).

enhancing people-to-people and institutional exchanges between young Australian professionals and their regional counterparts under the New Colombo Plan.

In addition, many of Australia's development NGOs, supported by DFAT including through the Australian NGO Cooperation Program, are providing significant and valuable support for local communities to improve their utilisation of agricultural, fisheries and water resources.



A farmer shows off his drip irrigated vegetable plot in Gleno, Ermera District, Timor-Leste. Photo: Courtesy of the Market Development Facility (MDF) Photo Library.

## Strategic objectives

The purpose of Australia's aid program is 'to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'<sup>15</sup>. Australia will pursue this purpose by focusing on two development outcomes: supporting **private sector development** and strengthening **human development**. Aid investments in the agriculture, fisheries and water sectors will contribute to that purpose and both outcomes **by pursuing three overarching (and inter-linked) objectives**. The following provides the rationale for these objectives:

- **Objective 1: Increase contributions to national economic output:** Countries derive higher (absolute<sup>16</sup>) value of gross domestic product (GDP) as a result of improved productivity and growth in these sectors.

As economies develop, the relative contribution of agriculture and fisheries to GDP and economic growth generally declines. However, most successful economies in the Indo-Pacific region have followed an agricultural development-led path to economic transformation. A recent Asian Development Bank report notes that agriculture will continue to play an important role in future economic transformation in the region<sup>17</sup>. Across the region, there remain high rates of employment in agriculture and fisheries and these sectors are also often significant sources of export income.

<sup>15</sup> [Australian aid: promoting prosperity, reducing poverty, enhancing stability](#), DFAT, June 2014.

<sup>16</sup> The relative share of primary production in GDP generally declines as countries develop, but continued growth in these sectors will ensure their absolute contribution to the national economy is maximised.

<sup>17</sup> *Agriculture and Structural Transformation in Developing Asia: Review and Outlook*, ADB Economics Working Paper, Asian Development Bank, Manila, 2013.



Increasing food demand from population growth and urbanisation will lead to new economic opportunities for business in the food and fisheries sectors. For example, increasing per capita incomes in the region have driven demand for meat and seafood products, many of which require high inputs including feedgrains. Improving efficiency in the agriculture and fisheries sectors – including by enabling producers and entrepreneurs to participate more effectively in local, national and international markets – also has potential to contribute significantly to economic transformation and growth.

Open, efficient and transparent markets help move food from where it is produced to where it is needed. They create incentives for the adoption of better production technologies to maximise the benefits from trade. In the agriculture and fisheries sectors, value chains are complex, increasingly international, and involve multiple private sector actors. However, key enabling mechanisms needed to support private sector development – such as market incentives, infrastructure, financial services and technical expertise – are often not in place. Effective links between the private sector and research organisations, needed to support innovation, are also often absent or weak. In addition, economic and trade measures, such as price support, tariffs, subsidies, export restrictions and certain food self-sufficiency programs, can distort incentive structures and significantly constrain economic development. Developing countries may therefore require further aid-for-trade investments to help create an enabling environment for increased investment, trade and profitability.

In the fisheries sector, sustainable economic growth in both wild fisheries and aquaculture in future will depend on innovative and targeted investments by both public and private stakeholders in the ‘Blue Economy’<sup>18</sup>. Through such investments, there is potential to generate new small-scale enterprises focusing on higher value products. For example, a high proportion of seafood products in South East Asia is already traded internationally (approximately 36 per cent of total production compared to 10 per cent of total terrestrial meat production) and the Asian region is well placed to produce value-added fisheries products, ultimately boosting employment and economic returns.

- ***Objective 2: Increase incomes of poor people:*** *Poor women and men improve their livelihoods through enhanced productivity, inclusive growth, access to markets and other sectoral improvements.*

Improvement in the economic performance of the agriculture and fisheries sectors has a direct and significant impact on poor people’s lives. Hundreds of millions of people in the Indo-Pacific region still derive their livelihoods from these sectors, through income and formal employment, as well as through semi-subsistence agriculture and participation in the informal economy<sup>19</sup>. Seventy per cent of those living in extreme poverty are in rural areas and depend largely on agriculture and fisheries for their existence.

According to the ADB, paying greater attention to the role of agriculture in development can help the poor trace pathways out of poverty, through improved livelihoods in agriculture, market access for smallholders, an increase in skilled employment in rural areas, and establishment of efficient value chains<sup>20</sup>. World Bank analysis also shows that growth in the agriculture sector is two to four times more effective in lifting people out of poverty than comparable growth in other sectors<sup>21</sup>. Creating new jobs, business opportunities and investment in agriculture and fisheries can help tackle growing disparities in wealth between rural and urban populations, and address the high rates of youth unemployment in rural areas. However, economic growth in these sectors will require improved water management and more efficient use of water.

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<sup>18</sup> The Indian Ocean Rim Association (IORA) defines the ‘Blue Economy’ as ‘marine economic activity, including fishing, renewable energy, mineral exploration and coastal tourism’.

<sup>19</sup> For example, in Indonesia 38 per cent of the population is dependent on agriculture, in Cambodia the figure is 72 per cent, in Tanzania, Mozambique and Ethiopia it is over 75 per cent, and in Papua New Guinea it is between 80 and 85 per cent. In addition, nearly half of coastal households in the region derive their first or second income from fisheries.

<sup>20</sup> *Agriculture and Structural Transformation in Developing Asia: Review and Outlook*, ADB Economics Working Paper, ADB, Manila, 2013.

<sup>21</sup> *World Development Report, 2008 - Agriculture for Development*, World Bank, Washington DC, 2008.

Efforts to increase poor people's incomes in the agriculture and fisheries sectors must have a strong focus on driving women's economic empowerment. On average, women make up 43 per cent of the agricultural work force in developing countries<sup>22</sup>. Case studies also suggest that women may comprise up to 30 per cent of total global employment in fisheries<sup>23</sup>. However, a lack of investment in agriculture and fisheries (particularly in the critical areas of research, infrastructure and business support services) has resulted in low wages and incomes for many people – especially women – who remain reliant on the informal sector and semi-subsistence activities.

- **Objective 3: Enhance food, nutrition and water security:** *Food and water are available, accessible and utilised to meet nutritional needs and increasing demands at individual, national and regional levels, in a sustainable manner.*

Addressing food, nutrition and water security is a complex, multi-dimensional issue, which affects the poor as well as posing wider long-term economic and political risks. There is a need to sustainably meet future food demands and respond to emerging risks related to resource depletion, biosecurity, changing diets, climate change and market failures, which could exacerbate poverty and undermine regional stability.

At present, enough food is produced to feed the world's population, yet over 800 million people suffer hunger – more than two-thirds of these in the Indo-Pacific region. Furthermore, nearly two billion people have micronutrient deficiencies. Undernutrition has high health, economic and social costs for families, local communities and countries. Because the poor spend more than half of their income on food (with one fifth spending 70 per cent)<sup>24</sup>, they are particularly vulnerable to sudden food price increases.

Australia pursues a comprehensive, whole-of-government approach to food and nutrition security. This approach recognises that achieving long-term food and nutrition security involves a range of measures to promote sustainable economic development, raise incomes, increase agricultural productivity, improve food market access, enhance biosecurity and food safety, promote open trade, reduce food loss and waste, and address social protection, health, sanitation and education. Dialogue to encourage country-level policy coherence is also required, along with concerted and coordinated international action.

Fisheries are the cornerstone of food and nutrition security for many communities in the Pacific and other island states. For example, between 70 and 90 per cent of animal protein is derived from fisheries in many Pacific Island populations<sup>25</sup>. Faced with increasing demand and declining resources, the need for effective and sustainable management of regional fish stocks and their environments is of critical importance. The ongoing overcapacity of fishing fleets adds to the dimensions of this problem. The Western and Central Pacific Fishery provides almost 70 per cent of global tuna production. Similarly, the tuna fisheries of the Indian Ocean are a significant regional resource. Reducing illegal, unreported and unregulated (IUU) fishing is a key means of addressing this issue and requires constructive and transparent engagement by all stakeholders in the industry.

Aquaculture will play an increasingly important role in the coming decades in compensating for capture fisheries, which are already near maximum catch levels. Global seafood production is projected to increase by 32 million tonnes (or 21 per cent) from 2010 to 2030, with 93 per cent of this additional production expected to come from aquaculture<sup>26</sup>.

Water insecurity is being felt acutely in the Indo-Pacific region. According to the Asian Water Development Outlook 2013, 37 of the 49 countries assessed in Asia and the Pacific have either low

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<sup>22</sup> In many countries (e.g. Bangladesh, China, Nepal), the share of women who work in the agriculture sector is especially large, compared to other sectors and compared to men, though their wages and productivity tend to be lower than men's due to social norms and barriers to productive inputs.

<sup>23</sup> *State of Food and Agriculture 2010–2011: Women in Agriculture: Closing the Gender Gap for Development*, FAO, Rome, 2011.

<sup>24</sup> *Food Security in Asia and the Pacific*, ADB, Manila, 2013.

<sup>25</sup> *Australia and Small Island Developing States: Partners in Development*, Commonwealth of Australia, Canberra, 2011.

<sup>26</sup> *Fish to 2030: Prospects for fisheries and aquaculture*, World Bank Report 83177, World Bank, Washington DC, 2013.

levels of water security or have barely begun to improve their water security<sup>27</sup>. While some 60 per cent of the world's population lives in Asia, 80 per cent of Asia's rivers are in poor health<sup>28</sup>, jeopardising economies and quality of life, impacting especially on women and children. The Pacific also faces numerous water resource challenges, including pollution, saline intrusion into groundwater, soil erosion and waste water. These pressures are increasing and, if not managed effectively, could have a major impact on food and nutrition security.



Workers grading dried organic apricots for export at Organo Botanica's facility in Gilgit Baltistan Province, Pakistan. Photo: Courtesy of the Market Development Facility (MDF) Photo Library.

## Priority areas of engagement

In pursuing the above strategic objectives, and consistent with the Government's aid principles and benchmarks, future aid investments in agriculture, fisheries and water resource management should fall within the following three priority areas or 'pillars':

- **Pillar 1: Strengthening markets:** This means working to improve the functioning of markets to spur economic growth and enable profitable and inclusive business activity. The starting point is to identify and address systemic bottlenecks along value chains that curtail efficiency, limit economic opportunity and constrain growth. Options need to be expanded for partnering with private sector operators to leverage investment and drive innovation. There should be a particular focus on improving economic opportunities for small-scale enterprises and farmers, especially women, including through helping them develop income-generating skills, improving their access to technologies and inputs, and working to remove barriers to their participation in markets and decision-making processes that affect their livelihoods<sup>29</sup>.

<sup>27</sup> *Asian Water Development Outlook 2013*, ADB, Manila, 2013.

<sup>28</sup> Ibid.

<sup>29</sup> Acknowledging that this has been a challenge in the past, the Office of Development Effectiveness (ODE) publication, [Smart economics: Evaluation of Australian aid support for women's economic empowerment](#), August 2014, found DFAT was less successful in integrating gender equality into key economic sector investments (agriculture, rural development, transport, energy, trade and business and banking) compared to sectors like health and education.



- **Pillar 2: Innovating for productivity and sustainable resource use:** We should continue to invest in innovation and research that increases productivity (thereby boosting profitability) and promotes sustainable resource use. Improving links between research, business and farmers will help spur innovation and strengthen the uptake and impact of new technologies and management practices. Removing barriers that limit women's access to, and control over, productive resources will enable women to maximise their productivity. Building a strong biosecurity capability will reduce food losses, enable access to international markets, and help to address the spread of exotic pests and diseases (that also pose a significant risk for Australia's own agriculture sector). We need to promote efficient and sustainable use of natural resources (including fisheries, water, land and genetic resources), that are under threat from over-exploitation and climate change. Increasing demand and declining resources strengthen the imperative for effective and responsible management of marine and freshwater wild fish stocks in our region. We can help address these challenges by applying Australian technology, know-how and policy approaches to build Indo-Pacific countries' capacity in agriculture, fisheries and water management.
- **Pillar 3: Promoting effective policy, governance and reform:** Australia can usefully support partner country efforts to attract private sector investment and maximise market opportunities in the agriculture, fisheries and water sectors. We can help national governments strengthen the enabling environment for business in areas such as infrastructure and financial services, and through the application of sound legal, regulatory and policy frameworks and inclusive decision-making processes. We are also well-placed to strengthen institutions to implement and maintain water resource management reforms. In addition, Australia will continue to advocate for more open and efficient global and regional trade at and behind borders, through improved market access, scientifically-based food safety and biosecurity standards, substantial reductions in trade-distorting domestic support and the elimination of all forms of export subsidies.

Common to all three areas, the application of **research and innovation** must be recognised as integral, and enhanced as part of our approach. This will include using new and existing partnerships and funding modalities to strengthen engagement with businesses and support policy reform.

We must also promote the critical role of **women's economic empowerment** in maximising development outcomes in the agriculture, fisheries and water sectors. One of the best ways to promote economic growth is to advance gender equality and empower women to make better use of their skills and talents. To achieve this, women's economic empowerment should be properly considered in all of our investments, not only those that focus specifically on gender issues. Future investment designs should include strategies to support women to overcome barriers, to identify market interventions that benefit women, and to improve access to productive resources, financial services and business skills.

The strategic framework outlined above is illustrated in [Annex A](#).

## Linkages with other critical areas

Australia's development work in the agriculture, fisheries and water sectors should also complement and support aid programming in rural development and other critical areas, including:

- **Infrastructure:** Infrastructure has been identified as one of the top two sources of global agricultural growth (second only to research and development), with measureable benefits across a wide range of economies and food systems<sup>30</sup>. Better infrastructure, including improved rural-urban linkages, is important to support food system productivity growth and profitability, improve market access and participation in regional and global food value chains, reduce food losses, and support economic growth and job creation. Good infrastructure is also critical to improving irrigation efficiency and flood mitigation.

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<sup>30</sup> *Sustainable Agricultural Productivity Growth and Bridging the Gap for Small Family Farms*, Interagency Report to the Mexican G20 Presidency, June 2012.

- **Nutrition:** Undernutrition and increasing levels of obesity affect large numbers of people across the Indo-Pacific region. For example, stunting among children under five years exceeds 40 per cent in several countries, including Timor-Leste, Papua New Guinea, Pakistan, Laos and Cambodia. These issues pose significant health, social and economic implications for individuals and countries. Aid investments in agriculture, fisheries and water can make important contributions to improved nutrition, but to do so they need to be well integrated and coordinated with other sectors, in particular health, sanitation, hygiene, education and social protection. Key factors linking the agriculture, fisheries and water sectors with nutrition include: dietary diversity at the household level; food quality and safety; bio-fortification of crops and processed food products; the level of household income from agricultural production; interactions between cash crops and food for household consumption; women's economic empowerment in agricultural systems; and the promotion of nutritious food products.
- **Resilience:** Social protection is one of the key policy responses to unlocking the economic potential of the poorest. Investments in this area help the poor to purchase enough food to be able to work and access income-generating assets to build sustainable livelihoods. Together with disaster preparedness and risk reduction measures (including improved weather forecasting, flood prediction and mitigation), they also help protect local communities from unforeseen shocks, particularly weather-related disasters. These disasters are becoming more severe and frequent and their impact more extreme. Such investments strengthen the development of the labour force, promote more dynamic local markets, facilitate inclusive economic growth and build community resilience.
- **Financial inclusion:** Access to financial services is critical for participants in the agriculture and fisheries sectors. By borrowing, saving or buying insurance, people, including the poor, can plan for their future. They can build up productive and other assets and invest in education and health.
- **Ecosystem health and biodiversity protection:** Biodiversity and productive sectors such as agriculture and fisheries are strongly interdependent. Production practices and international agreements<sup>31</sup> that preserve biodiversity and the health of critical ecosystems are essential for the sustainability, productivity and profitability of these sectors.

## Investment approaches and desired outcomes by sector

An integrated, strategic approach to Australia's development work in agriculture, fisheries and water provides opportunities for synergies and policy coherence across these sectors. At the same time, as outlined below, our investment approaches will reflect relevant priorities in each sector (agriculture, fisheries, water), and will need to align with regional and country needs. Desired outcomes by sector, and the types of interventions program areas could pursue in line with these outcomes, are detailed in [Annex B](#).

### Agriculture

Australia has decades of experience in supporting agricultural development and food security through our aid program. A key lesson has been that interventions have to be carefully tailored to the specific market, agro-ecological and policy contexts. Significant differences exist across the region in relation to: the role of agriculture in the economy and society (including domestic politics); the types of agricultural production; market opportunities; national policies with respect to agriculture and food trade; and the programs of other bilateral and multilateral donors. Programming should be based on in-depth analysis and assessment of this political-economic context during the design phase, and a flexible approach to implementation that can respond to the dynamics of the operating environment.

Our investment approach now recognises the importance of 'market pull' to create successful interventions that can be scaled up. Important lessons have been learned from past projects that

<sup>31</sup> Examples include the *International Treaty on Plant Genetic Resources for Food and Agriculture* and the *Convention on Biological Diversity*.

focused on agricultural production without providing sufficient support for market linkages. For example, the impact of projects to build smallholder capacity could have been strengthened through closer engagement with the private sector.

Future interventions must also avoid the risks associated with large public sector driven integrated rural development projects. These can be complex to manage and do not leverage private sector investment and service provision.

Australia's future aid investments in agriculture will focus on improving the economic performance of the sector in ways that are sustainable and enhance food and nutrition security. Particular attention will be given to creating new inclusive business opportunities for small-scale farmers and agri-food entrepreneurs. With a moderate scale of funding for this sector, the best value for money from Australian investments will come from taking a brokering role to open new markets, catalyse private sector investment and drive the commercial uptake of new technologies.

A 'food systems' approach should underpin our investments. This means tackling blockages along the entire value chain, including food production, storage, processing, distribution and marketing. It also means recognising and factoring in the linkages between agriculture and food and nutrition security, water, energy and health. Agricultural research priorities should flow from analysis of market development opportunities and risks. Program areas should seek to improve synergies with other sectors, in particular infrastructure, private sector engagement, health, education and governance.



A newly installed greenhouse facility operated by Devesh and Bharos Farms in Nadi, Fiji. Photo: Courtesy of the Market Development Facility (MDF) Photo Library.

Women's economic empowerment must be afforded high priority. Our investment designs need to include specific interventions to address inequality and vulnerability amongst women and to improve access to productive resources, financial services and business skills.

The Government will continue its strong focus on agricultural research and innovation, including through ACIAR – and its support for the Consultative Group on International Agricultural Research (CGIAR) – and other agencies such as the Commonwealth Scientific and Industrial Research



Organisation (CSIRO) and the Department of Agriculture. These investments will help drive commercial viability in the agriculture sector through the development and adoption of efficient and sustainable production techniques. Our whole-of-government partnerships will also support the control of pests and diseases that reduce production, increase food losses, restrict access to international markets and pose risks for Australia. We will also contribute to the development of agriculture and food systems that are resilient to climate change. Developing the capacity of research and innovation organisations in our partner countries will be an important aspect of our approach, in part supported by the Australia Awards.

Australia's trade policy advocacy and negotiation efforts in agriculture strengthen and complement its aid investments. Openness to trade boosts food and nutrition security and can provide a significant stimulus to national economic growth, which in turn can enhance the positive benefits of Australia's aid investments in agriculture. There will be greater integration across the aid and trade areas of DFAT (including at Australia's overseas missions) to achieve these benefits.

Large numbers of people remain dependent on the informal sector and semi-subsistence agriculture for their livelihoods, particularly in areas where there are high levels of poverty. In these circumstances, our programs can usefully work to strengthen local food and agriculture systems, alongside the commercial development of agriculture. This requires that agriculture investments be integrated with complementary community development and social protection measures that help people develop their productive assets and skills to become more economically self-reliant.

Australia can bring enhanced leadership and innovation to partnerships at national, regional and global levels that are critical to the success of our agricultural investments. Strong collaboration with national governments and relevant national and local-level ministries will be essential. We will need to strengthen our engagement with the private sector through new funding modalities and better use of market incentives to leverage business investments and scale up the adoption of innovation. We should also seek opportunities to expand cooperation with other leading development actors (i.e. major bilateral donors, multilateral agencies, development banks and NGOs), and participate in regional and global fora, to learn from their experience, collaborate on innovation and ensure resources flow to key sectoral issues of importance to our region.

While the agriculture sector presents significant economic opportunities, the policy and business enabling environment in many of our partner countries presents constraints and risks for market oriented development interventions. The capability, resourcing and influence of agriculture ministries is often limited. Legal and regulatory impediments, particularly on critical issues such as land tenure, can limit economic growth and constrain agriculture sector reform. Domestic political sensitivities in relation to food security can drive 'self-sufficiency' policies that hamper efficient agricultural production and trade opportunities. This strategy responds to these risks by advocating an approach that focuses on identifying and pursuing viable market opportunities and by working to create a better business enabling environment for agricultural development. Effective partnerships with the private sector are critical for developing such opportunities and for encouraging policy reform.

## Fisheries

In the Pacific we will further strengthen our engagement with the principal regional fisheries bodies - the Forum Fisheries Agency (FFA) and the Secretariat of the Pacific Community's Fisheries, Aquaculture and Marine Ecosystems Division (SPC-FAME). We will utilise this significant experience in fisheries assistance in the Pacific to deepen our engagement in South East Asia (Timor-Leste, Indonesia, the Philippines and the Mekong countries) and the Indian Ocean Rim countries. We will continue to promote measures to address illegal, unreported and unregulated (IUU) fishing and to promote effective monitoring, control and surveillance in the region.

In the Pacific, the implementation of the Parties to the Nauru Agreement's Vessel Day Scheme has led to substantially increased financial returns to island countries. However, the willingness of Distant

Water Fishing Nations to agree and implement necessary conservation and management measures within the Western and Central Pacific Fisheries Commission (WCPFC) remains open to question. Overcapacity of fishing fleets and the decline in some species is of immediate concern. We will continue to advocate for the implementation of effective Harvest Strategies to help address this situation, as endorsed at WCPFC 11 in November 2014.

In the national context we support the move away from government-owned and managed fishing companies to a model based on stronger private sector and joint venture partnerships responsible for investment and risk management. In the Pacific, regional solidarity among island countries and territories will remain central to mitigating risks and taking advantage of opportunities to derive stronger, market-based and sustainable returns from the region's fisheries. Strategies better targeting subregional and national circumstances will be an important part of the mix.



At a facility in Marché de Nouméa, New Caledonia, albacore tuna is processed to high safety and hygiene standards for consumption. Photo: Courtesy of the Forum Fisheries Agency (FFA).

Drawing on our experience of what works, we will pursue our development objectives through strong engagement with Pacific regional fisheries organisations and effective private and non-government sector engagement, and by supporting stronger fisheries training institutions and managers. We will promote greater transparency in the sector and incorporate greater opportunities to identify and empower women in fisheries. We will promote and support measures to further address IUU, which can account for up to 30 per cent of total catch in the global context. In inshore fisheries, we will address the threats to food security posed by population growth, over-exploitation, environmental degradation and climatic factors. We will promote aquaculture and community-based fisheries management, with an emphasis on research, strengthened provincial, national and regional cooperation, simpler tools (including for monitoring) and adaptive management to support wider, long lasting benefits. We will encourage work on the potential for fish aggregating devices (FAD) to enable small-scale inshore fishers to better access offshore resources, thus reducing pressure on inshore stocks.

DFAT will promote sustained whole-of-government partnerships, including with the Department of Agriculture (Australia's lead agency on international fisheries) together with the Australian Fisheries

Management Authority, and the Departments of Defence and Environment, to strengthen fisheries management and oceans governance. ACIAR, through its research partnerships, impact assessments and adoption studies, will support the development of innovative community solutions for inshore fisheries management, better use of existing harvests and the development of aquatic farming systems for small-scale commercial fisheries and food security. Recognising that healthy oceans and reefs are critical to fisheries and marine eco-tourism, among other conservation benefits, Australia will target its support for priority ocean initiatives in the region, including as appropriate the Coral Triangle Initiative, Pacific Oceanscape, the Indian Ocean Rim Association, and the World Bank's Global Partnership for Oceans. This will include a commitment to innovative programs that embrace the principles of the Blue Economy.



In times of flood, small boats are used by villagers in Cambodia's Prey Veng Province to transport people and food to sustain livelihoods. Photo: Rory Hunter/DFAT.

## Water

In most countries, as in Australia, managing water is a government responsibility. The international interest in Australia's water reform experience largely reflects interest in the shift from treating water as a public good to an economic good. By establishing water as an economic good, Australia has enabled the corporatisation of water services and the entry of the private sector into managing water services. The role of government has been to provide a governance structure to facilitate the entry of the private sector to contribute to the efficient and effective management of water resources.

By applying its world-renowned water expertise in the region, Australia can help improve river basin planning to better manage supply and demand for water resources, contribute to stronger institutions to implement water sector reforms, reduce over-extraction of groundwater through improved groundwater management, and increase water-use efficiency in irrigation by using advanced technology.

Australia will maintain its longstanding partnership with the Mekong River Commission and its four member countries – Vietnam, Cambodia, Laos and Thailand – to assist with the management of the Mekong River Basin. In South Asia, Australia will strengthen its partnership with the United Kingdom, Norway and the World Bank in the South Asia Water Initiative, which targets improved water management in the Ganges, Brahmaputra and Indus Rivers. Expanded technology exchange will be facilitated under the India-Australia Water Science and Technology Partnership and through other



bilateral partnerships in the Indo-Pacific region. In Africa, Australia will continue to draw on previous experience and engagement with the Southern Africa Development Community on transboundary water management, as well as offering targeted training in irrigation and water resource management for agriculture.

The Government is also exploring options to establish an Australian Water Partnership, to connect Australian public and private sector water experience and expertise to demand from partner countries and multilateral agencies. The proposed Partnership will take an innovative approach to economic diplomacy, with catalytic use of aid funds to leverage knowledge and financing to address a key constraint to sustainable growth. Improving water resource management and pursuing sustainable water management reforms will provide benefits to the poor through greater water security and productivity gains.

## Guiding principles

In planning and implementing investments in the agriculture, fisheries and water sectors, program managers should be guided by a number of best-practice principles. These are outlined in key Australian government aid policy and programming documents, including [Australian aid: promoting prosperity, reducing poverty, enhancing stability](#) and DFAT's *Aid Programming Guide*, as well as other relevant external reference sources. Some of the main guiding principles are summarised in **Annex C**.

## Performance

DFAT, in coordination with ACIAR and other relevant Australian government agencies, will monitor the overall performance of the aid program in maximising development outcomes in agriculture, fisheries and water. We will assess the breadth, depth and effectiveness of our work in this priority area across the aid program, identifying lessons learned and examples of good practice. This assessment will be guided by key evaluative questions focusing on the extent to which the Government's aid investments in agriculture, fisheries and water:

- have contributed to increased economic output in our partner countries;
- have increased the incomes and improved the livelihoods of poor women and men;
- have increased agricultural productivity and contributed to food, water and nutrition security;
- have contributed to the high-level targets in the aid program's performance framework; and
- are, at the individual program level, being effectively and efficiently implemented and are achieving their intended impacts.

We will review annually the performance of the aid program's overall portfolio of investments in agriculture, fisheries and water. The outcome of this review will be publicly reported in the annual *Performance of Australian Aid* report. To inform this assessment, we will collect and analyse information from a number of sources including<sup>32</sup>:

- Aggregate Development Results (ADRs) to deliver a high-level quantitative analysis across the agriculture, fisheries and water portfolio;
- Aid Quality Checks (AQC)s of country and regional aid investments to understand progress, achievements and trends across the portfolio;
- Annual Program Performance Reports (APPRs) to assess agriculture, fisheries and water strategies and investments in country and regional programs;
- data on agriculture, fisheries and water performance indicators collected through investment-level monitoring and evaluation frameworks, and through external, independent assessments;
- ACIAR documentation, including annual reports, reviews, adoption studies, impact assessments and technical publications;

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<sup>32</sup> The first three sources listed are routine measures and processes that apply across the Australian aid program.

- data on funding of agriculture, fisheries and water investments and how and where this is being spent;
- case studies on good practice in agriculture, fisheries and water programs; and
- relevant experience from pilots and innovative approaches.

In depth reviews and analysis of emerging trends and opportunities will inform future investment decisions and Aid Investment Plans.

A Performance Assessment Note (PAN) will provide a range of indicators and evaluative questions for program areas to draw from in designing agriculture, fisheries and water investments and associated monitoring and evaluation frameworks. The PAN will draw on international experience and consultation with DFAT program areas.

The PAN will highlight that program areas should:

- pick indicators that suit the context and program, the choice of which will be informed by the nature of the problem the investment is seeking to address, what solutions have been identified, and what data can feasibly be collected;
- combine quantitative and qualitative data;
- disaggregate data where practicable, including by gender and by disability; and
- make regular use of feedback to inform and, where necessary, adjust investments to help ensure intermediate changes support long-term results.

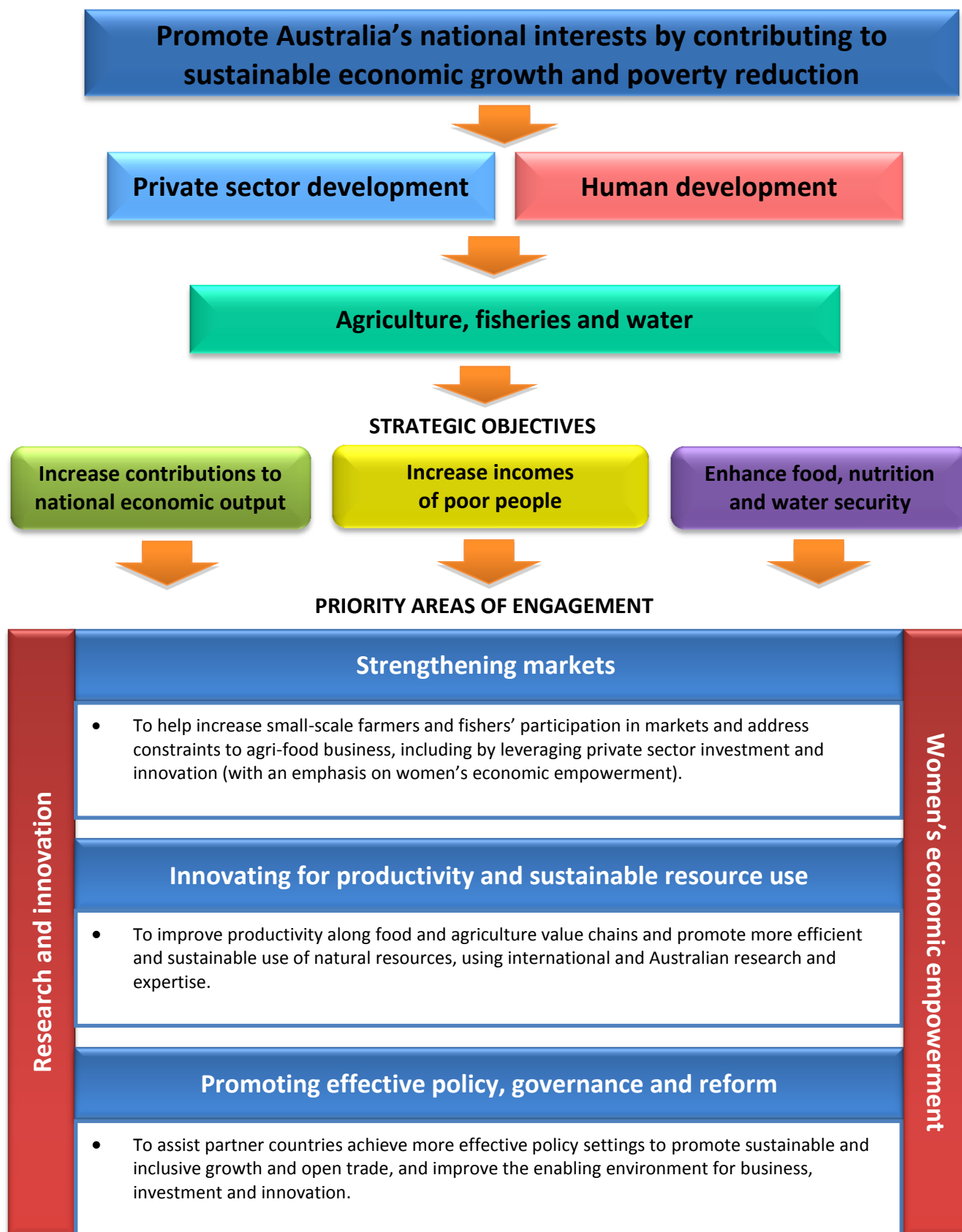
## Resources

Since 2005, Australia's aid expenditure on agriculture, fisheries, water resource management and rural development has averaged approximately 7 per cent of its ODA. In 2013-14, Australia's expenditure on these sectors totalled around \$318.6 million, or 6.7 per cent. The agriculture and fisheries sectors<sup>33</sup> will contribute substantially to achieving the Government's 20 per cent aid-for-trade target by 2020, given investments in these sectors currently account for over a quarter of Australia's aid-for-trade expenditure. While most spending will continue to take place through bilateral programs, we will also invest in regional and global initiatives to address the wider market, policy and trade environment, test innovative approaches and share lessons learned.

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<sup>33</sup> Investments with the 'rural development' DAC code, on the other hand, do not count as aid for trade.

Strategic framework for Australia's aid investments  
in agriculture, fisheries and water





## Desired outcomes and indicative interventions by sector

## Agriculture

## DESIRED OUTCOMES

## INDICATIVE INTERVENTIONS

Research and innovation	Strengthening markets	<ul style="list-style-type: none"> <li>• Small-scale farmers and entrepreneurs have greater participation in market opportunities.</li> <li>• The value and volume of agricultural trade is increased.</li> <li>• Domestic food and agriculture value chains function better.</li> <li>• Women are more economically empowered in agriculture and food-sector enterprises.</li> <li>• Diverse, nutritious food is more available and accessible.</li> <li>• Open trade in agricultural products is promoted, both domestically and internationally.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide facilities to broker and co-finance inclusive market development.</li> <li>• Strengthen the capacity of government and NGO stakeholders to support market development.</li> <li>• Catalyse private sector engagement and investment.</li> <li>• Support women's economic empowerment initiatives.</li> <li>• Strengthen agri-food value chains, including for nutritious foods.</li> <li>• A range of separate interventions pursued through other complementary sectoral and thematic areas under the Australian aid program.*</li> </ul>	Women's economic empowerment
	Innovating for productivity and sustainable resource use	<ul style="list-style-type: none"> <li>• Agricultural productivity increases to meet future food demands and boost profitability.</li> <li>• Local agriculture systems have more diverse and nutritious foods.</li> <li>• Land, water and biodiversity in agriculture are managed more sustainably.</li> <li>• Food loss and waste is reduced.</li> <li>• Local communities are more resilient to shocks, natural disasters, resource pressures, biosecurity risks and climate change.</li> <li>• Women participate equally in, and benefit from, agricultural innovations.</li> </ul>	<ul style="list-style-type: none"> <li>• Support agricultural research through CGIAR.</li> <li>• Support research and innovation partnerships between Australian and regional institutions through ACIAR.</li> <li>• Support the scale-up of technology adoption through market incentives.</li> <li>• Strengthen innovative public and private extension systems that enable farmers (especially women) to access and use new technologies.</li> <li>• Support research and innovation partnerships with the private sector.</li> <li>• Develop the capacity of researchers and research institutions.</li> <li>• Support research on post-harvest handling, processing and value adding.</li> </ul>	
	Promoting effective policy, governance and reform	<ul style="list-style-type: none"> <li>• The business enabling environment is improved (particularly for small to medium-sized agricultural enterprises).</li> <li>• Countries move towards more open and efficient food and agricultural markets.</li> <li>• Increased capability of countries to understand and apply international trade facilitation measures that support open trade.</li> <li>• Countries move towards policies that improve agricultural productivity and responsible private sector investment.</li> <li>• Countries move towards appropriate, non-trade distorting public investment in agriculture and rural infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake policy dialogue in support of open and efficient markets to strengthen agricultural trade and food security.</li> <li>• Support national and regional platforms that bring the public and private sectors together on policy dialogue.</li> <li>• Support research and capacity development that strengthens national-level reform capability and builds the evidence base to underpin sound policymaking.</li> <li>• Strengthen partner countries' capability to develop and implement food quality, food safety and biosecurity measures.</li> <li>• Foster collaboration between Australia and regional institutions, including through the New Colombo Plan.</li> </ul>	

\* In particular, private sector development and engagement, aid for trade, infrastructure, gender, health, education, nutrition, resilience, disability, governance, and social and environmental safeguards.

## Fisheries

		DESIRED OUTCOMES	INDICATIVE INTERVENTIONS
Research and innovation	Strengthening markets	<ul style="list-style-type: none"> <li>• Small scale commercial fisheries and women have greater participation in market opportunities.</li> <li>• Investment in the domestic fisheries sector is increased.</li> <li>• The value of national exports, formal employment and government revenues from fisheries are increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide enhanced and integrated private sector investments and enabling interventions.</li> <li>• Support women's economic empowerment initiatives.</li> <li>• Support the development and enhancement of market-based fisheries management measures.</li> <li>• Pursue interventions to promote fisheries focused human resource development and enhanced labour mobility in the broader maritime sector.</li> </ul>
	Innovating for productivity and sustainable resource use	<ul style="list-style-type: none"> <li>• Aquaculture diversity and productivity are increased and biosecurity risk controls implemented.</li> <li>• Key capture fisheries are managed for sustainable development using the best scientific information.</li> <li>• Community-based and gender-responsive approaches to sustainable coastal fisheries management are enhanced.</li> </ul>	<ul style="list-style-type: none"> <li>• Support research and innovative partnerships, including with regional organisations, ACIAR and the private sector.</li> <li>• Strengthen the capacity of regional and national fisheries organisations to enhance and analyse scientific data of stocks, model the bio-economic implications of management options, and develop adequate biosecurity controls.</li> </ul>
	Promoting effective policy, governance and reform	<ul style="list-style-type: none"> <li>• Regional, sub-regional, national and community fisheries and marine management measures are strengthened.</li> <li>• Sustainable harvest and by-catch strategies are promoted and marine spatial planning is enhanced.</li> <li>• Monitoring, control and surveillance to combat illegal, unreported and unregulated (IUU) fishing are enhanced.</li> <li>• National and regional fisheries' legal frameworks, institutions and capacity are strengthened.</li> <li>• Market access and policy coherence in fisheries, oceans and trade are improved through international advocacy, including addressing fisheries subsidies and transparency issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen the capacity of regional fisheries organisations to deliver fisheries management, development and monitoring, control and surveillance services, including improving food safety standards and traceability measures.</li> <li>• Provide targeted support for priority ocean partnerships in our region.</li> <li>• Pursue enhanced Australian government partnerships to leverage Australia's experience in fisheries management, monitoring, control and surveillance, and oceans governance.</li> <li>• Provide targeted bilateral assistance for national fisheries institutions in partner countries.</li> <li>• Pursue active membership of regional fisheries, trade and oceans organisations.</li> </ul>

Women's economic empowerment

## Water

		DESIRED OUTCOMES	INDICATIVE INTERVENTIONS
Research and innovation	Strengthening markets	<ul style="list-style-type: none"> <li>Evidence-based approaches to managing regional rivers, their ecosystems, their value and governance are expanded, including through improved river basin planning.</li> <li>On-farm water management is improved to increase water-use efficiency, including through rehabilitation of irrigation systems.</li> <li>Water and energy are effectively co-managed, including through the integration of water, food and energy programs.</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate the establishment of water markets where these can achieve sustainability and growth policy goals.</li> <li>Pursue investments in water-use efficiency projects to improve sustainable access to reliable, good quality water supplies.</li> </ul>
	Innovating for productivity and sustainable resource use	<ul style="list-style-type: none"> <li>The transfer of best practice in Australian policies, technology and science and the sharing of Australian experience in integrated water resource management are promoted.</li> <li>Opportunities and constraints for integrated water resource management are identified through gender analysis.</li> <li>Groundwater mapping is improved and new approaches to groundwater management are introduced.</li> <li>Watershed management approaches are strengthened and management of water quality is improved.</li> <li>Water is delivered more efficiently to reduce waste and improve sustainability of supply.</li> </ul>	<ul style="list-style-type: none"> <li>Support effective water stewardship in the public and private sectors.</li> <li>Provide access to, and training in, the functioning and use of Australian water technology.</li> <li>Protect water resources, with a focus on watershed protection and improved farming practices to enhance water quality.</li> <li>Invest in partnerships and projects that promote women's leadership in water management to generate learning around effective gender equality integration.</li> <li>Introduce improved river basin modelling techniques and enable the development of water accounts on stressed rivers.</li> </ul>
	Promoting effective policy, governance and reform	<ul style="list-style-type: none"> <li>State and national level institutions for sustainable water resource management are strengthened.</li> <li>Transparency between governments and developers is enhanced to inform stakeholders engaged in consultation processes.</li> <li>The application of policy and regulatory frameworks is improved.</li> <li>Best-practice environmental and social standards for water resource management infrastructure projects, including hydropower, are adopted.</li> <li>Public expenditure efficiency and cost recovery are improved.</li> </ul>	<ul style="list-style-type: none"> <li>Establish an Australian Water Partnership to improve access to Australian water expertise and technology.</li> <li>Forge partnerships and information exchanges between government, academia, civil society and the private sector.</li> <li>Establish and maintain regional networks of water professionals, including alumni of former Australian water management students.</li> <li>Promote the provision of training programs, exchanges, study tours and secondments between Australian and partner country institutions.</li> <li>Share experience and lessons learned from policy reform processes in Australia.</li> <li>Promote cross-border water governance at national and local levels.</li> </ul>

Women's economic empowerment



## Guiding principles

Some key guiding principles for program managers involved in planning and implementing investments in the agriculture, fisheries and water sectors are summarised below:

- **Aid effectiveness:** The Government's commitments to improving the impact and accountability of Australian aid are outlined in Australia's development policy, [Australian aid: promoting prosperity, reducing poverty, enhancing stability](#), and accompanying performance framework, [Making performance count: enhancing the accountability and effectiveness of Australian aid](#). More broadly, Australia's approach to aid aligns with international aid effectiveness principles, including those outlined in the [Busan Partnership for Effective Development Cooperation](#) (2011), the [Accra Agenda for Action](#) (2008), and the [Paris Declaration on Aid Effectiveness](#) (2005).
- **Avoiding trade distorting aid investments:** Australia advocates for an open and market-oriented international agricultural trading system. Aid investments must be consistent with this policy. For example, Australia should avoid aid investments that could potentially be production or price distorting.
- **Engaging with the private sector:** The Australian aid program's engagement with the private sector is on the basis that: (1) donors should not finance activities that business would have financed themselves; (2) support should not provide one business with an unfair advantage over its competitors; (3) support should have lasting development impacts and lead to long-term commercial viability; and (4) the expected benefits need to be higher than other possible approaches or partners.
- **Responsible investment:** Once agreed by the Committee on World Food Security, the [Principles for Responsible Agricultural Investment that Respect Rights, Livelihoods and Resources \(PRAI\)](#) will provide a broad-based, non-binding set of international best-practice principles, primarily for commercial investments in agriculture. The PRAI will also provide helpful guidance for responsible aid investments in agriculture and food systems and how these can contribute to food and nutrition security. An important aspect is community consultation and participation in decision-making that affects people's livelihood opportunities.
- **Adherence to environmental and social safeguards:** The three mandatory safeguards in DFAT's development policy are: (1) environmental protection; (2) child protection; and (3) resettlement and displacement. DFAT's [Environment Protection Policy](#) articulates the principles that assist aid investments to comply with obligations under Australia and partner countries' environmental laws, as well as multilateral environmental agreements to which Australia is a signatory. The department's [Child Protection Policy](#) for the Australian aid program is designed to meet the department's obligations under the [United Nations Convention on the Rights of the Child](#) to protect children from abuse and exploitation, in line with relevant Australian laws. Where Australian aid investments may lead to physical and/or economic displacement and resettlement, DFAT must take steps to address adverse impacts on people and businesses, in line with the [Resettlement Policy](#) and [Resettlement Guideline](#).
- **Policy coherence:** Australia's engagement with developing countries should reflect the OECD's guidance on [Policy Coherence for Development](#), which advocates that OECD members take steps to integrate development concerns across all areas of Government policy, both domestically and internationally (i.e. trade, finance, security, resources and energy, immigration etc.).
- **Evidence and analysis:** Australia's investments and designs should be informed by ongoing economic, political and social analysis. This assists in determining where development assistance is best invested, to maximise inclusive economic growth and reduce poverty.