

**AUSTRALIA'S OVERSEAS
AID PROGRAM
2003-04**

STATEMENT BY
THE HONOURABLE ALEXANDER DOWNER MP
MINISTER FOR FOREIGN AFFAIRS
13 MAY 2003

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ABBREVIATIONS AND ACRONYMS

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	Asian Development Fund
ADS	Australian Development Scholarships
AMS	Activity Management System
ANCP	AusAID/NGO Cooperation Program
APEC	Asia-Pacific Economic Cooperation
ARDS	Australian Regional Development Scholarships
ASEAN	Association of South-East Asian Nations
ATSE	Australian Academy of Technological Science and Engineering
AusAID	Australian Agency for International Development
BEAM	Basic Education Assistance to Mindanao
CRP	Comprehensive Reform Program
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Aid Program
GCT	Global Conservation Trust
GDP	Gross Domestic Product
GDLN	Global Development Learning Network
GEF	Global Environment Facility
GNI	Gross National Income
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
ICTs	Information and Communication Technologies
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund

IM&T	Information Management and Technology
ISSS	International Seminar Support Scheme
ITTO	International Tropical Timber Organisation
LICUS	Low Income Countries Under Stress
MDB	Multilateral Development Bank
MPMF	Montreal Protocol Multilateral Fund
NGO	Non Government Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OGD	Other Government Department
PALMS	Paulian and Lay Missionaries
PNG	Papua New Guinea
SARS	Severe Acute Respiratory Syndrome
UN	United Nations
UNAIDS	Joint United Nations Program on HIV/AIDS
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USP	University of the South Pacific
VCP	Virtual Colombo Plan
WHO	World Health Organisation
WTO	World Trade Organisation

FOREWORD

The Australian aid program advances our national interest by assisting developing countries to reduce poverty and achieve sustainable development. As outlined in my statement to Parliament in September 2002, *Australian Aid: Investing in Growth, Stability and Prosperity*, the program meets this objective through: an emphasis on promoting improved governance; assisting countries to access and maximise the benefits from trade and new information technologies; supporting stability through improved delivery of basic services; strengthening regional security; and promoting sustainable resource management. Recent world events, and a tight fiscal environment within Australia, reinforce these priorities and demand a flexible aid program that can respond quickly and effectively to emerging challenges confronting Australia's developing country partners.

In 2003-04, the Australian Government will provide \$1.894 billion as Official Development Assistance (ODA). This is an increase of \$79 million over the 2002-03 figure of \$1.815 billion. The ratio of Australia's ODA to Gross National Income (GNI) for 2003-04 is estimated at 0.25 per cent, placing Australia above the donor average which, in the latest year available (2002), is 0.23 per cent.

Promoting Regional Stability, Security and Economic Growth

Within the Asia-Pacific region, many countries are facing significant challenges to their stability and security. Conflict and instability impact directly on countries' development prospects. The aid program can, and does, provide a 'peace dividend' to encourage the cessation of hostilities and the start of constructive development. The threat of terrorism is also a major impediment to economic growth and development, reducing investment and business confidence, and impeding the delivery of effective government services. The Australian aid program will therefore continue to place a high priority on assistance to developing countries in the Asia-Pacific region, with a focus on good governance and enhancing partner governments' capacity to promote peace and manage non-military threats to security.

Key features of Australia's aid to the Asia-Pacific region in 2003-04 include:

- Increasing total aid flows to the Pacific to \$176 million, a real increase of 4.3 per cent from the 2002-03 budget, with a continuing focus on good governance, peace building and strengthening capacity to deliver basic services to communities.
- The establishment of a Peace and Security Fund in the Pacific that will enable Australia to provide flexible and targeted assistance to directly address needs in post-conflict societies such as the Solomon Islands. The Fund, which will total \$7.5 million in 2003-04, will also strengthen the broad security framework in the Pacific through initiatives to counter trans-national crime and terrorism.

- Substantially increasing total aid flows to Indonesia to \$152 million to support improved governance and more effective delivery of basic services. Initiatives include increased support for counter-terrorism, a major program to improve the quality and accessibility of mainstream education services, and a package of measures to improve health services as a practical memorial to the victims of the Bali bombing. Australia will also provide substantial assistance for Indonesia's elections to be held in April 2004.
- Additional funding for regional counter-terrorism measures in East Asia. This includes activities in support of an APEC Leaders' initiative to halt terrorist financing, promote cyber security, and protect cargo, ships, aviation and people through improved border and customs controls.
- Continuing substantial support to Papua New Guinea to improve economic and public sector management, and maintain government services.
- To coincide with the International Year of Freshwater, an estimated \$94 million will be provided in 2003-04 towards programs that enhance the sustainable management of water resources and services, with a focus on strengthening water planning and policy reform and improving access to water and sanitation services for the poor. Major new projects in water supply, sanitation, and water resource management will be implemented across the Asia-Pacific region, including in north-eastern India (\$43 million) and Vietnam (\$19.5 million).

Outside Australia's immediate region, the Australian aid program will continue to play a constructive role in international efforts to reduce poverty, especially in Africa. In 2003-04 total aid flows to Africa are estimated to be \$61 million, focusing on improved governance, including trade-related assistance to promote economic growth. The aid program will continue to respond flexibly to humanitarian needs, especially in southern Africa.

Responding to Humanitarian Crises

Emergencies and humanitarian crises will continue to place pressures on the aid budget. In 2003-04, funding for international humanitarian, emergency and refugee programs will increase to \$132 million. This will further enhance the aid program's ability to respond quickly, flexibly and effectively to a range of humanitarian needs, within our region and around the world, especially those resulting from disasters and conflict.

The Government has indicated that Australia will make a strong humanitarian contribution, and play a significant and constructive role, in the reconstruction of Iraq. The Government has committed over \$100 million to humanitarian relief and reconstruction. Early Australian assistance through international humanitarian partner organisations, especially UN agencies and the International Committee of the Red Cross, enabled them to respond quickly and effectively as humanitarian needs were

identified in Iraq. Australia will have a longer-term focus on supporting the agriculture sector.

Australia will also continue to help those people in other parts of the world who are suffering from the effects of natural disasters, war and internal conflict. For example, Australia will continue to respond to food needs in Africa during the current severe famine. Australia will also provide peace building assistance to countries such as Afghanistan, Sri Lanka and the Solomon Islands.

Last year I initiated an International Refugee Fund to support programs of international agencies assisting refugees and internally displaced people. In 2003-04, this fund will continue to support programs of assistance to refugees and internally displaced people in the Asia-Pacific region.

Trade and Food Security

In 2003-04 the Australian aid program will support the objectives of the World Trade Organisation (WTO) Doha Development Round of multilateral trade negotiations by increasing trade-related assistance to developing countries by approximately 10 per cent. A package of trade-related assistance will include:

- contributions to the WTO Global Trust Fund established to ensure that developing country members of the WTO can take full advantage of the opportunities offered by the Doha Round of trade negotiations;
- additional funding to build south-east Asian countries' capacity in trade policy analysis and market access negotiations; and
- additional support for African regional trade initiatives, especially in agriculture.

Economic growth through trade liberalisation, particularly in agricultural products, is important in enhancing the food security of the world's poor. Latest estimates indicate that approximately 800 million people in the developing world are undernourished. Commencing in 2003-04, the Government is therefore pledging \$1 billion of its ODA, over five years, to programs and initiatives that enhance the food security of people in the developing world.

A major threat to food security is the rapid decline in agricultural biodiversity, both from population pressure and land clearing, and the decreasing capacity of gene banks to conserve gene collections. In 2003-04, Australia is planning to join with other key donors in making a multi-year commitment of \$16.5 million to the Global Conservation Trust (GCT). The nature and terms of Australia's engagement with the Trust are still under discussion. The GCT is a joint initiative of the Food and Agriculture Organisation and the Consultative Group on International Agricultural Research to provide secure funding for gene banks to conserve plant and genetic resources for food and agriculture around the world. This work is of great importance

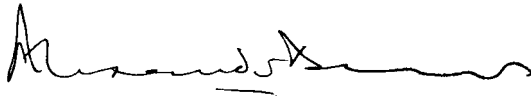
to developing countries, some of which have lost access to their national sources of seed stocks. It is also of significance to a country such as Australia which has a proud history of research associated with agricultural biodiversity.

Supporting Effective International Development Organisations

An important aspect of Australia's aid program is strengthening links with key international development organisations. I am particularly concerned that Australia work closely with those organisations that have a proven track record in supporting effective poverty reduction and development programs, are undertaking necessary reforms to enhance their effectiveness, and which demonstrate an appropriate focus on the Asia-Pacific region. To this end, I have increased funding to several UN agencies and the International Committee of the Red Cross. Additional targeted funding will also be available to these and other organisations through bilateral and regional initiatives.

Conclusion

The 2003-04 aid budget is a practical expression of Australia's commitment towards building a secure, stable and prosperous Asia-Pacific region. This budget enhances our capacity to respond quickly and effectively to emerging development challenges, both within our immediate region and internationally. This will ensure that Australia continues to make a valuable contribution to poverty reduction and sustainable development.



Alexander Downer

Table 1: Total Australian ODA flows to partner countries

Major Partner Countries / Regions	Outcome (\$m)			Estimate (\$m)		
	Expenses ¹			Expenses ¹		
	1999-00	2000-01	2001-02	2002-03 ²		2003-04
			Budget Figure	Expected Outcome	Budget Estimate	
PAPUA NEW GUINEA & PACIFIC						
Papua New Guinea	321.5	338.2	328.9	351.4	330.3	333.6
Fiji	19.9	16.0	17.0	19.7	19.4	20.0
Vanuatu	17.9	18.5	21.4	22.1	21.1	22.7
Solomon Islands	19.4	35.1	41.8	36.2	35.3	37.4
Samoa	14.3	13.9	14.1	15.8	15.9	16.3
Tonga	10.8	10.7	11.2	11.4	11.9	11.7
Kiribati	8.8	8.9	10.9	11.1	11.5	11.4
Tuvalu	3.7	2.9	3.4	3.8	3.7	3.8
Regional Pacific ³	40.4	44.4	41.1	44.9	45.4	52.5
Total PNG & Pacific	456.7	488.6	490.0	516.4	494.5	509.4
<i>Nauru Additional⁴</i>			18.8	6.8	30.5	0.0
EAST ASIA						
Indonesia	121.4	122.8	122.8	121.6	130.7	151.7
East Timor	165.6	85.4	60.3	62.3	56.1	42.5
Vietnam	77.2	69.6	68.3	72.2	68.6	72.1
Philippines	58.9	59.3	62.7	63.0	59.1	62.4
China	56.5	55.7	54.8	55.5	56.7	50.7
Cambodia	37.0	38.1	37.8	39.6	38.8	44.4
Thailand	26.1	24.0	17.3	21.6	17.2	15.1
Laos	19.3	20.4	20.3	19.0	18.4	20.4
Regional East Asia ⁵	33.7	28.4	30.3	42.3	32.4	31.7
Total East Asia	595.6	503.8	474.8	497.1	478.2	491.1
SOUTH ASIA, AFRICA & REST OF WORLD						
Bangladesh	31.8	32.8	34.6	35.6	35.3	32.3
India	20.2	25.3	18.1	22.1	18.6	22.6
Sri Lanka	12.7	9.5	10.8	11.4	15.0	16.2
Nepal	7.7	8.2	7.2	7.8	7.8	7.4
Pakistan	3.5	3.5	3.8	4.2	4.9	5.2
Regional South Asia ⁶	4.7	11.3	32.1	28.8	27.5	28.5
Africa	74.8	74.0	64.5	60.2	59.9	61.4
Middle East	8.8	11.6	11.0	11.9	88.7	37.8
Rest of World	69.8	56.3	56.0	60.7	61.3	70.8
Total South Asia, Africa & Rest of World	234.0	232.5	238.1	242.8	319.1	282.1
Other Government Departments ⁷ (not attributed to country/region)			77.8	116.7	85.3	137.1
Core contributions to multilateral organisations, other ODA ⁸	473.6	456.8	489.4	441.3	443.8	449.3
Reconciliation of expenses to cash ⁹	-11.3	-58.6	-33.7	-6.5	-35.3	24.8
Total ODA (cash)	1748.7	1623.1	1755.1	1814.6	1816.2	1893.8
ODA at constant 2002-03 prices	1911.1	1698.8	1792.0	1814.6	1816.2	1854.8
Real change over previous year (%)	11.7	-11.1	5.5		1.3	2.2 ¹⁰
ODA/GNI Ratio (%) ¹¹	0.29	0.25	0.25	0.25	0.25	0.25

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 Total flow estimates for 2002-03 represent Budget Figures as estimated at May 2002 and Expected Outcomes as estimated at May 2003.
- 3 Regional Pacific includes multi-country and regional activities and small bilateral programs identified in Table 3.
- 4 Nauru Additional represents additional funding appropriated at Additional Estimates for 2001-02 (\$18.8 million), and a New Budget Measure (\$6.8 million) plus Additional Estimate funding in 2002-03 (\$23.7 million).
- 5 Regional East Asia includes multi-country and regional activities and small bilateral programs identified in Table 3.
- 6 Regional South Asia includes multi-country and regional activities and small bilateral programs identified in Table 3.
- 7 Other Government Departments (OGDs) not attributed to country/region includes ODA eligible expenditure by OGDs that has not been allocated to a specific geographic area.
- 8 Core contributions to multilateral organisations, other ODA expenditure includes 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 also included in this line item.
- 9 See Technical notes for an explanation of the relationship between expenses and cash.
- 10 Real per cent change over 2002-03 Budget Figure of \$1,814.6 million.
- 11 See Technical notes for an explanation of the change in terminology from GNP to GNI.

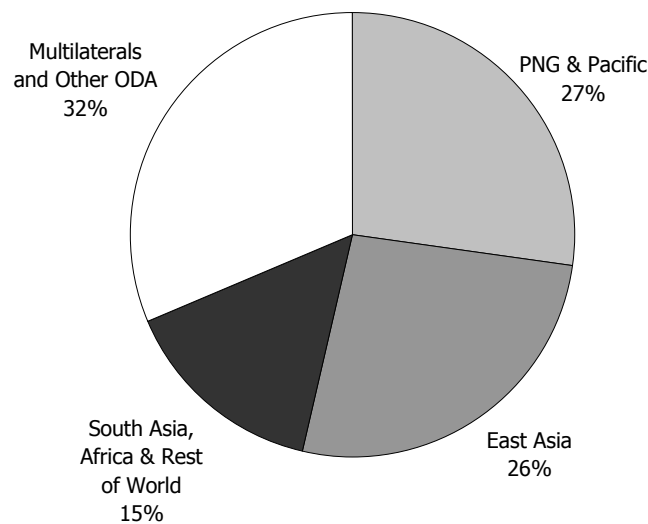
CHAPTER ONE: FOCUS OF THE AID PROGRAM

The Australian aid program advances Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. The program focuses on countries in the Asia-Pacific region where two-thirds of the world's poor live. This focus reflects Australia's strong engagement with and commitment to the region, its stability and its prosperity. While concentrating on East Asia, Papua New Guinea and the Pacific island countries, Australia's aid program is also engaged selectively in South Asia, Africa and the Middle East.

Practical support for governance and policy reforms underpins economic growth, creating better frameworks for private sector growth and supporting investments in infrastructure and people. By promoting development that is sustainable, Australia is making a major contribution to regional growth, security and stability.

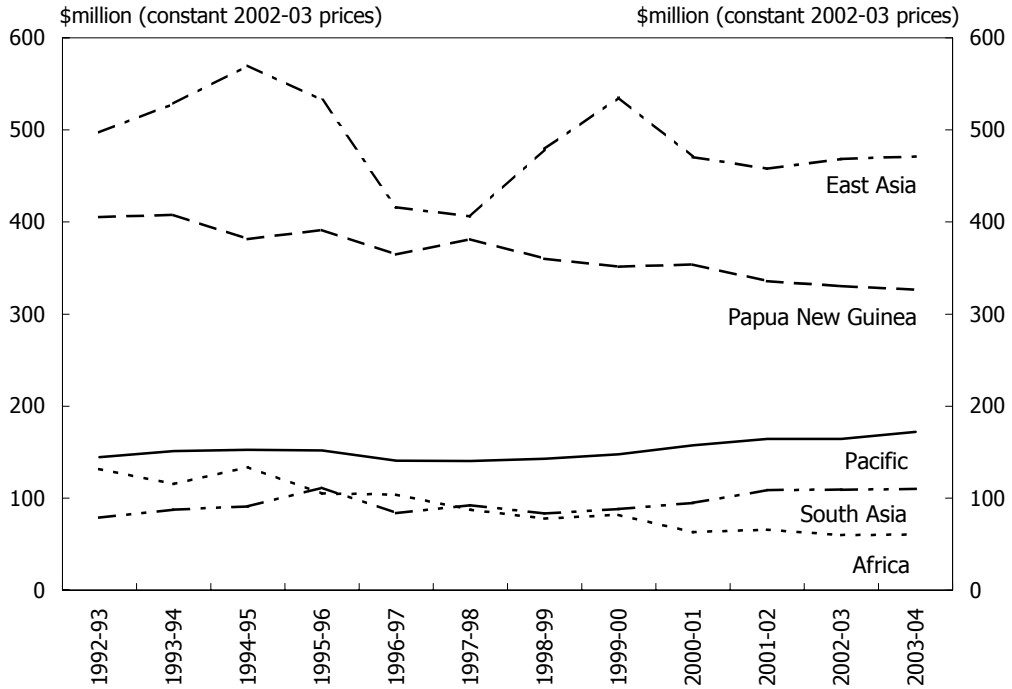
In 2003-04, Papua New Guinea will continue to receive the largest single allocation of Australian aid. Aid program expenditure in the Pacific and East Asia will increase in comparison to 2002-03. Total flows to South Asia and Africa are expected to remain consistent compared with 2002-03.

Diagram 1: Total Australian aid in 2003-04



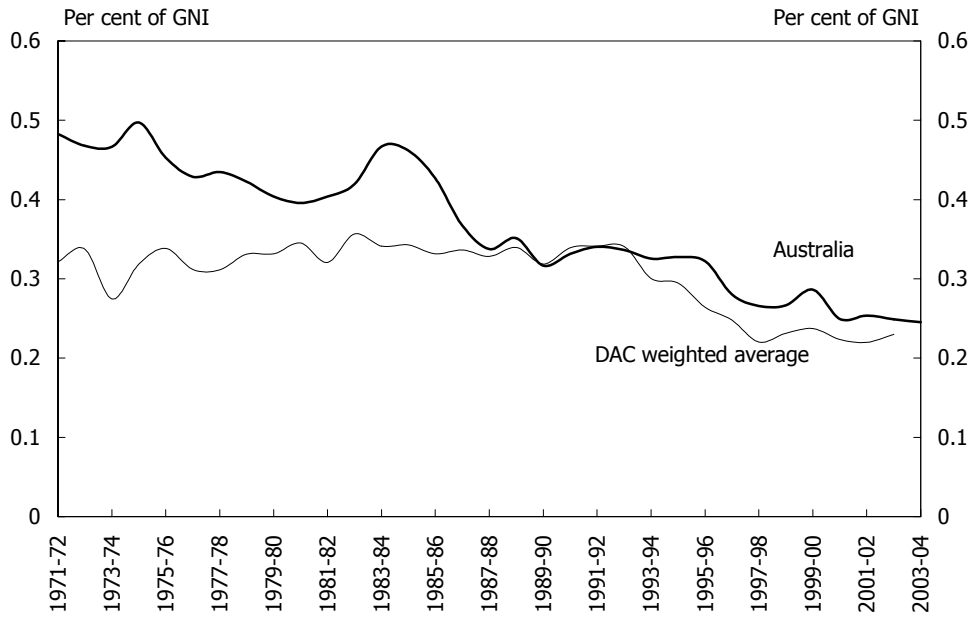
Note: 'Multilaterals and Other ODA' includes for example, expense payments which cannot be attributed to a particular country, such as payments to some UN and Commonwealth organisations and Departmental expenditure.

Diagram 2: Trends in total Australian aid by region



Note: Figures for 2002-03 and 2003-04 are estimates.

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



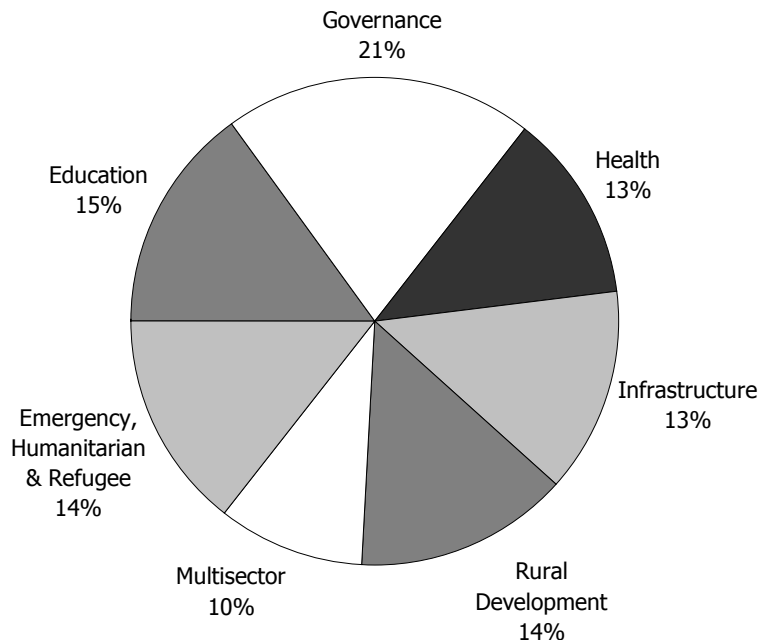
Note: DAC figure for 2002 is provisional

Key themes of the aid program

Australia's aid program serves the national interest by fostering growth, poverty reduction, peace and stability in the region and addressing trans-national threats to Australia's security. Five guiding themes shape Australia's efforts to assist developing countries to reduce poverty and achieve sustainable development. These themes provide a lens through which aid is programmed and implemented:

- **Governance:** promoting democratic and accountable government and effective public administration;
- **Globalisation:** assisting developing countries to access and maximise the benefits from trade and new information technologies;
- **Human Capital:** supporting stability and government legitimacy through improved basic services;
- **Security:** strengthening regional security by enhancing partner governments' capacity to prevent conflict, enhance stability and manage trans-boundary challenges; and
- **Sustainable Resource Management:** promoting sustainable approaches to the management of the environment and the use of scarce natural resources.

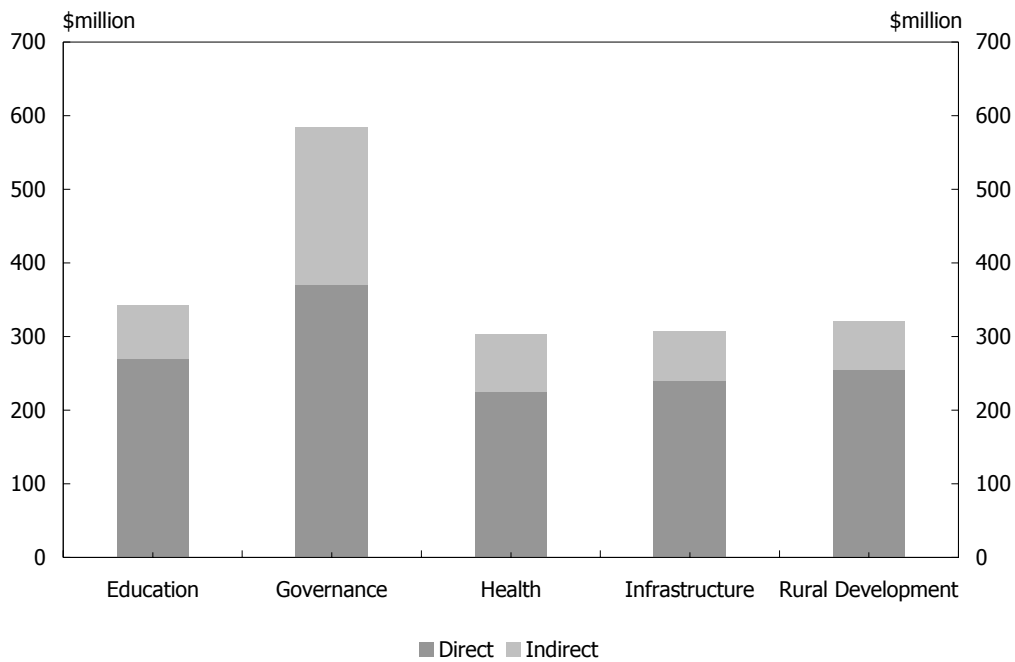
Diagram 4: Estimated sectoral breakdown of Australian aid 2003-04



Note: 'Multisector' includes direct expenditure on areas such as gender, environment and food security

Supporting these themes are policy frameworks in key sectoral and program areas, notably: good governance; humanitarian assistance; peace, conflict and development; health; HIV/AIDS; food security; rural development; private sector development; human rights; information and communication technologies and environmental management.

Diagram 5: Estimated expenditure by key sector 2003-04



GOVERNANCE

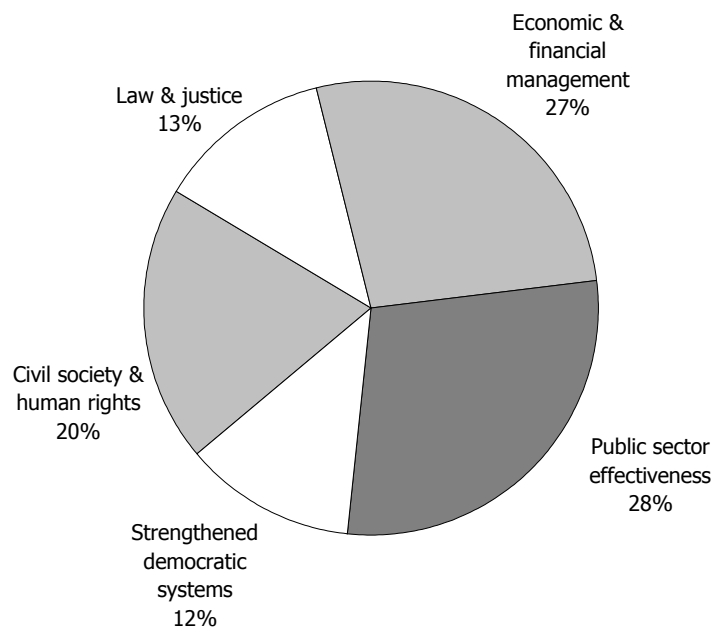
The development of sound governance systems is fundamental to growth, stability and prosperity in all countries. Democratic and accountable government lays the foundation for effective community participation in development. Improved governance requires investments in effective institutions of government and public administration and enabling policy and regulatory frameworks. The benefits are seen in private sector growth and improving living standards. The development of good governance approaches is not restricted to central government agencies but also must be adopted by service delivery areas of partner governments, local administrations, civil society and the private sector.

Australia is a strong advocate for good governance in the region. Australian assistance for improved governance focuses on five key aspects:

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

Governance activities comprise the largest component of the Australian aid program. In 2003-04, an estimated \$370 million, or 21 per cent of total aid expenditure will support governance programs and activities that promote open and efficient markets; enhance competition; combat corruption; secure property rights and the rule of law; protect human rights; and encourage civil society participation.

**Diagram 6: Estimated Australian assistance to the governance sector
2003-04**



Australia has established responsive mechanisms in many partner countries to support improved governance. As well as building on the existing governance activities across the aid program, Australia will respond to growing reform agendas in China, Vietnam and Indonesia. Assistance to PNG and the Pacific islands will continue to focus on economic, legal and public sector reforms. The Pacific Media Initiative implements good governance principles by strengthening the capacity and building awareness of the responsibilities of journalists and media organisations.

A further focus of governance activities will be on tailored approaches to assist poor performing states in our region. Australia will implement a graduated range of engagement strategies and incentives that will encourage reform and help to reduce the effects of weak systems on the poor.

GLOBALISATION

Australia is working to maximise the benefits and minimise the challenges presented to developing countries by globalisation. Technical assistance, capacity building and policy dialogue in trade, investment and information communication technologies are important in promoting active participation in the global community. The Pacific, Asia and Africa regional programs will increase efforts to facilitate open trading systems, encourage investments and economic reform, and strengthen developing country capacities to integrate in the global economy.

Information and communication technologies are crucial in our increasingly globalised world. Australia recognises that affordable access to information and knowledge is vital to development. Australia is implementing its commitment to the Virtual Colombo Plan (VCP) made in August 2001 of \$200 million over five years to help bridge the digital divide by supporting the development and adoption of information technologies in developing countries. In 2003-04, the VCP will continue to strengthen the interactive Global Development Learning Network (GDLN). Australia's early leading role in the establishment of the network has helped to enlist broader international support for the content and facilities of the GDLN. The Development Gateway internet portal will also be expanded to create Australia's premier site on development. This site can be found at: <<http://www.developmentgateway.com.au>>.

Trade and Development

Trade liberalisation has the potential to lift millions of people out of poverty. If developing countries increased their share of world exports by five per cent, this would generate \$677 billion per year – seven times as much as they receive in aid. As the World Trade Organisation's (WTO) Doha Development Round of multilateral trade negotiations approaches its mid-way point at the Cancun Ministerial Meeting in September 2003, trade-related assistance will remain critical for developing countries.

Between 1996-97 and 2002-03, aid funding for direct trade-related technical assistance and capacity building has increased by more than 55 per cent. Estimated expenditure will reach \$31 million in 2003-04. A package of trade-related assistance will include:

- contributions to the WTO Global Trust Fund established to ensure that developing country members of the WTO can take full advantage of the opportunities offered by the Doha Round of trade negotiations;
- additional funding to build south-east Asian countries' capacity in trade policy analysis and market access negotiations; and
- additional support for African regional trade initiatives, especially in agriculture.

Trade-related support to developing countries extends beyond direct technical assistance. From 1 July 2003 Australia will provide tariff and quota free access for all goods produced in the 49 Least Developed Countries. These arrangements will also include East Timor.

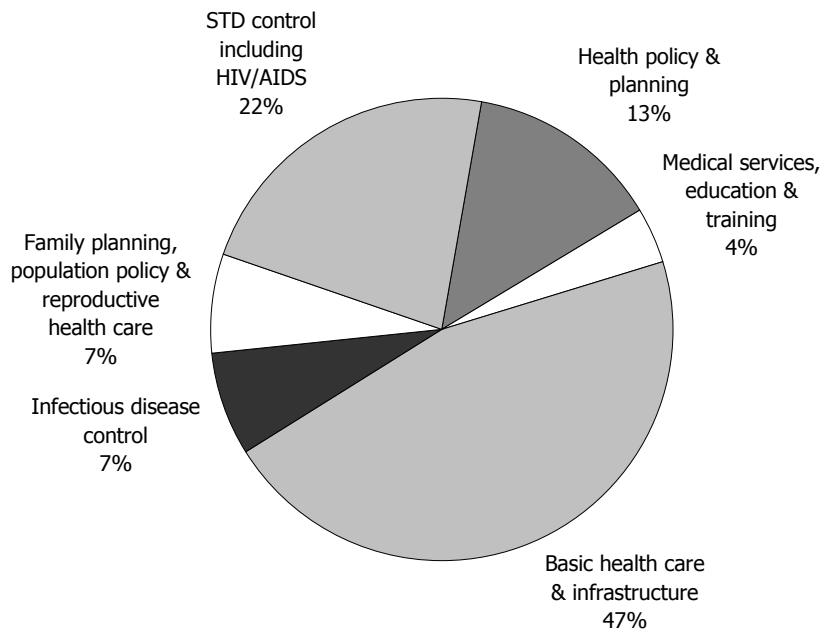
HUMAN CAPITAL

The effective participation of all people in economic activity is fundamental to reducing poverty and achieving sustainable development. This 'human capital' dimension of development can only be sustained with reliable access to basic services, including water and sanitation, health care and education. Australia recognises and supports developing country efforts to improve basic services, along with access to key productive assets, such as land and credit, and support for women and children to participate fully in development. Basic service delivery is a central function of government. It enables governments to fulfill their key responsibilities to communities and individuals. This will generate greater state legitimacy and more effective responses to the needs of the poor.

In 2003-04, the aid program will provide an estimated \$270 million for education; \$225 million for health; and \$55 million to address gender equality. Activities will include:

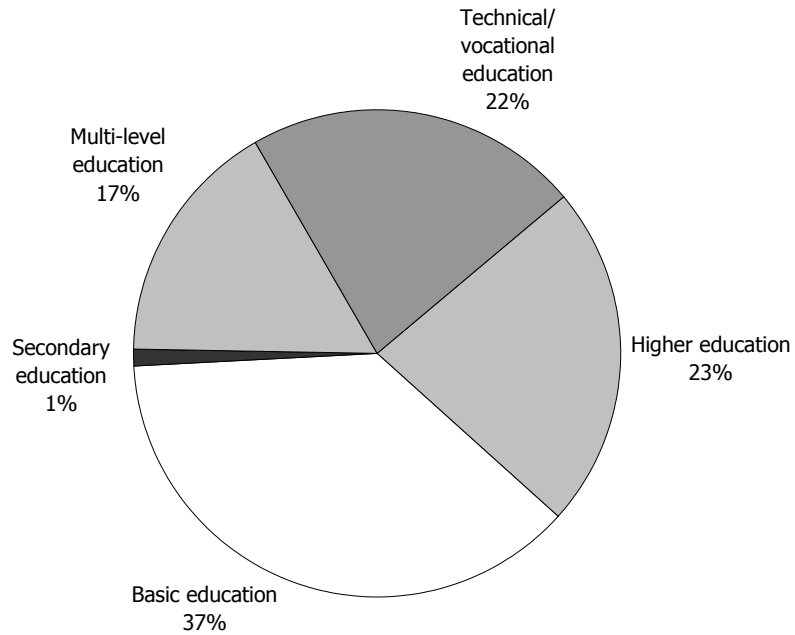
- combating communicable and non-communicable diseases in the region through a combination of capacity building and direct service delivery;
- continuing the implementation of the \$200 million, six-year HIV/AIDS initiative with \$60 million to be allocated in 2003-04 including activities agreed at the HIV/AIDS Asia-Pacific Leadership Forum;
- strengthening institutional capacity in partner countries to improve literacy, numeracy, vocational and technical training, as well as providing around 1110 new scholarships for developing country students to study at Australian institutions, and around 240 new scholarships for PNG and Pacific islands students to study at their local and regional institutions;
- addressing violence against women, for example the Women's Crisis Centres in Fiji and Vanuatu and the South African gender violence program.

Diagram 7: Estimated Australian assistance to the health sector 2003-04



The Australian aid program will also provide an estimated \$94 million of direct and indirect expenditure towards water-related activities in 2003-04. This will include promoting the sustainable use and allocation of water through strengthening policy, institutional arrangements and legal frameworks in partner countries.

**Diagram 8: Estimated Australian assistance to the education sector
2003-04**



Developing countries will need assistance in providing for the basic needs of the poor. The eight Millennium Development Goals stemming from the UN Millennium Declaration provide reference points on the global effort required for long-term poverty reduction. Australia, through supporting good governance and improving basic services in developing countries in the region, is contributing to the achievement of these goals.

Water in the aid program

Access to safe water and adequate sanitation is a critical development challenge. In Asia, two billion people do not have access to adequate sanitation facilities and around 700 million lack access to safe drinking water. Globally, more than 10,000 people die every day from preventable water-related diseases.

In March 2003, the Minister for Foreign Affairs launched *'Making every drop count'*, providing policy guidance to strengthen water management, legal, institutional and regulatory frameworks as well as improve delivery systems with developing country partners.

The Minister also announced several new commitments in relation to the policy. For example, Australia will support a program in South Asia worth \$43 million over seven years. The South Asia Water Supply and Sanitation Reform Program, focusing on north-east India, will commence in the second half of 2003.

In addition, a new water research program will be established within AusAID during 2003-04. With initial funding of \$1 million, the program will draw on Australian knowledge and expertise on water.

SECURITY

Security is a human and economic development challenge. Conflict, disease, drugs and trans-national crime, illegal immigration and environmental degradation are just some of the security challenges confronting Australia's region. Poverty can create as well as exacerbate these forces. For example, an individual's vulnerability to disease and crime also undermines their ability to participate fully and productively in society. The Australian aid program's focus on poverty reduction in the region therefore makes an important contribution to the prevention of conflict and potential threats to security.

Besides providing direct humanitarian assistance, Australia seeks to enhance partner governments' own capacity to prevent conflict and manage non-military threats to security. The aid program works with partner countries to promote transparent, participatory and accountable systems of government and public administration. For example, the aid program supports bodies such as the Centre for Democratic Institutions to promote democratic systems and parliamentary processes in the Asia-Pacific region. More specifically, assistance is provided to deal with particular trans-national challenges, for example the spread of HIV/AIDS. Practical assistance is also provided to strengthen basic policing and the performance of law and justice systems.

Aid and counter-terrorism

Terrorism is a trans-national phenomenon that threatens peace, security and prosperity. The tragic events of 11 September 2001 and Bali in October 2002 emphasised the importance of a concerted response to terrorism. The Australian aid program is helping to build the capacity of developing countries in the region to respond effectively to potential terrorist threats. In 2003-04, the aid program will assist partner governments to:

- strengthen police, immigration, banking authorities, border and customs control to combat illegal movement of arms, money, people and substances;
- draft and enact legislation to combat illicit commercial ventures and trans-national crime, including money laundering, people smuggling and terrorism;
- improve the functioning of law and justice systems;
- promote peace building, conflict resolution and reconstruction in conflict affected areas;
- improve the quality of basic education, including the monitoring of education standards in non-state schools;
- implement the Nasonini Declaration on Regional Security in the Pacific, which includes a commitment to implement internationally agreed anti-terrorism measures, such as the United Nations Security Council Resolution 1373 and the Financial Action Task Force 8 Special Recommendations; and
- implement the APEC Leaders' Statement on Fighting Terrorism and Promoting Growth made in Los Cabos, Mexico in October 2002, where leaders committed to take measures to secure trade in the APEC region by protecting cargo, ships, aviation and people in transit, halt terrorist financing and promote cyber-security.

SUSTAINABLE RESOURCE MANAGEMENT

Sustainable management of natural resources and sound agricultural practices are vital for long-term prosperity and poverty reduction in the Asia-Pacific region. Australian assistance works at numerous levels, including improving environmental resource management and governance and supporting the livelihoods of poorer rural communities.

In 2003-04, Australia will provide an estimated \$95 million for activities to address environmental problems in developing countries. Australia will implement improved environment management guidelines developed to meet overseas aid provisions of the *Environment Protection and Biodiversity Conservation Act 1999*.

The aid program will also provide an estimated \$255 million in support of rural development in partner countries. In particular, programs will be extended or enhanced in several countries in East Asia. For example, in 2003-04 a new four-year rural development program to improve agricultural production and increase rural incomes will commence in East Timor.

CHAPTER TWO: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

PNG development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	1123	42	57	64

Source: GNI per capita: DAC, 2001; other indicators: Human Development Report, UNDP, 2002.

Programmed activities	\$300.0 million
Retirement benefits	\$14.0 million
Estimated other ODA	\$19.6 million
Estimated total aid flows	\$333.6 million

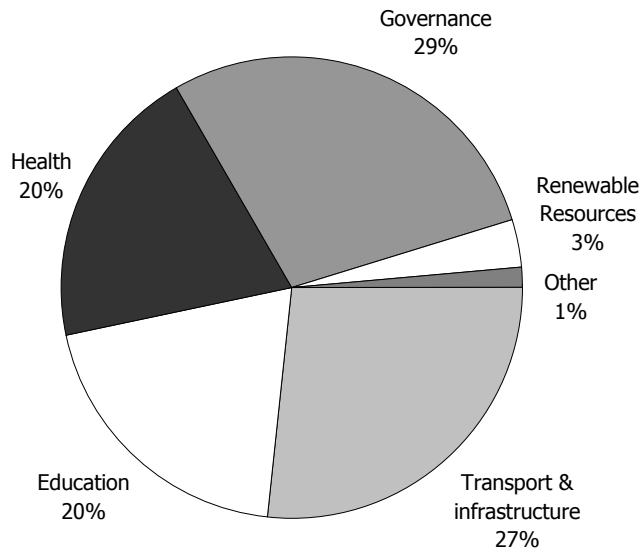
The aid program is a central, practical part of Australia's engagement with Papua New Guinea (PNG) and forms a critical part of our bilateral relationship. It plays a pivotal role in supporting both stability and the legitimacy of national government. The PNG bilateral aid program is Australia's largest, with an estimated annual expenditure of over \$300 million.

There have been significant improvements in key social indicators in PNG since Independence in 1975. For example, life expectancy has risen and infant mortality has decreased. In addition, the number of children attending school has doubled in the last ten years. However, PNG still performs poorly compared with its Asian and Pacific neighbours on many of these indicators. Around one million people, a fifth of PNG's population, are living in poverty. Major challenges to development include the country's rugged topography, high population growth, weak governance capacity and an alarming increase in the incidence of HIV/AIDS. PNG's cultural context creates additional development challenges. It is probably the most ethnically fragmented country in the world. Under these circumstances, development outcomes are challenging to achieve and will only be realised over the long term, with leadership and sustained commitment by PNG itself.

In 2003-04, Australia will focus on addressing PNG's long-term development needs. Principle objectives will include enhancing the quality of governance in PNG, particularly with respect to the management of public expenditure; encouraging broad-based sustainable growth; and addressing the underlying causes of conflict and instability.

In addition, Australia is working closely with the World Bank, the Asian Development Bank and other donors to develop a coherent strategy of engagement with PNG which will result in a greater impact over the long term.

Diagram 9: Estimated breakdown of bilateral aid to PNG by sector 2003-04



Strengthening Governance

The Australian aid program will retain its focus on promoting good governance in PNG. In 2003-04, the main initiative of the governance program will be AusAID's participation with the World Bank and Asian Development Bank in the Government of PNG's Public Expenditure and Rationalisation Review. This review aims to design a range of fiscal reforms to remedy PNG's unsustainable public expenditure levels and an agenda of governance reforms to restore integrity to the public financial management system. Australia will continue to provide support to the strong relationship developed between the Australian and PNG Treasuries, through the Treasury Twinning Scheme. The Government of PNG's Financial Management Improvement Program will also receive support. More generally, Australia will provide assistance to the PNG Government to implement initiatives in public sector reform.

Australia will strengthen its focus on law and justice policy dialogue and reform in PNG, through a sector-wide approach that will foster local ownership. A newly appointed Justice Advisory Group (JAG), an expert monitoring and advisory body providing independent advice to both governments, will facilitate this process. The JAG will be complemented by a rolling program of assistance focusing on greater

understanding and use of local systems. This will assist in improving sectoral coordination, strengthening the formal justice system and supporting innovative community approaches to crime prevention. The JAG will also ensure that Australia's interventions remain affordable in the context of PNG's declining national revenue.

Human Capital

Australia is committed to working in full partnership with the PNG National Department of Health to improve the planning, delivery and monitoring of health services. In 2003-04, Australia will be directly supporting delivery of essential services in rural areas, in particular providing medical supplies, health services for women and children, and refurbishment and equipment for health centres. In addition, Australia will work with PNG to address constraints to quality health service delivery, including improving human resource and organisational management in the sector. During 2003-04, Australia will also be developing the next major phase of health assistance to PNG, aiming to streamline health financing and improve government distribution systems for greater efficiency and allocation of resources. Flexibility to enable rewards and incentives for improved health management will be an important component of this assistance.

Increasingly, HIV/AIDS presents a threat to the health and welfare of PNG's population. An AusAID commissioned report concluded that if not checked, the HIV/AIDS epidemic in PNG will lead to major declines in economic and social indicators. For example, HIV/AIDS has the potential to reduce the labour force by 13 to 38 per cent by the year 2020 and increase PNG's budget deficit by 9 to 21 per cent. Australia has committed \$60 million over five years to support PNG's response to the HIV/AIDS epidemic. These funds support initiatives to increase awareness and improve detection and treatment of sexually transmitted infections; provide care and support for people living with HIV/AIDS and their families; and improve PNG's capacity to respond to the challenges of the epidemic.

Australia will assist PNG's Education Reform Program in 2003-04. In addition to the existing projects which support basic education through curriculum reform, teacher training, and infrastructure development, a major new initiative will be introduced. The Education Capacity Building Project will support PNG government education reforms with a focus on policy, planning, management, human resource development, coordination and finance at central, provincial and district levels.

Sound infrastructure improves access to essential services and markets in rural areas where the majority of people live and is a major contributor to broad-based economic growth. Roads and airports therefore play a significant role in promoting nation building, political stability and communication, particularly given PNG's mountainous terrain and scattered population. In 2003-04, maintenance of key land transport will be the focus of Australian development assistance in the infrastructure and rural development sector. This is consistent with PNG needs at a time of severe under-funding of operations and maintenance. Australia and PNG will work in

partnership with other donors to maximise the economic return of transport maintenance programs, via linkages to markets and services in rural areas. In 2003-04, assistance will be directed to the Highlands Highway, an important road network in the densely populated Highlands, as well as to bridge rehabilitation on major road networks.

The Australian aid program is also providing safe water and sanitation to the people of PNG. In partnership with local villagers and the Western Province Government, the South Fly Water Supply Scheme was successfully completed in November 2002. Large water tanks were transported and installed providing coastal villagers of the remote region with access to safe, clean drinking water. In 2003-04, a water supply project in Lae will design and construct a duplicate mains water supply pipeline along the Bumbu River, to provide a safe and reliable water supply to the population of Lae City. This activity will also benefit poor communities living along the new pipeline.

BOUGAINVILLE

Australia will continue to assist in Bougainville's shift to an autonomous province and support long-term development goals of stability and economic growth. To date, the aid program has provided direct support and momentum to the peace process by funding peace talks, civilian peace monitors, legal advisers and weapons disposal, while maintaining essential service delivery. The challenge in 2003-04 will be to move the program into a new phase of establishing an autonomous Bougainville government with its own parliament, constitution and provincial administration within PNG.

In 2003-04, Australia will provide advice and support for the implementation of transfer of power arrangements from the national government as well as supporting finance and budget planning processes, planning for affordable services and reform of the public sector. Support will continue for essential service delivery in elementary and primary education, basic health care, community policing and road maintenance.

The Pacific region

Pacific regional development indicators*

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Solomon Islands	1123	71	68	77
Fiji	4122	47	69	93
Vanuatu	2032	88	68	34
Samoa	2942	99	69	80
Tonga	2961	95	68	99
Kiribati	1606	76	62	92
Nauru	-	100	58	95
Tuvalu	-	85	67	95

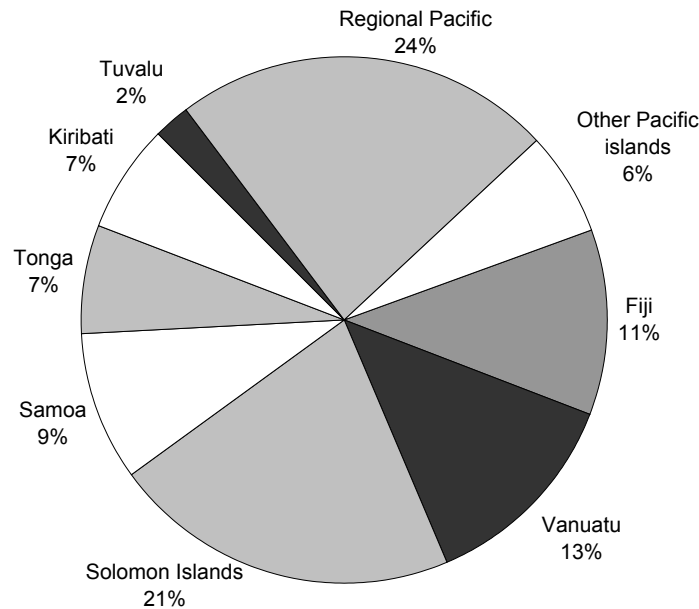
Source: GNI per capita: DAC, 2001 (except Nauru and Tuvalu); other indicators for Fiji, Vanuatu, Samoa and Solomon Islands: Human Development Report, UNDP, 2002; all other data: Pacific Human Development Report, UNDP, 1999.

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

Estimated total aid flows to the Pacific in 2003-04

\$175.8 million

Diagram 10: Estimated total aid flows to the Pacific by country 2003-04



REGIONAL OVERVIEW OF THE PACIFIC

The nations of the Pacific region are notable for their cultural, physical, and political diversity. However, their remoteness from global markets, narrow economic and natural resource bases, and vulnerability to natural disasters constitute a daunting challenge in maintaining positive development paths in a dynamic global environment.

Pacific island economies tend to be characterised by a large and inefficient public sector, contrasting sharply with a weak and under-developed private sector. In many countries the majority of the population still derive their livelihood primarily from the informal sector. High population growth coupled with sub-standard infrastructure means that many governments face difficulty in providing adequate levels of services to their people, with health and education systems often stretched beyond capacity. More broadly, key positions across the public and private sectors suffer from severe shortages of trained personnel.

The serious effects of recent political instability and internal conflict, particularly in Melanesian countries, are making the task of poverty reduction and sustainable development even more difficult. Causal factors include ethnic tension, weak national cohesion, and capacity constraints in key governance institutions, particularly those dealing with law and order issues. Recently, trans-border issues such as money laundering, people smuggling and diseases (particularly HIV/AIDS), and the regional response to terrorism have become increasingly prominent.

Regional strategy

Australia maintains a close relationship with Pacific island countries and is committed to long-term engagement to assist with their national development efforts. Australia is one of the region's major donors and our goal is to assist Pacific island countries achieve the maximum possible degree of self-reliance. To achieve this, a new Pacific strategy has been prepared for 2003-06. Objectives include the provision of strong support for economic reform and strengthening governance; support for law and justice, democratic institutions and conflict resolution; and service provision, including in regional and provincial areas.

Australia continues to work closely with New Zealand to improve the effectiveness of aid to the Pacific through greater harmonisation of policies and procedures. Joint initiatives and processes will continue to be implemented with partner governments to ensure harmonisation.

ASSISTANCE TO THE PACIFIC

Solutions to Pacific island countries' development problems cannot be imposed from the outside. Establishing the frameworks for economic and social viability rests with

Pacific Islanders themselves. Australia's aid program to Pacific island countries has been critical in supporting national unity and stability, in improving government capacity and in delivering essential services. The Australian Government will continue to assist in ways that support countries' own efforts.

Economic reform and Governance

Governance is at the heart of development issues in the South Pacific. Many countries in the region are grappling with government structures that are expensive and not well suited to deliver services to remote populations. Good governance and economic and financial reforms are essential if countries are to be economically viable and attract investment. During 2003-04, a significant proportion of Australia's bilateral aid to the Pacific island countries will continue to be directed to governance activities to support our major partners with economic, legal and public sector reform programs.

Australia's Pacific Policy and Management Reform Fund provides countries promoting reforms with the opportunity to access additional funds. During 2003-04, \$15 million will be available as an incentive for programs to help reinforce and reward reform efforts in the region, as well as promote peace and nation building.

Australian support for private sector development is primarily channelled through organisations such as the South Pacific Project Facility, the Foreign Investment Advisory Service, the Pacific Islands Trade and Investment Commission and the Company Directors Training Program. These organisations assist with trade and investment advice and enhancing the performance of private sector enterprises in the Pacific.

The difficulties that small island developing states can face in dealing with trade liberalisation are a particular concern for the Pacific region. During 2003-04, Australia will continue to provide targeted assistance to enable economies to take advantage of increased global trade and economic integration. Specifically, Australia will focus on facilitating Pacific country participation in World Trade Organisation (WTO) deliberations and providing technical assistance in the areas of economic policy development, budgetary and financial management and public administration.

Regional Security

Australia places a high priority on regional peace, stability and security in the Pacific. Events of the past two years, particularly increased political instability and inter-ethnic conflict in Melanesia, have heightened the importance of peace and security issues in the Pacific. Functioning law and justice systems are important given the vulnerability of some countries within the region to illicit commercial ventures and trans-national crime, including money laundering, people smuggling and terrorism.

In 2003-04, the aid program in the Pacific will reflect this increased focus, with bilateral law and justice activities in Solomon Islands, Vanuatu, Fiji, Samoa, Tonga and Nauru.

A priority is to improve the functioning of legal, justice and accountability institutions such as police forces, attorneys-general and courts. Bilateral assistance will continue to be provided for customs, immigration, border control and electoral activities in selected countries.

The establishment of a new Peace and Security Fund is a practical demonstration of Australia's support for regional stability. The Fund will enable Australia to provide flexible and targeted assistance to directly address needs in post-conflict societies such as the Solomon Islands. Totalling \$7.5 million in 2003-04, the Peace and Security Fund will also strengthen the broad security framework in the Pacific through initiatives to counter trans-national crime and terrorism.

At the regional level, Australia is supporting various initiatives to enhance the rule of law and counter trans-national crime. The Pacific Judicial Education Program, which is a regional training project for lower-level and non-formally trained judges, magistrates and court officials, will continue, as well as law and justice-related training and scholarships to students from Pacific island countries. Australia is also facilitating Pacific island countries to implement the Nasonini Declaration on Regional Security, which includes a commitment to implement internationally agreed anti-terrorism measures, such as the United Nations Security Council Resolution 1373 and the Financial Action Task Force 8 Special Recommendations.

Human Capital

Delivering basic services to small but scattered populations remains a significant challenge throughout the Pacific. Australia's support is crucial – both in governance assistance to develop more effective systems, and practical help to maintain adequate standards of health and education services.

During 2003-04, the aid program will address needs in basic education as well as funding approximately 700 Pacific Islanders to undertake tertiary study in Australia and at regional tertiary institutions. Australia will work with the University of the South Pacific (USP) to improve tertiary education delivery through the USPNet communications network. USPNet links 12 Pacific island countries, with over 4,000 students expected to benefit. Improvement of the management and planning capacity of national education departments remains an important focal area, with projects under way in Samoa and Kiribati.

The Australian aid program will continue to provide support for Pacific island countries' national health reform and management, including the development of health information systems and training in Fiji, Samoa, Solomon Islands, Tonga and Vanuatu. At a regional level, funds will be provided to promote strategies to address non-communicable lifestyle diseases (for example diabetes and diseases related to substance abuse), and control of emerging diseases such as HIV/AIDS. Tertiary health services will continue to be enhanced through visits by volunteer medical specialists

and assistance with the introduction of systems to maintain essential medical equipment.

The Pacific Children's Program will support Fiji, Samoa and Vanuatu to strengthen existing community-based initiatives and increase government commitment to child protection. In addition, Australia will continue to support women's crisis centres in Fiji and Vanuatu. Australia is also supporting the World Health Organisation and the United Nations Children's Fund (UNICEF) to implement an Expanded Program of Immunisation in the region.

Sustainable Resource Management

The Pacific faces a number of pressures on the environment with potentially significant impacts on the lifestyles and economic development of the region. Island ecosystems are diverse and remain vulnerable to a range of natural and human-created disasters. Australia is providing support for the management of hazardous waste, sea level and climate monitoring and adaptation to the potential impacts of climate variability and climate change.

Through support for the Pacific regional organisations, Australia assists Pacific island countries to manage their natural resources sustainably, particularly tuna and coastal fish stocks, food crops and forests. In particular, Australia is contributing to taro protection and forestry management initiatives as well as promoting aquaculture and the conservation of priority plant species.

PACIFIC REGIONAL ORGANISATIONS

Pacific regional organisations play an important role in allowing their island members to benefit from economies of scale in accessing technical and capacity building assistance. Australia is a key contributor to the Pacific Islands Forum Secretariat, the South Pacific Regional Environment Program, the University of the South Pacific, the Forum Fisheries Agency, the Secretariat of the Pacific Community, the South Pacific Applied Geoscience Commission and the Fiji School of Medicine.

Australian support is encouraging a more strategic approach in the implementation of programs by regional organisations. Their move to program funding will also provide an important step towards enhanced donor harmonisation in the Pacific. In 2003-04, Australian funding of Pacific regional organisations will address a number of key regional issues and development challenges including economic reform, trade facilitation, trans-national crime, HIV/AIDS prevention, plant quarantine, distance education, disaster preparedness and climate monitoring.

BILATERAL PROGRAMS

Solomon Islands

Country program estimate	\$25.0 million
Estimated other ODA	\$12.4 million
Estimated total aid flows	\$37.4 million

The Solomon Islands Government is working to address the serious security, economic and social problems the country is currently facing. Restoring law and order, improving economic management, continuing to foster peace and reconciliation and providing for the basic needs of the community are all important challenges which need to be addressed.

In 2003-04, Australian aid to Solomon Islands will include ongoing assistance to the law and justice and health sectors; support for the newly established National Peace Council; development and implementation of a new community sector program; assistance to improving economic management; and increased scholarships.

Whilst the aid program must remain flexible and responsive to immediate needs in the post-conflict environment, in 2003-04 efforts will be focused on building a foundation for sustainable development, particularly through fostering civil society and longer-term potential to improve governance.

Australian support to the Solomon Islands Government continues to be contingent on Solomon Islands' commitment and progress in addressing the key challenges of restoring law and order and improving economic management.

Vanuatu

Country program estimate	\$15.0 million
Estimated other ODA	\$7.7 million
Estimated total aid flows	\$22.7 million

The Australian aid program complements the Government of Vanuatu's own priorities, detailed in their *Comprehensive Reform Program* (CRP). The CRP seeks to contribute to growth and stability through better governance and service delivery. A focus will be on strengthening the law and justice sector, improving governance and supporting service delivery and rural development. During 2003-04, the program will be reviewed and assessed jointly by Vanuatu and Australia and a new country strategy will be agreed.

In 2003-04, the Vanuatu Police Force will receive further assistance from the Australian Government for the management and operational aspects of the organisation. This will complement existing support to the legal sector. Australian assistance will also enable rural communities to access funds for economic development activities. Implementation of existing projects will increasingly assist the Vanuatu Government

to improve its service delivery in health and education in particular. Ongoing capacity building assistance is also being provided to the Ministry of Finance and the Public Service Commission in the areas of accounting and human resource and financial management.

Fiji

Country program estimate	\$14.5 million
Estimated other ODA	\$5.5 million
Estimated total aid flows	\$20.0 million

New programs in education, law and justice and health will be the major focus for Australian assistance to Fiji in 2003-04. These long-term and responsive programs will be jointly planned and implemented with the Government of Fiji within the framework of its *Strategic Development Plan 2003-05*.

The law and justice program will strengthen the capacity of Fiji institutions to improve law and order and strengthen the rule of law. It will also complement efforts to support implementation of the Counter-Terrorism Memorandum of Understanding signed between the Governments of Australia and Fiji in March 2003. More effective health service delivery to rural areas will be achieved through support for both regional and central management of health services throughout Fiji.

Successful projects to be completed in 2003-04 include work to improve taxation services and taxpayer compliance. This has generated \$145 million in additional revenue for Fiji over the past two years. A community health program on Taveuni Island will finalise the establishment of a fully functioning hospital in Waiyevo as well as the training of Ministry of Health staff and community leaders in the provision of preventative and curative rural health services.

Samoa

Country program estimate	\$11.8 million
Estimated other ODA	\$4.6 million
Estimated total aid flows	\$16.3 million

In 2003-04, Australia's aid will support the Government of Samoa to implement its *Strategy for the Development of Samoa 2002-2004*. With Australian technical advice and training, Samoa has achieved a commendable record of economic stability and is building on public sector reforms to improve government efficiency and provide better services to the public.

A new phase of Australian assistance to the Samoan Police Service is expected to start in 2003-04. Australia will also assist in strengthening Samoa's border protection and quarantine facilities, introducing a computerised border management system in the Immigration Department and commencing construction of new quarantine facilities.

Achievements in management reforms will be consolidated within the key service delivery departments of Health, Education and Agriculture.

Tonga

Country program estimate	\$9.0 million
Estimated other ODA	\$2.7 million
Estimated total aid flows	\$11.7 million

Australia's assistance aims to reduce Tonga's vulnerability to poverty by strengthening public systems, stimulating economic productivity and improving living standards of at-risk groups. In 2003-04, the program will focus on supporting economic and public sector reform, health, education, tourism and natural resource management. Australia will provide continued support to the Ministry of Finance to strengthen its budgeting systems and improve financial and human resource management in the health system. Improved management of marine resources and in-shore fisheries on a sustainable basis will be supported and the Solid Waste Management Project will assist in improving Tonga's environment and living conditions.

Kiribati

Country program estimate	\$8.0 million
Estimated other ODA	\$3.4 million
Estimated total aid flows	\$11.4 million

Australia's aid program to Kiribati currently focuses on human resource development, governance and health. With a number of activities recently completed or soon to be completed, development of a new country strategy for Kiribati will be a priority task in 2003-04. The Kiribati Ministry of Finance and Economic Planning will receive institutional strengthening assistance and continued support will be provided to the education sector by upgrading teachers' skills and developing learning materials. The Kiribati Customs Service will also receive assistance to improve its revenue collection capabilities and compliance procedures.

Nauru

Country program estimate	\$0.6 million
Estimated other ODA	\$3.3 million
Estimated total aid flows	\$3.9 million

Australia is currently providing technical assistance and other aid, including commodities, to assist Nauru meet urgent and immediate problems with its service delivery and economic infrastructure. Particular attention is being given to improving the sustainability of service delivery in the health and education sectors. Australia is also working with the Government of Nauru and multilateral development partners to address Nauru's economic and development challenges, especially problems with government budgeting and financial management.

Tuvalu

Country program estimate	\$2.9 million
Estimated other ODA	\$0.9 million
Estimated total aid flows	\$3.8 million

Australia supports Tuvalu's development priorities through both direct assistance and technical support for the Tuvalu Trust Fund. Australian assistance will aim at improving the education sector in particular. Better management and administration, curriculum development and teacher education at the primary and secondary level along with general vocational training will be supported. The aid program will also assist in human resource planning in Tuvalu.

Other island nations

Country program estimate	\$4.4 million
Estimated other ODA	\$3.0 million
Estimated total aid flows	\$7.4 million

Students from **Federated States of Micronesia, Marshall Islands, Palau, Cook Islands, Niue** and **Tokelau** will continue to receive assistance from Australia through scholarships enabling recipients to study at tertiary education institutions in the region.

In the **Federated States of Micronesia, Marshall Islands** and **Palau**, Australia will continue to support economic reform initiatives and border protection. In the **Cook Islands** there will be a focus on ensuring safe water supplies in the outer islands. **Niue** will receive capacity building assistance in the public service.

CHAPTER THREE: EAST ASIA

East Asia

East Asia regional development indicators

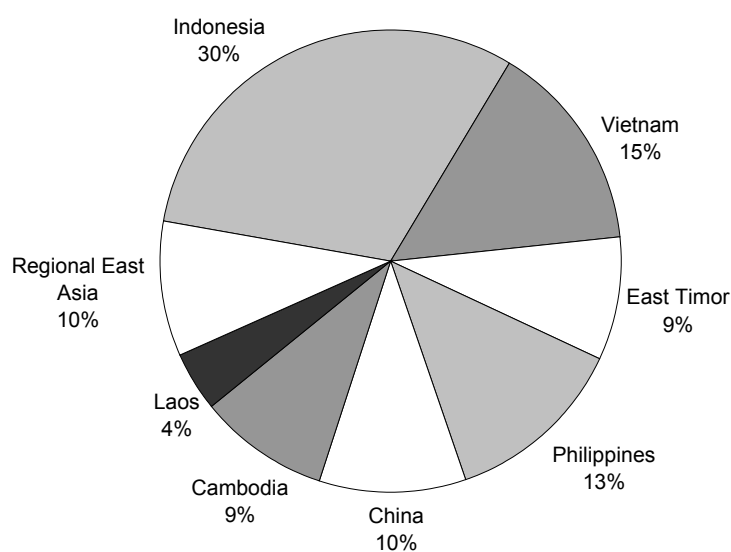
Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	1316	76	66	87
Vietnam	794	56	68	93
Philippines	2032	87	69	95
China	1722	75	71	84
East Timor	471	65	57	43
Cambodia	523	30	56	68
Laos	600	90	54	49
Thailand	3813	80	70	96
Burma	-	68	56	85
Mongolia	774	60	63	99

Source: GNI per capita: DAC, 2001; other indicators: Human Development Report, UNDP, 2002; East Timor GNI per capita: East Timor - Building Blocks for a Nation, UN common country assessment, 2000; East Timor all other indicators: East Timor - The Way Ahead UNDP 2002.

Estimated total aid flows to East Asia in 2003-04

\$491.1 million

Diagram 11: Estimated total aid flows to East Asia by country 2003-04



REGIONAL OVERVIEW

Maintaining economic growth and a secure environment conducive to development and poverty reduction will remain a challenge for many East Asian countries in 2003-04. Economic growth across the region as a whole is expected to weaken slightly in the 2003 calendar year. Significant intra-regional variation will remain. For example, lower growth is likely in Indonesia and the Philippines than in Vietnam and China, and the outbreak of Severe Acute Respiratory Syndrome (SARS) is also impacting on some economies. East Asian countries will need to maintain the openness to global trade and investment that saw dramatic growth in the 1980s and early 1990s, and commit to improving their governance.

Most national economies in the region appear more robust now than in 1997, but continued reform will be essential to weather high levels of risk, attract investment and achieve long-term and sustainable growth. While many regional countries have achieved continuous current account surpluses and improved their foreign reserves since the 1997 financial crisis, public debt levels remain high and, in South-East Asia, private investment remains weak. Corporate and financial sector reform and strengthening law and justice systems will be needed to foster private sector development and investment. Australia will work with regional partners to improve governance, promote trade and investment and counter trans-national security threats such as diseases, drugs, illegal people movements and terrorism. Such threats require early, cooperative and coordinated interventions.

Regional programs

Regional program estimate

\$29.9 million

Regional assistance programs support Australia's strong engagement with the Asia-Pacific Economic Cooperation (APEC) Forum and the Association of South-East Asian Nations (ASEAN). Regional program funding also complements Australian bilateral assistance to South-East Asian countries. In 2003-04, the program will promote good governance, trade and economic integration and security through support to address development challenges that cut across national borders. Assistance to the less developed members of ASEAN will be a priority. The program will strengthen capacity in areas such as customs, e-commerce, trade training, food quality, liberalisation of services, and counter-terrorism. Key mechanisms will include the APEC Support Program and the \$4 million ASEAN Australia Development Cooperation Program.

Australia will work with regional partners through an expanded program of assistance to help them integrate with the international trading system. This regional project will build the capacity of countries to join and participate effectively in the World Trade Organisation (WTO) through training and assistance to strengthen analytical and research capabilities. A \$3.5 million quarantine services project to build cooperation

across ASEAN nations in managing animal and plant pests and diseases will also be designed and implemented.

To address major trans-boundary challenges, Australia will support a four-year \$9.2 million project to tackle drug-related HIV transmission. This will include using 50 local trainers at four project sites across Burma, Vietnam and China. In addition, a three-year \$9 million project will strengthen the capacity of anti people-trafficking units in Burma, Cambodia, Laos and Thailand to work together to prevent cross-border trafficking.

Other priorities will include capacity building in flood management and water monitoring in Cambodia, Laos, Vietnam and Thailand through the Mekong River Commission, and support to improve health insurance systems and social assistance for vulnerable children in Indonesia, Thailand, the Philippines and Vietnam.

BILATERAL PROGRAMS

Indonesia

Country program estimate	\$121.0 million
Estimated other ODA	\$30.7 million
Estimated total aid flows	\$151.7 million

Australia's national interest is best served by having a unified, prosperous and democratically strong Indonesia as a neighbour. This will be a major challenge as Indonesia struggles to return to high rates of economic growth and continue its difficult transition to democracy, decentralisation and economic stability – a transition that will span many years. Success will depend significantly on reducing the poverty and vulnerability that currently affects more than half of Indonesia's 210 million citizens.

Australia's aid program is supporting poverty reduction and sustainable development in Indonesia in four key areas: improving economic management; strengthening the institutions and practices of democracy; enhancing security and stability; and increasing the accessibility and quality of basic social services. In recognition of the importance of Australia's relationship with Indonesia, and the significant challenges it is facing, total Australian aid to Indonesia will increase by \$30.1 million in 2003-04. This funding will support a range of important new initiatives.

In the wake of the Bali bombings, assistance will be provided to improve health services to the Balinese people as a practical, living memorial to the victims of the atrocity. Support will include the provision of a new intensive care centre at the Sanglah hospital, construction of a new eye clinic which will provide free treatment to the poor, and provision of training in health and medical disciplines.

A \$10 million, four-year initiative will help Indonesia strengthen its counter-terrorism capacity through assistance to police, immigration, customs, transport and banking supervision agencies.

The incidence of poverty in Indonesia is heavily concentrated among those with little or no formal education. A major program in basic education will be developed to assist the creation of a well-resourced mainstream education system that prepares students to play a constructive role in society.

A new program to continue support measures for economic reform will be implemented. This will include financial sector restructuring and supervision, debt management, revenue enhancement and audit capacity building. The program will build existing support for the government bonds management centre, assist with the establishment of a 'large taxpayers' office and with the development of draft accountancy and valuation laws.

An integrated approach to poverty reduction in eastern Indonesia is also being developed. First steps will include helping the Government of Indonesia develop new approaches to poverty reduction and better district level governance. Australia will assist the Government of Indonesia to implement community-managed water supply and environmental health programs in selected districts in eastern Indonesia.

Australia will continue to support democracy in Indonesia through an expanded program of assistance for legal reform and human rights which will focus on judicial reform, the promotion and protection of human rights, support for community legal organisations and anti-corruption measures. Significant support will also be provided for the Indonesian elections in 2004, in which for the first time the President and Vice President will be directly elected.

Indonesia Program Overview

	IMPROVE ECONOMIC MANAGEMENT	STRENGTHEN THE INSTITUTIONS AND PRACTICES OF DEMOCRACY	ENHANCE SECURITY AND STABILITY	INCREASE THE ACCESSIBILITY AND QUALITY OF BASIC SOCIAL SERVICES
KEY CHALLENGES FOR INDONESIA	<ul style="list-style-type: none"> • accelerating structural reforms • maintaining macro-economic stability • enhancing fiscal sustainability 	<ul style="list-style-type: none"> • weak democratic structures • lack of legal certainty • corruption 	<ul style="list-style-type: none"> • politically motivated violence around ethnic, religious and separatist causes • vulnerability to natural disasters and environmental degradation 	<ul style="list-style-type: none"> • poor health and education outcomes • unclear responsibilities following decentralisation • lack of capacity to deliver basic services, creating instability
MAJOR CURRENT ACTIVITIES	<ul style="list-style-type: none"> • financial sector restructuring and supervision • improving debt management • supporting tax reform 	<ul style="list-style-type: none"> • assisting judicial reform • promoting and protecting human rights • supporting electoral processes and institutions 	<ul style="list-style-type: none"> • humanitarian assistance • supporting post-conflict reconstruction and services for internally displaced persons • improving environmental management 	<ul style="list-style-type: none"> • improving health services and minimising HIV/AIDS impacts • piloting new approaches to basic and vocational education • strengthening water and sanitation policy
EMERGING AREAS OF SUPPORT	<ul style="list-style-type: none"> • supporting revenue enhancement • improving district-level economic management 	<ul style="list-style-type: none"> • supporting improved accountability of district governments • strengthening civil society 	<ul style="list-style-type: none"> • building counter-terrorism capacity • integrating peace building and conflict resolution in the program 	<ul style="list-style-type: none"> • increasing support for basic education • assisting district governments to improve planning and service delivery

Vietnam

Country program estimate	\$59.4 million
Estimated other ODA	\$12.7 million
Estimated total aid flows	\$72.1 million

Australia is finalising a new development cooperation strategy with Vietnam for 2003-07. Australia will help strengthen the governance of key market institutions and assist in improving the productivity of the rural poor in the Mekong Delta and Central Coast. Specific objectives in 2003-04 will include improving trade policies, providing better access to clean water and sanitation, and strengthening provincial government service delivery.

Vietnam plans to accede to the WTO by 2005. Capacity building in trade policy development, negotiation and implementation of agreements will thus be critical. In 2003-04, Australia will continue a two-year project with the Ministry of Agriculture and Rural Development to assist with domestic requirements of global trade agreements. Further trade-related assistance is planned for other sectors and ministries. Many of the 500 scholarships provided in 2003-04 will support Vietnam's adjustment to the new conditions created by future WTO accession.

The aid program will also focus on three water and sanitation projects in urban and rural areas, helping to meet the national goal of doubling access to clean water during the decade 2001-2010. The Cuu Long and the Three Delta Town projects in the Mekong Delta will provide over 750,000 urban and rural residents with access to clean water and sanitation facilities. The North Vam Nao Water Management Project will also protect 300,000 residents from floods as well as facilitate broader economic and social development. All of the projects provide substantial capacity building and institutional support components and encourage community participation in planning and management.

Philippines

Country program estimate	\$55.5 million
Estimated other ODA	\$6.9 million
Estimated total aid flows	\$62.4 million

Australia's aid will continue to target the rural poor of the southern Philippines and support improvements in the policy, regulatory and institutional framework for poverty reduction at the national and provincial levels. In 2003-04, assistance will strengthen delivery of basic education, health and local government services, as well as improved land management and administration. The Philippines-Australia Governance Facility will concentrate assistance on key policy, regulatory and institutional issues in areas such as public expenditure management, trade policy reform and accountability systems. Australian aid will also support the Philippine Government's decentralisation program, both through assistance to selected national

agencies and by working with communities and Local Government Units to improve local planning processes and service delivery.

Against a background of increasing instability in the southern Philippines, the Australian aid program will continue to support multilateral peace building, conflict resolution and post-conflict recovery efforts in Mindanao. This assistance will be complemented by bilateral assistance in health, education and rural development for the poorest regions of Mindanao. The innovative Basic Education Assistance to Mindanao (BEAM) program will continue to assist children, including those from Muslim and indigenous communities, to access education and training. Assistance will also be provided to over 300 farming communities to increase their productivity and incomes.

China

Country program estimate	\$40.0 million
Estimated other ODA	\$10.7 million
Estimated total aid flows	\$50.7 million

In 2003-04, Australia's aid will support improved governance at national and local levels as well as poverty reduction and environmental rehabilitation in impoverished rural areas of western China. An important objective will be reaching agreement with the Government of China on the priorities and strategies for a significant new program of governance assistance, to be implemented from 2004. The program will build on work through the China Capacity Building Program, including activities for over 840 government officials in key areas of national reform, and the achievements of the Economics and Foreign Trade Training Project, which has provided training for more than 1,700 officials in support of China's WTO accession.

In the critical area of water resources, a \$16 million project in Hebei Province will improve agricultural productivity for around two million people through demonstration of efficient water resource management planning and practices. Through the Yangtze River Flood Control and Management Project, an integrated flood management system for the upper and middle reaches of the Yangtze River will help reduce the loss of life, damage to property and other social disruption caused by flooding. Other key activities to receive support will include the China-Australia Human Rights Technical Cooperation Program; a \$20 million vocational education and training project in Chongqing Municipality; a new \$17 million basic health care and HIV/AIDS program for the Tibet Autonomous Region; and an HIV/AIDS program based in Xinjiang Province in China's far west.

Cambodia

Country program estimate	\$24.5 million
Estimated other ODA	\$19.9 million
Estimated total aid flows	\$44.4 million

Cambodia is recovering after decades of turmoil and remains one of the world's poorest countries. Most of the poor survive on subsistence agriculture and Australia will help to improve the farming techniques of people in more than 86 districts across 13 provinces, increasing food security and improving crop and livestock production. Building on past successful Australian assistance, the aid program will also support the production and marketing of high quality rice seed, contributing to higher crop yields throughout the country.

In 2003-04, a new governance facility will be established to help address institutional weaknesses restricting private sector development and trade. As part of the Virtual Colombo Plan distance learning opportunities will increase with the establishment of a Global Development Learning Network centre in Phnom Penh. Australia will continue to fund a Criminal Justice Assistance project to reduce corruption in the legal sector, improve the competence of court officials and reduce rates of incarceration of juveniles and women for minor offences. Support will also be provided for land mine eradication and assistance with voter education for national elections in July 2003. Around 50 Cambodian students will study Masters level courses in Australia.

East Timor

Country program estimate	\$30.0 million
Estimated other ODA	\$12.5 million
Estimated total aid flows	\$42.5 million

In 2003-04, Australia will be working closely with other donors to map out its strategy for supporting East Timor's post-independence National Development Plan. Australia will continue its comprehensive program of assistance in areas such as governance, rural development, health and water and sanitation. Australia's overall objectives in assisting East Timor are to reduce poverty and help lay the foundations for stable, effective and democratically accountable government and for prudent, sustainable management of anticipated Timor Sea oil and gas revenues.

Australia is making major investments in building the capacity of East Timor's government, especially in planning, finance, fisheries and the marine environment. A major capacity building facility is helping strengthen public administration and service delivery across key sectors of government. The facility will also help build links between the government, civil society and the private sector. Australia will expand its assistance to East Timor's Ministry of Planning and Finance especially in the budget and revenue area to help consolidate prudent financial management.

Australia will continue to participate in the multi-donor Transitional Support Program to assist the Government of East Timor to fund essential costs in the immediate post-independence period, before Timor Sea revenues become available. Australia will continue to work closely with the United Nations Mission of Support in East Timor and other donors in identifying opportunities to strengthen law and justice, particularly by building the capacity of the East Timor Police Service. A new four-year rural development program will aim to increase agricultural production and rural incomes in selected districts as well as improve access to water and sanitation services.

Laos

Country program estimate	\$13.0 million
Estimated other ODA	\$7.4 million
Estimated total aid flows	\$20.4 million

Australia is working with Laos on a new 2003-07 development cooperation strategy. Human resource development is a central theme. In 2003-04, the aid program will complete a joint project with the Asian Development Bank to train over 1000 teachers (including 380 from ethnic minorities). In addition, over 80 Lao students will be provided scholarships to study in Australia. A joint land titling project with the World Bank will also be completed in 2003-04. The project is creating 39,300 private land title deeds and doubling Laos Government land revenue. In partnership with the International Centre for Tropical Agriculture, Australia will continue to improve livestock production and trial new seeds in 38 villages.

Thailand

Country program estimate	\$7.0 million
Estimated other ODA	\$8.1 million
Estimated total aid flows	\$15.1 million

Thailand has emerged, following the setback of the 1997 Asian financial crisis, as a relatively prosperous and influential regional leader. Consequently, Australian aid to Thailand will reflect this transition. In 2003-04, the aid program will focus on regional trade and economic development as well as efforts to counter terrorism, the drug trade and people trafficking. The Thailand-Australia Government Sector Linkages Program will continue to strengthen the skills and knowledge base of Thai agencies and promote linkages with Australian government agencies. In 2003-04, the linkages program will provide assistance in customs, quarantine, competition policy and to the fledgling Thai Ombudsman's Office.

Burma

Country program estimate	\$3.0 million
Estimated other ODA	\$4.8 million
Estimated total aid flows	\$7.8 million

Burma's economic and social development remains effectively frozen in the absence of democratic reform. New ideas and approaches are needed. This requires engagement by the international community. Australia's small bilateral aid program to Burma focuses on addressing the dire humanitarian crisis, particularly the health emergency that continues to engulf the country.

In 2003-04, the aid program will support Non Government Organisations as well as United Nations agencies in addressing the high prevalence of HIV/AIDS and the humanitarian needs of vulnerable groups, for example the 232,000 people returning to Northern Rakhine State from Bangladesh. The aid program will continue to fund the Burma Human Rights Initiative, with the next phase concentrating on practical approaches to improve human rights for women and children. A new small-scale pilot project to reduce nutritional anaemia among an estimated 31,000 women and children in Kungyangon township near Rangoon will also be initiated.

Mongolia

Country program estimate	\$2.2 million
Estimated other ODA	\$0.7 million
Estimated total aid flows	\$2.9 million

A new Mongolia Capacity Building and Small Activity Facility will commence early in 2003-04. The Facility will strengthen the capacity of selected government agencies by providing targeted scholarships in support of their human resource development programs. Funding will also be provided through the Facility for small-scale community and good governance activities. Australia will continue to support the World Bank's UlaanBaatar Services Improvement Project to provide access to clean water and basic services to the urban poor.

CHAPTER FOUR: SOUTH ASIA, AFRICA AND OTHER

South Asia

South Asia regional development indicators

Country	GNI per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	716	97	59	41
India	890	88	63	57
Sri Lanka	1606	83	72	92
Nepal	484	81	59	42
Pakistan	813	88	60	43

Source: GNI per capita: DAC, 2001; other indicators: Human Development Report, UNDP, 2002.

Estimated total aid flows to South Asia in 2003-04

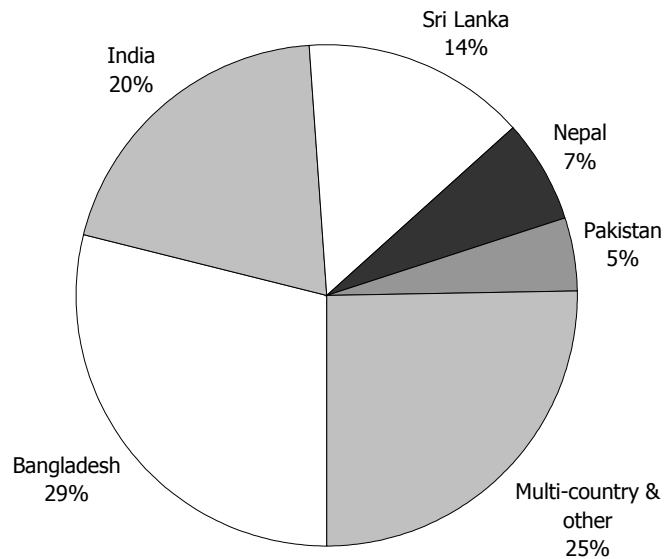
\$112.1 million

Regional Strategy

South Asia contains nearly half of the world's most impoverished people. More than one-third of the region's 1.4 billion people live on less than US\$1 per day. Australia's development cooperation with South Asia, while modest in comparison to our immediate region, is nonetheless an important contribution to supporting poverty reduction, economic prosperity and stability in the Asia-Pacific. Australia will assist South Asian countries in their efforts to promote good governance and improve basic service delivery at the state and community level, while responding, in line with our capacity, to humanitarian needs and emerging issues of mutual concern.

Australian assistance over the period 2003-07 will move towards delivering aid through more flexible and less resource intensive mechanisms, predominantly via international organisations, the Australian Development Scholarship program, Non Government Organisations (NGOs) and regional mechanisms. In 2003-04, up to 280 students from South Asia will be provided with scholarships to study at Australian tertiary institutions. Some selective, innovative bilateral activities in areas of strategic importance in India, Sri Lanka and Nepal will continue, for example, through ongoing Australian involvement in our long-standing, internationally acclaimed efforts to improve forest management in Nepal.

Diagram 12: Estimated total aid flows to South Asia by country 2003-04



BILATERAL PROGRAMS

Bangladesh

Country program estimate	\$20.7 million
Estimated other ODA	\$11.6 million
Estimated total aid flows	\$32.3 million

Provision of wheat will support Bangladesh's efforts to achieve food security for up to 600,000 poor people. Better quality primary education will remain a key focus through Australia's support to UNICEF and work with other donors. Activities to support microfinance and mitigate the effects of arsenic will also benefit affected communities.

India

Country program estimate	\$14.0 million
Estimated other ODA	\$8.6 million
Estimated total aid flows	\$22.6 million

Australia will support three major new activities in India in 2003-04. Technical assistance will be provided to the governments and communities of Shillong and Gangtok to improve water and environmental sanitation services for around 400,000 people. This is part of an innovative partnership program that includes the World Bank and the Asian Development Bank in efforts to improve regional water and sanitation services. With nearly one per cent of India's adult population (or four million people) estimated to be HIV positive, Australia will help reduce the

spread of the epidemic in Delhi and in three north-eastern states. A new Public Sector Support Program will promote financial, health and education reform.

Sri Lanka

Country program estimate	\$6.1 million
Estimated other ODA	\$10.1 million
Estimated total aid flows	\$16.2 million

Australia's aid program will support Sri Lanka's peace process by providing assistance to vulnerable communities in the north and south of the country. The aid program will focus on land mine awareness and clearance, food security, income generation and a new education and vocational training pilot program to assist over 100 former child combatants and their families.

As part of the Virtual Colombo Plan, Australia will assist Sri Lanka to use information and communication technologies as a means of integrating the conflict-affected areas into national economic, social and political life. Australia will continue working with UNICEF to reduce maternal and child mortality rates by up to 25 per cent by 2007. A new natural resource management project will strengthen the capacity of the Government, NGOs and communities to improve the livelihoods of up to 460,000 people living in the dry zone area of Sri Lanka.

Nepal

Country program estimate	\$5.0 million
Estimated other ODA	\$2.4 million
Estimated total aid flows	\$7.4 million

Australia will continue to support sustainable natural resource management in Nepal. Rural livelihoods will be improved by enhancing income-generating opportunities. Australia will also continue to support Nepal's health program to reduce Vitamin A deficiency in the population. This successful project has averted around 230,000 potential deaths from vitamin deficiency related illness over the last decade.

Pakistan

Country program estimate	\$3.3 million
Estimated other ODA	\$1.9 million
Estimated total aid flows	\$5.2 million

Australian assistance to Pakistan will continue to provide greater access to quality education for 30,000 primary school girls in Balochistan where female literacy rates in rural communities are among the lowest in the world. By funding the Fred Hollows Foundation to reduce the prevalence of avoidable blindness through prevention and treatment, Australian assistance will benefit over two million people from the poorest districts of Pakistan.

Other South Asian countries

Country program estimate	\$2.8 million
Estimated other ODA	\$0.3 million
Estimated total aid flows	\$3.1 million

In addition to continuing support to scholarship students studying in Australia, the aid program will provide 20 new scholarships to the **Maldives** and **Bhutan** in recognition of their need for human resource development.

Multi-country programs

Regional program estimate	\$3.5 million
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Australia will address shared problems in the region by undertaking multi-country activities such as microfinance, reducing the effects of arsenic and reforming water and sanitation policies and practices. Capable South Asian NGOs will be supported in their efforts to improve conditions and opportunities for vulnerable people through the South Asia Community Assistance Scheme. The South Asia Governance Facility will support activities that address issues of mutual concern to Australia and South Asia such as promoting international trade.

Afghanistan

After years of conflict in Afghanistan, the long process of recovery, reconstruction and building a stable and secure future has commenced. Over two million refugees have returned and basic governance institutions are being established. In 2003-04, the Australian aid program will support the return and reintegration of displaced Afghans and contribute to improved food security, rural livelihoods and viable alternatives to opium growing by working with international partners on improved wheat varieties. Australia will also continue to support the eradication of land mines and assist in rebuilding governance institutions, including by providing economic advice to the Ministry of Finance. Civil society will be strengthened through support for Australian NGOs in Afghanistan. A small number of scholarships will also be offered.

Africa and Other

AFRICA

Program estimate	\$33.5 million
Estimated other ODA	\$27.9 million
Estimated total aid flows	\$61.4 million

Africa faces enormous challenges in achieving economic growth and poverty reduction. The international community has mounted a concerted effort to assist. Australia will continue to play a modest and constructive role in Africa, while recognising that the bulk of our aid resources are necessarily focused upon the Asia-Pacific region. In 2003-04, Australia's aid program will target countries in southern and eastern Africa with some small-scale, selective engagement in other parts of Africa.

During 2002-03, severe drought affected many parts of the southern African region. An estimated 15 million people are considered to be at risk of starvation and Australia is responding by contributing humanitarian assistance. Australia has also responded to a similar crisis affecting countries in the Horn of Africa and will continue to monitor events in both areas should further assistance be warranted.

Assistance will increasingly be channelled through international organisations and NGOs with well-established expertise in Africa. The aid program will contribute to improving food security; basic water supply and sanitation; and addressing communicable diseases – particularly the HIV/AIDS epidemic which now affects about 29 million people in Africa. Up to 150 scholarships will assist in strengthening governance and service delivery in southern and eastern Africa in 2003-04. As part of the Virtual Colombo Plan, Australia will also support improved access for African students to university education through the African Virtual University.

Australia will continue to support capacity building for trade negotiators through the targeted interventions of the Africa Governance Fund. Increased funding will also be provided for African regional trade initiatives, especially in agriculture.

In South Africa, the aid program will continue to support local and national agencies implementing eight model land care projects. In addition, the Local Governance Partnership Project will deliver more productive working relations between provincial and local authorities, strengthened provincial local government associations, and provide demonstration projects to improve service delivery.

MIDDLE EAST

In 2003-04, Australia will provide an estimated \$37.8 million to parts of the Middle East to address urgent humanitarian priorities, rebuild livelihoods and promote stability and long-term growth. Australia will also work closely with the international community. Assistance will be delivered primarily through multilateral agencies and NGOs allowing the rapid and cost-effective disbursement of funding in a region where Australia's aid program does not have a major presence on the ground.

The humanitarian situation in the Palestinian Territories and surrounding countries continues to be of concern. The growth of and support for terrorist organisations in the region holds the potential to undermine development gains while threatening the security of the broader international community. In 2003-04, Australia will continue to work with multilateral agencies such as the United Nations Relief and Works Agency and NGOs in the Palestinian Territories and with Palestinian refugees. The priority will be strengthening access to basic education and community peace building activities. NGO programs will continue to work on preschool education, food security and training for community health workers.

Iraq

Australia is providing timely and practical assistance to peace and recovery in Iraq through the Australian aid program. The Australian Government is making significant contributions to meeting the humanitarian needs of those who have suffered from years of hardship. The Government has committed over \$100 million to meet critical needs in Iraq, particularly in agriculture and food security, water and sanitation and health.

Australia is working through the United Nations Agencies, the International Committee of the Red Cross and Australian Non Government Organisations to meet urgent humanitarian needs. Australia is also actively engaged in reconstruction assistance, particularly through expert advice in the agriculture sector.

DIRECT AID PROGRAM

The Direct Aid Program (DAP) is a small grants scheme used to fund humanitarian and small-scale development projects ancillary to Australia's development cooperation program. The DAP is delivered through Australia's diplomatic posts with over 40 posts currently drawing on the scheme. In 2003-04, the DAP will continue to focus on reducing basic humanitarian hardships and assist the poor in areas of community development, education, health and the environment. In 2003-04, \$3.5 million will be provided through the program.

CHAPTER FIVE: EMERGENCY, HUMANITARIAN AND REFUGEE AID

Emergency aid	\$62.3 million
Humanitarian aid	\$55.0 million
International Refugee Fund	\$15.0 million

Australia's emergency, humanitarian and refugee programs lessen the adverse impacts of conflict and natural disasters on vulnerable populations. They support the promotion of peace and security in the Asia-Pacific region. In 2003-04, a stronger focus on the analysis of conflict and disaster vulnerability in the region will identify new peace building and disaster preparedness strategies and activities to better prepare communities at risk.

Increased funding in 2003-04 for humanitarian, emergency and refugee programs will enhance the aid program's ability to respond quickly, flexibly and effectively to humanitarian needs resulting from disasters and conflict. Whilst humanitarian crises within Australia's immediate region will be a priority for assistance, other significant demands are likely to include further humanitarian relief and reconstruction assistance to Iraq, post-conflict support for Afghanistan, and food needs following severe drought in southern Africa.

The program will continue to assist those displaced by conflict and will seek to address the causes of refugee flows. The International Refugee Fund supports refugees, host communities and reintegration of returnees. This funding is specifically targeted to ensure the engagement of key international organisations in priority Asia-Pacific countries.

Australia's disaster response mechanisms will be enhanced to ensure prompt and effective delivery of assistance to those affected by natural and other crises. For example, the Australian Government will strengthen Emergency Cooperation Agreements with selected Australian NGOs, and introduce revised Standing Operating Procedures. Cooperation agreements with the UN Office for Coordination of Humanitarian Affairs, and the International Committee of the Red Cross will identify areas of common interest, focus capacities and streamline cooperation. A deeper understanding for AusAID and partner agency staff in peace-conflict dynamics, vulnerability analysis, refugee protection issues, international humanitarian law, and the development of a humanitarian and emergency performance information framework will enhance program effectiveness. The aid program's country and regional programs will integrate conflict prevention and peace building approaches into country strategies and activities.

CHAPTER SIX: MULTILATERAL REPLENISHMENTS

Targeted support for effective multilateral organisations complements and reinforces Australia's bilateral aid efforts. Australia's partnership with these organisations influences the international development agenda in important areas, particularly donor coordination, cross-border issues, good governance and sound economic policies. Multilateral organisations are also able to mobilise and coordinate donor resources to address major humanitarian and reconstruction needs, especially for countries emerging from conflict.

An important component of Australia's aid program is multi-year commitments to multilateral replenishment funds, including for example the International Development Association (IDA), the Asian Development Fund (ADF) and the Global Environment Facility (GEF). In 2003-04, no new commitments are scheduled to be entered into, although cash drawdowns against the previous commitments will continue to be made.

MULTILATERAL DEVELOPMENT BANKS¹

Asian Development Fund — Asian Development Bank	\$100.9 million
Heavily Indebted Poor Countries Initiative	\$1.8 million
International Development Association — World Bank	\$129.3 million
International Fund for Agricultural Development	\$3.0 million
Total Multilateral Development Banks	\$235.0 million

Multilateral development banks (MDBs) are major sources of development assistance and play an important role in poverty reduction in the Asia-Pacific region. Their lending and technical assistance programs as well as the Heavily Indebted Poor Countries (HIPC) Initiative complement and reinforce Australia's bilateral aid program. In 2003-04, Australia will contribute \$235 million to the MDBs.

In 2003-04, Australia will continue to work with the ADB and the World Bank to progress their reform agendas and ensure their ongoing engagement in the region. Australia will also continue to actively encourage the ADB to engage with poor performing states in the region, and to strengthen its poverty reduction focus. Developing a stronger country focus to better respond to the needs of its developing member countries, and strengthening NGO and civil society partnership are goals which Australia strongly supports.

Similarly, Australia will work with the World Bank and donor partners to increase the tailoring and effectiveness of the Bank's programs and products in the Asia-Pacific.

¹ Figures for the MDBs are calculated on a cash basis. Refer to Technical notes for further details.

The Low Income Countries Under Stress Initiative (LICUS) is the World Bank's major strategy to assist poor performing states. The strategy emphasises the importance of tailored approaches, and the need for donors to remain engaged. In 2003-04, the World Bank will pilot the strategy in seven countries, including Papua New Guinea. AusAID and the World Bank will share experiences and lessons learnt from this work.

Cooperation at both a policy and program level between MDBs and Australia helps to increase the impact of our assistance. In Papua New Guinea, the World Bank, ADB and Australia are developing a coherent joint strategy for future engagement. Australia is also working closely with the World Bank on information and communication technologies, most prominently through the \$200 million Virtual Colombo Plan.

The next replenishment negotiations for the Asian Development Fund and the International Development Association (the concessional lending arms of the ADB and World Bank) will commence in 2003-04. These negotiations will provide an opportunity for donors to review past performance and to agree on key policy directions for the next few years. Australia will also be pursuing more effective cooperation with both the World Bank and the ADB through expansion of strategic cofinancing partnerships.

INTERNATIONAL ENVIRONMENT PROGRAMS

Australia's international environment programs support a global approach to environmental challenges such as ozone depletion and climate change. This support is an integral part of a whole of government approach to meeting Australia's obligations to international environment conventions and organisations.

Australia will continue to support the Global Environment Facility (GEF) to address global environmental concerns, including climate change, biodiversity loss, degradation of international waters, ozone depletion, land degradation and persistent organic pollutants. Cash contributions to the GEF in 2003-04 will be \$14.6 million.

In 2003-04, Australia will contribute \$5.9 million (cash) to the Montreal Protocol Multilateral Fund (MPMF) to assist with global efforts to repair the ozone layer. The Fund is assisting developing countries phase out the use of ozone depleting substances by 2010.

CHAPTER SEVEN: UNITED NATIONS, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS

UNITED NATIONS DEVELOPMENT ORGANISATIONS

In 2003-04, Australia will provide \$61.1 million in contributions to the following UN development and humanitarian organisations:

World Food Program	\$31.0 million
United Nations High Commissioner for Refugees	\$7.3 million
United Nations Development Programme	\$7.0 million
United Nations Children's Fund	\$5.5 million
United Nations Relief and Works Agency	\$4.2 million
United Nations Population Fund	\$2.3 million
International Atomic Energy Agency	\$2.0 million
United Nations Drug Control Program	\$0.8 million
United Nations Development Fund for Women	\$0.4 million
United Nations Environment Program	\$0.6 million

The UN organisations' continued engagement in the Asia-Pacific region is important in advancing the development aspirations and poverty reduction strategies of our immediate neighbours. Work with the UN complements Australia's bilateral aid program, addressing issues at a global level. In addition to core contributions made to UN organisations in 2003-04, Australia will provide an estimated \$40 million towards UN-related activities undertaken through country and regional programs.

The UN is also implementing significant reforms, moving from a focus on reforming central systems to consolidating and harmonising programs at the country level. Realigning resources to help achieve the Millennium Development Goals is also a major priority for the UN organisations.

In 2003-04, Australia will refine our monitoring of UN effectiveness, formalise strategic partnerships and strengthen engagement with UN organisations to enhance aid outcomes in the Asia-Pacific region. For instance, the World Food Program and UNICEF remain important partners for Australian assistance and we will continue our support of UN organisations that we consider to be effective and relevant. Greater collaboration and monitoring and an increased emphasis on non-core contributions to the UN will encourage a greater focus by UN organisations in our region.

INTERNATIONAL HEALTH PROGRAMS

In 2003-04, Australia will provide \$15.2 million to international health programs. Support is provided through proven effective and efficient multilateral health organisations that complement Australian priorities. Australian funding is targeted at

regional priority health needs, including maternal and child mortality, HIV/AIDS and infectious diseases such as tuberculosis and malaria, particularly in Papua New Guinea, East Timor, Indonesia and the Mekong countries.

Australian support of \$2.5 million for UNAIDS in 2003-04 complements our lead role in the regional response to HIV/AIDS, a growing Asia-Pacific health and economic challenge. Aid program funding to the World Health Organisation (WHO) gives Australia the opportunity to contribute to solving major health problems affecting the Asia-Pacific region. The work of WHO has been pivotal, for example, in successfully combating communicable diseases such as smallpox, polio and leprosy.

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

COMMONWEALTH ORGANISATIONS

The Commonwealth Secretariat and associated Commonwealth development agencies will focus on consolidation and harmonisation of programs in 2003-04. Australia is taking a lead role in the review of mandates for Commonwealth bodies, emphasising the need to ensure the Commonwealth remains relevant and responsive to its members' needs and focused on strengthening development activities.

In 2003-04, Australia will contribute \$12.1 million to Commonwealth development organisations and programs to improve good governance, small states development, economic policy making and institution building. Economic and social development will be supported via continued assistance for the Commonwealth Fund for Technical Cooperation, providing experts, training and advice for member countries. Australia will provide support for counter-terrorism programs in the Asia-Pacific and assistance for small states and youth programs, including the Commonwealth Youth for the Future Initiative announced by the Prime Minister at the Commonwealth Heads of Government Meeting 2002.

GLOBAL CONSERVATION TRUST

Food security is a growing global concern. Maintaining agricultural biodiversity will be critical to ensuring sufficient production of food crops for the future. In 2003-04, Australia anticipates contributing \$2 million to the Global Conservation Trust (GCT) – a joint international initiative of the Food and Agriculture Organisation and the Consultative Group on International Agricultural Research, aiming to support the conservation of agricultural biodiversity in gene banks.

CHAPTER EIGHT: NGO, VOLUNTEER AND COMMUNITY PROGRAMS

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

NON GOVERNMENT ORGANISATIONS

NGO program estimate

\$26.4 million

Non Government Organisations (NGOs) play an important complementary role in delivering a high quality aid program. Besides mobilising public support for aid, NGOs are well placed to strengthen civil society due to their strong links with communities in developing countries and partnerships with local organisations. They also provide specialist skills for community development, thereby maximising the potential for long-term sustainable development.

The AusAID-NGO Cooperation Program (ANCP) supports accredited Australian NGOs to undertake cost-effective, practical, direct and tangible poverty reduction activities. Under this scheme, the Australian Government supplements funds provided by the Australian community. In 2003-04, funding for the ANCP will be \$25.6 million. Australia will work cooperatively with NGOs on program delivery, enhancing administration and accountability as well as supporting improvements in project design, management, implementation and evaluation.

The AusAID/NGO joint Committee for Development Cooperation will continue to improve the quality of AusAID and partner NGO systems, procedures and mechanisms, including streamlining procedures and processes for project funding.

VOLUNTEER PROGRAM

Volunteer program estimate

\$21.6 million

Volunteers foster community involvement in the aid program, providing opportunities for Australians to help reduce poverty through skills transfer and institutional strengthening. Within the Australian community, volunteers are also able to share their experience and knowledge of other countries when they return home. This has enriched Australian society and strengthened links between Australia and its neighbours.

The Australian aid program now provides funding to Australian Volunteers International, AESOP Business Volunteers, Interserve and PALMS Australia. It also includes the Australian Youth Ambassadors for Development Program, providing opportunities for young Australians to share their skills and knowledge in the Asia-Pacific region. Within the Volunteers Program, funding for Australian Youth Ambassadors has again increased, from \$6.2 million in 2002-03 to \$7 million in 2003-04.

Currently, accreditation of volunteer sending agencies is being undertaken to ensure that Australia is funding professional, well managed and community based overseas volunteer sending agencies that deliver quality development outcomes aligned with Australia's aid program objectives. In addition, the Volunteer Program has integrated volunteers within Australia's broader aid program, including the placement of a number of volunteers in assignments that support the Virtual Colombo Plan.

OUTREACH ACTIVITIES AND DEVELOPMENT EDUCATION

Informing Australians about the benefits that aid delivers to people in developing countries in our region is a high priority for the Australian Government. Expenditure on media, outreach, publications, internet and global education activities for 2003-04 will be \$2.7 million. The Government will continue to inform greater numbers of Australians about the aid program through a multi-faceted approach, including:

- proactive communication strategies for both print and electronic media;
- outreach activities at shows, trade and business fora, AusAID seminars, universities and schools;
- global education in primary and secondary schools;
- AusAID's flagship magazine, *Focus*, and other agency publications; and
- online delivery of information and development of online services for specific stakeholders.

In 2003-04, innovative outreach, online services, media and publications programs will be developed to engage Australia's rural communities, non-educated professionals and young people. Professional development and supporting curriculum material will also be provided to 16,000 Australian primary and secondary teachers to assist in teaching global education.

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

ACADEMIC AND RESEARCH PROGRAM

Sound development research can play a significant role in improving development outcomes and help target aid efforts. In 2003-04, Australia will implement the first full program of research under a new Development Research Strategy. The Strategy aims to improve the quality and relevance of Australian supported research, both to guide the aid program and broader government responses to development issues.

Australia will spend approximately \$1.5 million on corporate research in 2003-04. Funding under the Australian Development Research Program will support research on capacity building and collaborative research with Canada on conflict-related issues.

Well targeted research will also enhance Australia's influence in international policy debates. For example, a new water research program with initial funding of \$1 million will provide a link to Australian knowledge and expertise on water.

INTERNATIONAL SEMINAR SUPPORT SCHEME

The International Seminar Support Scheme (ISSS) assists participants from developing countries to attend development-oriented seminars both in Australia and overseas. The scheme helps to develop knowledge, technical expertise, networks and policies for achieving sustainable development and reducing poverty in developing countries. Applications for support will continue to be assessed against the ability to show tangible and practical development-related outcomes. In 2003-04, \$0.8 million will be provided to the scheme.

CHAPTER NINE: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

The mission of the Australian Centre for International Agricultural Research (ACIAR) is to achieve more productive and sustainable agricultural systems through international agricultural research partnerships, for the benefit of both developing countries and Australia. ACIAR uses the skills of Australian researchers and institutions and international research organisations to develop solutions to agricultural problems in developing countries. The Centre collaborates with counterparts in developing countries, implementing projects on agreed priorities.

ACIAR's main focus for research is the Asia-Pacific region, reflecting the emphasis of the broader aid program and the Centre's expertise in funding agricultural research. Some exceptions exist, based on ACIAR's role in building capacity and Australia's comparative advantage in particular agricultural disciplines.

Funding in 2003-04 for ACIAR will be \$46.8 million. ACIAR allocates approximately three quarters of its research and development budget to bilateral programs and the remaining quarter to the multilateral program. The Centre is focusing its bilateral and multilateral research to best match partner country needs and research capacities to Australian expertise, both geographically and in terms of research priorities. ACIAR will continue to conduct both ex ante and ex poste studies of project impacts.

Bilateral programs

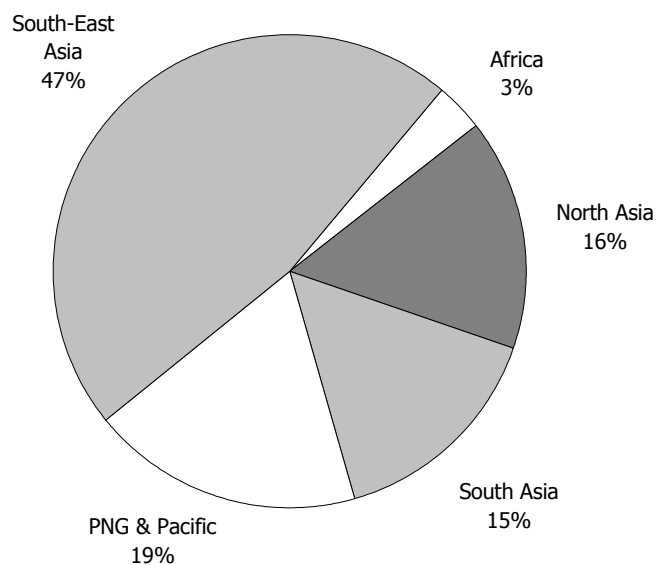
In 2003-04, ACIAR is supporting more than 200 bilateral projects in the Asia-Pacific region. ACIAR works with partner countries to identify and prioritise agricultural and natural resource problems, against which research and development projects are developed and assessed. Bilateral research projects are conducted through programs: agricultural systems' economics and management; agricultural development policy; animal and crop sciences; land and water resources; fisheries; forestry; and post harvest technologies. Collaboration with partners throughout the project's lifecycle ensures partner country participation and capacity building. Estimated bilateral research expenditure in 2003-04 will be \$27.2 million.

ACIAR's major bilateral partners are Papua New Guinea (PNG), Indonesia, the Philippines, Vietnam, China and India. The Centre is increasing its level of research to support the specific needs of PNG and the Pacific Islands. ACIAR has recently commenced projects in Burma and, with AusAID support, is administering a major project in Afghanistan, implemented by the International Maize and Wheat Improvement Centre. Investment in Africa will be reduced to focus on specific agricultural sectors in South Africa.

Examples of bilateral projects that will be supported in 2003-04 include:

- improving productivity of the cocoa, coconut and oil palm industries in PNG through the increased participation of women and youth;
- the equitable management of groundwater for Pacific atolls and small islands;
- controlling the fasciolosis disease in cattle and buffaloes in Indonesia, the Philippines and Cambodia; and
- managing pest fruit flies to increase production of fruit and vegetable crops in Vietnam.

Diagram 13: Estimated ACIAR agricultural research assistance 2003-04



Multilateral programs

Under its multilateral program, ACIAR supports selected international agricultural research centres, particularly those with the ability to deliver projects in the Asia-Pacific region. ACIAR administers the Australian Government's multilateral contribution to the International Agricultural Research Centres (IARCs) – internationally funded autonomous non-profit organisations that conduct agricultural research in developing countries. Core funding is provided to those IARCs with a comparative advantage. Increasingly, project-specific funding is provided to link IARCs to Australia's agricultural research organisations and those of developing

countries. Estimated funding to ACIAR's multilateral program in 2003-04 is \$9.7 million.

Examples of projects to be funded under ACIAR's multilateral program in 2003-04 include:

- support for the development of a framework for conservation of the unique plant resources of the Pacific region;
- research to promote sustainable forestry management within a decentralised policy framework in Indonesia; and
- sustainable controls for endoparasites affecting sheep and goats in South-East Asia.

Training programs

ACIAR funds formal and informal training and development activities for agricultural researchers, through courses and projects. In addition, the Centre allocates funds to two fellowship schemes. The John Allwright Fellowship Scheme allows around 40 scientists involved in ACIAR projects to undertake postgraduate studies at Australian universities; and the John Dillon Fellowship Scheme supports around six scientists and agricultural economists from developing country institutions, through short-term placements at similar research organisations in Australia. Some training activities are financed by the ATSE Crawford Fund, which will receive \$0.65 million of government funding through ACIAR in 2003-04. Total estimated training expenditure in 2003-04 is \$2.4 million.

Communicating research

ACIAR uses a range of media to communicate results of ACIAR-supported research and development to potential beneficiaries, both in developing countries and Australia. Research results and project-related information are disseminated via scientific publications and summaries in hard and soft copy and increasingly, ACIAR publications and information are being placed on developing country websites and translated into a number of languages. In 2003-04, an estimated \$0.7 million will be spent on research dissemination and communication.

Further information on ACIAR's programs is set out in ACIAR's *Annual Operational Plan 2003-04*. See <<http://www.aciar.gov.au>>.

CHAPTER TEN: AID ADMINISTRATION AND MANAGEMENT

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

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

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

The September 2002 Ministerial Statement: *Australian Aid: Investing in Growth, Stability and Prosperity*, sets out a renewed policy framework and identifies ways to strengthen the impact of Australian aid assistance. AusAID's Strategic Plan, released in December 2001, provides the administrative framework to ensure the policy objectives of the aid program are met. As the Strategic Plan enters its consolidation phase, the focus will be on implementing in-country activity management at the field level and institutionalising improvements to business planning, program strategies, risk management and staff performance.

AusAID outputs

AusAID's core business is to serve the Government by advising on development issues and delivering Australia's development cooperation program with excellence. AusAID has a single outcome: to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. Two agency outputs contribute to this outcome: policy and program management. The Government will purchase these two outputs from AusAID at an agreed price of \$13.9 million and \$56.5 million respectively in 2003-04. AusAID's people management and corporate systems support the delivery of these two outputs.

POLICY ADVICE

AusAID provides advice and analysis to the Minister for Foreign Affairs, the Minister for Trade and the Parliamentary Secretary to the Minister for Foreign Affairs on aid policy, program directions and international development issues. The provision of

timely, comprehensive and accurate policy advice and analysis allows the Government to make informed decisions in the national interest.

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

PROGRAM MANAGEMENT

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

- ensure programs and projects correspond with Government priorities and are defined in partnership with the people and governments of developing countries;
- ensure high quality projects and programs through effective identification and design, regular monitoring, evaluation, identification of lessons learned, and access to technical expertise and external advice; and
- establish and manage contracts with delivery agents including the private sector, public sector providers, international and regional development organisations and community groups including Non Government Organisations.

In 2003-04, AusAID will be well advanced in moving to in-country activity management. This will enhance decision making at the field level in response to local circumstances, and promote more dialogue with partner governments.

Improving impact and effectiveness

Strengthening the effectiveness of Australia's aid program is an ongoing commitment. Learning from international best practice and reviewing and evaluating our own program quality, effectiveness and impact will continue to be of great importance.

In 2003-04, the recently completed review of AusAID's Performance Information Framework will be followed by work on systems for gathering and analysing performance information. This will include the trial of the Simplified Monitoring Toolbox, a new electronic monitoring system for the submission of activity reports. Expanding the new AusAID Knowledge Warehouse will also assist in program development and delivery. This database provides user-friendly access to information on lessons, good practice examples, reviews, evaluations and policy documents.

Another priority in 2003-04 will be rigorously measuring the impact and effectiveness of at least one country program. Due to the integrated nature of country programs, this

will entail evaluation at a considerably higher level than previous reviews which have focused on individual activities. Evaluating the aid program's governance and capacity building activities, continued quality assurance work, and assessing the quality of project designs and planning processes will also take place.

Contract services

AusAID contracts firms and individuals to deliver activities at all stages of the project management cycle: feasibility, design, implementation, review and evaluation. In 2003-04, improvements to the tendering and contracting process will be consolidated and, where appropriate, adjusted and expanded. The Agency will continue to place a high priority on staff training to enhance contracting and contract management skills and competencies. AusAID's establishment of a Development Contractors' Forum is improving consultation with industry on both contracting and wider aid issues.

PEOPLE MANAGEMENT AND CORPORATE SYSTEMS

People management

Strengthening the strategic focus and analytical capability within AusAID will require attracting, developing and retaining high quality aid professionals. By providing effective leadership and management, sharing a commitment to delivery of the aid program, providing policy and analytical advice, and implementing flexible, responsible and innovative work practices, AusAID aims to be an employer of choice. The implementation of the *People Management Strategy (2002-06)* will assist in meeting this goal. Other priorities will be to promote cost-effective approaches to workforce planning and to continue to improve AusAID's performance management system.

Financial, statistical and information management

AusAID will continue to improve the quality of its information regarding the Australian aid program. The launch of a new intranet site in November 2002 increased staff access to statistical and business information. In 2003-04, improving electronic information sources to inform decision-making will be a priority. Efforts will also be directed to enhancing the performance of information systems at posts. It is envisaged that AidWorks, the replacement for the Agency's existing Activity Management System, will be completed by July 2004.

Enhancing corporate performance

In 2003-04, AusAID will continue its contract compliance audit activity. In addition, a new set of risk management and performance indicators will be refined and applied to monitor the effectiveness of in-country administrative processes and controls.

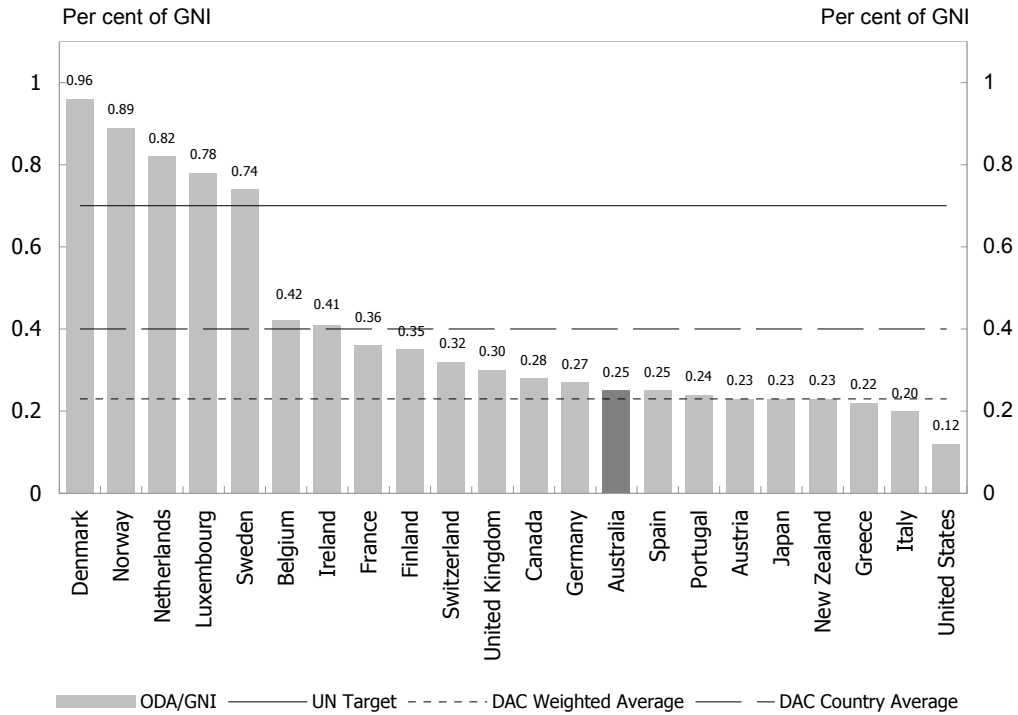
APPENDIX

Aid flows

Table 2: Australia's ODA 1971-72 to 2003-04

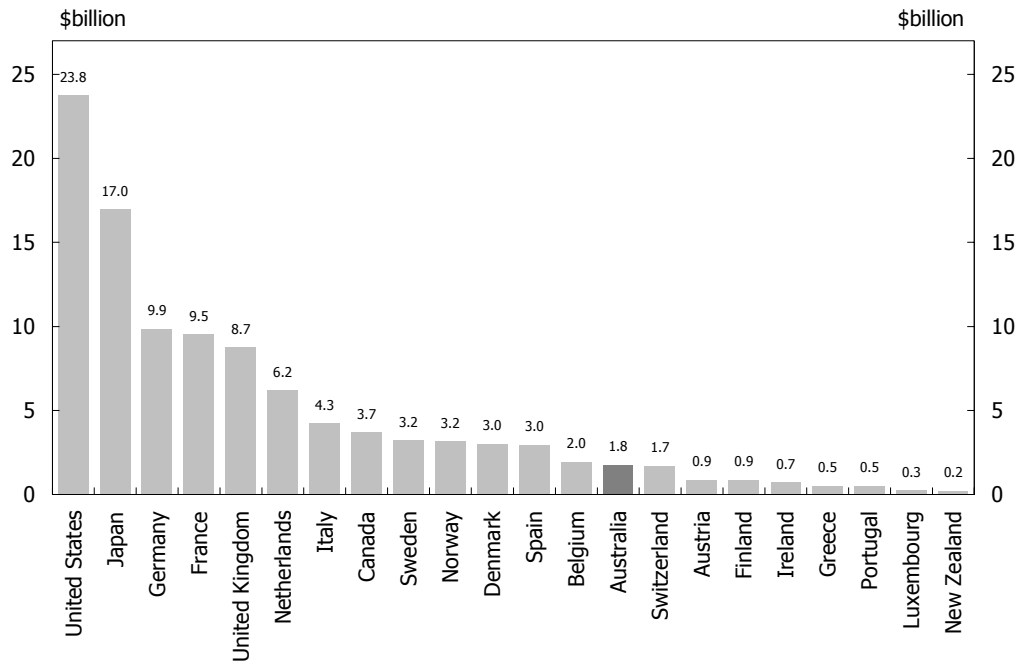
Year	Current prices (\$m)	Constant 2002-03 prices (\$m) ¹	Real change over previous year (%)	ODA/GNI ratio (%) ²
1971-72	200.5	1,396.3	4.0	0.48
1972-73	219.2	1,437.7	3.0	0.47
1973-74	264.9	1,526.0	6.1	0.47
1974-75	334.6	1,577.5	3.4	0.50
1975-76	356.0	1,452.0	-8.0	0.45
1976-77	386.2	1,402.5	-3.4	0.43
1977-78	426.1	1,423.1	1.5	0.43
1978-79	468.4	1,481.5	4.1	0.42
1979-80	508.7	1,463.8	-1.2	0.40
1980-81	568.0	1,479.2	1.0	0.40
1981-82	657.8	1,520.5	2.8	0.40
1982-83	744.6	1,543.6	1.5	0.42
1983-84 ³	931.8	1,813.7	17.5	0.47
1984-85	1,011.4	1,867.0	2.9	0.46
1985-86	1,031.0	1,792.1	-4.0	0.43
1986-87	975.6	1,583.8	-11.6	0.37
1987-88	1,019.6	1,540.5	-2.7	0.34
1988-89 ⁴	1,194.6	1,666.2	8.2	0.35
1989-90	1,173.8	1,541.6	-7.5	0.32
1990-91	1,261.0	1,581.0	2.6	0.33
1991-92	1,330.3	1,633.8	3.3	0.34
1992-93	1,386.1	1,683.0	3.0	0.34
1993-94	1,410.8	1,697.0	0.8	0.33
1994-95	1,483.7	1,772.1	4.4	0.33
1995-96	1,556.5	1,809.3	2.1	0.32
1996-97	1,432.0	1,630.9	-9.9	0.28
1997-98	1,443.0	1,620.0	-0.7	0.27
1998-99	1,528.6	1,710.2	5.6	0.27
1999-2000	1,748.7	1,911.1	11.7	0.29
2000-01	1,623.1	1,698.8	-11.1	0.25
2001-02	1,755.1	1,792.0	5.5	0.25
2002-03(est)	1,816.2	1,816.2	1.3	0.25
2003-04(est)	1,893.8	1,854.8	2.2 ⁵	0.25

Diagram 14: DAC member countries' ODA/GNI ratios 2002



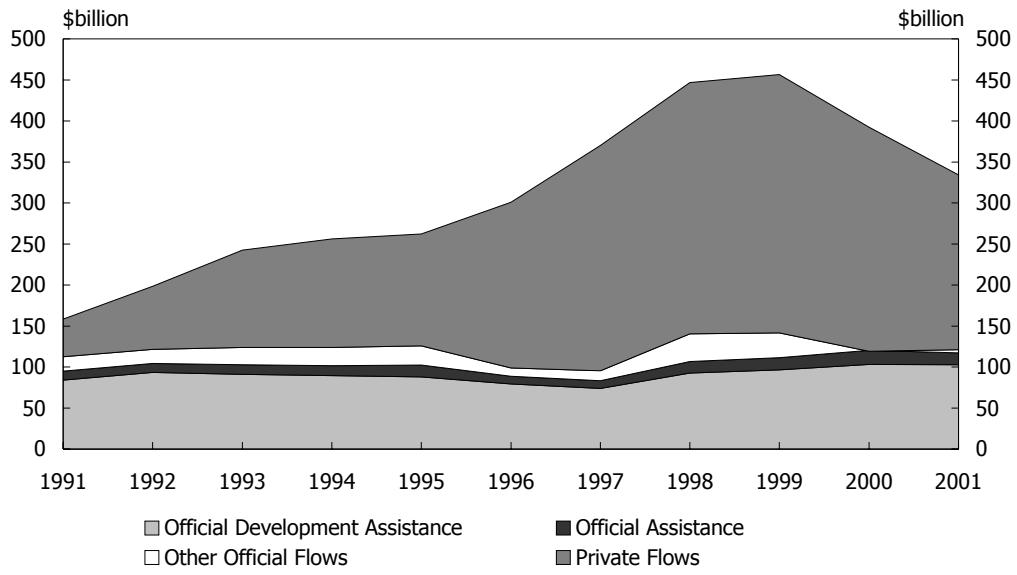
Source: DAC provisional figures for members' 2002 ODA

Diagram 15: DAC member countries' net ODA 2002



Source: DAC provisional figures for members 2002

Diagram 16: Total net resource flows to developing countries



Source: DAC online databases

Table 3: Total Australian ODA flows to developing countries not detailed in Table 1

Major Countries / Regions	Outcome (\$m) Expenses ¹			Estimate (\$m) Expenses ¹	
	1999-2000	2000-01	2001-02	2002-03 Expected Outcome	2003-04 Budget Estimate
Nauru	3.6	3.1	3.4	3.5	3.9
Micronesia	2.0	1.3	2.3	3.3	3.5
Cook Islands	2.4	1.9	2.4	2.3	2.6
Niue and Tokelau	1.6	1.0	1.0	1.3	1.3
Malaysia	5.5	1.4	1.0	1.3	1.3
Mongolia	3.2	3.0	3.4	3.4	2.9
Burma	3.9	5.2	5.6	7.7	7.8
Afghanistan	0.8	7.0	26.6	21.8	23.8
Maldives	2.8	2.5	2.2	2.2	2.0
Bhutan	1.0	1.1	2.1	1.1	1.1
Total regional/other	121.6	112.7	109.5	118.8	133.3
Countries identified in Table 1	1137.8	1084.5	1062.1	1155.8	1099.1
Other Government Departments ² (not attributed to country/region)			77.8	85.3	137.1
Core contributions to multilateral organisations, other ODA ³	473.6	456.8	489.4	443.8	449.3
Reconciliation of expenses to cash ¹	-11.3	-58.6	-33.7	-35.3	24.8
TOTAL ODA (cash)	1748.7	1623.1	1755.1	1816.2	1893.8

Aid program expenditure

Table 4: Country programs expenditure estimates and outcomes

Country	Outcome (\$m)			Estimate (\$m)	
	Expenses ¹			Expenses ¹	
	1999-2000	2000-01	2001-02	2002-03	2003-04
PAPUA NEW GUINEA & PACIFIC					
Papua New Guinea	279.7	312.3	311.8	310.2	314.0
Fiji	14.9	12.9	12.3	14.0	14.5
Vanuatu	12.2	12.4	13.0	13.5	15.0
Solomon Islands	14.7	19.6	19.1	24.3	25.0
Samoa	11.2	10.9	11.2	11.5	11.8
Tonga	9.4	9.7	8.8	9.7	9.0
Kiribati	7.0	7.2	8.2	8.4	8.0
Tuvalu	2.5	2.6	2.6	2.8	2.9
Micronesia ²	1.0	1.0	1.4	1.9	1.9
Cook Islands	1.5	1.5	1.3	1.3	1.5
Niue and Tokelau	0.9	1.0	0.8	1.0	1.0
Nauru	0.2	0.2	0.2	0.2	0.6
<i>Nauru Additional³</i>			<i>18.8</i>	<i>30.5</i>	<i>0.0</i>
Peace & Security Fund					7.5
Policy and Management Reform	14.1	15.0	20.0	20.0	15.0
Regional	33.6	32.9	34.5	34.0	35.9
Subtotal PNG & Pacific	402.7	439.3	464.0	483.2	463.6
EAST ASIA					
Indonesia	90.8	93.4	97.3	102.0	121.0
East Timor	59.3	30.0	28.6	30.0	30.0
Philippines	53.5	54.5	56.0	53.0	55.5
Vietnam	58.6	59.1	59.7	59.4	59.4
China	38.6	39.3	40.5	40.0	40.0
Cambodia	23.1	23.8	24.4	24.5	24.5
Thailand	17.2	16.2	11.0	11.2	7.0
Laos	14.1	14.0	14.4	13.5	13.0
Malaysia	0.2				
Burma	0.8	1.4	1.6	2.6	3.0
Mongolia	2.7	2.2	2.7	2.6	2.2
Asia Regional	37.0	29.9	23.7	26.9	29.9
Subtotal East Asia	396.0	363.7	359.9	365.7	385.5
SOUTH ASIA, AFRICA & Rest of World					
Bangladesh	21.8	20.7	23.7	20.4	20.7
India	13.3	15.4	12.8	12.0	14.0
Sri Lanka	7.0	5.8	4.1	5.8	6.1
Nepal	5.6	5.6	5.1	5.6	5.0
Pakistan	2.6	3.0	3.0	3.8	3.3
Bhutan	0.9	0.9	0.8	1.0	1.0
Maldives	2.6	2.4	2.0	2.2	1.8
Regional South Asia and Other	0.1	0.6	3.9	4.8	3.5
Africa	34.9	35.8	35.4	34.4	33.5
Palestinian Territories	2.1	2.1	2.1	2.5	3.0
Cross Regional Programs	11.9	12.1	21.6	17.5	21.3
Subtotal South Asia, Africa & Rest of World	102.8	104.4	114.4	109.9	113.2
TOTAL COUNTRY PROGRAMS	901.5	907.4	938.3	958.8	962.2

Table 5: Global programs expenditure estimates and outcomes

	Outcome (\$m)			Estimate (\$m)		
	Expenses ¹			Expenses ¹		
	1999-00	2000-01	2001-02	2002-03 ²		2003-04
			Budget Figure	Expected Outcome	Budget Estimate	
EMERGENCY, HUMANITARIAN AND REFUGEE AID						
Emergency Aid	36.9	20.4	41.6	52.4	101.7	62.3
Humanitarian Aid	51.7	67.8	49.6	49.0	48.8	55.0
<i>of which:</i>						
<i>International Committee of the Red Cross</i>	1.2	1.4	2.2	2.3	2.3	3.0
International Refugee Fund				15.0	15.0	15.0
Subtotal	88.6	88.2	91.2	116.4	165.5	132.3
MULTILATERAL REPLENISHMENTS³						
ADF	0.0	291.1	0.0	0.0	0.0	0.0
IDA	0.0	0.0	0.0	0.0	342.0	0.0
IFAD	0.0	7.9	0.0	0.0	0.0	0.0
Heavily Indebted Poor Countries Initiative	12.0	14.8	13.7	0.0	18.0	0.0
MPMF	0.0	0.0	0.0	15.6	17.6	0.0
GEF	0.0	0.0	0.0	63.0	68.2	0.0
Subtotal	12.0	313.8	13.7	78.6	445.8	0.0
UN, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS						
United Nations Agencies	76.2	88.9	85.9	68.8	73.1	61.1
<i>of which:</i>						
<i>UNHCR</i>	13.9	14.3	14.3	7.3	7.3	7.3
<i>UNRWA</i>	2.7	3.8	3.8	4.0	4.0	4.2
<i>WFP</i>	42.5	55.7	50.4	40.0	44.3	31.0
<i>Other UN Agencies</i>	17.0	15.1	17.5	17.5	17.5	18.6
Commonwealth Organisations	9.8	10.5	11.6	12.2	12.2	12.1
Other International Programs ⁴	23.5	11.4	12.6	15.2	15.5	17.4
Subtotal	109.5	110.8	110.1	96.2	100.8	90.6
NGO, VOLUNTEER & COMMUNITY PROGRAMS						
Non Government Organisations	25.2	26.5	25.8	26.4	26.4	26.4
Volunteer Programs	12.1	12.8	13.8	14.3	14.3	14.6
AYAD	4.6	5.0	5.3	6.2	6.2	7.0
Public Information / Development Education	1.9	2.4	2.3	2.6	2.7	2.7
Development Research	1.0	0.8	0.6	1.4	1.4	1.5
Seminar Support	0.9	0.8	0.9	0.8	1.0	0.8
Subtotal	45.7	48.3	48.7	51.7	51.9	52.9
TOTAL GLOBAL PROGRAMS	255.8	561.1	263.7	342.8	764.0	275.7

Table 6: Total ODA by subprograms

	Outcome (\$m)			Estimate (\$m)	
	Expenses ¹			Expenses ¹	
	1999-00	2000-01	2001-02	2002-03	2003-04
Country Programs	901.5	907.4	938.3	958.8	962.2
Global Programs	255.8	561.1	263.7	764.0	275.7
Departmental expenses	68.9	67.6	68.7	70.6	70.4
ACIAR ²	43.3	45.0	46.3	46.6	46.6
OGD ³	228.1	151.2	207.3	208.6	255.6
Adjustments					
<i>Administered⁴</i>	<i>-2.7</i>	<i>-54.4</i>	<i>-29.9</i>	<i>-35.4</i>	<i>26.6</i>
<i>Departmental⁵</i>	<i>-8.6</i>	<i>-4.2</i>	<i>-3.8</i>	<i>0.1</i>	<i>-1.8</i>
<i>Less new multi-year expenses⁶</i>	<i>-11.6</i>	<i>-298.9</i>	<i>0.0</i>	<i>-445.8</i>	<i>0.0</i>
<i>Plus cash paid to multi-year liabilities</i>	<i>274.0</i>	<i>248.5</i>	<i>264.6</i>	<i>248.7</i>	<i>258.4</i>
TOTAL ODA (cash)	1748.7	1623.1	1755.1	1816.2	1893.8

Table 7: Aid program expenditure through Australian and non-Australian NGOs

	Expenditure (\$m) ¹			Estimate (\$m)	
	Expenses			Expenses	
	1999-00	2000-01	2001-02	2002-03	2003-04
AUSTRALIAN NGOs					
NGO projects funded from country programs	25.9	40.5	31.8	20.8	20.0
Humanitarian & Emergency	22.1	20.3	18.1	19.0	16.0
ANCP	24.0	25.0	25.2	25.3	25.2
Volunteer programs	16.7	17.8	18.6	20.5	20.9
Other NGO funded activities	1.1	1.2	2.2	1.1	2.0
Subtotal Australian NGOs	89.9	104.9	95.9	86.7	84.1
NON-AUSTRALIAN NGOs					
Indigenous/International NGOs funded from Country programs	19.8	19.1	11.3	6.0	6.0
Direct Aid Program (DAP)	1.5	1.7	1.5	2.0	2.0
Humanitarian & Emergency	2.0	2.3	1.4	1.5	1.5
Human rights and cross regional	0.0	0.2	0.0	0.0	0.0
Subtotal non-Australian NGOs	23.4	23.2	14.3	9.5	9.5
TOTAL	113.3	128.1	110.1	96.2	93.6

Table 8: Developing country students supported in 2003-04

Country/Region	Estimated Total ¹
PAPUA NEW GUINEA	370
PACIFIC	700
EAST ASIA ²	1750
SOUTH ASIA	280
AFRICA	150
TOTAL	3250

Technical notes

GENERAL

- Normal rounding rules apply where the end digit is less than five. In accordance with the Department of Finance and Administration guidelines, where the end digit equals five, the numbers are rounded up to the next digit. Totals and percentages are calculated on unrounded totals. Columns may not add due to rounding.
- This 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 deflator has been used.
- All estimates are exclusive of recoverable GST.
- All amounts are in Australian dollars (AUD) unless otherwise indicated.
- 'Current prices' express values in terms of the prices in the year of expenditure. 'Constant prices' express values adjusted for inflation in terms of a chosen year, which is the financial year 2002-03 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.

TERMINOLOGY

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 4 and 5, are presented in terms of expenses. Multi-year liabilities, such as payments to the Asian Development Fund (ADF), IDA and IFAD are recorded as an expense at the time of signing the Instrument of Commitment, 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 6 also details the adjustments to multi-year liabilities, such as the multilateral development banks, to convert expenses to cash.

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

- The Pacific expense estimate is less than cash as the Nauru Settlement Treaty (\$2.96 million in 2003-04) was recorded as an expense in 1993-94. In Table 1, the \$2.96 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 2003-04.
- The Multilateral Replenishment expense estimates (see Table 5) are nil in 2003-04 as Australia does not expect to enter into any new multi-year contributions next financial year. Figures in Chapter 6 reflect the ongoing cash contributions Australia is making to these international institutions (\$255.5 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.

Methodology of AusAID estimates

ESTIMATED TOTAL ODA FLOWS

In estimating total ODA flows, AusAID begins with budget estimates for particular countries (specific country program estimates). To these are added estimates of expenditure from regional and global programs that do not have country allocations specified at 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 2001-02 and 2002-03. The AMS tracks actual and estimated expenditure on individual projects. Each project is allocated sector codes, in accordance with DAC guidelines, which reflect the primary focus of the project, as well as attributing secondary codes to track indirect expenditure. The 2002-03 estimated expenditure extracted from the AMS in February includes planned expenditure to the end of the year, which is adjusted to account for over-programming. To this is added estimates for sectoral flows from multilateral organisations, based on these organisations' reports. Further information relating to the value of imputed flows from multilateral organisations can be obtained from the Information and Research Services Unit, AusAID (ph 02 6206 4000).

Expenditure on the cross-cutting issues of environment and gender overlaps with expenditure on other sectors and should not be compared on the same basis. AusAID has revised its methodology for reporting on direct and indirect environmental expenditure. The methodology now incorporates aspects of expenditure related to water supply, fisheries and agriculture. Figures in the 2003-04 Aid Budget Statement are not comparable to those in previous years.

Notes to tables

Table 2

- 1 Based on Non-Farm GDP(E) Implicit Price Deflators provided by the Australian Bureau of Statistics, which have been rebased to 2000-01.
- 2 See Technical notes for an explanation of the change in terminology from GNP to GNI.
- 3 Australian Government contributions towards costs of educating private students from developing countries in Australian tertiary and secondary educational institutions were included in ODA for the first time in 1983-84.
- 4 In 1988-89 there was a one-off bringing forward of MDB payments, increasing 1988-89 but decreasing 1989-90 ODA expenditure.
- 5 This represents a real per cent increase over the 2002-03 budget figure of \$1,814.6 million (at 2002-03 constant prices) as detailed in Table 1.

Table 3

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

Table 4

- 1 See Technical notes for an explanation of the relationship between expenses and cash.
- 2 For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau and the Republic of the Marshall Islands.
- 3 Nauru Additional represents additional funding appropriated under Additional Estimates for 2001-02 (\$18.8 million), and a New Budget Measure (\$6.8 million) plus Additional Estimate funding in 2002-03 (\$23.7 million).

Table 5

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

- 2 Total flow estimates for 2002-03 represents budget figures as estimated at May 2002 and Expected Outcomes as estimated at May 2003.
- 3 New commitments to the MDBs, MPMF and GEF are recorded as expenses at the time of commitment. See Chapter Six for details of 2003-04 cash contributions to these organisations.
- 4 Other international programs include the ITTO and international health programs, the Global Conservation Trust. See Chapter Seven for details of 2003-04 contributions to these organisations.

Table 6

- 1 See Technical notes for an explanation of the relationship between expenses and cash.
- 2 ACIAR figures equal their total cash expenditure per year. ACIAR's full financial statements are available in the Foreign Affairs and Trade Portfolio Budget Statement at <<http://www.dfat.gov.au/dept/budget>>.
- 3 OGD includes ODA eligible activities by State Governments and Commonwealth Agencies other than AusAID and ACIAR. Included, for example, are capital contributions to Multilateral Development Banks, funded by Treasury appropriations, or Department of Health and Ageing contributions to the WHO.
- 4 Includes accrual adjustments and adjustments for non-ODA eligible Administered expenditure such as miscellaneous receipts, GST payments and other non-ODA eligible expenditure. Includes a one-off adjustment of \$38 million between 2002-03 and 2003-04 relating to humanitarian aid to Iraq. AusAID received revenue of \$38 million from the Official Public Account in 2002-03, for which an appropriation was booked, and will be appropriated cash through an administered capital injection in 2003-04.
- 5 Includes accrual adjustments and adjustments for non-ODA eligible Departmental expenditure such as receipts under section 31 of the Financial Management and Accountability Act, interest earned on bank deposits, GST payments and Fringe Benefits Tax.
- 6 Refer to the explanation of multi-year liabilities in the Technical notes.

Table 8

- 1 These numbers include participants in both the ADS and ARDS scholarships programs.
- 2 Includes partially aid funded East Timorese students who have been offered 'free' places by universities in Australia. Australia is providing funding through the Department of Education, Science and Training to assist with living allowances for these students.

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