AUSTRALIA'S OVERSEAS AID PROGRAM 2007-08

STATEMENT BY
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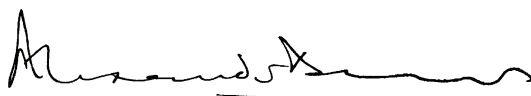MINISTER FOR FOREIGN AFFAIRS
8 MAY 2007

FOREWORD

This Budget is the most significant ever for Australia's overseas aid program. Australia will provide $3.155 billion in official development assistance (ODA) in 2007-08. This Budget increases ODA managed by AusAID to $2.732 billion in 2007-08, a projected 21.7 per cent increase in real terms over the 2006-07 Budget figure. It announces a $2.588 billion package of new initiatives, with $2.541 billion through AusAID designed to take forward the implementation of the White Paper, *Australian Aid: Promoting Growth and Stability*, which I launched in April 2006. This Budget demonstrates significant progress toward the Government's goal to double Australian aid to about $4 billion a year by 2010. The Government expects to continue increasing development assistance, to $3.5 billion in 2008-09, $3.8 billion in 2009-10 and $4.3 billion in 2010-11.

This expansion in Australian ODA reinforces our efforts to improve the lives, security and wellbeing of our neighbours. The package of new initiatives aims to contribute to a number of positive outcomes particularly in the Asia-Pacific region:

- aiming to increase by 10 million the number of boys and girls in school by 2010 and to assist improving the quality of education for another 50 million children

- aiming for a reduction by three quarters in the maternal mortality ratio, and two thirds in the mortality rate among children under five; a reversal in the incidence of malaria and other major diseases

- addressing crucial gaps in infrastructure maintenance and investment to spur economic growth

- addressing climate change by tackling deforestation, improving freshwater catchment management, and promoting better management of energy

- funding for improved emergency response and preparedness, and

- long-term efforts started to improve the quality of leadership in the region and increase incentives for improved governance.

The ratio of Australia's ODA to gross national income (GNI) for calendar year 2006 is estimated at 0.30 per cent, equal to the preliminary weighted average for the OECD donor community. This Budget maintains Australia's ODA/GNI ratio at 0.30 per cent.

I am pleased to present this overview of the Government's key priorities for Australia's aid program in 2007-08. The new initiatives detailed here mark decisive progress towards the Government's goal to double aid by 2010 and implement the strategic directions of the White Paper.

Alexander Downer

BUDGET HIGHLIGHTS

In 2007-08, AusAID will commence a significant new package of initiatives to step up White Paper implementation

Shared and sustainable economic growth is central to development …

- **Infrastructure for Growth** (**$505.8m over four years)** will address barriers to growth by developing and improving the maintenance of critical economic infrastructure – *page 10*

- **Global Initiative on Forests and Climate ($164.4m over five years)** and **Climate Change Partnerships ($32.5m in 2007-08)** will tackle key environmental and climate change challenges – *page 12*

… and sound policies and institutions are essential to support this growth

- **Better Governance and Leadership ($41.0m over two years)** will improve leadership quality and promote better awareness of government performance – *page 15*

- **Performance Incentives ($115.6m over two years)** will promote improved governance by providing additional resources when partner countries reform – *page 17*

Health and education enable the poor to participate in growth …

- **Delivering Better Health ($585.2m over four years)** will strengthen national health systems and contribute to global goals of reducing child mortality rates by two thirds and the maternal mortality ratio by three quarters – *page 20*

- **Delivering Better Education ($540.3m over four years)** will strengthen national education systems to help put 10 million more children in school, improving the education given to another 50 million – *page 25*

… and effective aid plays a key part

- **Anti-Corruption for Development ($16.7m in 2007-08)** will bolster oversight institutions and strengthen management systems to change incentives away from corrupt behaviour – *page 31*

- **Enhanced Australian Emergency and Humanitarian Response Capacity ($93.2m over four years)** will improve the speed and effectiveness of Australian and partner country responses to humanitarian and emergency crises – *page 52*

- These new initiatives will also emphasise development **research** to mobilise a broader range of Australian and international expertise to tackle pressing development challenges – *page 35*

CONTENTS

BOXES, TABLES AND DIAGRAMS

INITIATIVE BOXES

TABLES

DIAGRAMS

OVERVIEW OF THE AID PROGRAM

DEVELOPMENT CONTEXT

Remarkable economic growth in East Asia over the last twenty years has seen over 500 million people lifted above an income of US$1 a day. According to World Bank estimates, in 1981 some 58 per cent of people in East Asia lived on less than US$1 a day, while in 2001 the proportion fell to less than 15 per cent. In South Asia over the same period, the proportion fell from 52 per cent to 31 per cent. Yet vast numbers of people remain in poverty in the region. East Asia, the Pacific, and South Asia are home to almost 700 million people living on less than US$1 a day, two thirds of the global total and more than twice the number living in poverty in sub-Saharan Africa.

Within Australia's region, significant disparities exist and progress on reducing poverty looks likely to continue at different rates. Per capita economic growth in much of the Pacific has stalled, and even some areas of Asia are missing many of the economic and development opportunities offered by the strong economic growth elsewhere in the region.

Many people who continue to live in poverty are in areas where growth has not reached. They are vulnerable to many potential shocks. Security, stability and improved governance are among the most important preconditions for sustained growth and poverty reduction, but are lacking in some weaker states in the region. Corruption is also a major challenge which damages development prospects in many countries. It can stifle economic growth and undermine efforts to lift poor citizens out of poverty.

Other obstacles are blocking the poor, especially the rural poor, from accessing the potential and benefits of growth. Chief among these are infrastructure constraints to growth. Poor transport networks separate many rural areas of the Asia-Pacific region from urban markets and greater productivity. Demography compounds these challenges as young and rapidly growing populations place extra strain on public services like education and health. For example, recent population growth rates in Papua New Guinea, Solomon Islands and Vanuatu have been 2.5 per cent a year and higher, and over 40 per cent of the population of Solomon Islands is under 15 years old.

Health services are further strained by the vulnerability of the region to infectious disease. HIV/AIDS threatens development gains across the region, with Papua New Guinea a particular concern. Avian and pandemic influenza also have the potential to cause widespread disruption. The natural environment is also under increasing pressure from rapid economic and population growth. Competition for resources, including water and energy, is growing and will need to be managed. Adaptation to the potential impacts of climate change is a further challenge.

STRATEGIC FRAMEWORK

The Prime Minister announced in September 2005 the Government's intention to double the aid budget to about $4 billion by 2010. The announcement was subject to three critical conditions: the demonstrated effectiveness of the application of additional resources, reduced corruption, and improved governance in partner countries. Following on from this announcement, the White Paper *Australian Aid:Promoting Growth and Stability* was launched in 2006, providing the strategic framework to guide the direction and delivery of the aid program over the next 10 years. It provides a comprehensive account of how the Government will approach the doubling of the aid budget to about $4 billion annually by 2010.

The strategic framework provided by the White Paper builds on the lessons learnt from decades of Australian and international experience of aid delivery. Central lessons from this experience are: the primacy of growth for poverty reduction; the need for robust institutions for growth; and the importance of basic service delivery — health, education and local infrastructure — for providing opportunities to participate in development.

The White Paper framework centres on the objective of Australia's aid program: *To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*

In order to achieve this objective, the aid program is organised around the themes of:

• accelerating economic growth

• fostering functioning and effective states

• investing in people, and

• promoting regional stability and cooperation.

The Prime Minister was unequivocal that the doubling of Australian aid by 2010 must be subject to assurances of its effectiveness. To this end, the White Paper framework provides strategies to improve the aid program's effectiveness by:

• strengthening the performance orientation of the aid program

• combating corruption

• enhancing Australia's engagement with the Asia-Pacific region, and

• working in partnership with regional governments and other donors.

The White Paper framework is reinforced by promoting greater gender equality in development, and through untying Australian aid to improve efficiency and competitiveness.

A key initiative of the White Paper was the creation of an Office of Development Effectiveness (ODE), which has a mandate to improve the effectiveness of aid policies and programs, including through the publication of an Annual Review of Development Effectiveness (ARDE). This review will draw on the breadth of the ODE's work, including quality process reviews, evaluations and the experiences of all Australian agencies delivering official development assistance. The ARDE will be integrated into the budget cycle and provide a practical link between aid allocations and aid effectiveness. The first ARDE will be released in late 2007.

The White Paper strategic framework is summarised in Diagram 1 overleaf.

Diagram 1: Strategic framework for Australia's overseas aid program

OBJECTIVE

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

Overarching principles: Gender Equality, Untied Aid, Partnership

ORGANISING THEMES

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

INITIATIVES

Pacific Land Mobilisation Program

Infrastructure for Growth Initiative

Australia-Pacific Technical College

Rural and Business Development

Environment Strategy

Building Stronger Leadership

Performance Incentives

Enhanced Emergency Response Capacity

Integrated Law and Justice Approach

Delivering Better Health

HIV/AIDS – Leadership in the Region

Tackling Malaria in the Pacific

Pandemics Preparedness

Delivering Better Education

Australian Scholarships

Strengthening Cooperation on Transboundary Threats

Promoting Asian Integration

Pacific Plan Support

EFFECTIVENESS STRATEGIES

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

INITIATIVES

Office of Development Effectiveness

Anti-Corruption for Development

Larger and Diversified Development Research Program

Mobilising New Australian Links to the Region

IFI Replenishments

AID BUDGET

The Government will provide an estimated $3,155.3 million in official development assistance (ODA) in 2007-08, of which $2,731.6 million will be managed by AusAID. The ratio of Australia's ODA to gross national income (ODA/GNI ratio) is estimated at 0.30 per cent for 2007-08. In calendar year 2006, Australia provided a total of $2,825 million in overseas aid, representing a 0.30 per cent ODA/GNI ratio. This is equal to the preliminary 2006 weighted average ODA/GNI ratio for the Organisation for Economic Cooperation and Development (OECD) donor community as a whole. This Budget maintains Australia's ODA/GNI ratio at 0.30 per cent.

Table 1 shows the composition of Australian ODA, including ODA managed by AusAID.

Table 1: Composition of Australian ODA

	Notes	Actual ($m) 2005-06	Budget Figure ($m) 2006-07	Expected Outcome ($m) 2006-07	Budget Estimate ($m) 2007-08
AusAID Country Programs	a	1181.8	1352.3	1405.4	1803.4
AusAID Global Programs	b	605.2	747.7	686.2	817.8
AusAID Departmental	c	77.8	93.5	93.5	109.2
ACIAR	d	44.9	49.6	49.1	45.8
Other Government Departments	e	740.3	707.8	753.7	378.0
Adjustments	f	47.7	-4.5	1.9	1.1
Total ODA	g	**2697.7**	**2946.3**	**2989.9**	**3155.3**
Real change over previous year outcome	h	16.9%		8.2%	3.0%
of which:					
AusAID ODA		*1912.5*	*2188.9*	*2187.1*	*2731.6*
Real change over previous year budget	i		*13.8%*		*21.7%*
ODA/GNI ratio	j	0.29%	0.30%	0.30%	0.30%

Notes: see page 62.

Table 2 shows total Australian ODA from all agencies and programs to each partner country.

Table 2: Australian ODA by partner country

Country / Region	Notes	Actual ($m) 2005-06	Budget Figure ($m) 2006-07	Expected Outcome ($m) 2006-07	Budget Estimate ($m) 2007-08
Indonesia	a	275.5	344.3	328.2	458.8
Philippines		63.8	68.8	69.9	100.6
Vietnam		74.0	81.5	81.2	90.8
Cambodia		41.3	48.5	44.8	54.0
Laos		21.3	21.9	23.9	27.2
East Timor		43.8	43.6	74.8	72.8
Burma		13.5	11.3	11.3	14.0
China		44.8	41.8	46.1	39.3
Mongolia		2.8	3.9	3.4	4.9
Thailand		7.4	5.3	6.3	6.5
Regional and Other East Asia	b	21.9	42.7	39.2	101.5
Indonesia and East Asia		**610.0**	**713.4**	**729.1**	**970.4**
Papua New Guinea		318.4	332.2	334.8	355.9
Solomon Islands	c	224.7	223.0	219.8	223.9
Vanuatu		28.3	34.7	31.1	44.5
Fiji		29.8	33.8	31.2	28.7
Tonga		12.2	13.4	13.9	15.7
Samoa		19.9	22.0	19.6	23.3
Kiribati		11.2	13.0	12.9	15.0
Tuvalu		4.8	5.4	4.9	5.6
Nauru	d	20.7	17.7	29.4	8.7
Micronesia	e	5.2	6.6	5.8	6.6
Cook Islands		4.1	3.6	5.5	6.4
Niue and Tokelau		7.2	2.5	2.5	2.6
Regional and Other Pacific	f	50.5	58.5	64.4	135.6
Papua New Guinea and Pacific		**737.0**	**766.6**	**775.7**	**872.5**
Bangladesh		30.7	36.3	33.9	47.6
Sri Lanka		25.6	31.0	28.8	25.0
Pakistan		49.0	17.0	20.8	27.1
India		10.1	9.8	7.8	6.3
Nepal		5.3	7.2	6.6	8.2
Maldives		3.8	2.8	4.5	4.9
Bhutan		1.4	1.7	2.4	3.8
Regional and Other South Asia	g	7.8	18.6	10.1	25.8
Africa		85.0	82.1	84.9	94.4
Iraq		358.8	357.0	358.3	22.5
Palestinian Territories		11.8	16.2	15.4	15.3
Afghanistan		20.9	33.9	127.4	99.6
Other Middle East		6.9	1.5	16.1	1.4
South Asia, Africa and Other		**617.1**	**614.9**	**716.9**	**382.0**
Un-attributed Other Government Departments' ODA	h	190.5	202.8	94.7	88.5
Core contributions to multilateral organisations and other ODA	i	495.4	653.2	671.6	840.7
Adjustments	j	47.7	-4.5	1.9	1.1
Total ODA	k	**2697.7**	**2946.3**	**2989.9**	**3155.3**

Notes: see page 63.

Australia's aid is delivered across a range of sectors, including education, governance, health, infrastructure, rural development and humanitarian assistance. Diagram 2 illustrates the estimated sectoral breakdown for 2006-07 and 2007-08 according to the sector classification defined by the OECD's Development Assistance Committee (DAC). Further breakdowns are provided for governance (page 18), health (page 22) and education (page 27) sectors.

Diagram 2: Estimated breakdown of Australian ODA by DAC sector
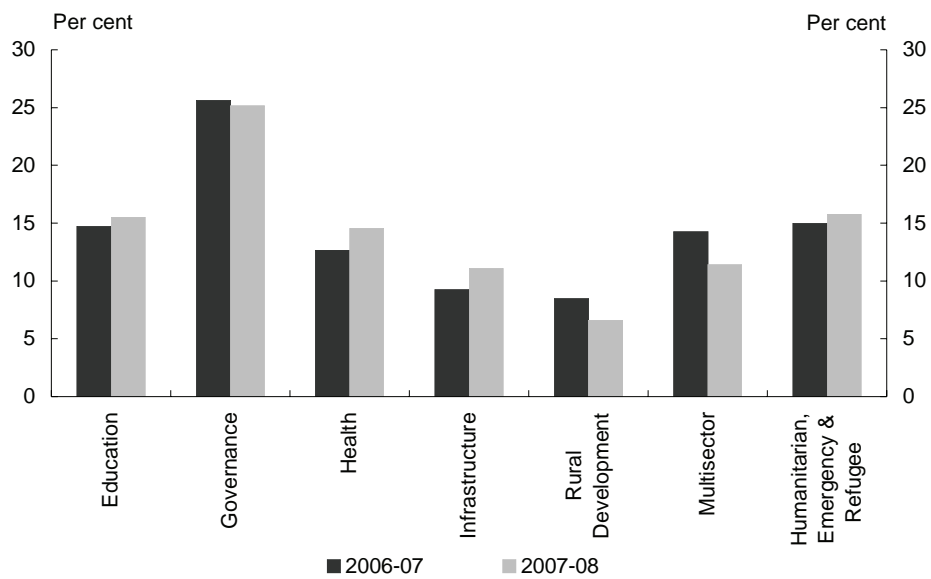
AID PROGRAM PRIORITIES AND NEW INITIATIVES

The 2007-08 Budget represents a major step in the implementation of new programs to support the key themes of the White Paper's strategic framework for Australian aid. Details of the principal elements within the strategic framework highlighted in Diagram 1 (page 4) and the approaches Australian aid will take in 2007-08 are as follows.

ACCELERATING ECONOMIC GROWTH

Generating broadly based and sustainable economic growth is the single most important challenge for Australia's aid over the next 10 years. The evidence shows clearly that regions which have seen the fastest poverty reduction are those which have grown most quickly. To promote stability and reduce poverty, growth needs to be employment-intensive and also encompass regions that are lagging. Growth also needs to be environmentally sustainable.

In 2007-08, a range of new initiatives will support accelerated economic growth, through investments in infrastructure, environment and climate, and rural and enterprise development.

INFRASTRUCTURE

Context

Despite impressive export-led growth in the Asia–Pacific region, there are severe disparities between and within countries, with many countries needing to generate higher levels of growth to make inroads on poverty. Poor infrastructure is a consistent binding constraint to growth throughout the region.

Analysis by the World Bank indicates that countries need to be investing around seven per cent of GDP in infrastructure — in new and upgraded works as well as maintenance of what is already in place. Many countries in the region (including Indonesia, the Philippines and Cambodia) invest significantly less than this. Countries that are investing at this level (such as Vietnam and China) struggle to maintain the quality and impact of investment.

Many developing country governments lack the institutional expertise and resources to effectively manage and maintain critical infrastructure. Poor management, corruption and insufficient maintenance can triple the real cost of infrastructure over a fifteen to twenty year period.

Response

Australia's engagement in infrastructure will be significantly increased through a new Infrastructure for Growth initiative outlined in Box 1.

Box 1: Infrastructure for Growth	$505.8 million

A new Infrastructure for Growth initiative will invest $505.8 million over four years, with $85.1 million in 2007-08, to help partner countries address critical infrastructure constraints to economic growth through programs that strengthen market access, promote regional trade and integration, and increase productivity.

The initiative will support partner countries to build and maintain better key economic infrastructure, and remove impediments to private investment in infrastructure. Improved infrastructure networks with increased coverage will facilitate market access, private sector growth and trade. Investments will be targeted to integrate lagging areas into regional growth centres, linking producers to markets to lift productivity, as well as increasing access to services.

Australian assistance will improve the capacity of governments to manage, maintain and invest in key economic infrastructure through stronger public administration — particularly financial management, budgeting, procurement and infrastructure contracting. This will also reduce opportunities for corruption. Increased investment and improvements to management and maintenance will focus on transport infrastructure.

Funding will be used to partner with the World Bank and Asian Development Bank to improve the scale, quality and impact of infrastructure in the region. In poorer and more lagging regions, the initiative will make physical investments with high economic returns, particularly rehabilitating, maintaining and expanding road networks.

This initiative will build on current Australian assistance in the infrastructure sector and will have a particular focus on the Mekong region, Indonesia, the Philippines, Papua New Guinea, the Pacific and East Timor. Australia will also support multi-donor technical assistance facilities that use innovative approaches to increase private sector involvement in infrastructure provision, such as the Public-Private Infrastructure Advisory Facility.

Bilateral programs will be expanded where Australia has established cooperation on infrastructure and policy reforms, for example in Papua New Guinea and Indonesia. In selected areas in eastern Indonesia, Australia will assist provincial and district administrations in infrastructure planning, provision and maintenance to boost the local investment climate and accelerate growth. At the national level, assistance will focus on policy reform, helping to develop public-private partnerships in infrastructure and improving the effectiveness of multilateral development bank financing of infrastructure investments. In Papua New Guinea, the Transport Sector Support Program will be expanded, continuing to attract PNG Government

maintenance funding, augmenting this with Australian resources and strengthening the capacity of the PNG government to plan, budget, and manage the transport sector in support of improved economic opportunities and access to services.

In the Mekong, partnerships with the multilateral development banks will help overcome physical and non-physical barriers to increased regional integration and economic growth, particularly in lagging regions. Physical infrastructure investments, for example link roads and border crossings, will be combined with technical assistance to address other barriers to trade such as customs policies and practices along major trade routes.

In East Timor, Solomon Islands and elsewhere in the Pacific, activities will strengthen government management of infrastructure and use of their own budget resources, while investing in functioning and reliable transport and other infrastructure networks. Construction will, where possible, use labour intensive construction and maintenance methods to stimulate local employment.

ENVIRONMENT AND CLIMATE CHANGE

Context

Economic and population growth in the Asia-Pacific region pose major challenges to the environment. Large-scale rural-urban migration, exploitation of the natural resource base, and poor management of industrial and household waste have severe impacts on the environments in which people live and on which many, especially the poorest, depend for their livelihoods. Effectively addressing environmental challenges is crucial to sustaining growth and reducing poverty.

The developing countries of the Asia-Pacific region are also highly vulnerable to the impacts on their environments of extreme weather events. Many are already grappling with cyclones, droughts and extreme tides. Small Pacific island states are particularly vulnerable. Significant climatic change would have a net negative impact on food and water security in many countries, and could render uninhabitable large areas of some low-lying countries.

Several Asian developing countries are, or will become, significant contributors to greenhouse gas emissions through energy generation, transport, industry and, importantly, deforestation. Reducing carbon emissions from deforestation and forest degradation in the Asia-Pacific region (which accounts for some 20 per cent of global emissions) is among the most cost-effective ways of combating climate change.

Response

This Budget includes $196.9 million in major new investments to address the pressing environment challenges of deforestation and forest degradation, climate change, water

and environmental governance. Two new initiatives — the Global Initiative on Forests and Climate, and Climate Change Partnerships — are outlined in Box 2 and Box 3. In mid-2007, AusAID will release a new policy on environment and aid as foreshadowed in the White Paper, providing a framework for effective and well-targeted contributions to addressing environmental challenges.

Box 2: Global Initiative on Forests and Climate (AusAID)	**$164.4 million**

The Australian Government has committed $200 million to a 'Global Initiative on Forests and Climate' that will combat climate change and protect forests. As part of this initiative, Australia will deliver through AusAID $164.4 million over five years (with $27.3 million in 2007-08) in cost-effective abatement of global greenhouse gas emissions by improving the management of tropical forests in developing countries and supporting new forest planting.

The initiative will support practical and immediate action against deforestation and in support of reforestation – building on and scaling up existing programs, establishing integrated program governance and monitoring arrangements across the region, and helping lay the groundwork for partner countries' participation in any future multilateral framework for action on deforestation-related emissions.

Box 3: Climate Change Partnerships	**$32.5 million**

Australia will invest $32.5 million in 2007-08 for joint initiatives with the World Bank, the Asian Development Bank and other international organisations to support climate adaptation and mitigation initiatives, in particular in improved water resource management and energy management.

To achieve and sustain adequate rates of economic growth, developing countries in the Asia-Pacific region need to confront a number of environmental challenges including climate change, declining water availability and quality, and widespread non-compliance with environmental regulatory regimes.

The central elements of the initiative are new adaptation work in Asia targeting freshwater catchment areas of regional significance, and new mitigation work in Asia promoting better management of energy.

RURAL AND ENTERPRISE DEVELOPMENT

Context

Despite growing urbanisation, poverty in the Asia-Pacific region is still overwhelmingly a rural phenomenon. Integration of the rural poor into the economy by increasing rural productivity, employment and income growth is essential to reduce poverty. Promoting sustainable rural development also mitigates environmental degradation and protects the natural resource base. Challenges include poor infrastructure, decreasing or fluctuating commodity prices, increased competition for resources and markets, and vulnerability to natural disasters and emerging infectious diseases such as avian influenza.

Response

Australia's aid program addresses constraints to rural growth through investments in a range of sectors and country and regional programs. Rural areas benefit from investments in health, education, infrastructure and local government capacity building as well as direct investments in agriculture and natural resource management. Investments through new initiatives, including in infrastructure (Box 1), health (Box 6) and education (Box 7), will include substantial investments in rural areas.

The White Paper strongly emphasised the importance of the private sector as a driver of rural growth and it foreshadowed the development of a pilot program in support of private sector-led rural enterprise development. The Enterprise Challenge Fund ($20.5 million) will be launched this year, initially in Papua New Guinea, Fiji, eastern Indonesia and southern Philippines. It will provide grants through open competition to business projects that can demonstrate results that benefit the poor and will become commercially viable within three years. Other private sector-led initiatives include the Indonesia Agribusiness and Smallholder Development Initiative ($38 million) and the Cambodia Agricultural Value Chain Initiative ($45 million). The rural growth component of the Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA) program in eastern Indonesia ($7 million) is being restructured to increase private sector activity and value adding to primary production. In Vietnam, AusAID will join a donor consortium to support a large, innovative national program titled "Program 135 – Phase 2" that targets poor, upland minority groups to improve income growth, market development, food security and livelihoods.

FOSTERING FUNCTIONING AND EFFECTIVE STATES

The effective functioning of a state's institutions is central to development. Governments provide the enabling environment for private sector development and hence growth and employment generation. Effective states develop laws and maintain order and stability, protect and advance human rights, and oversee the sustainable use of resources. They generate revenue to fund delivery of education and health services, infrastructure development, and maintenance of law and justice.

Weak capacity and corruption have seen some of the region's governments perform poorly, with negative impacts on poverty and stability. At the other end of the spectrum, otherwise well-performing countries are grappling with new challenges faced by modern nation-states: HIV and other pandemics, international trade regimes, transnational crime, microeconomic reform, economic integration, and environmental protection.

The White Paper's strategic framework outlines approaches to fostering functioning and effective states in the region through initiatives to improve leadership and governance, and establish incentives for better government performance.

BETTER GOVERNANCE AND LEADERSHIP

Context

The ability of citizens to hold government accountable and the way in which leadership is exercised are key issues for governance. Poor governance has a direct negative impact on peoples' lives. Accountable leadership focused on broadly shared wealth creation helps establish social stability, creates an environment conducive to economic growth, and facilitates sustained poverty reduction.

Response

Key aspects of Australia's response to this challenge will be addressed through a new initiative, Better Governance and Leadership, as outlined in Box 4.

Box 4: Better Governance and Leadership	$41.0 million

A Better Governance and Leadership initiative will invest $41.0 million over two years, with $16.6 million in 2007-08, to focus on the region's next generation of leaders and build community demand for improved government performance. This initial two year program will form the basis of a long-term approach to promoting better governance and leadership.

A **Pacific Leadership Program** will work with a wide variety of current and emerging leaders in the region to develop their leadership potential and engage them in improving standards of leadership and governance. The program will support and foster good leadership by individuals across society. It will encourage young people to develop leadership skills, promote good leadership in business, the media and churches, and foster increased representation of women in leadership roles.

New investments in **civic education** will help communities to access information on the role of government in providing services. This will be complemented by increased support for electoral monitoring and education. Support for the media will help spread news on government performance and policy debate into communities.

New investments in **government accountability** will strengthen community access to information on government performance, working with leading mainstream community organisations. Support for research institutions will also facilitate independent analysis of government policy.

The initiative's new Pacific Leadership Program will engage a wide range of implementation partners and stakeholders — from national chambers of commerce to the Pacific Council of Churches — in raising leadership skills and standards in the Pacific and East Timor. This will include expanding existing work by the UN Development Fund for Women (UNIFEM) to encourage greater numbers of women to contest national elections and take up leadership roles.

New support for civic education will focus particularly on Indonesia, Cambodia, East Timor and Melanesia. This will include assistance for electoral administration, voter registration and election monitoring to support the conduct of free and fair democratic elections. Expanded investments in radio in Papua New Guinea and Cambodia will support current affairs broadcasting and use targeted infrastructure investments to increase community access to news. In East Timor, Australia will partner with other donors to support independent media. Regional support for media will build linkages and institutional partnerships that support media practitioners and organisations.

To promote increased government accountability, partnerships between local Pacific and Australian church agencies will be developed in Solomon Islands and Vanuatu, building on a successful model established in PNG. In addition, support for women's

organisations and other influential community groups in the Philippines, Indonesia and Cambodia will raise awareness about governance issues and help rural communities to monitor local administration performance.

Complementing this work through the new initiative is AusAID's continued support for the Centre for Democratic Institutions, focusing on strengthening political parties and parliamentary governance through intensive training courses and workshops, underpinned by research, advocacy and regional networking, with a main focus on Melanesia, Indonesia and East Timor.

Australia is also continuing engagement in long-term efforts to improve the quality of economic governance, for example in Vanuatu, where a Governance for Growth program established in 2006 is directly targeting obstacles to growth and service delivery through a package of activities helping to strengthen government economic policy making and planning.

PERFORMANCE INCENTIVES

Context

The growth prospects of many of Australia's development partners depend on them improving institutions and implementing better policies. These include more transparent budgeting, better planning and linking of expenditure to national development priorities, microeconomic reform, and global and regional economic integration. However, the pace of reform in these areas is often slow or stalled. This can constrain the effectiveness of Australian assistance, since aid has a greater impact when partner governments set and implement good policy.

Conventional aid approaches usually focus on building partner government capacity to develop and implement reforms. While this can be a critical element to achieving progress, there is scope for a new and different approach to help boost the prospects for reform. Such help would focus on providing reform advocates with meaningful incentives that can elevate the profile of debate about reform, and influence the adoption, consolidation and spread of reform.

Response

Australia is expanding the use of incentives in aid relationships to help partner governments lift their performance and progress key reforms. Australia already has trialled performance incentive arrangements with the national governments of Papua New Guinea and Vietnam, through which incentive payments are provided against agreed performance milestones. These arrangements will be expanded, and arrangements with additional countries developed, through a new Performance Incentives initiative. Details of the initiative are provided in Box 5.

Box 5: Performance Incentives   **$115.6 million**

Australia will invest $115.6 million over two years, with $41.3 million in 2007-08, in a Performance Incentives initiative that will support the implementation of essential economic and governance reforms in selected countries.

To encourage faster, better and more sustainable reforms, Australia will provide additional resources to partner governments when they achieve pre-agreed milestones. Milestones will be agreed for priority reforms in areas such as education management, improved budget management, utility regulation, private sector development and sub-national government administration. Additional Australian support that partner countries achieve by meeting agreed milestones will be directed towards priority areas such as roads, health and education.

Performance arrangements are expected to be developed with the Philippines, Indonesia and Vanuatu. Existing arrangements with Papua New Guinea and Vietnam are also expected to expand under this initiative. Other countries may also be included under the initiative. The additional resources will be directed through established aid mechanisms to manage fiduciary risk, such as trust funds overseen by multilateral development bank partners.

International experience has demonstrated the importance of incentives targeting reforms that have local ownership, of working closely with partner countries and using common performance frameworks, and making any incentive payments in the context of an ongoing and comprehensive dialogue on performance. Performance arrangements instituted or expanded under this new initiative will reflect these key lessons learnt.

Diagram 3: Estimated ODA by DAC governance sector sub-group 2007-08
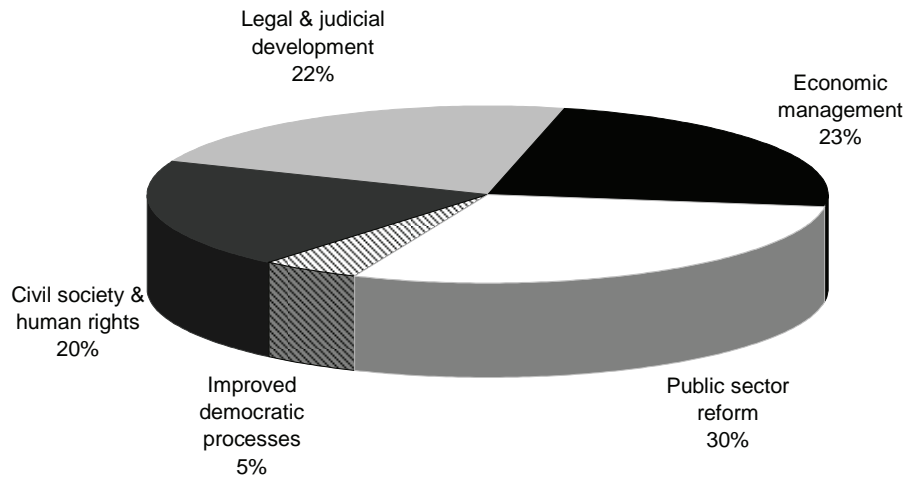
Legal & judicial development 22%

Economic management 23%

Civil society & human rights 20%

Improved democratic processes 5%

Public sector reform 30%

Note: Diagram shows the proportion of estimated Australian ODA according to OECD Development Assistance Committee (DAC) defined sub–groups within the overall governance sector classification. See note to Diagram 2 on page 63 for further details on sector classifications.

INVESTING IN PEOPLE

Health and education services allow people to participate in the economy and find employment and income generating opportunities. A healthy and educated workforce is more productive and enables an economy to be competitive, helping increase aggregate growth. Literate and numerate mothers experience lower infant mortality, have fewer children, and raise healthier and better educated children who, as adults, will be more equipped to become more involved in democratic processes. An informed citizenry is more able to hold accountable those in political and bureaucratic power.

Access to services is an important part of establishing the legitimacy of state institutions. Within Australia's immediate region there are areas — such as women's and children's health, gender equality, HIV/AIDS, malaria and education quality — in which progress is either slow or negative and the need for action is particularly compelling.

In 2007-08, Australia's approach to investing in people involves significantly increased investments in health and education.

HEALTH

Context

The Asia-Pacific region faces many health challenges and is characterised by low investment in health and underperforming health care systems. Every year nearly 11 million children die globally, mostly from preventable causes. In the region, child mortality remains high in Burma, Cambodia, East Timor, Indonesia, Laos and Papua New Guinea, and has increased in Solomon Islands. Women in developing countries face high risks. Of the nearly half a million deaths globally each year resulting from pregnancy and childbirth, 99 per cent occur in developing countries. Emerging infectious diseases, including avian influenza, are causes of increasing concern in the Asia-Pacific region. HIV prevalence is growing in many countries in the region and the few countries that have managed to stabilise the epidemic face ongoing challenges to sustain their achievements.

Poor governance and underperforming economies have weakened health systems. Flawed systems, inadequate basic management and low per capita spending result in inadequate health services. Addressing the fundamental causes of failing health systems is critical to achieving and sustaining health gains, including against specific diseases. Improved health systems are also better placed to respond to the transboundary threats of infectious diseases.

Response

The Australian aid program will significantly increase its support to help improve the health and wellbeing of people in the Asia-Pacific region, particularly the most vulnerable. New funding of $530.8 million over four years through a Delivering Better Health initiative (outlined in Box 6) will strengthen the delivery of basic health services and address the key causes of premature death, contributing to global health goals of reducing by three quarters the maternal mortality ratio, and by two thirds the mortality rate among children under five, while beginning to reverse the incidence of malaria and other major diseases. This will be supported by further funding of $54.4 million in 2007-08 for Global Health Partnerships, also outlined in Box 6.

Box 6: Delivering Better Health	$585.2 million

A Delivering Better Health initiative will invest an additional $585.2 million over four years, with $109.6 million in 2007-08 (including funding for Global Health Partnerships), to improve health in the Asia-Pacific region. This initiative will help achieve national health goals in target countries under three flagship components, in line with the *Helping Health Systems Deliver* policy[1] for Australian health assistance, launched in August 2006:

Strengthening health systems, through improving health policy, accelerating reform, and working towards sustainable financing. This will include improving information systems and human resource development, facilitating exchange of knowledge and skills among regional counterparts, and strengthening health supply chains.

Addressing priority health needs of women and children, including reproductive health, nutrition, and preventative and care measures for childhood diseases. Assistance will: increase the focus on immunisation; sustain access to treatment for major life-threatening diseases of children; provide skilled care during pregnancy and birth; and introduce modern contraceptive methods. Australia will partner strategically with other donors with a proven track record of performance and innovation in improving women's and children's health in the region.

Tackling diseases in the Pacific, helping partner governments better manage the burden of non-communicable diseases such as diabetes through detection and prevention, and supporting malaria control measures, including treatment and preventative measures such as mosquito control and bed nets.

Funding of $54.4 million in 2007-08 for **global health partnerships** will enable Australia to engage the expertise and scale of effective international partners to address priority health concerns, particularly maternal and child health. Partners will include the Global Fund to Fight AIDS, Tuberculosis and Malaria, and UNICEF.

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1   See www.ausaid.gov.au/publications/pdf/health_policy.pdf

New assistance to the health sector in Cambodia will support the Cambodian government in strengthening its health system through better financing mechanisms and management, and reducing high maternal and child mortality rates. Significant new efforts in Bangladesh and Pakistan will have a similar focus, working closely with major development partners in those countries. In Indonesia, assistance for women's and children's health in the eastern provinces will be complemented by support to improve financial and human resource management, and through backing policy reform at the central level. In Vietnam, the aid program is collaborating with the World Bank to help Vietnam's government in its efforts to move towards a universal and sustainable model of health financing.

In the Pacific, Australia will help tackle the risk factors for chronic disease to address their high and increasing toll, and assist in forestalling the potential for huge demands on the region's health systems in the future. A new major effort will be made to tackle malaria, focusing on high risk populations in Solomon Islands, Vanuatu and Papua New Guinea. Support will focus on prevention and disease management, health systems development, and malaria research that could lead to new findings to inform future drug policy, treatment guidelines and vector control.

The new Delivering Better Health initiative will also put in place arrangements to support a significantly scaled up health program. These will focus on engaging a broader range of domestic and international partners, improving the evidence base, enhancing AusAID's ability to access and manage expertise and knowledge, and using performance payments to drive improvements in health service delivery.

Ongoing country and regional health programs will be consistent with the priorities of the *Helping Health Systems Deliver* policy. For example, in Papua New Guinea major investments will continue long-term strengthening of the health system, including critical areas such as human resources and drug supply. This will be complemented by measures to bring about more immediate improvements in basic health services, especially those addressing the major causes of death of women and children.

In East Timor and Solomon Islands, the Australian aid program will help improve the use of available resources for health by assisting these governments to implement broad sectoral programs that target agreed priorities, working closely with the World Bank and other partners. Support to the smaller island states of the Pacific can often be more effectively provided through regional organisations. Here also the aid program will work with other partners, to rationalise support for health systems.

The Australia-China Health and HIV/AIDS Facility will support the Chinese Government's efforts to respond effectively to HIV/AIDS and emerging infectious diseases, and to promote strengthened health systems, particularly health policy, planning and financing.

Diagram 4: Estimated ODA by DAC health sector sub-group 2007-08
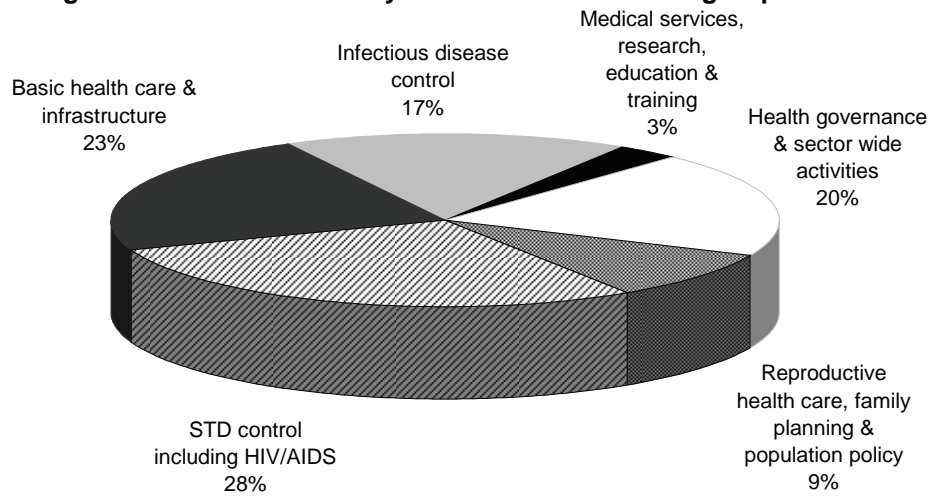
Infectious disease control 17%

Medical services, research, education & training 3%

Basic health care & infrastructure 23%

Health governance & sector wide activities 20%

Reproductive health care, family planning & population policy 9%

STD control including HIV/AIDS 28%

Note: Diagram shows the proportion of estimated Australian ODA according to OECD Development Assistance Committee (DAC) defined sub–groups within the overall health sector classification. See note to Diagram 2 on page 63 for further details on sector classifications.

HIV/AIDS

Context

The HIV and AIDS epidemics present serious threats to development with profound humanitarian, security, social and economic impacts. Nearly 40 million people are living with HIV around the world and about eight million of these are in the Asia-Pacific region. Despite unprecedented funding from the global community, the situation continues to worsen in most countries and women and girls are increasingly affected.

Response

The Australian Government has already committed $600 million to 2010 to tackle HIV/AIDS in the Asia-Pacific region. The commitment is underpinned by Australia's International HIV/AIDS Strategy and supports large bilateral programs in Papua New Guinea and Indonesia, regional approaches in the Pacific and Southeast Asia, as well as global initiatives such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.

2007-08 will see new and expanded approaches in line with the White Paper including:

- an expanded HIV/AIDS research program that will improve the quality and availability of health development research to inform Australia's development assistance

- implementation of a capacity building program to strengthen the capacity of organisations and individuals in the Asia-Pacific region to address the HIV/AIDS epidemic

- increased funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria of up to $45 million in 2007-08

- support to Papua New Guinea and the Pacific islands to meet their commitment of as close as possible to universal access to HIV treatment in 2010, and

- enhanced engagement with the Asia-Pacific Business Coalition on HIV/AIDS in its work with national business coalitions in Papua New Guinea and elsewhere.

EDUCATION

Context

Education has a central role in reducing poverty, providing the foundations for economic growth, and yielding additional benefits including in health and gender equity. Countries that have achieved high rates of growth have built their success on strong, broad-based education systems. Reflecting this, universal primary education and gender parity across all levels of education are Millennium Development Goals.

While there has been some progress towards these goals, 77 million children remain out of school worldwide, of whom one-third live in the Asia-Pacific region. Most countries in the region are some way from providing all children with primary schooling, and secondary school enrolments are generally low. Gender equity remains an issue — of the region's 26 million children out of school, 16 million are girls. And getting girls and boys to attend school is only part of the challenge. The quality of education provided to the 334 million school children in the region is often poor, not providing students with the skills needed for productive employment.

Weaknesses in education are frequently driven by a shortage of resources, poor policy and weak management. Many developing countries' budget allocations for education often cover little more than teacher salaries, with school infrastructure and teaching materials left under-resourced. These already scarce resources are often further eroded by wastage and corruption. With low and often unpredictable public funding, many schools charge fees — a major obstacle to increasing enrolments and keeping children in school.

Response

By 2010, Australia aims to help increase by 10 million the number of children attending school, and to assist improving the quality of education for an additional 50 million children. A new Delivering Better Education initiative, outlined in Box 7, will direct an additional $540.3 million over the next four years to improving education in the region.

Box 7: Delivering Better Education	$540.3 million

A new Delivering Better Education initiative will invest $540.3 million over four years, with $43.2 million in 2007-08. This initiative will help improve education outcomes for young people in the Asia-Pacific region and help equip them with the skills necessary to lead productive lives.

In line with the forthcoming education policy, *Better Education*, the initiative will focus on:

Helping education systems deliver by improving their governance and strengthening service delivery. This will include improving budget management, system administration, and materials distribution. Service delivery will be strengthened through helping to train teachers, to improve learning materials, and to improve and maintain — and in some cases construct — school facilities.

Targeting specific education needs. Australia will help partner countries to address labour market skills shortages by improving the relevance of vocational and technical education, drawing on Australia's world-leading expertise in this field. Expanded support for Islamic education will help raise the employment prospects of Islamic school graduates by improving school management and the quality of secular subjects such as mathematics, English and science. English language skills will be promoted through improved teaching of English in schools and broadcast initiatives, helping enable economic development.

Support for education will be expanded across the region. New assistance will be provided in South Asia and East Timor while major existing programs in Indonesia, the Philippines, Papua New Guinea and the Pacific will be strengthened.

To strengthen the governance of education systems, Australia will work with key public and private organisations to improve policy and administration. For example, in PNG, Australia will continue support for better public financial management in the education sector, including improving management of the teacher payroll to enable more efficient use of overall resources for education.

At the community level, Australia will back measures that increase family involvement in the management of schools and raise demand for greater transparency and accountability in government service provision. In the Philippines, this will involve contributing to major national reform to increase community participation in school management, including in managing school assets.

To address the lack of resources that inhibits education service delivery, part of Australia's focus will be on increasing the availability and quality of teachers, classrooms and learning materials. For example, in Indonesia, new resources through the Delivering Better Education initiative will expand a major program that is already providing support through loans and grants for the community construction of around 2,000 junior secondary schools. The additional resources will help Indonesia introduce

a new English language curriculum and improve the training and management of teachers.

Australia will assist partner countries reform their vocational and technical education systems to improve their relevance for today's job markets, both domestically and internationally. In 2007-08, Australia will work closely with other partners in East Timor to further increase the knowledge and skills of East Timor's youth. A skilled workforce is the cornerstone of economic development, and work-ready youth will be better placed to benefit from emerging income-generating opportunities.

Assistance will be provided to improve employment prospects for youth in the Pacific. Establishing the new Australia-Pacific Technical College will raise vocational and technical skills, supporting the growth of Pacific island economies by training larger and better-skilled workforces. The college will graduate 3,000 students over four years in automotive, construction and electrical, manufacturing and engineering, hospitality and tourism, and health and community services.

Increased assistance to Islamic education in Indonesia will continue to help improve the standard of education provided through moderate Islamic schools. Increased support will upgrade teacher training programs to meet national competency standards in selected provinces. Assistance will also improve English language training methods, facilitate gender mainstreaming, and support school-based management. Support for Islamic education will also be expanded in the Philippines, Bangladesh and Pakistan.

Responding to the growing demand for English language skills, Australia will support improvements in the quality of English language teaching in primary and secondary schools. This will be achieved through training teachers, and producing and distributing improved learning materials. Informal English language initiatives will also be supported. For example, in Bangladesh, Australia will partner with United Kingdom's development cooperation agency (DFID) to support English language television and radio broadcasts, complementing a package of teacher training and English language kits.

Scholarships

In addition to the Delivering Better Education initiative, the Government's Australian Scholarships initiative is providing $1.4 billion over five years from 2006 to enable future leaders from developing countries across the region to undertake postgraduate study in Australia. Scholarships foster enduring people-to-people links and have benefits across many sectors, well beyond the education sector.

Scholarships include Australian Leadership Awards (ALA), with 150 to be offered in 2008. ALA are also provided as fellowships for short-term study hosted by Australian organisations and combining specialised research with professional workplace

attachments. Over 360 fellowships were awarded in 2007 and the number awarded will increase in 2008.

In addition to academic study opportunities, ALA scholars will also be able to participate in a Leadership Development Program. This will enhance their skills, knowledge and networks, helping to equip them for future leadership roles in their communities, businesses and governments.

These ALA scholarships and fellowships are in addition to the 1,000 Australian Development Scholarships (ADS) awarded annually for tertiary and higher education, and managed through AusAID's country programs.

Diagram 5: Estimated ODA by DAC education sector sub-group 2007-08
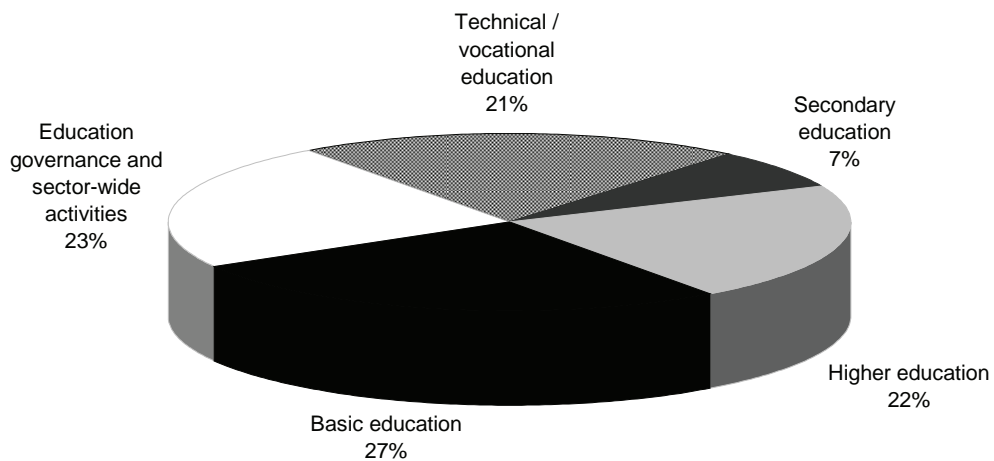
Note: Diagram shows the proportion of estimated Australian ODA according to OECD Development Assistance Committee (DAC) defined sub–groups within the overall education sector classification. See note to Diagram 2 on page 63 for further details on sector classifications.

PROMOTING REGIONAL STABILITY AND COOPERATION

Stability is a critical pre-determinant for growth and poverty reduction. New challenges to stability are emerging, most notably transboundary threats. These include avian influenza and other emerging infectious diseases, competition for resources and intensifying environmental impacts, and natural disasters. These threats deter investment, diminish legitimate and stable employment prospects, and have spill-over impacts on neighbouring countries. While ensuring stability is a core function of an effective government, the nature of transboundary threats is such that they can only be managed effectively through regional networks and cooperation.

At the same time, opportunities exist to enhance growth and streamline the costs of government through greater regional cooperation and integration. In Asia and the Pacific, the next ten years will see significant opportunities to boost trade and investment, and to pool resources for governance through regional cooperation. In the Pacific, Australia will continue practical support for Pacific Plan implementation, as well as support for key regional institutions including the Pacific Islands Forum and the Secretariat of the Pacific Community.

APEC 2007

Australia, including through AusAID, has provided significant assistance to regional organisations such as the Asia-Pacific Economic Cooperation forum (APEC) that promote regional integration and cooperation. As host of APEC 2007, Australia has a unique opportunity to make APEC a more effective instrument for regional cooperation, to advance economic integration and manage threats to human security.

The aid program will continue in 2007-08 to support Australia's agenda for APEC 2007 including through:

- technical assistance and funding for capacity building projects, workshops and seminars with APEC developing member countries.

- $10 million (over 2006-10) for activities specifically targeting avian influenza and pandemic preparedness and response.

East Asia Summit

Implementation of a $10.5 million package of support for East Asia Summit economic and trade priorities is underway. From 2007, a $5 million East Asia Summit Research Initiative will commission high-level research on East Asia Summit priorities including regional economic and financial integration. A $2.7 million East ASEAN Initiative will develop and implement pilot activities in the East ASEAN sub-region to promote private sector investment, infrastructure and security.

Regional trade negotiations

The aid program will also continue to assist developing countries to participate in regional and multilateral trading systems. As negotiations to conclude an ASEAN-Australia-New Zealand Free Trade Agreement intensify, Australia will also continue to support developing country participation in the negotiations through a Free Trade Agreement Capacity Building Facility ($1.5 million). Australia will also continue to provide trade-related technical assistance through the Trade Analysis and Reform Project ($5.6 million over 2002-2008), which helps Cambodia, Laos, Vietnam and Thailand participate in global trade liberalisation and regional economic integration.

STRENGTHENING AID EFFECTIVENESS

The increase in overseas aid to about $4 billion by 2010 is subject to the continued effective application of resources as well as improved governance and reduced corruption in partner countries. Increased aid effectiveness is being pursued through four interlinked strategies: combating corruption, strengthening the performance orientation of the aid program, enhancing Australian engagement with the region, and working with partners.

COMBATING CORRUPTION

Context

Corruption damages development prospects in many countries, undermining the efficient allocation of resources and impacting on economic growth, income equality and poverty reduction. Corruption also lowers private investment, can lead to unsustainable exploitation of natural resources, and undermines effective aid delivery. Research conducted by the World Bank Institute identified a '400 per cent governance dividend', concluding that countries that tackle corruption and improve the rule of law can increase their national incomes by as much as four times in the long term.

Response

Australia's goal to increase overseas aid is conditional on strengthened governance and reduced corruption in partner countries. Australia has consistently sought to help partner governments strengthen governance and reduce corruption, already providing substantial assistance to support improved governance.

A new policy *Tackling corruption for growth and development*[2] was released in March 2007. The policy is the result of consultation and collaboration across the Australian Government. To implement more effective anti-corruption activities, the policy brings together assistance programs of different departments and agencies under a single strategic framework for planning, implementing and reviewing Australian support.

The aid program will work more closely with partner countries to help them strengthen their own anti-corruption responses and to better monitor their performance. By continuing to place Australian government officials in public service positions and senior advisory roles, Australia will build capacity and develop long-term institutional partnerships with partner governments.

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2   See www.ausaid.gov.au/publications/pdf/anticorruption.pdf

Anti-corruption will be a key consideration when developing new country strategies and designing and implementing aid activities. Country strategies will be updated to include country-specific anti-corruption plans, taking into account existing anti-corruption policies, donor and local initiatives already underway, and each country's overall needs and priorities. An Anti-Corruption for Development initiative outlined in Box 8 will support the expansion of Australian support for anti-corruption.

Box 8: Anti-Corruption for Development	$16.7 million

Building on Australia's early successes in countering corruption in Solomon Islands under the Regional Assistance Mission to Solomon Islands (RAMSI) and in PNG through the Enhanced Cooperation Program (ECP), an Anti-Corruption for Development initiative will invest $16.7 million in 2007-08 to support high priority work to tackle corruption in the Asia-Pacific region. It will do this through better coordinated Australian anti-corruption efforts, and increasing targeted support in line with the three mutually reinforcing elements identified in the *Tackling corruption for growth and development* policy:

Building constituencies for anti-corruption reform, including assisting institutions, groups and individuals that support good leadership, and sharing information about the costs of corruption.

Reducing opportunities for corruption by supporting changes that bolster transparency and accountability, including improving public financial management and procurement systems. This will help make corrupt behaviour more difficult as well as easier to identify and stop.

Changing incentives for corrupt behaviour by supporting timely investigation and prosecution of corrupt behaviour, while also strengthening positive incentives for transparent and accountable conduct.

New resources through this initiative will support specific anti-corruption work in 2007-08 primarily in Indonesia, the Philippines, East Timor, Papua New Guinea, Vanuatu and Solomon Islands. Support will also be provided to regional and global anti-corruption initiatives to strengthen partnerships in internationally coordinated anti-corruption efforts, and to build a greater knowledge base that will inform future activities and enable better monitoring of progress.

In Indonesia, new support in 2007-08 will focus on the procurement systems of counterpart agencies involved in roads improvement programs financed through the Australia-Indonesia Partnership for Reconstruction and Development. Assistance will also be expanded to Indonesia's parliamentary institutions. Audit activities in Papua New Guinea and the Philippines will work with partner government agencies to reduce opportunities for corruption. In Solomon Islands, assistance for corruption investigations will complement existing RAMSI law and justice activities. In East Timor, assistance will include strengthening audit and oversight institutions.

Global programs will include support for implementation of the Extractive Industries Transparency Initiative (EITI), implementation of the United Nations Convention Against Corruption (UNCAC), and further research and collaboration with international financial institution partners on corruption-related diagnostic and analytical work.

STRENGTHENING THE PERFORMANCE ORIENTATION OF THE AID PROGRAM

The performance orientation of the aid program is being strengthened by improvements to program performance management led by the Office of Development Effectiveness (ODE) and AusAID's newly-created Operations Policy and Management Unit. Enhancements of business processes include integration of quality standards and reporting, updating country and regional strategies, and incorporating performance principles into the design and management of aid activities.

Performance assessment

The Australian Government established the Office of Development Effectiveness in March 2006 to monitor the quality and evaluate the impact of the Australian aid program. Its high-level staff include an expert on performance recruited from the UK National Audit Office, and an official on secondment from the Australian Federal Police. It is guided by a Development Effectiveness Steering Committee, chaired by AusAID's Director General and also comprising deputy secretaries from the departments of Prime Minister and Cabinet, Foreign Affairs and Trade, Treasury, and Finance and Administration.

A new performance assessment framework (PAF) will be operational from July 2007 centred on three questions:

1. What results has the program achieved?

2. How well is the program being managed and delivered?

3. Is the program on track to meet White Paper priorities?

This new approach is providing more rigorous and comprehensive management information on the performance of the aid program. Augmenting the work of the PAF is a new quality reporting system that will provide consistent quality assurance and management reporting for aid activities. The new system includes new tools to monitor quality at entry, implementation and completion. Implementation of the quality reporting system is being led by the Operations Policy and Management Unit.

This quality and performance information is reported through Annual Program Performance Updates covering country and regional programs, and annual

State of the Sector reports, summarising aid program performance in key sectoral areas such as health, education and economic governance.

This new approach to monitoring performance is designed not only to improve accountability but to strengthen management of the aid program. A key component of the new Annual Program Performance Updates will be an assessment of whether and how existing strategies and approaches need to change.

The ODE's work program also includes a series of thematic evaluations led by international experts, including in 2007-08 evaluations of HIV/AIDS support in PNG, and of assistance on anti-corruption.

The Annual Review of Development Effectiveness is the central element of the enhanced performance assessment approach. Information from the new performance framework and the evaluation program feed into the ARDE, the first of which is scheduled for completion by late 2007. This will ultimately cover the experiences of all Australian agencies delivering ODA. The ARDE will be integrated into the Government's budget cycle and will provide a practical link between aid allocations and aid effectiveness.

Revising country and regional strategies

AusAID has established a three-year program to revise all country and regional strategies. Country strategies provide the overall policy and implementation framework for Australia's aid program for each partner country. They translate the White Paper's overall guiding themes and strategies into programs tailored to individual country circumstances and priorities. Country strategies are developed and agreed jointly with partner governments. Revisions will ensure that strategies are consistent with the White Paper and encompass all relevant Australian Government aid effort in each country. Revised strategies will be required to have a rigorous performance framework that provides a better basis for assessing the impact of aid efforts. A new strategy for Australian aid to the Philippines is currently being developed and major strategies for Indonesia, East Timor and Papua New Guinea will follow during 2007-08. All major new country strategies will take account of the findings of ODE reviews of the past performance of Australian aid in the country in question.

ENHANCING AUSTRALIA'S ENGAGEMENT WITH THE ASIA-PACIFIC REGION

Non-government organisation, volunteer and community programs

Non-government organisations (NGOs), volunteer and community programs are valuable components of Australian aid. NGOs provide specialist skills, respected networks and strong links to communities. The aid program will continue to support the work of the NGO community, supporting activities that are aligned with the focus and priorities of the White Paper and Australia's various country strategies. Overall aid program funding through NGOs and Volunteers is expected to rise by 15 per cent in real terms over the 2006-07 expected outcome to an estimated $176 million in 2007-08. The area of largest increase in funding is the AusAID-NGO Cooperation Program (ANCP), up from $27.4 million in 2006-07 to $37.5 million in 2007-08 (see Table 13 on page 58). Diagram 6 shows recent trends in total volunteer and NGO expenditure.

Diagram 6: Total volunteer and non-government organisation expenditure
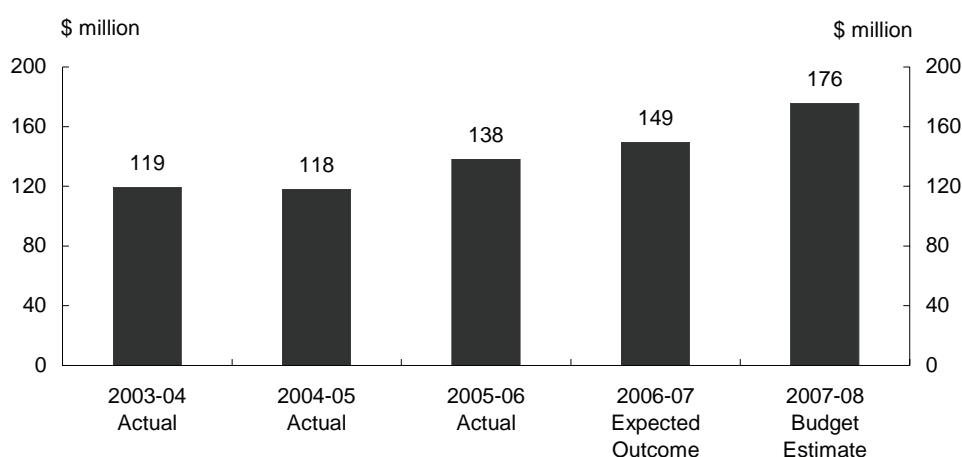
Examples of cooperation with NGOs include the PNG Church Partnership Program and sector-specific cooperation agreements with NGOs in areas such HIV/AIDS. NGO engagement will continue to be subject to a rigorous accreditation process. In addition, six pre-qualified NGOs can access the Humanitarian Partnership Framework Agreements for emergency response activities.

People-to-people links are further supported through an expanded Australian Volunteer Program that is aligned with aid program priorities and linked with country programs. In 2007-08, the Australian Youth Ambassadors for Development program will continue to place young Australian volunteers aged 18-30 on short-term assignments in developing countries throughout Asia and the Pacific.

Business

The role of business in creating economic growth is clearly fundamental. However, business also has a role in addressing development challenges. An important example is the contribution that business can play in the fight against HIV/AIDS. The Australian Government has worked with the corporate sector to establish the Asia-Pacific Business Coalition on HIV/AIDS. Broadening the aid program's interaction with business to address development issues will be an important task in 2007-08.

Research

The Australian aid program is strengthening its analytical foundation by increasing and diversifying its investment in development research. In 2007, AusAID will finalise a new research strategy that will outline AusAID's research objectives and principles and a new performance framework for research.

AusAID's development research program will design a competitive program to provide support for priority and high quality proposals put forward by research institutions. A pilot grant funding round open to both domestic and international research organisations will be launched in mid-2007.

AusAID's research priority areas will reflect White Paper objectives. In 2007-08, research priorities will include new approaches to health and education; measuring the costs of transnational challenges such as HIV/AIDS; new ways of working with fragile states; increasing demand for better governance and promoting anti-corruption; understanding development dimensions of political stability and security; examining humanitarian and emergency responses; and promoting and sustaining economic growth in the Asia-Pacific region.

WORKING WITH PARTNERS

Australia will continue to strengthen its engagement with key partners over 2007-08. Partnerships are essential for an effective aid program. Partnering with a range of agencies enables increased access to expertise and financial resources, improving the efficiency and effectiveness of Australia's assistance.

Australia supports the principles of the 2005 Paris Declaration on Aid Effectiveness. These reaffirm partner country ownership over the development process and promote harmonisation and coherence among donors. Internationally and domestically, Australia is pursuing stronger partnerships with developing country governments, bilateral donors, and multilateral and international organisations.

A fundamental tenet of Australia's aid program is that assistance is jointly agreed and implemented with developing country partners. As highlighted on page 33, a number

of country strategies will be revised over 2007-08. These revisions will align Australian assistance with partner government priorities and be agreed jointly with partner governments.

Partnering with other bilateral donors supports the implementation of the Paris Declaration by reducing the burden of aid coordination for partner governments, as well as enabling effective and value for money assistance. For example, over the coming year Australia will strengthen existing partnerships with the United Kingdom's development cooperation agency (DFID), UNICEF and the German development agency (GTZ) in the field of maternal and child health in eastern Indonesia. In South Asia, Australian cooperation with DFID will continue and be expanded in 2007-08. DFID will be a key partner in delivering significantly expanded support through the Delivering Better Health and Delivering Better Education initiatives (Boxes 6 and 7). Cooperation with DFID will continue in Nepal on water and sanitation, and on promoting peace and electoral processes.

In 2007-08, Australia will continue to partner in the Pacific with New Zealand's development cooperation agency (NZAID). Support to Samoa will be provided in line with a joint strategy, focusing on improving opportunities for employment and investment as well as improving service delivery. A new harmonised program will commence in the Cook Islands in 2007-08, following a successful pilot phase of the arrangement.

Partnering with effective multilateral organisations is crucial to deliver on the priorities outlined in the White Paper. Effective partnerships with the multilateral development banks will enable Australia to leverage the banks' considerable technical and financial resources to focus on issues of core interest to Australia. Through partnerships with effective multilateral organisations, Australia is able to extend the reach of its aid program and participate in projects on a scale and scope beyond that achievable bilaterally.

Collaboration with the multilateral development banks will be important in implementing new budget initiatives for 2007-08, in particular the Infrastructure for Growth initiative. Australia is encouraging greater engagement from the multilateral development banks in the Pacific region, including through a Pacific Facility trust fund established with the World Bank. A joint cooperation agenda with the World Bank and Asian Development Bank will also be advanced in 2007-08 to promote further collaboration and harmonisation between the three agencies. The transport sector in Papua New Guinea is a particular example where senior managers, across the three agencies, are working together to improve collective efforts.

Negotiations regarding the next (15th) replenishment contributions to the International Development Association (IDA — the concessional lending arm of the World Bank Group) are expected to be finalised by December 2007. Australia is acting to ensure resources continue to be available for a strong concessional lending program through IDA. This Budget enables early discharge of Australia's remaining commitments to the

13th IDA replenishment of approximately $120 million, of which some $80 million will be brought forward from future year commitments.

Partnerships with multilateral and international organisations, including UN agencies, will also provide effective mechanisms for contributing to global humanitarian and development challenges while also advancing White Paper priorities. In particular, Australia's strategic engagement with the Global Fund to Fight Aids, Tuberculosis and Malaria is focused on maximising its impact in the Asia-Pacific region and will be strengthened by a further commitment of up to $45 million in 2007.

OVERARCHING PRINCIPLES

Along with working in partnership with regional governments, the White Paper identified promoting gender equality and untying Australian aid as overarching principles that reinforce the strategic framework within which Australia's aid is delivered.

Promoting gender equality

Gender equality is integral to achieving growth, governance and stability. As well as integrating gender equality across the aid program, specific initiatives to promote equality and empower women will also be scaled up from 2007-08. A new gender policy, *Gender equality in Australia's aid program — why and how*[3], launched in March 2007 outlines how Australia will support partner countries to achieve greater gender equality over the next 10 years, building on the White Paper's placement of gender equality front and centre in the effort to reduce poverty and increase the effectiveness of aid. Programs in 2007-08 will reflect the implementation of this policy. The key priority is to integrate gender equality into country and regional strategies.

Over the next five years, there will be concerted efforts to improve the economic status of women. This will include increasing women's access to and control of productive resources such as financial and business support services, training and technology.

Women remain under-represented in public office. In the Pacific in particular, women hold on average just 3 per cent of seats in national parliaments and an average of 19 per cent in East Asia. The Better Governance and Leadership initiative outlined at Box 4 on page 15 has a particular focus on the role of women in governance. Australia anticipates that implementing this initiative will, over time, lead to an increase in the number of women contesting parliamentary seats and an increase in the proportion of senior public service positions held by women. The Delivering Better Health initiative outlined at Box 6 on page 20 has a considerable focus on maternal and child health. Goals include helping partner countries to reduce the maternal mortality ratio by two

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3   See www.ausaid.gov.au/publications/pdf/gender_policy.pdf

thirds through improving access to basic health services and increasing the proportion of births attended by skilled personnel.

When it comes to educational opportunity, women in the developing world are particularly disadvantaged. They make up two-thirds of the 800 million people in the world who lack basic literacy skills. Through the new Delivering Better Education initiative outlined at Box 7 on page 25 and ongoing programs, Australia will continue in 2007-08 to assist education systems that reduce gender disparities in primary and secondary education, support programs promoting equal access to vocational and technical education, and provide scholarships so that women can increase their opportunities to work and earn an income.

Untying Australian aid

The Australian aid program was officially untied in April 2006 to coincide with the launch of the White Paper. Untying aid is the process of opening up bidding for implementation of development activities to firms from any country, beyond just Australia and New Zealand. The impact of untying continues to gather momentum with an increasing number of international firms competing for AusAID contracts either in their own right or in conjunction with Australian development contractors. Since the decision to untie, two major contracts have been awarded to European-based firms and a number of sub-contracts won by firms from developing countries, expanding the pool of expertise that Australia can access and enhancing value for money outcomes.

AGENCY REFORM

A program of corporate reform is being undertaken to deliver on the White Paper agenda. A blueprint, known as AusAID 2010, has been developed which outlines how AusAID plans to deliver a significantly increased aid program and implement the White Paper effectively. Increased departmental resources for AusAID through the 2007-08 Budget will assist this change process.

In line with the 2010 blueprint, AusAID is developing a larger, more comprehensive overseas presence. Overseas offices are taking on increasing responsibilities for program design, implementation and management, dialogue with partner governments and local communities, and the measurement of aid performance. New ways of delivering aid, including programs delivered directly by partner governments, require a greater level of engagement and high-level dialogue in-country. To assist this work, AusAID is increasing the level and range of technical expertise it can draw on in Australia and overseas.

COUNTRY AND REGIONAL PROGRAMS

INDONESIA AND EAST ASIA

The key development challenges facing Asia are in sustaining and sharing growth and managing risks. To sustain growth, development efforts will need to focus on overcoming infrastructure constraints, advancing microeconomic reform, strengthening markets and building human capital. Countries will also need to manage critical environmental challenges. To share growth, the lagging regions will need to be supported, and income gains translated into better health and education outcomes. Asia also faces the need to actively manage a wide range of risks, from pandemics to human trafficking and the threat of terrorism.

In large Asian economies, Australian aid plays a strategic role, providing targeted aid to help partners address their central challenges. Key development indicators for partner countries in Asia are shown below, and details of Australia's approach, including major new and ongoing assistance by country and regional programs are provided in Table 3.

Key development indicators for partner countries in Asia

Country	GNI per capita[†] ($US)	Access to water (% of population)	Life expectancy (years)	Adult literacy rate (% of population)
Indonesia	1,280	77	67	90
Vietnam	620	85	71	90
Cambodia	380	41	57	74
Laos	440	51	55	69
East Timor	750	58	56	59
Burma	na	78	61	90
Philippines	1,300	85	71	93
China	1,740	77	72	91
Mongolia	690	62	65	98

Sources: Human Development Report 2006, UNDP, and for † World Development Indicators Online, World Bank, 2007.

Estimated ODA to Indonesia and East Asia in 2007-08   **$970.4 million**[4]

Table 3: Aid to Indonesia and East Asia in 2007-08

Country/Program *Estimate 2007-08 ($m)*	**Focus**
Indonesia *Country Program:* 179.1 *AIPRD:* 232.5 *Total ODA:* 458.8	In 2007-08, assistance to Indonesia will be augmented by major new initiatives in the health, education and infrastructure sectors as well as a strengthened focus on anti-corruption and aid effectiveness. Assistance to Indonesia will focus on: Increasing and sustaining economic management and growth, by strengthening economic and financial governance and financing essential public infrastructure. This includes continuing improvements to the condition of national road networks in eastern Indonesia using $328 million in loan and grant funds (over 2006-11) under the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) Supporting the transition to democracy by helping Indonesia build strong democratic institutions and supporting participation in the democratic process. A Legal Development Facility ($22 million over 2005-09) will continue working with Indonesian agencies, legal and judicial institutions, and human rights-focused civil society organisations to support Indonesia's evolving legal and human rights reform agenda Enhancing human security and stability through assistance to build strong disaster planning and response agencies and enhancing capacity to deal effectively with communicable diseases such as avian influenza and HIV/AIDS. A $30 million program over 2006-08 will continue working with local authorities and communities to assist reconstruction efforts in areas of Central Java affected by the May 2006 earthquake Increasing the accessibility and quality of basic social services, particularly in eastern Indonesia. A major basic education program, augmented by new funding through the Delivering Better Education initiative (Box 7), will continue constructing and rehabilitating school facilities in poor, under-serviced districts, and improving education quality through teacher training and improved education management.
Philippines *Country Program:* 89.9 *Total ODA:* 100.6	Under a new country strategy, Australian support in 2007-08 will focus on three pillars: Economic growth, through better national-level budget and public expenditure management including the roll-out to line agencies of performance-based budgeting systems, and through improved management of the business practices for expanding government infrastructure investments including through public private partnerships. At the provincial and municipal level this will include a program to upgrade and maintain local roads and promote rural enterprise development Basic education, with new work supporting system-wide improvements to better manage the increasing resources available for basic education, and more funding to improve the availability and quality of education for children in Mindanao and the Visayas National stability and human security, under which programs will continue supporting peace-building in Mindanao by encouraging broad community participation in formal peace processes and better health, education and economic opportunities for conflict-affected populations. Practical assistance from Australian Government agencies will also improve the functioning of law and justice and border management institutions particularly to counter threats from transnational crime.

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4   Includes $458.8 million in total ODA to Indonesia. Estimated ODA to Southeast Asia in 2007-08 excluding ODA to Indonesia is $511.6 million.

Country/Program *Estimate 2007-08 ($m)*	Focus
Vietnam *Country Program:* 73.7 *Total ODA:* 90.8	Assistance to Vietnam in 2007-08 will focus on: Strengthening the governance of the institutions required for a competitive market economy, through expansion of an existing performance incentives arrangement, and help for Vietnam to develop and deliver an action plan to strengthen legal and institutional foundations necessary for WTO membership while supporting vulnerable groups in this process Improving livelihoods of the rural poor, through helping improve the impact of Government of Vietnam poverty reduction programs targeted at the poorest communities and ethnic minorities by: improving agricultural production; livelihoods; and developing infrastructure such as water supply and sanitation facilities. Assistance will also continue to help vulnerable communities prepare and implement disaster mitigation strategies.
Cambodia *Country Program:* 33.0 *Total ODA:* 54.0	Assistance to Cambodia in 2007-08 will focus on: Strengthening the rule of law, including commencing a new phase of support for the criminal justice system that builds an integrated approach to working with police, courts and prisons, and strengthen linkages with the community. Assistance will also focus on strengthening democratic processes in the lead up to national elections in 2008 Increasing the productivity and incomes of the rural poor, through a major new activity to improve value adding in agribusiness. This support to vulnerable communities will be complemented by ongoing assistance in mine clearance that helps transform mined areas into productive farmlands Improving health service delivery, through new Australian involvement in the health sector from 2007-08, expanding a multi-donor initiative aimed at strengthening Cambodia's ability to plan and deliver health services. This coordinated approach to supporting the health sector brings together national and donor programs to improve policy and budget coordination.
Laos *Country Program:* 15.0 *Total ODA:* 27.2	Assistance in Laos in 2007-08 will focus on: Improving education, through increased support to strengthen planning and management of schools and improve teaching quality. Continued attention will be given to increasing access to education by girls and ethnic minorities Supporting integration into the international economy, through leading donor efforts to support Laos to include trade priorities in national strategies and to build Lao Government capacity to formulate trade policies, to negotiate trade agreements, and to address obstacles to responding to new market access opportunities Reducing the vulnerability of the poor to natural disasters and the threat from unexploded ordnance, through partnerships with the Lao Government, multilateral agencies and community groups to improve risk education, increase clearance of unexploded ordnance, and help rehabilitate landmine survivors.
Mekong Sub-Region	Through a new sub-region program for the Mekong, Australia will address infrastructure constraints to development through the Infrastructure for Growth initiative (Box 1), including improving market access for poor farmers through upgrading connections to transport corridors; improving border crossing procedures to promote intra-regional trade, and improving management and sharing of Mekong River water resources between the four Mekong countries through a partnership with the Mekong River Commission.

Country/Program *Estimate 2007-08 ($m)*	Focus
East Timor *Country Program:* 54.0 *Total ODA:* 72.8	Australian assistance will focus on: Building a functional and effective state, through continuing to strengthen key justice institutions including the police service, and continuing to assist democratic institutions (parliament, media and civil society). Australia will work with the UN to support the running of the 2007 national elections Strengthening economic development and management, through continuing to support more effective budget execution on infrastructure projects, and assisting in management of the public sector to implement policies that promote economic growth and income generating opportunities Improving delivery of services, including partnering with the World Bank to strengthen health services, commencing investment in a new five-year $30 million Rural Water Supply and Sanitation Program, expanding employment opportunities for youth through technical and vocational education, and continuing assistance to improve food security and agricultural production.
Burma *Total ODA:* 14.0	Guided by a new Framework for Humanitarian Assistance to Burma 2007-2010, continued support through UN agencies and international NGOs will focus on meeting the health, livelihood and protection needs of vulnerable populations within Burma and on the Thai-Burma border.
East Asia Regional *Regional Program:* 125.8	Assistance will encourage regional approaches to address transboundary threats, including continuing to: Combat the threat of pandemics and emerging infectious diseases such as avian influenza through continuing to implement the Prime Minister's commitment of $100 million over 4 years from 2006-07, focusing on strengthening planning, prevention and response capacities and underlying systems for animal and human health in the region. Australian funding is supporting regional coordination mechanisms, enhancing surveillance and diagnostic capabilities, and raising community-level awareness Address HIV/AIDS through an HIV/AIDS Asian Regional Program of up to $65 million over eight years from April 2007. This program will expand a successful current program to reduce HIV-related harm associated with drug use in the region Address people trafficking through the Asia Regional Trafficking in Persons Project ($21 million over five years) that promotes more coordinated approaches to people trafficking within and across criminal justice systems in Southeast Asia Support economic integration in Asia through continued assistance under the ASEAN-Australia Development Cooperation Program ($45 million over 2002-2008) to support economic policy research, partnerships with ASEAN institutions, and specific liberalisation and harmonisation projects.
China *Country Program:* 30.0 *Total ODA:* 39.3	Australian aid to China reflects China's strategic and economic significance and will continue to engage on areas of mutual interest and priority, including governance (policy reform), environment (initially water management) and health (communicable diseases).
Mongolia *Total ODA:* 4.9	Assistance emphasises scholarships to build a critical mass of influential senior officials, doubling the number of Development Scholarships from 14 to 28 over the next three years.
North Korea	Australia has continued to provide humanitarian assistance to North Korea although development assistance was suspended in 2002. Humanitarian assistance will continue to be delivered through international agencies. Any resumption of development assistance will depend on North Korea's adherence to agreements under the Six Party Talks arrangements.

PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea continues to experience economic growth and improved fiscal stability. Yet significant development challenges still remain that need to be addressed to translate growth into improved living standards for Papua New Guineans. PNG was ranked 139 (of 177 countries assessed) in a 2006 UN report on social indicators (including life expectancy, infant mortality and adult literacy). HIV/AIDS is now a generalised epidemic in PNG, having reached an estimated two per cent prevalence. PNG has the highest level of HIV infection in the Pacific. Without an effective response, it has been estimated that HIV/AIDS will affect approximately 10 per cent of the general population by 2025. Corruption is also a significant governance issue: PNG is ranked 130 (of 163 countries assessed) in a 2006 global corruption index.

There has been some improvement in social indicators among Pacific island countries, but only a few countries have generated economic growth significantly in excess of population growth. Security and stability have emerged as significant concerns in some countries, especially but not only in Melanesia. Australia recognises that targeted, long-term approaches are needed to strengthen states affected by conflict or poor governance and that flexible approaches are required to respond to emerging needs and issues in Papua New Guinea and the Pacific.

Key development indicators for Papua New Guinea and the Pacific

Country	GNI per capita[†] ($US)	Access to water (% of population)	Life expectancy (years)	Adult literacy rate (% of population)
Papua New Guinea	660	39	56	57
Solomon Islands	590	70	63	77
Vanuatu	1,600	60	69	74
Fiji	3,280	47	68	na
Tonga	2,190	100	72	99
Samoa	2,090	88	71	na
Kiribati	1,390	65	na	na

Sources: Human Development Report 2006, UNDP, and for † World Development Indicators Online, World Bank, 2007.

Estimated ODA to Papua New Guinea and the Pacific in 2007-08 $872.5 million[5]

Table 4: Aid to Papua New Guinea and the Pacific in 2007-08

Country/Program Estimate 2007-08 ($m)	Focus
Papua New Guinea *Country Program:* 334.6 *Total ODA:* 355.9	Implementing the PNG-Australia Development Cooperation Strategy 2006-2010 through programs supporting its four pillars: Improved governance and nation building will be supported through the Enhanced Cooperation Program (ECP) and other programs covering economic and public sector reform, improved law and justice, and border security. Opportunities will be taken to expand the ECP from the current 43 placements of Australian public servants in positions in the PNG bureaucracy. The new Performance Incentives initiative (Box 5) will provide a performance grant towards jointly agreed PNG development priorities if PNG achieves annually agreed performance benchmarks. A new democratic governance program, augmented by the Better Governance and Leadership initiative (Box 4), will support better governance and leadership in PNG Sustainable broad-based economic growth and increased productivity will be facilitated through the maintenance and rehabilitation of roads and other economic infrastructure under the PNG-Australia Transport Sector Support Program, supported by increased PNG Government budget contributions, and augmented by the new Infrastructure for Growth initiative (Box 1). Support will also be provided to PNG's national agricultural research institutes to improve agricultural productivity and development in rural areas Improved service delivery and stability will be supported through PNG's Provincial Performance Improvement Initiative (PPII). The PPII will be rolled out to a further six provinces in 2007-08, bringing to nine those eligible for assistance to improve health, education and delivery of other services to communities. Assistance to PNG's law and justice sector will continue to strengthen the ability of PNG agencies to improve application of the rule of law, and help improve the environment for effective service delivery and economic growth. Ongoing support for education and health will assist with system reform by supporting government strategic plans, as well as improving the management and delivery of basic health and education services A strengthened, coordinated, and effective response to the HIV/AIDS crisis, fully mobilising in 2007-08, in partnership with the PNG Government, community and international organisations, a $100 million 5 year multi-sector program to prevent the spread of HIV and provide treatment and care for those most affected. This program is complemented by up to $50 million over seven years to strengthen PNG's health sector response to HIV/AIDS.
Solomon Islands *Country Program:* 95.4 *Total ODA:* 223.9	Through the bilateral aid program and the Regional Assistance Mission to Solomon Islands (RAMSI), Australia will pursue the following linked objectives: Contributing to a safer and more secure Solomon Islands by strengthening the law and justice system, including through upgrading court and prison infrastructure and supplying High Court judges, magistrates, prosecution and defence lawyers and prison personnel Repairing and reforming the machinery of government to improve accountability. In 2007-08, new programs will support improved electoral processes and a new 5 year $13 million Public Sector Improvement Program will commence Encouraging sustainable broad-based growth and contributing to a more prosperous Solomon Islands, with new investments to rehabilitate and upgrade rural road networks through the new Infrastructure for Growth

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5   Includes $355.9 million in total ODA to PNG. Estimated ODA to the Pacific in 2007-08 excluding ODA to PNG is $516.6 million.

Country/Program *Estimate 2007-08 ($m)*	Focus
	initiative (Box 1). Australia will also contribute up to $10 million over five years to a new Rural Development Program commencing in 2007-08. Through a partnership of the Solomon Islands Government, the World Bank, the European Union, and RAMSI, the program will increase access by rural communities to priority infrastructure and services, improving the level and security of rural livelihoods
	<u>Helping the Solomon Islands Government to better serve the Solomon Islands people</u> through effective, equitable delivery of basic services, such as through continuing implementation of a $12 million annual program to improve health service delivery throughout the country
	<u>Building strong and peaceful communities</u> through continuing the 10 year $32 million Community Sector Program, which helps improve community self-reliance through livelihood activities and small-scale activities to address the particular needs of youth.
Vanuatu *Country Program:* 32.0 *Total ODA:* 44.5	Assistance to Vanuatu in 2007-08 will support the Government of Vanuatu's efforts to translate recent economic growth into new jobs and better health and education service delivery through:
	<u>Addressing governance constraints to growth</u> through the Governance for Growth program, in the first instance through improving the provision of reliable utilities to rural areas
	<u>Strengthening the delivery of primary health care</u> in remote and rural areas, and with new additional support through the Delivering Better Health initiative (Box 6) to combat malaria
	<u>Supporting education</u> in partnership with the Ministry of Education to achieve better quality education outcomes through improved governance and improved teacher training.
Fiji *Country Program:* 21.0 *Total ODA:* 28.7	While Australia has suspended support where the actions of the Interim Government render Australian programs ineffective or inappropriate, in 2007-08 assistance will continue to be provided to ordinary Fijians including through support for basic health and education. Australia will continue to provide training support to Fiji's textiles, clothing and footwear industry to improve productivity and market reach. Support to the justice sector will continue, with an emphasis on community justice initiatives.
Tonga *Country Program:* 12.0 *Total ODA:* 15.7	Support to Tonga in 2007-08 will focus on:
	<u>Good governance and public sector reform</u>, including through a $10 million program addressing economic and public sector reforms over 5 – 8 years with expenditure of up to $2 million in 2007-08
	<u>Income generation</u>, continuing co-funding with New Zealand a $2.6 million package of assistance over 2 years for business recovery following the 2006 riots
	<u>Rural and outer island development</u>, continuing a program aimed at the provision of community-based infrastructure, water supply, and income generation in small-scale agriculture, tourism and fisheries.
Samoa *Country Program:* 15.0 *Total ODA:* 23.3	In line with a Joint Samoa Program Strategy developed in partnership with New Zealand, support to Samoa in 2007-08 will focus on:
	<u>Improving opportunities for employment and investment</u>, aiming to develop and implement in 2007-08 a new farm forestry program to support income generation opportunities for rural families
	<u>Improving service delivery</u>, including continuing support for education in partnership with NZAID and the ADB, helping to strengthen the capacity of the Samoa Police service, and developing a new program of support for health with partners including NZAID.
Kiribati *Total ODA:* 15.0	Improving education, technical and vocational training, including a nurses skills upgrading program
	Public sector management and performance.

Country/Program *Estimate 2007-08 ($m)*	Focus
Tuvalu *Total ODA:* 5.6	Improved budget management
	Scholarships to strengthen capacity for management and policy development
	Continued support to the Tuvalu Trust Fund to underpin social and economic development.
Nauru *Total ODA:* 8.7[6]	Economic reform and management, improving service delivery, and supporting alternative livelihoods. A new Memorandum of Understanding will be negotiated in 2007-08
	Reform of Nauru's power sector.
Micronesia (Federated States of Micronesia, Marshall Islands, and Palau) *Total ODA:* 6.6	Enhanced maritime security
	Scholarships to strengthen capacity for management and policy development.
Cook Islands *Total ODA:* 6.4	A delegated cooperation program with New Zealand focused on improving education and health services, sustainable economic growth, and improved governance
	Scholarships to strengthen capacity for management and policy development.
Niue and Tokelau *Total ODA:* 2.6	Targeted scholarships and technical assistance to strengthen capacity for management and policy development
	Further support to Niue and Tokelau Trust Funds in 2007-08 to sustain social and economic development.
Pacific regional program *Regional Program:* 161.7	Implementing the Pacific Regional Aid Strategy 2004-2009 which focuses on four key regional themes: stronger broad-based growth, more effective, accountable and democratic government, improved law and justice and security, and enhanced service delivery
	Support for the Pacific Plan: Australian support for key Pacific Plan programs will include strengthening regional audit and ombudsman's arrangements, and building country and regional statistical systems
	Support for Pacific Regional Organisations to strengthen regional responses to key governance and technical challenges
	Establishing the new Australia-Pacific Technical College to support economic growth by training larger and better skilled workforces
	Strengthening policing services through the $17 million 2004-2008 joint AusAID/NZAID Pacific Regional Policing Initiative, contributing to a safer, more secure and stable environment in Pacific Island Forum countries.

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6   See note (d) to Table 2 on page 63 for further details.

SOUTH ASIA, AFRICA, MIDDLE EAST AND CENTRAL ASIA

Estimated ODA to South Asia, Africa and Other in 2007-08   **$382.0 million**

SOUTH ASIA

Estimated ODA to South Asia in 2007-08   **$148.8 million**

Despite strong economic growth over the past 15 years and significant reductions in poverty, South Asia remains one of the world's poorest regions, with many daunting development challenges. The White Paper recommended an expanded Australian aid engagement in South Asia, particularly in education and health, given the poor social indicators of the region.

Australian assistance to South Asia aims to promote good governance, to contribute to improved service delivery (particularly in health, education and natural resource management), and to respond to humanitarian needs and emerging issues of mutual concern. In the interests of efficiency, effectiveness and impact, Australia will work increasingly with strong multilateral agencies such as UNICEF, UNAIDS, the World Bank and the ADB.

New resources directed to South Asia through new initiatives will focus on maternal and child health in Pakistan, Bangladesh and Nepal. Additional education support will target primary and vocational and technical education.

Key development indicators for partner countries in South Asia

Country	GNI per capita[†] ($US)	Access to water (% of population)	Life expectancy (years)	Adult literacy rate (% of population)
Sri Lanka	1,160	79	74	91
Nepal	270	90	62	49
Pakistan	690	91	63	50
Bangladesh	470	74	63	na
India	720	86	64	61
Maldives	2,390	83	67	96
Bhutan	870	62	63	47

Sources: Human Development Report 2006, UNDP, and for † World Development Indicators Online, World Bank, 2007.

Table 5: Aid to South Asia in 2007-08

Country *Estimate 2007-08 ($m)*	Focus
Bangladesh *Country Program:* 32.4 *Total ODA:* 47.6	Assistance to Bangladesh in 2007-08 will focus on: Improving livelihoods of the rural poor, by continuing to provide humanitarian assistance to identified communities in need Increased support for education, through the Delivering Better Education initiative (Box 7). Expanding an existing program with UNICEF and a new initiative with the Bangladesh Rural Advancement Committee (BRAC), a prominent local NGO, will help improve access to primary school, particularly for girls and rural children, and focus on better teaching quality and improved local-level planning Increased support for health services, through the Delivering Better Health initiative (Box 6). New partnerships with UNICEF and BRAC will enhance the capacity for health services delivery by government and NGO providers, targeting improvements in maternal, neonatal and early childhood health.
Sri Lanka *Country Program:* 11.4 *Total ODA:* 25.0	Assistance to Sri Lanka in 2007-08 will continue to have a strong humanitarian and conflict focus. It will address the needs of communities affected by the renewed conflict and continue to support peace building processes primarily through UN and NGO partners. Support to education will be expanded through the Delivering Better Education initiative (Box 7). The program will also continue improving natural resource management.
Pakistan *Country Program:* 18.3 *Total ODA:* 27.1	Australia's assistance will focus on: Increased support for basic health care and education, through new investments to strengthen national systems for improved service delivery, including expanding existing partnerships with UNICEF, and new partnerships with the World Bank and other donors Building human capital through support for tertiary scholarships, and technical and vocational education. Australia will provide a mix of scholarships to assist Pakistan in addressing its development, education and research needs under the Prime Minister's Australia Pakistan Scholarships Program. Australia will establish a new partnership with the World Bank to improve and expand vocational and technical education Continuing reconstruction following the October 2005 earthquake, including specialist technical expertise to support the ADB's Earthquake Emergency Assistance Project, and continued work with UNICEF to help rebuild schools and health facilities.
India *Total ODA:* 6.3	Assistance to India in 2007-08 will continue to focus on reducing the risk and impact of HIV/AIDS, particularly among high risk groups and in the northeast. The program will also continue to foster agricultural research and institutional linkages with Australia.
Nepal *Total ODA:* 8.2	Assistance to Nepal in 2007-08 will focus on: Strengthening governance and improving inclusion, through ongoing partnerships with DFID to strengthen democratic practices and to increase access to safe water sources and improve sanitation among marginalised communities Supporting education, through new sector involvement to improve primary education access and quality, focusing on girls and other disadvantaged children.
Maldives *Total ODA:* 4.9	Australian Development Scholarships and governance activities.
Bhutan *Total ODA:* 3.8	Australian Development Scholarships and governance activities.
South Asia Regional *Regional Program:* 8.8	Continued support to address priority regional development issues, including HIV/AIDS, health, water and sanitation, and education, delivered through key regional partners — UNAIDS, UNICEF, and the World Bank, ADB and IMF. Targeted support will also continue for improved governance, including economic management.

AFRICA

Estimated ODA to Africa in 2007-08   **$94.4 million**

Table 6: Aid to Africa in 2007-08

Estimate 2007-08 ($m)	**Focus**
Regional Program: 40.0 *Total ODA:* 94.4	Continued assistance delivered through a regional development program supporting improved governance, health and food security in selected partner countries through non-government and multilateral organisations Increased assistance (potentially twice the 2006-07 level) will be available through the Australian Fund for Zimbabwe to respond to humanitarian needs and support the work of effective community-based organisations.

MIDDLE EAST AND AFGHANISTAN

Estimated ODA to Middle East and Afghanistan in 2007-08   **$138.8 million**

Key development indicators for partner countries in Middle East and Afghanistan

Country	GNI per capita[†] ($US)	Access to water (% of population)	Life expectancy (years)	Adult literacy rate (% of population)
Iraq	na	81	59	74
Palestinian Territories	na	92	73	92
Afghanistan	na	39	46	28

Sources: Human Development Report 2006, UNDP; and for † World Development Indicators Online, World Bank, 2007.

Table 7: Aid to Middle East and Afghanistan in 2007-08

Country/Program *Estimate 2007-08 ($m)*	**Focus**
Iraq *Total ODA:* 22.5	Continuing building capacity in economic management, law and justice, public sector reform and the delivery of basic services, particularly in health and agriculture.
Palestinian Territories *Country Program:* 4.0 *Total ODA:* 15.3	Australia's *Development Assistance Framework 2007–2010* for the Palestinian Territories aims to improve basic services for Palestinians, in particular refugees, and to promote democracy and good governance.
Afghanistan *Total ODA:* 99.6	Australia's *Afghanistan Development Assistance Framework 2007–2010* aims to strengthen security and governance capacity in key sectors; improve basic services, particularly for health and literacy; and provide legal livelihoods for farmers. The aid program complements the deployment of Australian military personnel to the province of Oruzgan and their support for provincial reconstruction.

GLOBAL PROGRAMS

HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS

Humanitarian, Emergency and Refugee Programs in 2007-08 $212.8 million

A number of countries throughout the Asia-Pacific region are susceptible to conflict as well as the adverse shocks of natural and human-made disasters. These events take lives, erode development gains, and undermine growth prospects.

The objectives of the Australian humanitarian program are to save lives, alleviate suffering, and maintain human dignity during and in the aftermath of man-made crises and natural disasters. The program also aims to prevent and strengthen preparedness for the occurrence of such situations.

In addition to protecting vulnerable populations and promoting stability, the Government's humanitarian action aims to facilitate early resumption of development pathways following a disaster/crisis through a holistic approach to crisis risk management. In focusing on prevention, mitigation, preparedness, response and recovery, the Australian Government seeks to address not only the symptoms of a crisis, but also the causes of vulnerability. Australia's approach is to work with effective national and international organisations to enhance partner countries' and their communities' capabilities to manage crises — not to be reliant on donor support.

The April 2007 earthquake and tsunami in Solomon Islands are a dramatic reminder of the susceptibility of Australia's region to natural disasters. Australia is responding effectively to this crisis, providing substantial emergency and reconstruction assistance.

Table 8: Humanitarian, emergency and refugee programs in 2007-08

Program *Estimate 2007-08 ($m)*	**Focus**
Humanitarian and Emergencies 197.8	Emergency response, support to humanitarian programs that help improve conditions, alleviate suffering, and maintain dignity of displaced people in the Asia-Pacific region, and support to key humanitarian agencies
of which:	
International Committee of the Red Cross 12.0	Australia will continue core support for key humanitarian agencies including the International Committee of the Red Cross (ICRC). ICRC plays a key role responding to conflict and meeting the needs of conflict- and crisis-affected populations.
International Refugee Fund 15.0	Continued support to address the needs of people displaced by conflict through humanitarian programs that help improve conditions, alleviate suffering, and maintain the dignity of displaced people.

A new initiative will significantly strengthen Australia's capacity to respond to humanitarian emergencies while at the same time strengthening the resilience and capacity of partner countries, as outlined in Box 9.

Box 9: Enhanced Australian Emergency and Humanitarian Response Capacity	$93.2 million

An Enhanced Australian Emergency and Humanitarian Response Capacity initiative will invest $93.2 million over four years, with $21.3 million in 2007-08, to increase the capacity of Australia and key partners to manage and respond to humanitarian emergencies and natural disasters in the Asia-Pacific region. Three key programs will develop:

An **enhanced Australian response**, supporting early and effective Australian responses to emergencies in the Asia-Pacific region that are better equipped, better coordinated across government, with improved access to relief stores and skilled response personnel.

An **enhanced partner response**, strengthening the systems and capacity of key regional partners to plan for and manage crises. Australia will help develop the capabilities of partner governments' national disaster management organisations, as well as supporting better prepared and equipped non-government organisations, and helping communities be more prepared and resilient. This will help emergency responses to be more effective and make better use of Australian assistance during crises.

Better analysis and risk reduction, building Australia's capacity to assess risk and prepare for high risk scenarios in recognition that prevention is likely to be less costly in human and financial terms than response.

MULTILATERAL ENGAGEMENT

Estimated 2007-08 funding for multilateral institutions   **$309.1 million**

Estimated 2007-08 funding for international organisations   **$212.5 million**

Table 9: Aid through multilateral institutions in 2007-08

Program *Estimated funding 2007-08 ($m)*	Focus
World Bank (IDA) 179.4 Asian Development Bank (ADF) 91.5	Negotiations for the next replenishment of IDA will take place during the 2007 calendar year. In 2007-08, Australia will provide for the early discharge of remaining commitments to the 13th IDA replenishment (see page 36). Australia will also continue support to the Asian Development Fund (ADF) in 2007-08. Negotiations for the next replenishment of ADF are expected to commence late in 2007 and be finalised in 2008-09.
Heavily Indebted Poor Countries Initiative (HIPC) 14.2	In 2007-08, Australia will continue supporting the Heavily Indebted Poor Countries Initiative (HIPC), which provides multilateral debt relief to the world's poorest and most heavily indebted countries which have demonstrated commitment to reform.
Global Environment Facility (GEF) 19.7	Australia will continue its commitment to the Global Environment Facility (GEF) in 2007-08. GEF supports projects in developing countries related to biodiversity, climate change, international waters, the ozone layer, land degradation and persistent organic pollutants.
Multilateral Fund for the Implementation of the Montreal Protocol (MPMF) 3.7	In 2007-08, support will continue to be provided to the Multilateral Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer, following the successful completion of its sixth replenishment.
International Fund for Agricultural Development (IFAD) 0.7	2007-08 marks completion of Australia's contribution to earlier replenishments of IFAD's resources.
United Nations agencies 80.1	Key areas of engagement focus on HIV/AIDS, basic education, health and humanitarian assistance, including core support to UNICEF.
Commonwealth organisations 13.3	Support to the Commonwealth focuses on the Commonwealth Fund for Technical Cooperation which provides assistance to many small island developing states.
Other international programs 119.1	Support for key international health partners including the World Health Organisation (WHO), UNAIDS, the GAVI Alliance, and increased support for the Global Fund to Fight AIDS, Tuberculosis and Malaria (see page 23) Support for other international programs including the International Tropical Timber Organisation and the Global Crop Diversity Trust, as well as support through the new Climate Change Partnerships initiative (see page 12).

COMMUNITY ENGAGEMENT

Table 10: Community engagement in 2007-08

Program *Estimate 2007-08 ($m)*	Focus
Non-government organisations 38.3	Supporting accredited Australian NGOs to undertake cost-effective, practical and direct poverty reduction activities, including through the AusAID-NGO Cooperation Program (ANCP).
Volunteer programs 32.0	Skills transfer and institutional strengthening, fostering understanding between Australian and partner country communities.
Direct Aid Program 4.0	Small grants scheme administered by Australia's diplomatic posts in developing partner countries.
Public engagement and development education, development research program, and International Seminar Support Scheme 9.0	Increasing awareness of development issues and building the reputation of the Australian aid program in Australia and overseas Long-term partnerships with research organisations and increasing domestic and international research focus on the Asia-Pacific region Supporting participants from partner countries to attend development-oriented seminars in Australia and overseas.

Note: see page 34 for additional details of support for NGO, volunteer and community programs.

AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

In 2007-08, total ODA for the Australian Centre for International Agricultural Research (ACIAR) is an estimated $45.8 million. Australia is working closely with partner countries to promote rural development through agricultural research and training. ACIAR develops projects that link Australian scientists with their counterparts in developing countries in the Asia-Pacific region to address agricultural problems of mutual priority that can contribute to improving livelihoods, increasing agricultural productivity and sustainability. Of ACIAR's bilateral programs, Indonesia and Papua New Guinea will remain the largest partners.

Estimated ODA in 2007-08   **$45.8 million**

Table 11: ACIAR programs in 2007-08

Program	Focus
Bilateral programs	Bilateral programs with partners across the Asia-Pacific region will be focused on economics and farming systems, cropping systems, natural resource management and livestock systems. Projects also reflect the themes of Australia's National Research Priorities, and are designed to boost scientific, social and economic capacity. Priorities for each partner country are developed in close collaboration with partner government policy makers, research institutions, and agricultural and natural resource systems managers. • In Indonesia, ACIAR's largest partner, 53 new projects will commence in 2007-08 including through the Smallholder Agribusiness Development Initiative Subprogram. • In Papua New Guinea, ACIAR's second largest partner, 28 new projects will focus on supporting applied technical and economic research on plantation crops, root and other horticulture crops, forestry and fisheries. • Smaller scale investments will be made in the Philippines, Vietnam and several Pacific island countries. • Programs in India and China are increasingly attracting co-funding in recognition of the increasing pace of development in both countries. • Investments in Thailand are directed to project activities that deliver benefits to other Mekong countries, in recognition of Thailand's role as an economic leader in the area.
Multilateral programs	Contributions to International Agricultural Research Centres (IARCs) will continue to support core funding and project specific funding: • Core funding priorities are to foster strong linkages between IARCs, ACIAR and Australian research organisations in partner countries, and to strengthen IARC governance. • Project specific funding will be on a competitive basis, based around ACIAR's country priorities, and will continue to strengthen the link between Australian research organisations, IARCs and other NGOs.
Training programs	ACIAR will continue to support the development of skills amongst partner country research scientists through formal training courses, fellowships, and informal project activities and interactions: • Continuing two fellowship schemes will help develop the skills of partner country scientists involved in ACIAR projects, one through postgraduate studies in Australia, the second via short-term research management training of outstanding leaders at relevant Australian institutions. • The ATSE Crawford Fund will continue supporting training activities that complement ACIAR training and projects.

Program	Focus
Communicating research results	• ACIAR will continue to disseminate the results of research that it funds through electronic and hard-copy scientific publications, as well as publications that raise awareness of research and development activities and outcomes, helping build the bridge between research and adoption through the provision of low cost or free access to a range of publications • Training and capacity building through scientific communication is also supported
Evaluating impacts	ACIAR's project evaluation program will commission independent cost-benefit studies on the impacts arising from projects: • Five major studies of projects or suites of projects will be undertaken in 2007-08. • An adoption study will also be commissioned for all large projects (greater than $0.4 million) completed in 2003-04, where no follow up projects were undertaken, to determine the level of adoption and impact.
Other research activities and corporate support	ACIAR funds a range of other research and corporate support activities.

Diagram 7: Estimated ACIAR research expenditure by region 2007-08

Southeast Asia
59%

South Asia
12%

North Asia
8%

Southern Africa
2%

PNG & Pacific
19%
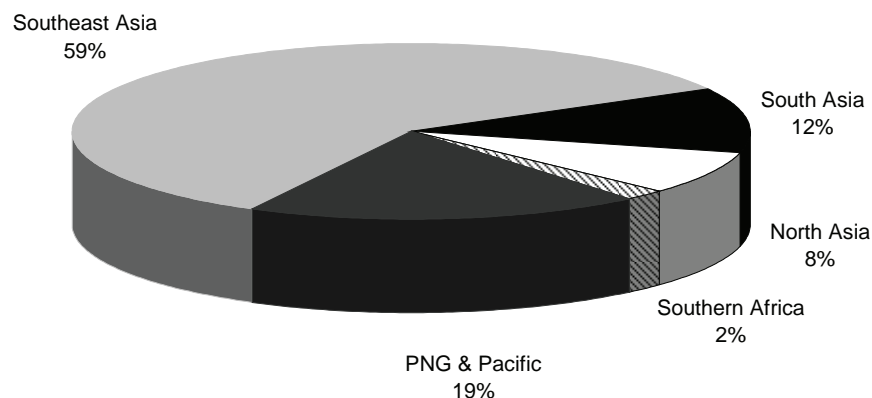
Source: ACIAR

APPENDIX

AusAID COUNTRY AND GLOBAL PROGRAMS

Table 12: AusAID country programs

Country / Regional Program	Notes	Actual ($m) 2005-06	Expected Outcome ($m) 2006-07	Budget Estimate ($m) 2007-08
Indonesia	a	235.3	296.8	411.6
Philippines		53.3	59.8	89.9
Vietnam		57.7	61.0	73.7
Cambodia		23.1	26.3	33.0
Laos		13.4	12.5	15.0
East Timor		26.7	41.5	54.0
Burma		3.4	3.2	5.2
China		36.3	35.0	30.0
Mongolia		1.9	2.2	3.0
Thailand		1.5	1.0	1.0
East Asia Regional		37.9	74.8	125.8
Total East Asia		**490.4**	**614.1**	**842.2**
Papua New Guinea		291.7	312.2	334.6
Solomon Islands		98.1	99.5	95.4
Vanuatu		21.8	25.0	32.0
Fiji		19.8	20.4	21.0
Tonga		8.2	10.1	12.0
Samoa		12.6	13.2	15.0
Kiribati		7.9	8.5	10.5
Tuvalu		3.3	3.4	4.0
Nauru	b	0.3	0.6	2.1
Nauru Additional	c	12.6	18.9	nfp
Micronesia	d	1.8	1.9	2.0
Cook Islands		1.7	1.7	2.7
Niue and Tokelau		6.2	1.2	1.4
Pacific Regional		73.9	82.5	161.7
Total Papua New Guinea and Pacific		**560.0**	**599.0**	**694.3**
Bangladesh		19.5	21.5	32.4
Sri Lanka		12.1	9.8	11.4
Pakistan		12.6	15.3	18.3
India		5.3	2.6	2.0
Nepal		3.8	3.6	5.2
Maldives		1.5	2.6	2.6
Bhutan		1.0	1.5	2.0
South Asia Regional		10.3	10.4	8.8
Africa		34.3	34.8	40.0
Palestinian Territories and Other Middle East		3.9	17.0	4.0
Cross Regional Programs		27.0	73.2	140.2
Total South Asia, Africa and Other		**131.4**	**192.3**	**267.0**
AUSAID COUNTRY PROGRAMS	e	**1181.8**	**1405.4**	**1803.4**

Notes: see page 63.

Table 13: AusAID global programs

| Global Program	Notes	Actual ($m) 2005-06	Expected Outcome ($m) 2006-07	Budget Estimate ($m) 2007-08
Humanitarian and Emergency Programs		185.4	147.3	197.8
of which:				
International Committee of the Red Cross		*7.0*	*9.0*	*12.0*
International Refugee Fund		15.0	15.0	15.0
Humanitarian, Emergency and Refugee Programs		**200.4**	**162.3**	**212.8**
IDA		0.0	0.0	372.1
ADF		0.0	0.0	0.0
MDRI		0.0	136.2	0.0
HIPC		0.0	0.0	34.8
IFAD		0.0	0.0	0.0
GEF		0.0	59.8	0.0
MPMF		11.1	0.0	0.0
Multilateral Replenishments	a	**11.1**	**196.0**	**406.9**
United Nations Agencies	b	78.1	47.6	80.1
of which:				
WFP		*32.5*	*10.8*	*32.8*
UNDP		*7.0*	*7.1*	*8.5*
UNICEF		*8.5*	*8.6*	*13.7*
UNHCR		*7.7*	*7.4*	*8.3*
UNRWA		*4.2*	*4.2*	*4.2*
UNFPA		*4.0*	*4.5*	*6.0*
Other UN Agencies		*14.2*	*5.0*	*6.6*
Commonwealth Organisations		11.4	12.4	13.3
Other International Programs	c	44.1	25.8	119.1
UN, Commonwealth and Other International Organisations		**133.5**	**85.8**	**212.5**
Non-Government Organisations		27.1	28.7	38.3
of which:				
ANCP		*26.2*	*27.4*	*37.5*
Volunteer Programs		15.6	16.1	16.5
AYAD		10.5	15.5	15.5
Public Information, Development Research & Education, Seminar Support		6.1	9.4	9.0
NGO, Volunteer and Community Programs		**59.3**	**69.7**	**79.3**
Total AusAID Global Programs Expenses	d	**404.2**	**513.9**	**911.5**
Less: new multi-year expenses	e	-11.1	-196.0	-406.9
Add: cash paid to multi-year liabilities	f	212.0	368.3	313.2
AUSAID GLOBAL PROGRAMS	g	**605.2**	**686.2**	**817.8**

Notes: see page 64.

OFFICIAL DEVELOPMENT ASSISTANCE

Table 14: Australia's ODA 1971-72 to 2007-08

Year	Current prices ($m)	Constant 2006-07 prices ($m)	Real change over previous year (%)	ODA/GNI ratio (%)
1971-72	200.5	1,633.3	4.0	0.48
1972-73	219.2	1,683.7	3.1	0.47
1973-74	264.9	1,780.2	5.7	0.47
1974-75	334.6	1,844.9	3.6	0.50
1975-76	356.0	1,701.1	-7.8	0.45
1976-77	386.2	1,647.7	-3.1	0.43
1977-78	426.1	1,672.1	1.5	0.43
1978-79	468.4	1,736.5	3.9	0.42
1979-80	508.7	1,719.9	-1.0	0.40
1980-81	568.0	1,739.9	1.2	0.40
1981-82	657.8	1,781.5	2.4	0.40
1982-83	744.6	1,811.3	1.7	0.42
1983-84	931.8	2,122.6	17.2	0.47
1984-85	1,011.4	2,188.0	3.1	0.46
1985-86	1,031.0	2,099.4	-4.1	0.43
1986-87	975.6	1,856.6	-11.6	0.37
1987-88	1,019.6	1,800.1	-3.0	0.34
1988-89	1,194.6	1,934.4	7.5	0.35
1989-90	1,173.8	1,790.2	-7.5	0.32
1990-91	1,261.0	1,829.7	2.2	0.33
1991-92	1,330.3	1,894.5	3.5	0.34
1992-93	1,386.1	1,948.1	2.8	0.34
1993-94	1,410.8	1,964.9	0.9	0.33
1994-95	1,483.7	2,050.5	4.4	0.33
1995-96	1,556.5	2,097.2	2.3	0.32
1996-97	1,432.0	1,898.5	-9.5	0.28
1997-98	1,443.0	1,889.8	-0.5	0.27
1998-99	1,528.6	1,997.0	5.7	0.27
1999-00	1,748.7	2,235.7	12.0	0.29
2000-01	1,623.1	1,987.7	-11.1	0.25
2001-02	1,755.1	2,099.2	5.6	0.25
2002-03	1,830.8	2,125.8	1.3	0.25
2003-04	1,973.1	2,205.2	3.7	0.25
2004-05	2,198.1	2,363.4	7.2	0.26
2005-06	2,697.7	2,762.4	16.9	0.29
2006-07 (Expected Outcome)	2,989.9	2,989.9	8.2	0.30
2007-08 (Budget Estimate)	3,155.3	3,078.3	3.0	0.30

Diagram 8: Trends in Australian ODA by region
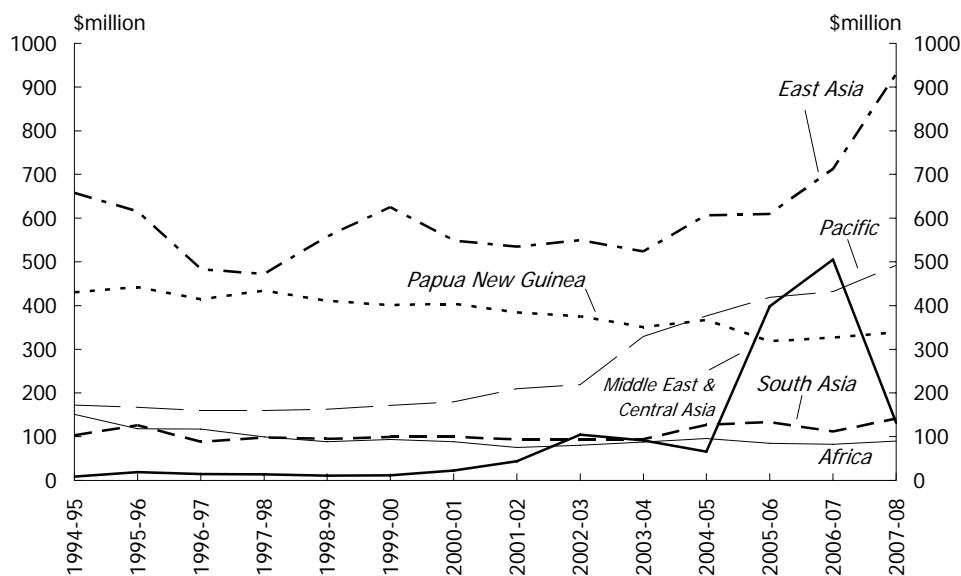
Note: Figures shown in constant 2006-07 dollars (million). Estimates are shown for 2006-07 and 2007-08. An increase in ODA to 'Middle East & Central Asia' in 2005-06 and 2006-07 reflects recognition of bilateral debt relief for Iraq.

Diagram 9: Trends in Australia's ODA/GNI ratio
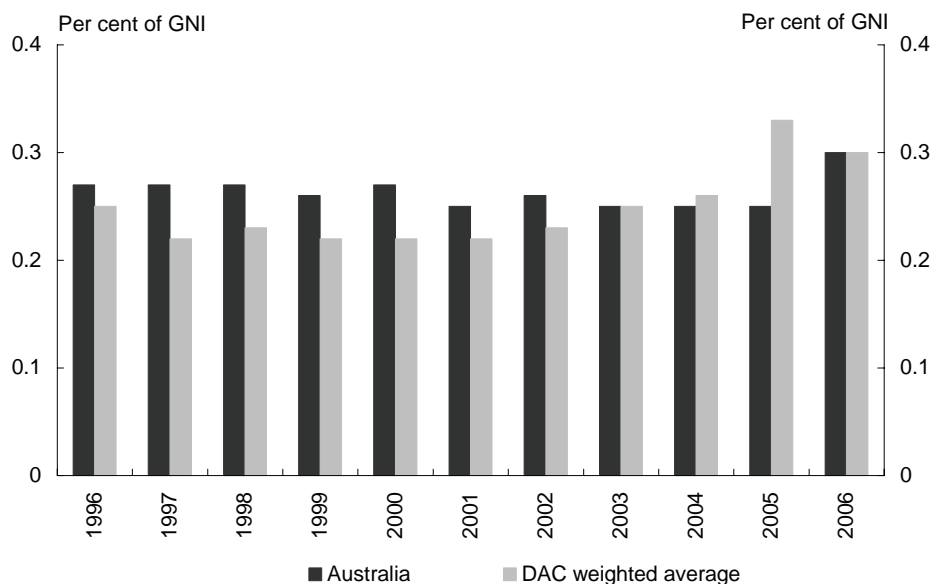
Note: For the OECD donor community as a whole, the weighted average ODA/GNI ratio increased from 0.26 per cent in 2004 to 0.33 per cent in 2005. This spike in the weighted average ODA/GNI ratio resulted from the provision by some OECD DAC members of debt relief to Iraq (approximately US$14 billion) and Nigeria (approximately US$5 billion). Ratios are shown by calendar year to the nearest 0.01 per cent.
Sources: AusAID, OECD DAC

Diagram 10: DAC member countries' net ODA 2006

$billion $billion

```
35                                                                                                35
       30.2
30                                                                                                30

25                                                                                                25

20                                                                                                20
          16.7 15.4
15              13.9 13.7                                                                         15

10                     7.2                                                                        10
                           5.3 5.0 4.9 4.9
 5                                         3.9 3.0 2.8 2.6                                          5
                                                         2.2 2.0 1.3 1.1 0.5 0.5 0.4 0.3
 0                                                                                                 0
```

United States
United Kingdom
Japan
France
Germany
Netherlands
Sweden
Spain
Canada
Italy
Norway
Denmark
Australia
Belgium
Switzerland
Austria
Ireland
Finland
Portugal
Greece
Luxembourg
New Zealand
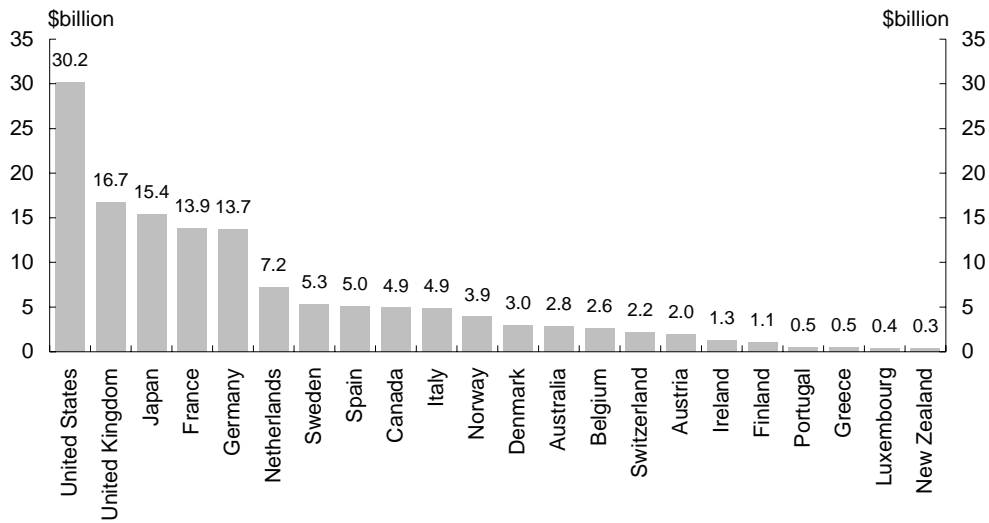
Sources: OECD DAC preliminary data for 2006; AusAID

61

NOTES

Figures in tables and generally in the text have been rounded. Totals and percentages are calculated on un-rounded totals. Any discrepancies between totals and sums of components in tables and generally in the text are due to rounding.

In this Statement, 'real' means adjusted for the effect of inflation. Real changes are calculated using the non-farm Gross Domestic Product deflator.

All amounts are in Australian dollars (AUD) unless otherwise indicated. All estimates are exclusive of recoverable Goods and Services Tax (GST).

One billion is equal to one thousand million.

The source of data is AusAID unless otherwise stated.

Table 1. Composition of Australian ODA (page 5)

The column 'Budget Figure 2006-07' shows estimates provided in the 2006-07 Budget at May 2006. The column 'Expected Outcome 2006-07' shows outcomes for 2006-07 as estimated at May 2007.

(a) 'AusAID Country Programs' is detailed in Table 12 on page 57, and includes country and regional programs, as well as AIRPD grants and loans.
(b) 'AusAID Global Programs' is detailed in Table 13 on page 58, and is adjusted to include cash but exclude expenses associated with multi-year liabilities (such as to the ADF and IDA). See notes (e) and (f) to Table 13 on page 64 for details and explanation of these adjustments.
(c) 'AusAID Departmental' shows AusAID's Departmental expenses.
(d) ACIAR (Australian Centre for International Agricultural Research) financial statements are included in the Foreign Affairs and Trade Portfolio Budget Statement.
(e) 'Other Government Departments' includes ODA eligible amounts from Australian Government and State Government agencies other than AusAID and ACIAR.
(f) 'Adjustments' includes adjustments to reconcile expenses to ODA, which is reported on a cash basis. These adjustments include accrual adjustments to adjust expenses to cash, and adjustments to exclude non ODA eligible departmental and administered expenditure. The adjustments exclude non ODA eligible departmental expenditure such as receipts under Section 31 of the *Financial Management and Accountability Act 1997*, interest earned on bank deposits, GST payments, and Fringe Benefits Tax. The adjustments also exclude non ODA eligible administered expenditure such as miscellaneous receipts and GST payments. 'Adjustments' also includes cash flows for the Nauru Settlement Treaty, for which an expense was recorded in 1993-94.
(g) ODA is reported on a cash basis.
(h) 'Real change from previous year outcome' shows the real increase in total ODA from the outcome figure for the previous year to the figure for the reference year.
(i) 'Real change from previous year budget' shows the real increase in AusAID ODA from the budget figure for the previous year to the figure for the reference year.
(j) 'ODA/GNI ratio' is the ratio of total Australian official development assistance to Gross National Income. In the 2006-07 expected outcome column, the ODA/GNI ratio is calculated using present estimates for 2006-07 GNI. For the 2006-07 Budget Figure column, the ODA/GNI ratio is calculated using estimates for 2006-07 GNI as at the release of the 2006-07 Budget in May 2006.

Table 2: Australian ODA by partner country (page 6)

The column 'Budget Figure 2006-07' shows estimates provided in the 2006-07 Budget at May 2006. The column 'Expected Outcome 2006-07' shows outcomes for 2006-07 as estimated at May 2007.

(a) 'Indonesia' estimated expenditure in 2007-08 includes $232.5 million for AIPRD. Expected outcome for 2006-07 includes $170.4 million for AIPRD.
(b) 'Regional and Other East Asia' shows amounts attributable to the East Asia region (but not to a specific country) from the East Asia Regional program (listed in Table 12), AusAID global programs (see Table 13 for a breakdown), and other government departments (listed in Table 1).
(c) 'Solomon Islands' includes ODA eligible Australian Government expenditure under the Regional Assistance Mission to Solomon Islands.
(d) In this table, 'Nauru' includes cash paid in each year in line with the Nauru Settlement Treaty, in addition to amounts through the AusAID Country Program for Nauru (identified in Table 12 on page 57). In this table, 'Nauru' also includes amounts for Nauru Additional in all columns except the 2007-08 Budget estimate, which is not for publication. Nauru Additional funding is provided under a Memorandum of Understanding negotiated on an annual basis between the Australian Government and the Government of Nauru.
(e) For the purposes of this table, 'Micronesia' includes the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.
(f) 'Regional and Other Pacific' includes amounts attributable to the Pacific region (but not to a specific country) from the Pacific Regional program (see Table 12 for amounts and Table 4 for program details) as well as AusAID global programs and other government departments.
(g) 'Regional and Other South Asia' shows amounts attributable to the South Asia region (but not a specific country) from the South Asia Regional program (listed in Table 12), AusAID global program (see Table 13 for a breakdown), and other government departments (listed in Table 1).
(h) 'Un-attributed Other Government Departments ODA' is ODA eligible expenditure from other government departments not attributable to a specific country or region. (ODA eligible expenditure from other government departments that is attributable to a country or region is counted in this table against that location's line item.)
(i) 'Core contributions to multilateral organisations and other ODA' includes expenses that cannot be attributed to a particular country or region, such as payments to some UN and Commonwealth organisations, and ODA eligible 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 (see page 53 for 2007-08 funding levels).
(j) 'Adjustments' — see notes to Table 1 (f) above.
(k) ODA is reported on a cash basis.

Diagram 2: Estimated Australian ODA by DAC sector (page 7)

AusAID budget allocations are made to country, region and global programs, rather than to specific sectors. Therefore, the projections of expenditure in each sector for 2007-08 shown in Diagram 2 are generated using an analysis of the nature of actual and planned expenditure in the current (2006-07) year combined with the expected sectoral allocation of new resources through this 2007-08 Budget. Further, while AusAID tracks and projects aid expenditure according to sector classifications defined by the OECD Development Assistance Committee (DAC), specific program information in this document is presented in line with the strategic framework of the White Paper. This framework does not directly align with the DAC sector definitions, and therefore estimates of the distribution of expenditure by DAC-defined sector classifications in Diagrams 2, 3, 4 and 5 are not indications of the distribution of expenditure in relation to the strategic framework of the White Paper.

Table 12: AusAID country programs (page 57)

This table includes AusAID country and regional program expenses for all partner countries and regions, and also includes AIPRD grants and loans. The column 'Expected Outcome 2006-07' shows estimates for 2006-07 as at May 2007.

(a) 'Indonesia' includes AIPRD grants and loans.
(b) 'Nauru' country program estimate shown here does not include cash paid in line with the Nauru Settlement Treaty (as the expense was recorded in 1993-94).
(c) 'Nauru Additional' funding is provided under a Memorandum of Understanding negotiated on an annual basis between the Australian Government and the Government of Nauru, and Budget year estimates are not for publication ('nfp').
(d) For the purposes of this table, 'Micronesia' includes the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.

(e) 'AusAID Country Programs' includes country and regional programs, as well as AIRPD grants and loans. It is also shown as a line item in Table 1 on page 5.

Table 13: AusAID global programs (page 58)

The column labelled 'Expected Outcome 2006-07' shows estimates for 2006-07 as at May 2007.

(a) 'Multilateral Replenishments' includes expenses for new commitments to multilateral development banks and other multilateral funds. In 2007-08, new commitments are budgeted for the International Development Association (IDA — the concessional lending arm of the World Bank Group) of $372.1 million and for the Heavily Indebted Poor Countries Initiative (HIPC) of $34.8 million. See Table 9 on page 53 for multilateral program details, including a breakdown of the $309.1 million estimated cash by multilateral institution in 2007-08 (items for IDA, ADF, HIPC, GEF, MPMF and IFAD in Table 9).

(b) 'United Nations Agencies' receive contributions on a calendar year basis. A reported drop against some UN agencies in the 2006-07 Expected Outcome figure relative to the 2005-06 Actual figure is the result of most of Australia's 2006 annual contributions to these agencies being discharged in the first half of that calendar year. For example, although Australian support for WFP has remained steady at approximately $32 million each calendar year over the period 2002 to 2007, most of Australia's 2006 contributions to WFP were made in the first half of that year, resulting in a lower 2006-07 Expected Outcome of $10.8 million than the 2005-06 Actual of $32.5 million.

(c) 'Other International Programs' include the International Tropical Timber Organisation, international health programs, and the Global Crop Diversity Trust.

(d) 'AusAID Global Program expenses' includes expense items only. This is converted to an expenditure figure by adjustments detailed at (e) and (f) below.

(e) 'Less: new multi-year expenses' removes the total expense commitment for new multi-year liabilities. This is the same $406.9 million total of expenses for new commitments to 'Multilateral Replenishments' in this same table, details of which are noted at (a) above.

(f) 'Add: cash paid to multi-year liabilities' adds back $313.2 million in cash expected to be paid to multilateral commitments in 2007-08, of which $309.1 million relates to cash funding for multilateral organisations — see Table 9 on page 53 for program details and amounts in 2007-08 for each multilateral organisation. The $313.2 million in cash for this item ('Add: cash paid to multi-year liabilities') also includes other cash paid against multi-year liabilities such as the Nauru Settlement Treaty (also discussed in note (d) to Table 2 on page 63).

(g) 'AusAID Global Programs' includes AusAID global program expenses, adjusted for multi-year liabilities. It is also shown as a line item in Table 1 on page 5.

ABBREVIATIONS AND ACRONYMS

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	Asian Development Fund
ADS	Australian Development Scholarships
AIPRD	Australia-Indonesia Partnership for Reconstruction and Development
ALA	Australian Leadership Awards
ANCP	AusAID-NGO Cooperation Program
ANTARA	Australia Nusa Tenggara Assistance for Regional Autonomy
APEC	Asia Pacific Economic Cooperation
ARDE	Annual Review of Development Effectiveness
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors for Development
BRAC	Bangladesh Rural Advancement Committee
DAC	Development Assistance Committee (of the OECD)
DFID	Department for International Development (UK)
ECP	Enhanced Cooperation Program
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GTZ	Gesellschaft für Technische Zusammenarbeit GmbH (Germany)
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
IARC	International Agricultural Research Centre
ICRC	International Committee of the Red Cross

IDA	International Development Association
IFAD	International Fund for Agricultural Development
MDRI	Multilateral Debt Relief Initiative
MPMF	Multilateral Fund for the Implementation of the Montreal Protocol
NGO	Non-government organisation
NZAID	New Zealand Agency for International Development
ODA	Official development assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development
PAF	Performance assessment framework
PNG	Papua New Guinea
PPII	Provincial Performance Improvement Initiative (PNG)
RAMSI	Regional Assistance Mission to Solomon Islands
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNFPA	United Nations Population Fund
UNRWA	UN Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme