

AUSTRALIA'S OVERSEAS AID PROGRAM 2000-01

STATEMENT BY
THE HONOURABLE ALEXANDER DOWNER MP
MINISTER FOR FOREIGN AFFAIRS
9 MAY 2000

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ABBREVIATIONS AND ACRONYMS

AADCP	ASEAN-Australia Development Cooperation Program
AAECP	ASEAN-Australia Economic Cooperation Program
ACF	Asia Crisis Fund
ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	Asian Development Fund
ADS	Australian Development Scholarships
AESOP	Australian Expert Services Overseas Program
AMS	Activity Management System
ANCP	AusAID/NGO Cooperation Program
APEC	Asia Pacific Economic Cooperation
AQIP	Agriculture Quality Improvement Project
ARRF	Asia Recovery and Reform Fund
ASEAN	Association of South East Asian Nations
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors for Development
CHOGM	Commonwealth Heads of Government Meeting
CMAC	Cambodia Mine Action Centre
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Assistance Program
FAC	Food Aid Convention
FIRCA	Fiji Islands Revenue and Customs Authority
GDP	Gross Domestic Product

GEF	Global Environment Facility
GNP	Gross National Product
HIC	High Income Country
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAEA	International Atomic Energy Agency
IARC	International Agricultural Research Centre
ICRC	International Committee of the Red Cross
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IMF	International Monetary Fund
ISSS	International Seminar Support Scheme
LIC	Low Income Countries
LLDC	Least Developed Countries
LMIC	Lower Middle Income Countries
MBSRP	Mekong Basin Sub-Regional Program
MEPP	Middle East Peace Process
MPMF	Montreal Protocol Multilateral Fund
NGO	Non Government Organisation
OA	Official Assistance
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OOF	Other Official Flows

PALMS	Paulian Lay Missionary Society
PMG	Peace Monitoring Group (Bougainville)
PMR	Policy and Management Reform (Program)
PNG	Papua New Guinea
QAG	Quality Assurance Group
SEARP	South East Asia Regional Program
SPPF	South Pacific Project Facility
UMIC	Upper Middle Income Countries
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDCP	United Nations Drug Control Programme
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Fund for Population Activities
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Childrens Fund
UNIFEM	United Nations Development Fund for Women
UNRWA	United National Relief and Works Agency for Palestinian Refugees in the Near East
UNTAET	UN Transitional Administration in East Timor
USP	University of the South Pacific
WFP	World Food Programme

Box 1: Technical notes

- Normal rounding rules apply where the end digit is less than five. In accordance with the Department of Finance and Administration guidelines, where the end digit equals five, the numbers are rounded up to the next digit. Totals and percentages are calculated on unrounded totals. Columns may not add due to rounding.
- This paper shows detail of total official development assistance (ODA) including expenditure by other departments that is classifiable as ODA.
- Where real figures are presented the non-farm GDP deflator has been used.
- Unless otherwise indicated, all financial information presented in this document represents the net cost to the Commonwealth; the figures are exclusive of any GST which may be payable by the Commonwealth and which is recoverable as an input tax credit.
- All amounts are in Australian dollars (\$A) unless otherwise indicated.
- Information on historical data is in the Statistical Annex.
- “Current prices” express values in terms of the prices in the year of expenditure. “Constant prices” express values adjusted for inflation, in terms of the process of a chosen base year, usually the financial year 1999-2000 in this publication. A “real” increase or decrease refers to the change in figures adjusted for inflation (ie based on constant prices). A “nominal” increase or decrease refers to the face value change between figures that have not been adjusted for inflation (ie based on current prices).
- Where not stated the source of data is AusAID.

MINISTER'S FOREWORD 2000-01

The Australian aid program aims to advance our national interest by assisting developing countries to reduce poverty and achieve sustainable development. Australia's progress in implementing this objective and the policy framework provided in *Better Aid for a Better Future* received high praise when reviewed recently by the OECD Development Assistance Committee. The review concluded that since 1996, Australia's aid program has undergone an impressive process of restructuring and renewal, putting Australia in the vanguard of DAC members' aid management practices. Australia's assistance to development and stability in the Asia Pacific region was also recognised.

In 2000-01 the Australian Government will provide \$1,600 million as official development assistance. This is an increase of almost \$100 million on the 1999-2000 budget figure (of \$1,502 million) and represents a four per cent increase in real terms. It maintains Australia's ODA/GNP ratio at 0.25 per cent, placing us above the latest (1998) average of donors of 0.24 per cent.

The Government responded strongly to additional demands as they arose during the course of 1999-2000. This included providing an additional \$60 million for East Timor, \$12 million for the Heavily Indebted Poor Countries Initiative, and \$48 million for expenditure on Kosovar and East Timorese evacuees in Australia. The final ODA outcome for 1999-2000 is estimated to be \$1,651 million.

In addition to total ODA, the Government provides generous tax deductions for public contributions to non government organisations.

RESPONDING TO THE REGION'S DEVELOPMENT NEEDS

Australia's aid program continues to focus on longer-term development needs in the Asia Pacific and responding to the historic political, economic and social changes occurring in the region.

With the longer-term effects of the East Asian financial crisis still being felt, Australia is helping those countries most affected to achieve a sustainable recovery. Australia will maintain a strong commitment to assist Indonesia, our second largest aid recipient, during its enormous political and economic reform process. Other East Asian countries also remain priorities for Australian aid. The new *Treaty on Development Cooperation* between Australia and PNG will ensure Australia's aid is more effective, transparent and accountable in meeting PNG's development needs. Australia's aid to the Pacific assists these nations develop the maximum possible degree of self-reliance. Outside our immediate region Australia's aid is focused selectively on development needs in southern Africa and the Middle East. In South Asia, Australian aid concentrates on the needs of the most vulnerable poor.

The turmoil in East Timor following the August 1999 popular consultation placed Australia at the forefront of a major peacekeeping and humanitarian operation.

Australia has provided total assistance of at least \$75 million for vital emergency relief activities, to assist UN agencies with logistics and coordination, and for contributions to international trust funds that will help East Timor prepare for its reconstruction and future development. This major commitment will continue as Australia helps the East Timorese to build a viable and democratic nation.

In addition to broader social and economic development needs, natural disasters and man-made tragedies have caused human suffering and economic damage. Floods in Viet Nam and Mozambique, the cyclone in Orissa, food shortages in North Korea, and ethnic unrest in the Solomon Islands have taken their toll. The earthquake in Turkey, humanitarian emergencies in the Balkans, and floods in Venezuela have caused widespread devastation. Australia will continue to respond generously to such crises as they arise.

Unsustainable debt burdens are a serious problem for many poor countries striving to tackle poverty and achieve sustainable development. The Government will provide 100 per cent debt forgiveness to countries that qualify for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. There are two countries – Nicaragua and Ethiopia – which have debts to Australia and are expected to qualify for relief. This is in addition to the aid budget and complements the \$55 million Australia has already pledged toward the World Bank and IMF's HIPC-related costs.

FEATURES OF THE 2000-01 AID BUDGET

A priority for 2000-01 will be Australia's continued role in East Timor. With security now established and the need for emergency relief abating, East Timor is entering a phase of reconstruction and rebuilding. Australia's contributions will help build the foundations of a democratic and independent East Timor. The focus is on restoring basic services, supporting the establishment of government and administrative structures, rebuilding livelihoods, promoting reconciliation and supporting multilateral reconstruction and development efforts. Consistent with Australia's capacity to assist and East Timor's development needs, the Australian Government has committed \$150 million over the next four years (\$100 million of which is additional funding) towards the reconstruction of East Timor. This funding will be phased as follows:

- \$40 million in 2000-01 to assist with international reconstruction efforts and to build an ongoing bilateral program with East Timor
- \$40 million in 2001-02, \$35 million in 2002-03, and \$35 million in 2003-04 for a continuing program of assistance.

Assistance for economic recovery and governance reform, to ensure people become less vulnerable to future shocks, will continue to be a feature of Australia's aid to other parts of East Asia and the Pacific, including:

- \$6 million to establish the Asia Recovery and Reform Fund. This will complement the support provided through the bilateral country programs to assist countries most affected by the aftermath of the financial crisis with capacity building, financial and public sector reform, and strengthening social protection mechanisms
- maintaining Australia's commitment to Indonesia, with total flows estimated at around \$120 million. This will assist Indonesia to implement its extensive reform program
- an increase of \$1 million for the Solomon Islands country allocation, taking it to \$14.5 million. This recognises and encourages continued economic reforms by the Solomon Islands' Government
- an additional \$940,000 to the Policy and Management Reform program in the Pacific, bringing the program to \$15 million. This will further support and reward Pacific island countries embarking on economic and public sector reform.

The importance of informing Australians about the aid program and involving them in its development and delivery is a high priority for the Australian Government. Some of the most effective ways this can be done is through strong grassroots development and smaller-scale projects to address longer-term development and governance reforms. Key initiatives for 2000-01 include:

- an increase of over \$885,000 for non government organisations through the AusAID NGO Cooperation Program (ANCP). This will assist some 50 accredited Australian NGOs implement community-based projects in the Pacific, East and South Asia, and Africa
- an additional \$700,000 to volunteer organisations in recognition of the contribution of Australian volunteers. This includes increases to Australian Volunteers International, AESOP, INTERSERVE, and PALMS
- a 30 per cent increase to \$1.3 million in the Human Rights Fund. This builds on last year's increase, expanding further Australia's capacity to fund small community-based human rights activities
- an additional \$300,000 for the Direct Aid Program administered by Australia's overseas missions. Missions will continue to respond directly and quickly to local, small-scale development needs through this \$3.3 million program
- an additional \$490,000 for outreach activities. This will enable the aid program to conduct further community outreach activities in rural and regional areas. These activities provide an important opportunity to inform and involve the wider community in the aid program.

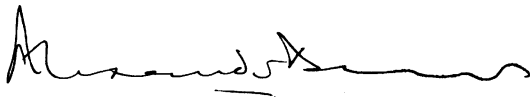
Other features of the 2000-01 aid budget include:

- \$5 million for continuation of the Australian Youth Ambassadors for Development (AYAD) program. I announced the program in 1998, as a two-year pilot, to foster strong links between Australia and partner countries by placing skilled young Australians on development assignments throughout the Asia Pacific region. Following its success with young Australians and strong support from Australian organisations and partner countries I have decided to establish AYAD as an ongoing aid program
- a 10 per cent per annum increase over the next three years for the Commonwealth Fund for Technical Cooperation to take total funding to \$9.5 million in 2002-03; and continued support for the Commonwealth's Trade and Investment Access Facility with an annual grant of \$500,000 a year for the next three years. The Prime Minister announced these contributions at the Commonwealth Heads of Government Meeting (CHOGM) in 1999, to further work in areas such as supporting democratic and legal institutions, economic and debt management, and helping developing countries manage the impact of globalisation.

CONCLUSION

In 2000-01 Australia will continue to play a practical and positive role in the development of the Asia Pacific region. Australia will be a key player in working with the East Timorese, United Nations, World Bank and other donors to ensure a stable and viable East Timor. The Australian Government will continue to respond generously to crises in the region, and maintain a capacity to assist beyond it. Australia's focus on restoring economic growth and development will be maintained. Longer-term development programs, from large-scale to grassroots development activities, will remain a priority. The Australian government will strengthen its capacity to inform Australians about the aid program and involve them in its development and delivery.

Australia has clearly demonstrated its development credentials over the past year. The Australian aid program has remained alert and responsive to the rapidly changing environment, particularly in the region. Driven by quality and the need for real impact, Australia has focused on assisting neighbouring countries to reduce poverty and achieve sustainable development. Implementation of the directions and principles set out in my 1997 statement, *Better Aid for a Better Future*, has seen the OECD Development Assistance Committee commend Australia for its efforts. Australia's commitment will continue in 2000-01.



Alexander Downer

Table 1: Total flows to partner countries

Major Partner Countries / Regions	Expenditure			Estimate ¹		
	1996-97	1997-98	1998-99	1999-2000 ²		2000-01
	Cash			Budget Figure	Expected Outcome ³	Budget Estimate
PAPUA NEW GUINEA	320.1	339.7	321.7	328.9	322.6	323.7
PACIFIC						
Fiji	20.6	19.3	18.8	21.6	21.4	22.3
Vanuatu	13.7	13.7	14.9	17.7	17.4	18.1
Solomon Islands	10.6	11.0	13.2	17.1	18.6	19.7
Samoa	12.1	12.8	12.3	14.5	14.1	14.5
Tonga	11.1	10.1	10.1	13.0	11.5	11.7
Kiribati	5.4	7.1	8.5	9.4	8.9	9.7
Other and Regional	49.9	51.1	49.8	43.7	44.8	48.7
Total Pacific	123.5	125.1	127.6	136.9	136.7	144.9
<i>of which Policy and Management Reform⁴</i>	<i>9.0</i>	<i>11.0</i>	<i>12.5</i>	<i>14.1</i>	<i>14.1</i>	<i>15.0</i>
EAST ASIA						
Indonesia	102.7	97.1	121.2	121.1	121.5	120.5
East Timor						
<i>Aid program total flows</i>			26.0		71.8 ⁵	40.0
<i>Other Government Department flows</i>					40.8	25.0
Viet Nam	57.5	64.9	67.8	72.4	71.9	73.2
Philippines	55.6	55.4	57.7	61.8	61.9	63.1
China	44.6	52.0	52.5	55.5	56.1	57.5
Cambodia	32.3	34.1	35.5	36.8	36.0	37.9
Thailand	24.6	20.9	21.9	26.3	26.5	24.6
Laos	18.5	17.2	17.1	20.8	19.6	20.4
Other & Regional	37.1	27.6	37.6	26.6	29.2	25.4
Total East Asia	373.0	369.2	437.4	421.4	535.3	487.6
SOUTH ASIA						
Bangladesh	20.4	33.7	32.3	36.3	36.2	37.4
India	19.4	16.6	18.6	18.7	19.0	19.3
Sri Lanka	11.9	12.8	10.4	11.1	10.7	11.2
Nepal	8.7	6.7	6.6	7.3	7.3	7.7
Pakistan	4.1	3.7	3.2	4.3	4.4	4.4
Other & Regional	8.8	8.6	3.3	4.8	4.9	10.3
Total South Asia	73.3	82.1	74.5	82.4	82.5	90.4
AFRICA & OTHER						
Africa	91.1	78.0	69.5	75.4	72.6	74.0
Middle East	6.5	5.3	8.3	9.2	8.7	8.8
Other	2.9	14.7	25.3	10.6	59.5 ⁶	35.4
Total Africa & Other	100.6	98.0	103.1	95.2	140.9	118.3
Core contributions to multilateral organisations, other ODA	441.6	429.0	464.2	441.4	438.4	440.3
Reconciliation of expenses to cash (1999-2000 and 2000-01) ⁷				-4.2	-5.2	-5.8
Total ODA (cash)	1432.0	1443.1	1528.6	1502.0	1651.1	1599.3
ODA at constant 1999-2000 prices	1486.7	1475.0	1550.0	1502.0	1651.1	1557.3
Real change over previous year (%)	-9.7%	-0.8%	5.1%		6.5% ⁸	3.7% ⁹
ODA/GNP Ratio (%) ¹⁰	0.28	0.27	0.26	0.25	0.27	0.25

Notes to Table 1

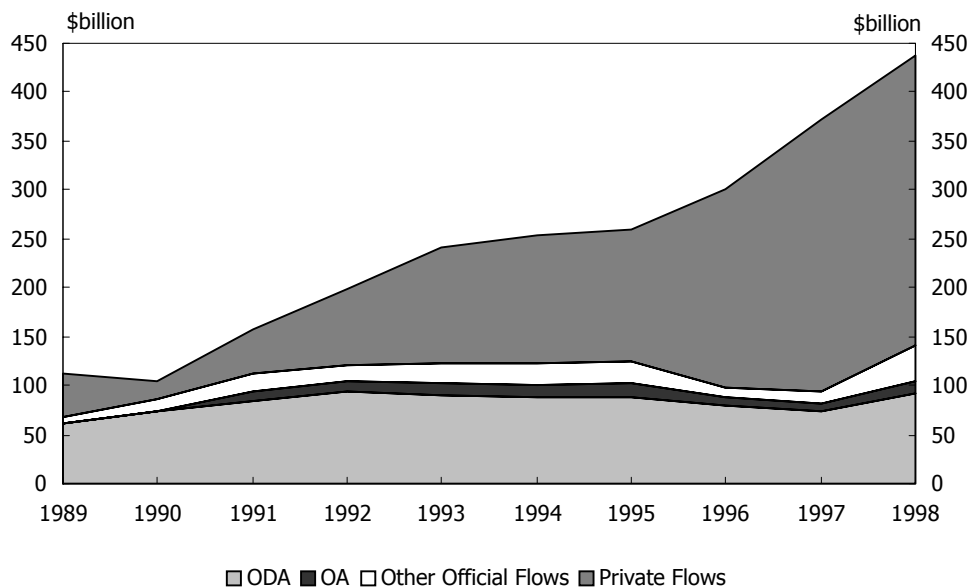
- 1 Total aid flow estimates for 1999-2000 and 2000-01 are not strictly comparable to historical expenditure figures (which are based on figures published in the *Statistical Summary 1997-98: Australia's Overseas Aid Program*). Historical figures do not apportion regional program expenditure by country. Refer to Table 4 for a direct comparison between historical and estimated country program allocations.
- 2 Shows total aid flows for the estimated Budget Figure as at May 1999 of \$1,502 million and estimated Expected Outcome as at May 2000 of \$1,651 million. The estimated Expected Outcome for total aid flows includes additional funding in 1999-2000 (e.g. Heavily Indebted Poor Countries Initiative \$12 million, East Timor Ad Hoc Appropriation \$60 million and \$48 million for expenditure by other Government Departments on Kosovar and East Timorese evacuees in Australia).
- 3 Shows expenses plus cash from capital injections and special appropriations, minus new commitments to multiyear liabilities such as the World Bank. It is not strictly comparable to cash figures, but the difference is less than 0.5 per cent.
- 4 The Pacific Policy and Management Reform Program is included in the total aid flows to individual Pacific island countries.
- 5 East Timor aid program funding includes: \$60 million Ad Hoc Appropriation (less Departmental costs of \$0.7 million) and \$12.5 million for emergency assistance - totalling \$71.8 million. In addition, there was an estimated \$9.48 million of Australian aid to the East Timorese when East Timor was still a province of Indonesia, bringing total aid assistance in 1999-2000 to the East Timorese to around \$81 million.
- 6 Increase due largely to increases in other Government Department expenditure, including \$27.5 million for Kosovar evacuees in Australia.
- 7 See the statistical annex for an explanation of this reconciliation.
- 8 Compares 1999-2000 estimated Expected Outcome with 1998-99 Expenditure.
- 9 Real per cent change over 1999-2000 estimated Budget Figure.
- 10 This compares ODA to GNI, not GNP, but the two measures are very similar. In late 1998, the Australian Bureau of Statistics changed its method of calculating GNI resulting in all historical measures of GNI, GNP and GDP being revised upwards and, consequently, ODA/GNP ratios revised downwards.

CHAPTER ONE: GLOBAL AND REGIONAL CONTEXT

THE GLOBAL AID ENVIRONMENT

There are strong linkages between the process of globalisation and the international aid environment. The opening up of markets, decisive role of trade and high mobility of capital are key features. A challenge for the international community is to ensure that globalisation continues to work to consolidate development and reduce poverty.

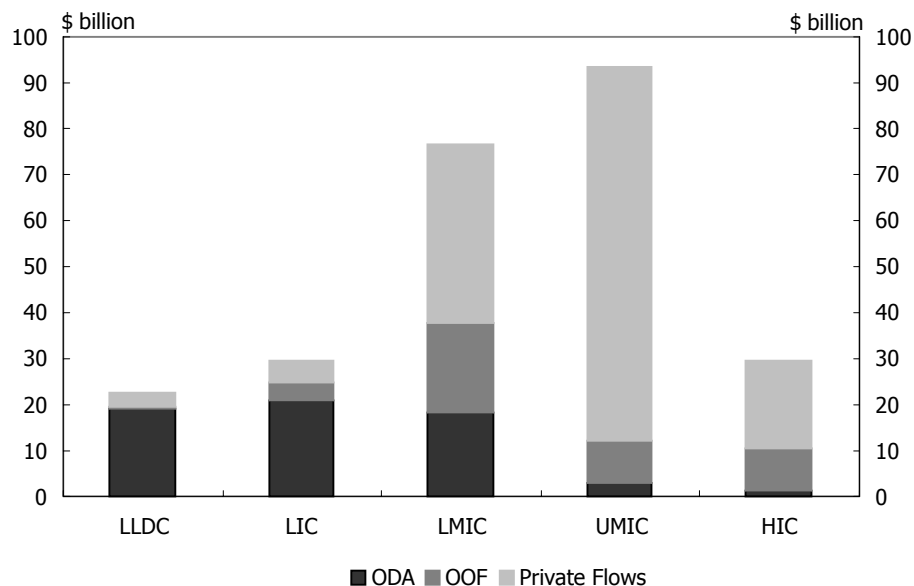
Diagram 1: Total net resource flows to aid recipient countries¹



Some developing countries are taking advantage of the potential for increased trade and investment. However, the main recipients of private flows continue to be the world's stronger developing countries. Many poorer countries are finding it difficult to capitalise on these opportunities, and remain highly dependent on aid.

¹ ODA - Official Development Assistance. OA - Official Assistance (flows that meet all the tests of ODA but are directed to more advanced countries).

Diagram 2: Total net resource flows to aid recipient countries², 1998



Donors have two important roles in this climate. They must strive to meet pressing and at times overwhelming humanitarian needs. Donors also have a crucial catalytic role in building the capacity of developing countries to tap into private investment and reduce poverty over the longer-term. Support for governance and a more open trading system will be crucial.

There are common themes among international donors in responding to these challenges: fostering partnerships with recipients, enhancing the coherence of policies towards developing countries, and sharpening agencies' focus on results. In particular, Development Assistance Committee (DAC) members are committing an increasing proportion of their aid based on evidence of effectiveness. Enhancing the quality of aid programs will be critical to ensure that they are effective in reducing poverty.

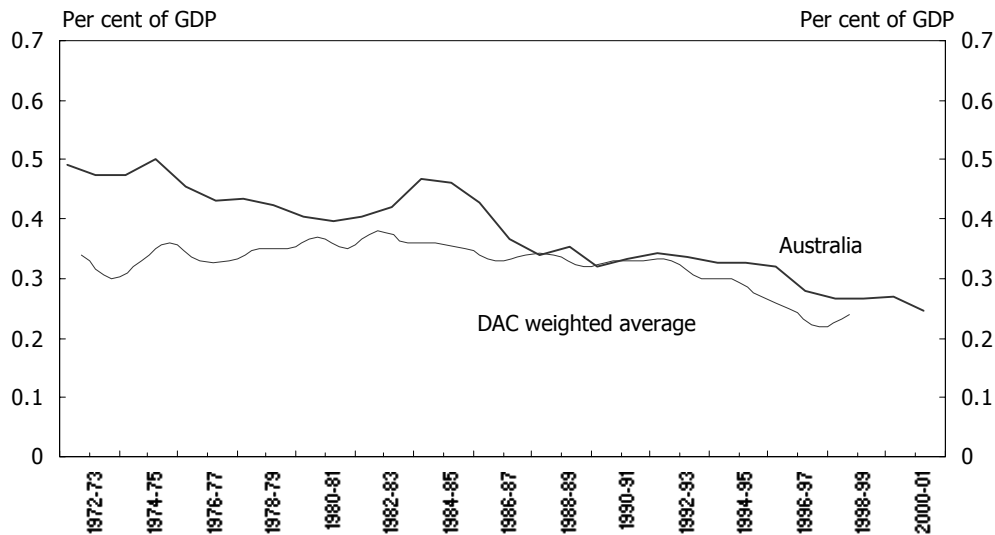
A feature of the current aid environment is the willingness of the international donor community to work together to achieve common aims. Australia plays an active role in these efforts, as exemplified by Australia's engagement in major global issues, our leading role in East Timor and in responding to the East Asian financial crisis.

² Countries classified as follows: Least Developed Countries (LLDC), Lower Income Countries (LIC), Lower Middle Income Countries (LMIC), Upper Middle Income Countries (UMIC) and High Income Countries (HIC). OOF - Other Official Flows (official sector transactions to aid eligible nations that do not meet ODA/OA criteria).

International ODA flows

The current (1998) DAC average ODA/GNP ratio stands at 0.24 percent. The last few years have seen a levelling out in the general trend of falling ODA levels, with a rise of more than 7 per cent in 1998 after five years of decline. This partly reflects donor commitment to short-term measures to deal with the Asian crisis.

Diagram 3: ODA/GNP ratios of Australia and DAC weighted average³

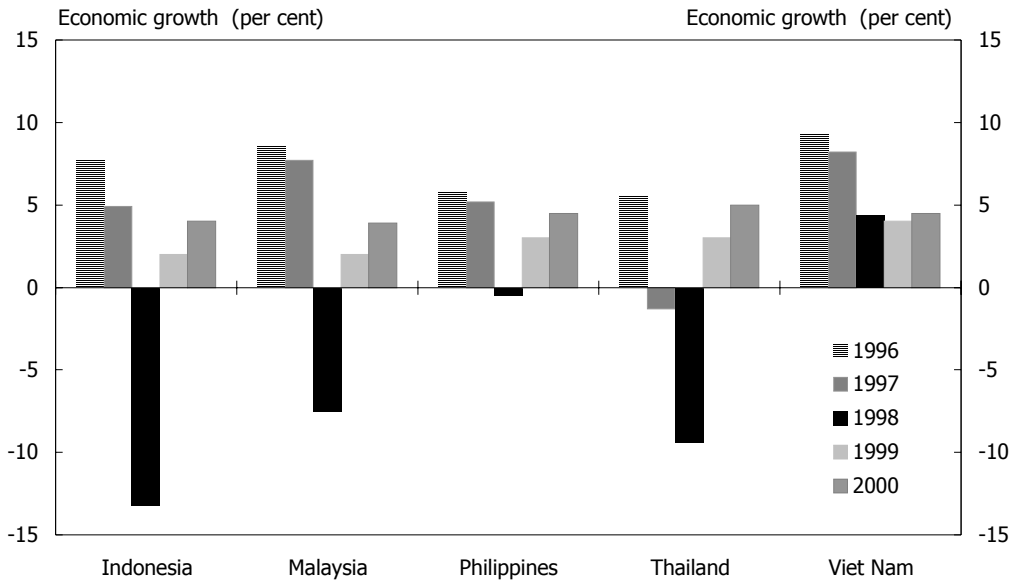


AID ISSUES IN THE ASIA PACIFIC REGION

Australia's aid program focuses on the Asia Pacific. There are 800 million people living in poverty in the region, the largest concentration of people living in poverty in the world. Aid will continue to play an important role in realising the region's development potential, particularly for poorer countries that receive very limited private financing.

³ Source: DAC 1998

Diagram 4: Economic growth in East Asian economies (1996-2000)



The East Asian financial crisis underscored vulnerabilities in the economic and social gains achieved by many Asian countries. Millions of people fell back into poverty, threatening 30 years of development progress. Together with other donors, Australia is continuing its active engagement to assist regional countries return to sustained growth and limit the potential for recurrence of the crisis. Forecasts suggest that countries recovering from the East Asian financial crisis will achieve significant growth in 2000. Improved governance is the key to the region's long-term recovery and sustainable future. Strengthening economic management, public sector reform, civil society and legal and judicial development are key elements of this.

Indonesia was severely affected by the financial crisis and has a major challenge to return to sustainable growth. The new government is embarking on significant economic and civil reforms as it seeks to rebuild economic growth and welfare gains eroded during the crisis. Australia is committed to assisting Indonesia with aid flows that are significantly higher than pre-crisis levels.

The creation of a stable and viable East Timor presents a major challenge and is crucial to the stability of the region. Australia will continue its major commitment to the East Timorese, to help build the foundations for a democratic and independent nation.

Papua New Guinea continues to face major development challenges. It has some of the worst social indicators in the world, particularly in education and health. The new *Treaty on Development Cooperation* strengthens Australia's partnership with PNG, and will enable the two governments to focus on performance in targeting Australia's aid.

Pacific Island countries continue to face their own set of development issues, particularly a vulnerability to external social, economic and environmental forces. Australia provides crucial assistance for education and training, health, environment and natural resources and promoting private sector development.

AUSTRALIA'S FUTURE AID AGENDA

Focus on poverty reduction

To have the greatest impact on poverty reduction and sustainable development the Australian aid program will continue to build developing country capacity in key areas including health, education, rural development and infrastructure. Equally, it will promote good governance as an essential contributor to participative development and economic growth that delivers sustainable benefits for poor people. This includes strengthening the capacity of institutions to formulate and implement economic and social policy and to participate in the growth of the world economy.

Aid donors and recipients both recognise that, in the absence of effective governance, aid efforts in support of poverty reduction and economic growth will be undermined. Australia's policy in dealing with partner governments is to make a practical difference through active engagement. This applies to economic governance as well as civil and political rights. Australia's support is focused on practical measures aimed at building capacity in partner countries to institute reforms. Their policies and commitment to reform will be taken into account when considering the allocation of Australian aid.

Maximising sustainable poverty reduction through development cooperation is not easy, but it is achievable. It requires prioritising Australia's aid on the basis of good country and sectoral knowledge of the underlying causes of poverty. It also requires understanding that such interventions can only be truly effective where domestic policies are supportive. Australia aims to provide well targeted, highly effective aid through country and sectoral strategies and other planning tools.

Partnerships for development

Ensuring Australia's aid meets partner needs is a key priority. Strong partnerships with recipient countries are fundamental to the development and delivery of Australia's aid program. Australian aid is guided by strategies that are developed in consultation with partner countries and are consistent with their broader development plans. Australia will maintain the commitment to build local capacity, transfer skills and involve local personnel in the design, implementation, monitoring and evaluation of aid activities.

Delivering quality aid

Australia's aid needs to have appropriate objectives and design, be managed in a professional manner, and achieve sustainable outcomes. The performance of Australian aid will continue to be measured to maintain and improve the quality of programs.

Community involvement in the aid program

The Australian Government is committed to involving the Australian community in delivering the aid program. Many Australians play an active role in grassroots aid work, either as volunteers or as members of non government organisations. The aid program will support and encourage these efforts. The Australian Government will also support an active program of community outreach, providing development education and information services, particularly to regional and rural Australia. These activities aim to build community understanding, involvement in, and support for Australia's aid program.

Community involvement and outreach will further enhance the Australian identity of the aid program, built around Australian expertise and goods. About 80 per cent of the aid program is sourced from Australian (and New Zealand) suppliers. This provides a significant boost for Australia's regional and rural areas, which are a major source of goods and services. At the same time opportunities for recipient countries to be involved in the delivery of Australian aid will be maximised, to build local capacity and promote partnerships between these countries and Australia.

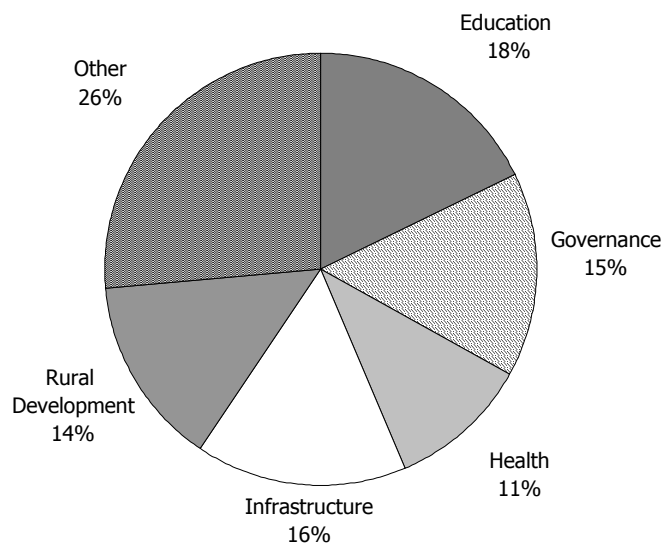
CHAPTER TWO: KEY SECTORS OF THE AID PROGRAM

The sectors of governance, agriculture and rural development, health, education and infrastructure are fundamental building blocks for sustainable development. The aid program also focuses on the cross-cutting issues of environment and gender.

Australia's aid is programmed on the basis of country and regional strategies developed in consultation with partner governments. Aid activities may target one or more of the sectors depending on the needs of the partner country and the availability of resources. Many activities with a principal focus on one sector also indirectly address other issues. The estimated sectoral breakdown of Australia's aid is shown below.

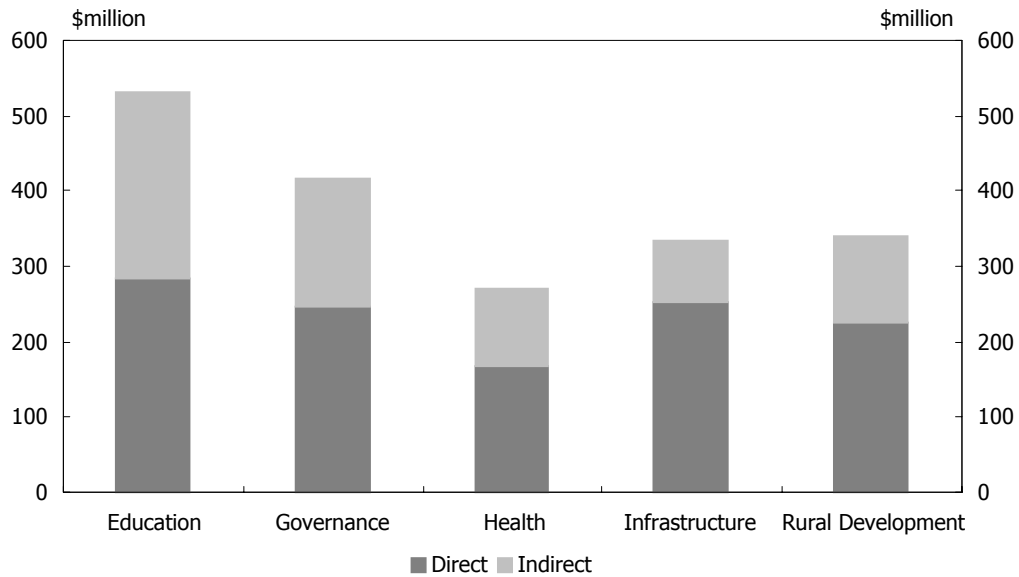
The figures in this chapter are approximate forecasts and subject to change during the course of the year as a result of programming decisions.

Diagram 5: Estimated breakdown of the aid program by sector 2000-01⁴



⁴ The 'Other' category includes direct expenditure on environment and gender as well as some humanitarian and emergency assistance that is not classified under other sectors.

Diagram 6: Estimated expenditure by sector 2000-01⁵



⁵ Direct expenditure estimates reflect the value of projects with a principal focus on a particular sector, and include imputed flows from cash grants from the Australian aid program to multilateral organisations. Direct expenditure is thus comparable with total Australian ODA. Indirect expenditure estimates reflect the full value of aid projects with a secondary impact on a particular sector, and are not comparable to total Australian ODA. Estimates for indirect expenditure are provided to give a fuller picture of the complexity of development assistance projects. See Statistical Annex for further explanation of sectoral estimates.

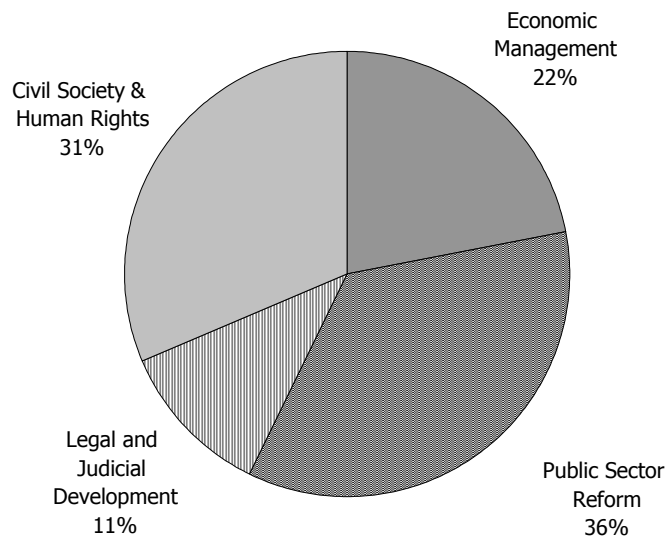
Governance

The quality of governance in developing countries is critical to poverty reduction and sustainable economic and social development. Australia's support for governance assistance has almost doubled over the last five years. In 2000-01, the Australian Government will spend an estimated \$245 million through the overseas aid program on direct assistance to help improve governance in developing countries. This represents about 15 per cent of overall aid expenditure.

To promote effective governance in partner countries the aid program focuses on:

- improving economic and financial management to maximise and broadly distribute the benefits of growth
- strengthening public sector management for effective delivery of government services
- strengthening legal systems and the rule of law
- fostering the development of civil society.

Diagram 7: Estimated Australian assistance to the governance sector 2000-01



Creating conditions for growth

Successful national economic development depends on the promotion of open markets and the institutions and policies that are needed for markets to function well. A dynamic private sector drives economic growth and poverty reduction in developing countries. It creates jobs and income, generates wealth and helps ensure that resources are used efficiently and sustainably. Australia's aid is helping partner governments improve the economic, social, institutional and regulatory environment within which all enterprises must operate. The aid program is also supporting investment in education, health and infrastructure – areas that are all vital for private sector development.

Poorly functioning public institutions are also a major impediment to growth and equitable development in developing countries. Helping to build effective and accountable institutions is a core function of Australia's aid program.

More open trading systems are necessary for all countries to benefit from private sector investment. Australia is playing a valuable role by strengthening the capacity of developing partner countries to participate in global and regional trading arrangements.

Australia supports microfinance projects funded under the aid program as a means to ensure that the very poor are given real opportunities to participate in and benefit from increased private sector activity. Australia will seek to identify microfinance organisations with the potential to have a long-term impact and provide support to build the capacity of these organisations.

Human rights

A key theme of Australia's support for governance is to advance human rights and civil society institutions that promote individual freedoms and greater political participation. The Human Rights Fund has proved successful in supporting small-scale local human rights initiatives in developing countries, and higher-level work on national and regional human rights institutions.

In 2000-01 the Centre for Democratic Institutions will continue to play an important role in the Government's practical approach to improving governance. It holds workshops and seminars in the Asia Pacific region on issues such as anti-corruption.

Agriculture and Rural Development

The World Bank estimates that the number of people living in extreme poverty will be greater in rural than urban areas until at least 2020. In 2000-01 Australia will spend an estimated \$225 million through the overseas aid program to alleviate poverty in the rural farm and non-farm areas. This represents about 14 per cent of overall aid expenditure.

Promoting food security

Food security means that 'food is available at all times, that all persons have means of access to it, that it is nutritionally adequate in terms of quantity, quality and variety and that it is acceptable within the given culture' (World Food Summit, 1996). Freeing up markets through trade liberalisation is part of the process to achieve long-term food security.

Australia has pledged \$1 billion for food security activities for the period 1998-99 to 2001-02. It is expected Australia will spend over \$250 million under the pledge in 2000 - 01. The pledge is aimed not only at meeting immediate food aid needs, but also at strengthening agricultural production, research and development, and skills and systems in developing countries.

Agriculture and natural resources

An estimated 500 million people, mainly in Asia, still live on land where water is scarce, soil is poor and there are increasing pressures on natural resources. Agriculture (including forestry and fisheries) not only provides food, it is also essential for economic growth and environmental protection. Australia's objective is to reduce rural poverty by increasing opportunities for the poor to generate income. The aid program will continue to support activities that promote farmer-friendly policies and functioning rural markets, which are prerequisites for rural income generation.

The education, governance, health and rural infrastructure sectors make a wider contribution to providing for basic needs and essential services in rural areas. Expenditure in these sectors that indirectly benefits rural development is estimated to be about \$115 million in 2000-01.

Health

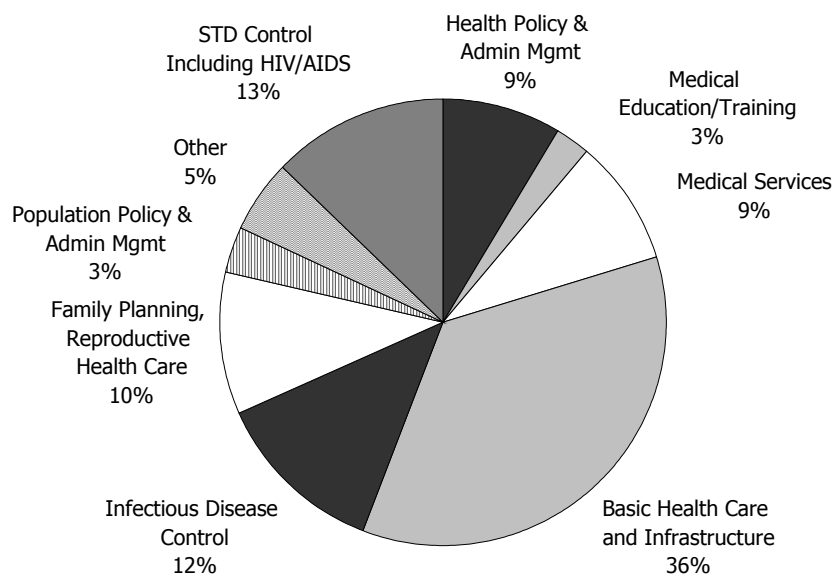
The dramatic improvements in health in the 20th century have led to considerable progress in the developing world. But many challenges remain. Thirty per cent of people in developing countries are malnourished, nearly 30 million children worldwide have inadequate immunisation and nearly 600,000 women die each year from pregnancy related causes.

In 2000-01, Australia will provide an estimated \$170 million of direct health assistance to developing countries. This represents approximately 11 per cent of overall aid expenditure.

Australia's support for health aid has increased substantially over the last decade, from around 2 per cent of total ODA in 1990-1991, reflecting the importance of improved health standards for economic development and poverty reduction. Australia's assistance will focus on: communicable and vector-borne diseases, especially HIV/AIDS, tuberculosis (TB) and malaria; women and children's health, including reproductive health; non-communicable diseases; and national policy development and health sector reform.

Australia's health aid targets those groups most at risk and focuses on improving basic health care and services through simple, cost effective methods of prevention and treatment.

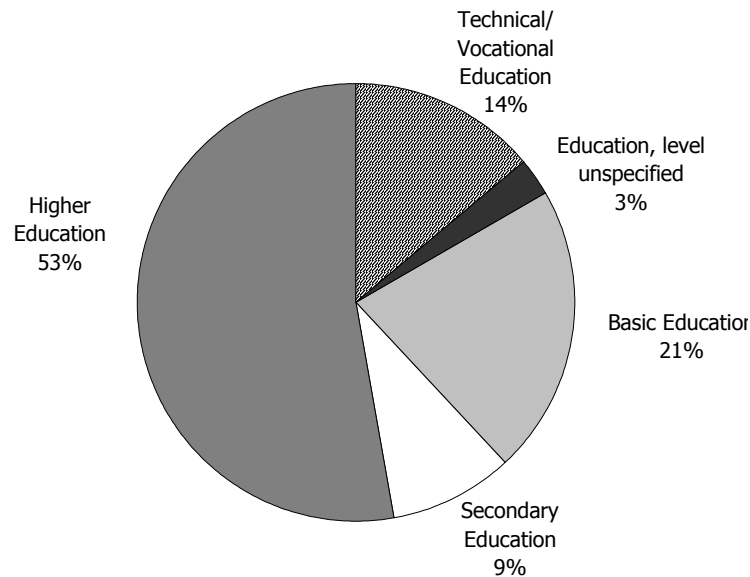
Diagram 8: Estimated Australian assistance to the health sector 2000-01



Education

Education and training assistance is an important element of Australia's aid program. By supporting improvements in education in developing countries Australia is helping to overcome one of the major obstacles to poverty reduction and economic growth. In 2000-01 Australia will allocate an estimated \$285 million to the education sector, which represents approximately 18 per cent of the aid program.

Diagram 9: Estimated Australian assistance to the education sector 2000-01



Basic Education

Basic education is essential to reduce poverty and achieve sustainable development. Many countries are reporting considerable progress. Fifty million more children attend school now than ten years ago and the number of children not attending school is declining. Adult literacy rates have improved. Nevertheless progress is slow and uneven. There are large gender disparities—women and girls account for nearly two-thirds of people who have not achieved a basic education.

Australia has steadily advanced the aims of its 1996 education and training policy for the aid program. Spending on basic education has increased from a 6 per cent share in 1996-97 to an estimated 21 per cent in 2000-01.

Australia's key priority for education in 2000-01 is to assist partner countries improve access to quality basic education for all their population. Australia will be

working with other governments and donors to find effective, cooperative new approaches to achieve this.

Technical and vocational education and training

The second priority for this sector is technical and vocational education. It is estimated that spending on technical and vocational education will increase to around 14 per cent of Australian spending on education aid in 2000-01 from 4 per cent in 1996-97. Australian expertise is in demand to establish effective vocational education systems that match the needs of industry with training systems.

Higher education

Australia supports higher education needs in developing countries according to the knowledge and skills needs of each country. Higher education provides opportunities for advanced and/or specialised training, essential for positions of responsibility in government, business and the professions. Investments in higher education contribute to increases in labour productivity and long-term growth.

Australia will continue to provide direct assistance at the higher education level through the provision of scholarships for tertiary training. The scholarships contribute to human resource development for the recipient country and have a direct impact on development across various sectors. Scholarships also have an important role in fostering and sustaining positive relations with partner countries, particularly in the Asia Pacific region.

Australia will also continue to provide assistance to the development of in-country higher education systems and institutions. Australia has expertise in all areas relating to higher education with particular strengths in policy development and systems development and management.

Infrastructure

Essential infrastructure, such as water supply and sanitation, transport and communications, is fundamental to poverty reduction and sustainable development. It contributes to a higher quality of life, improved agricultural productivity and increased productivity in urban centres. Demand for infrastructure over the next decade is expected to outstrip the financing capabilities of developing country governments. Private sector investment will be essential. A major role for international aid is to facilitate and promote the conditions necessary for sustained private sector participation by financing infrastructure in developing countries while targeting activities to meet the needs of the disadvantaged.

In 2000-01 Australia will provide an estimated \$255 million for infrastructure, which represents approximately 16 per cent of the aid program.

Australia continues to support the development of infrastructure in three areas: creating enabling environments for both private and public financing and management of infrastructure; human resource development and capacity building; and increasing poor people's access to essential infrastructure.

In 2000-01 Australia will:

- assist partner countries to improve the regulatory environment for infrastructure and, in particular, the legal and administrative climate to attract private sector investment
- ensure that poorer and marginalised communities, particularly in rural areas, have access to essential infrastructure
- respond to the international trend towards decentralised responsibility for infrastructure by supporting capacity building of municipal and provincial governments to handle new infrastructure responsibilities such as private sector contracting, regulation, accounting and financial management
- identify ways to strengthen the poverty focus of aid projects in the infrastructure portfolio.

Environment

Environmental degradation tends to affect the poor disproportionately. The World Bank estimates the annual cost of environmental degradation in East Asia and the Pacific is 5 per cent of GDP. In urban areas the health of the poor is affected by air pollution and unsanitary living conditions. In rural areas, deforestation, soil erosion and the destruction of fisheries directly affect the livelihoods of the poor.

Australia's aid program supports activities that address environmental problems in developing countries. In 2000-01 Australia will provide an estimated \$65 million directly to the environment sector, with an additional \$170 million in indirect expenditure. Activities range from providing clean water supplies to promoting sustainable natural resource management, to contributing to climate change research by monitoring sea level and atmospheric changes.

Australia assesses all aid activities to ensure negative environmental impacts are avoided or mitigated. In July 2000 the Commonwealth Environment Protection and Biodiversity Conservation Act will replace existing law governing environmental impact assessment under Australia's aid program. In 2000-01 the aid program will develop environmental assessment guidelines that reflect the requirements of the new Act and a comprehensive training program to support the introduction of the guidelines.

Other priorities for 2000-01 are to:

- evaluate the extent to which the poverty focus of aid projects in the environment portfolio can be strengthened
- promote the mainstreaming of greenhouse gas abatement strategies into the design of aid activities
- further Australia's interests in international environment negotiations on topics such as Persistent Organic Pollutants and energy.

Gender

Improving outcomes for women is essential to achieve poverty alleviation. Women are more likely to be poorer, less educated, and less healthy than men. They are also subject to more violence and other human rights abuses. Social and economic research has highlighted the high return from investments in women as well as the poor performance of aid assistance that ignores differences in gender roles.

In 2000-01 Australia will spend approximately \$40 million on activities in which the promotion of gender is the main objective. A further \$380 million is expected to be spent on activities in which gender considerations are significant. The objective of Australia's Gender and Development policy is to promote equal opportunities for women and men as beneficiaries of development in partner countries. The aid program provides assistance to increase women's access to education, health care and economic resources; to encourage women's participation and leadership in decision-making at all levels; to promote human rights of women and to eliminate discrimination against women. Between 60 to 80 per cent of Australia's activities in health and education address gender equality by providing basic social services to women.

In 2000-01 Australia's aid program will:

- pursue improvements in the incorporation of a gender approach into governance, environment and infrastructure activities
- support programs that improve women's access to economic resources and promote women's participation and leadership in decision-making
- incorporate a gender approach more effectively into water supply and sanitation projects
- strengthen partnerships with donor agencies, multilateral organisations and NGOs in relation to gender issues.

The aid program is also giving increased attention to activities that address violence against women. This effort will continue through a number of initiatives which address both immediate, urgent problems and longer-term preventative strategies. Initiatives include support for programs addressing domestic violence, programs addressing the effects of armed conflict on women and programs addressing governance issues for longer-term prevention. Recent initiatives include support for a UN program aimed at reducing trafficking of women and children in the Mekong sub-region, initiating a Violence Against Women Fund in South Africa and supporting the Vanuatu Women's Centre.

CHAPTER THREE: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

PNG DEVELOPMENT INDICATORS⁶

Country	GNP per capita (\$A)	Access to safe water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	1,417	23	58	45

PNG PROGRAM

Programmed activities	\$300.0 million
Retirement benefits	\$14.3 million
Estimated other flows	\$9.4 million
Estimated total aid flows	\$323.7 million

Australia's development cooperation program in PNG is the largest bilateral aid program and is one fifth of the total aid program. The strategy for the program to 2003 has four key objectives:

- strengthening governance through the introduction of an Incentive Fund, supporting economic management and creating an environment that encourages growth in the private sector, building the capacity of PNG agencies to deliver services, promoting the rule of law and strengthening civil participation and representation
- improving social indicators by expanding the quality and reach of primary health care and education facilities, especially to poor rural communities, strengthening PNG's emergency response capacities and promoting gender equity
- building prospects for sustainable economic growth by constructing and maintaining infrastructure vital for development, increasing agricultural productivity and encouraging the sustainable use of natural resources

⁶ Unless stated otherwise all GNP data are from DAC (1998).

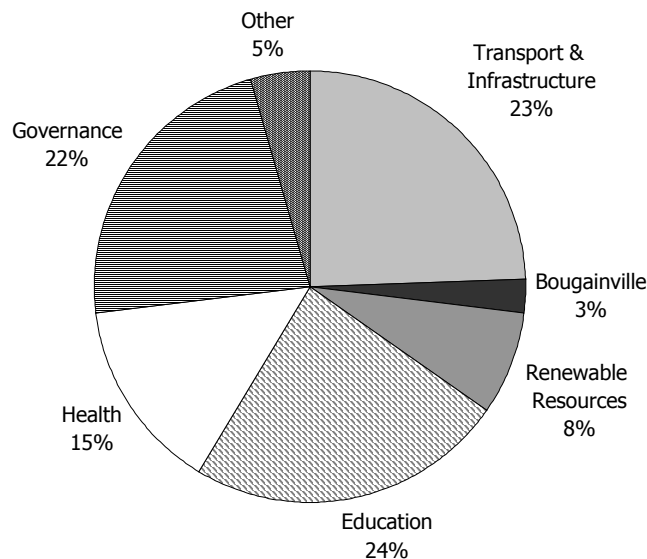
- consolidating the peace process in Bougainville by providing an identifiable peace dividend.

The change from direct budget support from the aid program to jointly programmed aid was completed in 1999. Australia's aid program in PNG will be significantly more effective, transparent and accountable. The new *Treaty on Development Cooperation* between Australia and PNG will come into effect on 1 July 2000. The Treaty links performance more closely to future funding decisions. A maximum indicative annual planning figure of \$300 million nominal will be provided, subject to performance against benchmarks. A new Incentive Fund will provide greater flexibility as for the first time, PNG organisations such as community groups, provincial governments and the private sector, can seek direct funding. The aid program is working to increase PNG participation in the program, where possible providing funding for relevant PNG agencies to undertake aid activities.

SECTORAL ASSISTANCE TO PNG

To achieve its objectives, the PNG program is focused on governance, education, health, infrastructure, renewable resources and assisting the peace process in Bougainville.

Diagram 10: Estimated total aid flows to PNG by sector in 2000-01



Governance

Australia's aid program is introducing mechanisms to ensure that assistance can be provided more flexibly to those institutions that have a proven track record in service delivery or which are engaged in the process of reform. The aid program is supporting the PNG Government's commitment to political and economic reform, including re-engagement with the IMF and World Bank.

Australia is providing technical assistance and training to improve PNG's economic management, including areas such as privatisation, debt management, economic forecasting and financial management. Projects are building capacity within PNG's public administration to manage more effectively resources and programs. A number of central agencies critical to overall governance require specialised support, including Finance and Treasury, the Ombudsman Commission, the Electoral Commission, the National Statistics Office and the Internal Revenue Commission.

Australia is also helping the judicial, police and prison services to promote the rule of law and is increasingly looking at community-based initiatives to strengthen the justice system.

Support for the development of civil society is also a priority. Projects initiated by NGOs and community-based organisations are funded through the Community Development and Small Activities schemes. Australia helps the PNG private sector, particularly small to medium enterprises, by supporting training services and microfinance organisations.

Greater resources are being provided to support governance programs. Expenditure on governance activities across the PNG program should increase from approximately \$40 million in 1999-2000 to more than \$70 million per year over the next four years.

Box 2: Australian assistance to PNG's Ombudsman Commission

The role of the Ombudsman Commission is enshrined in the PNG Constitution. It plays a key part in promoting transparency and accountability within the public sector and is responsible for administering and enforcing PNG's leadership code. The Ombudsman Commission has a role in highlighting unacceptable behaviour in leaders and recommending prosecution as necessary.

Through the PNG Ombudsman Commission Project, Australian advisers are working with the staff of the Commission to strengthen its operations and role and raise the PNG people's awareness of this important body. The outcome of this project will be an Ombudsman Commission which functions more effectively in the roles prescribed for it in the Constitution. This will be achieved through improvements to the Commission's organisational structure, its work processes, decision-making systems and human resource capabilities. Institutional strengthening will extend to the management of resources and the Commission's dealings with other government bodies.

Education and training

Educational needs in PNG are enormous. About 60 per cent of women and 50 per cent of men are illiterate. PNG has begun to implement a bold new agenda for education reform that has seen over 192,000 extra children at school in the past four years – a one-third increase. More facilities will be built to accommodate increased student numbers.

In 2000-01 Australia will provide approximately a quarter of annual aid to PNG for the education sector. Australia's assistance is helping PNG to continue the considerable gains achieved in education in recent years.

A joint study of Australian assistance to the PNG Education Sector was undertaken in late 1999. It recommends that future assistance focus more closely on two principal goals: to assist PNG progress towards achieving quality universal basic education and to assist PNG to achieve a productive, skilled population. Future assistance to the sector will see an increased emphasis given to vocational and technical training.

Australian assistance seeks to improve the quality and relevance of teaching at the primary and secondary levels, the development of curricula and materials and the construction and rehabilitation of education facilities. Australia is also the largest provider of tertiary scholarships to PNG with around 100 students graduating each year from tertiary institutions in Australia.

Health

PNG suffers from unacceptably high levels of infant mortality, malaria, tuberculosis, and HIV/AIDS. Rural health services are in crisis, with PNG lacking the capacity and resources to provide even basic health care to many communities.

Expenditure in the health sector is projected to increase to 15 per cent of the PNG program in 2000-01. PNG and Australia have agreed that health expenditure should continue to increase, based on a commitment by PNG to maintain and increase its own health budget.

A new sector approach currently being developed will focus on national policy objectives and develop improved management and coordination across all sector activity. The new PNG National Health Plan 2001-10 is crucial to this approach and will provide the framework for Australia's aid to the health sector over the next decade.

As the vehicle for Australia's move to the sector-wide approach, the Health Services Support Program, in combination with the women's and children's health project, will be critical to improving rural health services. The National HIV/AIDS support project due to be implemented in August 2000 will assist PNG to tackle HIV.

Infrastructure

Improvements to infrastructure are fundamental to PNG's development. Poor and degraded transport and communications infrastructure can prevent the delivery of essential services and access to markets particularly in the rural and remote areas. A new program of assistance is being developed in water supply and sanitation, a key infrastructure requirement for improved health.

The land transport program is assisting PNG to improve the maintenance of the national road network in six provinces. It will also help to upgrade a section of the Highlands Highways and support major reconstruction work on key roads in the port area of Lae, the major port for the Highlands region. The program is supporting the maintenance of the road and bridge network, reconstruction of roads in Bougainville and East New Britain and training and institutional strengthening in the PNG Department of Works.

Assistance in civil aviation will improve aviation safety through the maintenance of key navigation and safety equipment and the upgrading of national airports.

Renewable resources

Sustainable management of resources is essential to maintain PNG's natural environment and to promote continued economic and social development. Australian

aid aims to strengthen PNG agencies so they can manage resources in a sustainable manner.

Management of forestry resources is a particular concern. Australia is supporting the government's moratorium on new logging leases through the Forestry Human Development Project. New activities will continue support to the forestry and environment sectors at both national and local levels.

Raising productivity, employment opportunities and income generation in the agriculture, forestry and fisheries sectors will help raise the standard of living of the rural population. The forthcoming Agriculture Sector Training Project will assist 60,000 semi-commercial farmers throughout PNG to move into commercial production.

Bougainville Peace Process

The peace process in Bougainville has made substantial progress since the cessation of fighting in 1997. There is still a long way to go before all parties agree on the political and administrative future of Bougainville. Australia will continue to assist the reconstruction of Bougainville after a decade of conflict. Activities totalling \$51 million are planned over the next three years, including support with transport, infrastructure, health, education, agriculture and the strengthening of governance systems.

Assistance will continue to emphasise community activities that maximise local participation, including the unemployed and ex-combatants, and the development of civil society on Bougainville. Maximum local involvement in planning and implementing aid in Bougainville is critical to the success of the aid program.

Box 3: Peace in Bougainville

The peace process is now well established in the PNG province of Bougainville. The considerable progress in the last two-and-a-half years is due to the commitment of the PNG Government and the Bougainville people. The presence of the Australian-led multinational Peace Monitoring Group (PMG) has helped achieve an environment where people can once again feel safe and turn their attention to the immense task of rebuilding Bougainville.

Australian aid has been able to make a real difference in this environment. Australia is helping to meet priority needs in basic health and education through the construction and refurbishment of schools and medical centres (including a new hospital in Buka). Australia will be supporting basic literacy and numeracy programs for unemployed youth and ex-combatants.

Australia is also providing aid to stimulate the economy of Bougainville. A three-year program of building copra and cocoa dryers and fermentaries will help revitalise these two agriculture sectors. Microfinance facilities have also been established with training provided to local NGOs. A joint Australia-New Zealand Community Police training project will help to restore civil society and create an environment in which rebuilding can be carried out.

The Pacific Region

REGIONAL DEVELOPMENT INDICATORS⁷

Country	GNP per capita (\$A)	Access to safe water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Fiji	2,110	77	67	93
Solomon Islands	750	64	65	30
Vanuatu	1,270	87	66	34
Samoa	1,020	90	67	96
Tonga	1,690	95	68	99
Kiribati	1,180	76	62	92
Tuvalu	1,843	85	67	95

Estimated total aid flows to Pacific

\$144.9 million

REGIONAL OVERVIEW OF PACIFIC

Australia is a major donor to the Pacific region. Australia's assistance helps Pacific island governments to deliver essential services that meet the basic needs of their people.

Pacific countries face a number of common development challenges - remoteness from major markets, modest natural resource and export bases, a heavy reliance on costly imports and need to broaden skill levels. Their expanding populations and limited access to viable agricultural land place further pressures on development. Pacific island countries are also vulnerable to natural disasters and environmental degradation.

Regional strategy

The long-term objective of Australia's assistance to the Pacific is to help countries in the region achieve the maximum possible degree of self-reliance. In the medium-term, Australia's aid aims to achieve five principal outcomes for Pacific island countries:

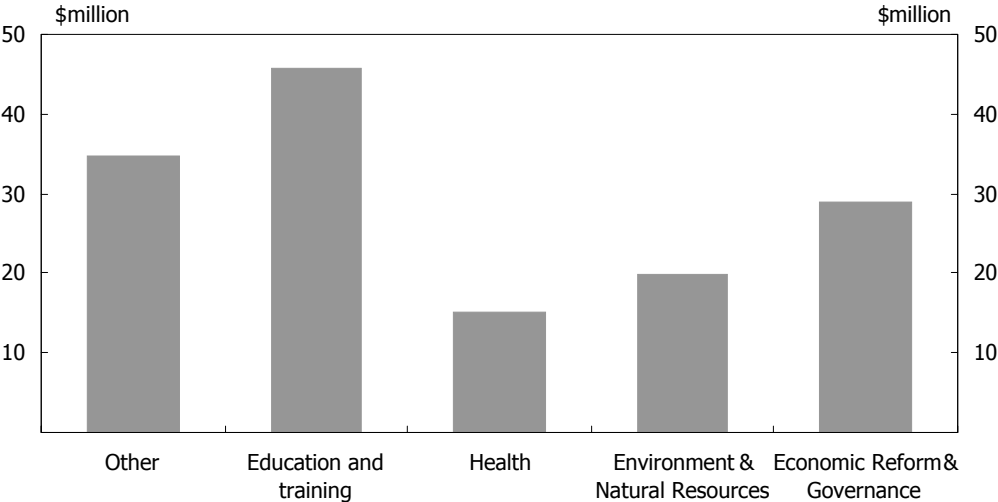
⁷ All indicators in the table are from UNDP Pacific Human Development Report 1999. Development indicators from the Pacific are often unreliable and should be treated with caution. They do not, as well, reflect the vulnerability of small island states.

better governance, stronger economic growth, greater capacity, better service delivery and environmental integrity.

SECTORAL ASSISTANCE TO THE PACIFIC

To achieve these outcomes assistance in 2000-01 will continue to focus on economic reform and governance, health, education and training, environment and natural resource management.

Diagram 11: Estimated total aid flows to the Pacific 2000-01



Economic Reform and Governance

Improving governance is fundamental to Australia’s assistance to the region, recognising the strong links between standards of governance, aid effectiveness and sustainable development. Better governance, stronger growth and improved service delivery all require the adoption of appropriate policy, legislative and administrative frameworks for both the public and private sectors. There is also a critical need to enhance professional, technical and administrative skills.

Box 4: Improving governance in the Pacific

Pacific island countries are engaged in public sector and economic reform to lay the foundations for future growth and development. Some countries have made substantial progress against the reform targets they set at the Forum Economic Ministers' Meeting in 1997. 1999-2000 saw significant gains in the areas of tax reform and fiscal management, public accountability, customs operations, and public sector reform.

Many challenges remain. There has been limited progress in trade liberalisation and private sector development. Sustained effort is required to deliver higher growth rates and greater economic opportunities. Effective communication and transparent processes will be necessary for governments to receive community support.

In 2000-01 Australia will continue to assist governments to implement their reform agendas, using bilateral program funds and the regional Policy and Management Reform (PMR) program. In 2000-01, an additional \$940,000 will be provided to the program, bringing it to \$15 million. Activities in support of economic reform and governance now account for 20 per cent of Australia's aid to countries in the region (excluding PNG). Australia will provide around \$29 million for more than 50 governance projects across the region. These projects range from training of judges to helping increase the capacity of public service departments.

In 2000-01 implementation of the internationally endorsed Automated System for Customs Data will be completed in Fiji, Samoa and Vanuatu. Australia will continue to promote and disseminate research on the unique development challenges in Pacific island countries through support for publications and a program of seminars in Australia and the region. Australia is also introducing a pilot program to increase support for NGOs, strengthening their ability to assist communities in need.

Education and training

In 2000-01 Australia's regional and bilateral assistance for education will aim to improve the quality and relevance of education in Pacific island countries. Australia's aid will upgrade teachers' skills and assist with curriculum development and vocational training. Australian aid will continue to emphasise student literacy and numeracy skills for primary aged children and help to equip secondary school leavers with vocational skills that benefit their future employment. In 1999-2000, around 800 Pacific islanders studied on Australian scholarships either at regional institutions, such as the University of the South Pacific (USP), or in Australia.

A new telecommunications network at USP, funded jointly by Japan, New Zealand and Australia, is providing an important distance education link between Suva and

USP's twelve regional centres. In 2000-01, Australia will supplement infrastructure support for this project with essential staff training, course materials and software.

Health

National and regional primary health care and disease prevention programs continue as priorities for Australian assistance. Australia supports a range of programs for national health reform and management, medical training, health promotion and the provision of clean water and sanitation. Lifestyle diseases, such as heart disease and lung cancer are having an increased impact on health. Australia will also introduce measures to combat the incidence of infectious diseases, including malaria, dengue, hepatitis and HIV/AIDS.

In 2000-01 Australia will continue to support bilateral and regional activities in these areas. New initiatives are planned in reproductive health, the prevention of child abuse, non-communicable diseases, immunisation and the maintenance of medical equipment. Australia will fund more visits to the region by Australian specialist volunteer medical teams for clinical services and training across a range of fields. Australia will also maintain support for women's crisis centres in Fiji and Vanuatu.

Environment and natural resources

Australia is assisting Pacific island countries to manage their limited natural resources sustainably, particularly fish stocks and forests. Australia's aid is helping these countries to protect fragile environments from pollution and natural disasters. A new regional project, jointly financed by Australia and France, will help to establish renewable, low cost wind and solar energy facilities in remote rural areas.

Through its contributions to the Forum Fisheries Agency and Secretariat of the Pacific Community, Australia is helping island countries in their efforts to conserve and manage tuna fish stocks that provide an annual catch valued at around \$2.8 billion.

Private sector development

Australia's assistance for private sector development will help Pacific island countries to establish policy and regulatory environments that support private sector investment. Australia will provide assistance to private sector organisations through specialist advice on developing commercially viable projects and opportunities for increased trade and investment in the wider Pacific region.

In 2000-01 Australia will continue to support the World Bank/International Finance Corporation's South Pacific Project Facility (SPPF) and the South Pacific Trade Commission. The SPPF assists entrepreneurs to develop commercial project proposals. In 1999 the SPPF achieved its target of a record 17 projects approved by financial institutions.

PACIFIC REGIONAL ORGANISATIONS

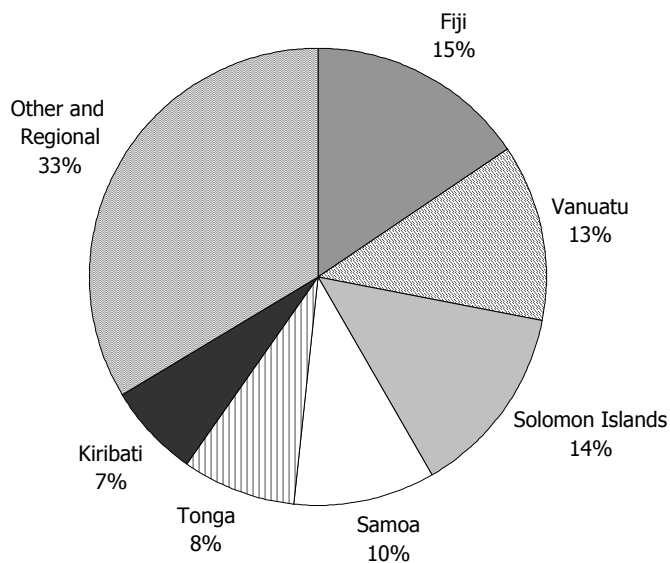
Regional organisations play an important role in providing Pacific island countries with technical assistance, capacity building, policy development and international representation across the range of economic and social sectors. Australia's Pacific regional program complements bilateral and multi-country assistance and is delivered through key regional organisations like the South Pacific Forum, the Forum Fisheries Agency and the South Pacific Regional Environment Programme.

In 2000-01 Australia will work to enhance the effectiveness of regional organisations through systematic management reviews under the new Multilateral Assessment Framework. The aid program will increasingly focus on program achievements in assessing its relationships with these agencies. To promote efficiency and donor coordination, Australia is also seeking to locate more of its multi-country projects within regional organisations.

New triennial funding arrangements have been agreed between Australia and the principal regional organisations providing increased financial security and greater flexibility for priority programs.

BILATERAL PROGRAMS

Diagram 12: Estimated total aid flows to the Pacific by country



Fiji

Country program allocation	\$17.5 million
Estimated other flows	\$4.8 million
Estimated total aid flows	\$22.3 million

Australia's aid to Fiji will continue to support the Fiji Government's key development priorities, particularly public sector efficiency, health and education. Australia will work with Fiji to further strengthen key government agencies and improve public sector performance and service delivery. The aid program will focus on improving access to quality education through training and support for basic educational infrastructure.

In the health sector, Australia's support for primary and preventative care is helping to meet basic needs and improving the delivery of health care. The sector will benefit from improvements in health administration achieved partially through Australia's assistance to the Ministry of Health.

Box 5: Building capacity in Fiji's customs and inland revenue

The Fiji Islands Revenue and Customs Authority (FIRCA) project is helping to improve Fiji's revenue raising capacity through strengthening and restructuring the Inland Revenue and Customs Departments. The FIRCA Project commenced in January 1999 and will run for five years at a total cost of approximately \$7 million. In 2000-01 the project will continue to:

- support a centralised head office for FIRCA that integrates Customs and Inland Revenue staff
- contribute towards an increase in tax revenue from improved taxpayer compliance
- strengthen enforcement procedures such as debt recovery
- develop simplified and consistent legislation for revenue and customs.

Solomon Islands

Country program allocation	\$14.5 million
Estimated other flows	\$5.2 million
Estimated total aid flows	\$19.7 million

Australian aid supports the Solomon Islands Government's Policy and Structural Reform Program, through activities aimed at improved revenue collection, expenditure controls and service delivery. In 2000-01 Australia is providing an additional \$1 million in recognition of continued economic reforms by the Solomon Islands Government.

By early 2001 the aid program will have completed the transition from interim assistance to long-term projects in all critical areas of support: finance, land administration, forestry management, customs, auditor-general, education, health and national security.

Australian assistance will continue to play a vital role in helping Solomon Islands address its internal security threats. Australia has been quick to provide humanitarian assistance and support for the Solomon Islands police and the reconciliation process. In 2000-01 Australia will provide institutional strengthening for the police and legal system and assistance to help build Solomon Islands' capacity for disaster relief.

Box 6: Improving forest management in the Solomon Islands

Harvest yields from forests in the Solomon Islands have historically exceeded the sustainable yield by two to three times with serious impacts on the country's forest resources. Difficulties in controlling and monitoring logging have led to significant losses in log export revenue. To address these issues the Solomon Islands Forest Management Project will improve forest management priorities and maximise revenue and resource rent to forest owners and the government.

This project commenced in August 1999 and will cost \$5.6 million over three years. Its aim is to strengthen forest management, monitoring and revenue control systems. The project will build the capacity of the Forestry Division, restore supporting infrastructure, improve budgetary and technical support for timber management, and develop reduced impact harvesting guidelines. This support will also help Solomon Islands implement its new Forests Act.

Vanuatu

Country program allocation	\$12.4 million
Estimated other flows	\$5.7 million
Estimated total aid flows	\$18.1 million

Australia's assistance focuses on addressing needs identified under Vanuatu's Comprehensive Reform Program Action Plan. These include a more effective and efficient public sector, strengthened fiscal and economic management, and improvements to the legislative framework and legal system.

Support for the Comprehensive Reform Program involves a long-term commitment. In 2000-01 Australia will support ongoing activities to strengthen financial management, the public service and the legal sector. A key priority in health is to ensure better service delivery throughout Vanuatu. A program to enhance secondary and technical education opportunities will continue. The construction of a hostel for ni-Vanuatu studying in New Caledonia (a joint project with France) will be completed. A new program of support for rural development will be developed.

Samoa

Country program allocation	\$11.0 million
Estimated other flows	\$3.5 million
Estimated total aid flows	\$14.5 million

Australian assistance has significantly advanced Samoa's public sector reform program by targeting reform in key government departments and promoting a 'whole of government' approach to reform issues. This focus on governance and public sector reform is complemented by other activities in the health, education and natural resource management sectors.

In 2000-01 Australian assistance will continue to support Samoa's key economic strategies. Improving public sector performance will remain a priority. Ongoing activities in the Treasury and Public Service Commission aimed at improving financial and human resource management will be complemented by new activities to strengthen the Ministry of Agriculture, Forestry, Fisheries and Meteorology and Ministry of Immigration.

The education and health sectors will continue to receive high priority. The Samoa Health Project will improve the health status of Samoans by strengthening the management and operational capacity of the Department of Health. Phase two of the Primary Education Materials Project will provide materials for infants in years one to three.

Tonga

Country program allocation	\$9.5 million
Estimated other flows	\$2.2 million
Estimated total aid flows	\$11.7 million

Australia's assistance to Tonga focuses on economic reform, health, education, private sector development and natural resource management. Australia is supporting improvements in government revenue raising, particularly within the Ministry of Finance. Provision of small-scale infrastructure to outer islands has helped improve the quality of life for many Tongans. Australia has also contributed to improved service delivery in the health and water supply sectors. In education, Australia is focusing on training to assist Tonga to develop its skilled labour base.

In 2000-01 Australia will continue to support the improved efficiency of the public sector including assistance to the Ministry of Finance and strengthening program budgeting across government. Improving the provision and quality of basic services, including education, health and utilities will also remain high priorities. New initiatives include a Legal Institutions Strengthening Project and Road Safety Project.

The Ha'apai Group of islands will remain a geographic focus of the program. The Ha'apai Outer Islands Electrification Project will commence later in the year.

Kiribati and Tuvalu

Country program allocation	\$9.7 million
Estimated other flows	\$3.6 million
Estimated total aid flows	\$13.3 million

Australian assistance to **Kiribati** promotes better economic planning and public sector reform. Australia will continue to support public sector reform through a new activity focused on strengthening the Customs Department. Access to higher quality education will continue to expand through a focus on broader needs, such as teacher training and curriculum development.

The aid program to **Tuvalu** concentrates on public sector reform through support for management and maintenance of government assets, education and training. New initiatives for Tuvalu include teacher training and waste management.

Other Island Nations

Country program allocation	\$4.6 million
Estimated other flows	\$5.5 million
Estimated total aid flows	\$10.1 million

Australia's development assistance to the **Federated States of Micronesia, Marshall Islands, Nauru** and **Palau** will provide training scholarships to study either in Australia or at the University of the South Pacific. Australia will also assist with economic reform and improved service delivery in education and health.

In 2000-01 Australia's assistance to the **Cook Islands** and **Niue** will continue to focus on human resource and infrastructure development and public sector reform.

CHAPTER FOUR: ASIA AND AFRICA

East Asia

REGIONAL DEVELOPMENT INDICATORS⁸

Country	GNP per capita (\$A)	Access to safe water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	1,083	65	65	85
East Timor	514	<50	57	47
Viet Nam	525	38	68	83
Philippines	1,672	83	68	95
China	1,194	83	70	83
Mongolia	637	54	66	83
Cambodia	446	13	54	-
Thailand	3,502	89	69	95
Laos	525	51	53	59
Burma	-	-	-	-

Estimated total aid flows for East Asia in 2000-01

\$487.6 million

REGIONAL OVERVIEW

In the aftermath of the economic crisis of the late 1990s, regional programs are addressing immediate needs and underpinning long-term recovery in East Asia. While economic and social conditions have significantly improved in most affected countries, much needs to be done to strengthen the resilience of the region to future shocks and to reduce the vulnerability of poor people. This is being achieved through a focus on strengthening economic governance and social protection.

⁸ Figures from World Bank Country At-a-glance tables (1998)

Regional Program

Allocation

\$30.8 million

Australia's regional program activities target high priority development needs that require a regional response. In addition to governance activities, Australia will provide assistance in the key transboundary areas of health, environment and the movement of people.

Australia's strategy for assisting regional development is strongly based on joint work with ASEAN and APEC countries in the crucial areas of increased trade and investment. Australia is working with partner governments and regional organisations to help countries manage the impacts of globalisation and to establish a firmer basis for poverty-reducing growth through trade.

- The *Asia Crisis Fund* (ACF) will be replaced in 2000-01 with the *Asia Recovery and Reform Fund* (ARRF) to support interventions to strengthen economic governance and social protection and help achieve sustainable recovery.
- The *Social Protection Facility* for East Asia announced by the Prime Minister at the APEC Leaders Meeting held in Auckland in September 1999 will be further developed. This three-year, \$5 million Facility will assist countries in the region to improve the delivery of social services and to strengthen social protection systems.
- The *South East Asia Regional Program* (SEARP) concentrates on capacity building. It will increasingly focus on regional activities in the areas of health (including HIV/AIDS), human rights, inter country farm productivity and food security, and people movement.
- The *ASEAN-Australia Economic Cooperation Program* (AAECP) will be progressively replaced by a new program—the *ASEAN Australia Development Cooperation Program* (AADCP). The new program will have a strong focus on economic governance in support of enhancing regional integration, competitiveness, and science, technology and environmental cooperation.

The Mekong Basin Sub-regional Program (MBSRP) addresses the shared development needs of Cambodia, Laos, Thailand and Viet Nam. Activities target natural resource management and capacity building complementary to the World Bank, the IFC, the ADB, the Mekong River Commission and the ASEAN Mekong Basin Cooperation Initiative. The program also includes a small grants-based program to address HIV/AIDS.

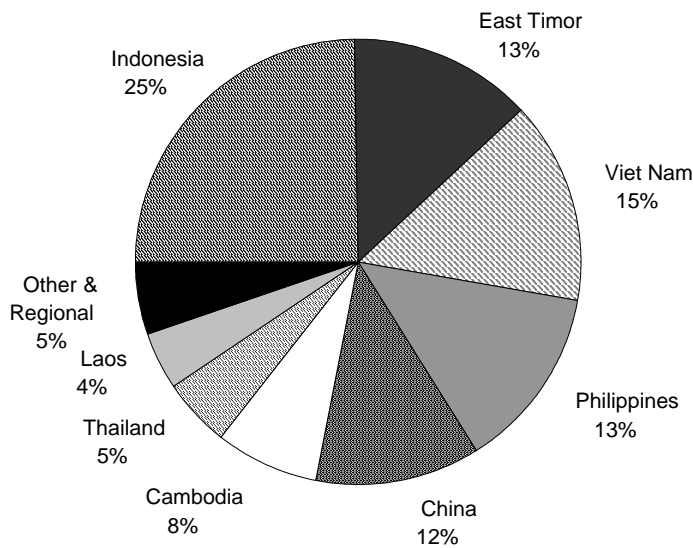
Box 7: Responding to the East Asian Financial Crisis

Despite welcome signs of economic recovery in the region, East Asia still faces major economic reform challenges and many countries in the region remain vulnerable to external shocks. The social impacts of the crisis are still unfolding and millions of people do not have access to basic services like health and education.

The allocation of \$6 million to the *Asia Recovery and Reform Fund* will assist countries in the region to undertake economic restructuring in the immediate post-crisis period, with a view to achieving sustained recovery and stronger social protection systems. This will reduce the risk of future crises and help ensure long-term economic and social gains from future development.

BILATERAL PROGRAMS

Diagram 13: Estimated total aid flows to East Asia by country



Indonesia

Country Program Allocation	\$93.5 million
Estimated other flows	\$27.0 million
Estimated total aid flows	\$120.5 million

Indonesia has started out on the path to recovery from the East Asian financial crisis. Implementing the new Government's extensive reform program is a major challenge and will require continued commitment by Indonesia and support from the international community. Australia remains committed to assisting Indonesia meet this challenge through expanded aid flows that remain more than 15 per cent higher than pre-crisis levels.

Australia will work with Indonesia to help restore welfare gains eroded during the crisis, strengthen poverty alleviation and implement reforms needed to sustain growth and development. New activities in health, water and sanitation will be developed to deliver direct poverty alleviation outcomes for vulnerable groups, especially women and children. These activities will include efforts to improve public health management at central and regional levels, expand health education services, develop community-managed water supply and sanitation facilities, and extend work in HIV/AIDS and STD prevention. A new basic education project will also be developed to improve education opportunities for children. It will complement Australia's support for efforts during the crisis to help children to stay in school.

Australia will continue to expand its program of activities in support of economic and civil reform in Indonesia, especially through implementation of a new medium-term governance strategy developed in 1999-2000. This program will support the new Indonesian Government's broad-ranging economic and political reform agenda. Core areas will include economic and financial management, legal reform, improved local governance, gender equity and development of civil society. Reform-related activities will also include institutional strengthening to assist Indonesia to implement its plans to decentralise fiscal responsibility and delivery of public services as well as enhance border control capabilities. A program which provides a total of approximately 800 tertiary education scholarships per year will be maintained to help build Indonesia's pool of professional expertise and skills. Australia will also assist the relief and reconciliation work in areas affected by civil unrest.

Box 8: Indonesia after the crisis – assisting recovery and reform

- Now that recovery from the regional financial crisis is underway, Australia's focus is turning to the tasks of assisting Indonesia to address legacies of the crisis and to build stronger economic and social frameworks.
- To help Indonesia restore its strong record of poverty alleviation, Australia will implement a range of major programs to extend health and education services. This will include implementation of large-scale welfare-protection activities, such as a \$20 million Women's Health and Family Welfare project and a major international collaborative project to deliver water supply and sanitation services to low-income communities.
- Economic strengthening activities will include increased technical assistance to supplement technical skills in key Indonesian agencies and facilitate implementation of reforms. In particular, an expanded Technical Assistance Management Facility will be developed to coordinate provision of Australian expertise to Indonesian government bodies involved in key reform processes. Australia will engage in greater collaboration with multilateral institutions to maximise impacts and improve coordination of international reform-related assistance.
- Australia will also give emphasis to measures that help strengthen Indonesia's legal system to encourage efficient and fair application of the rule of law in commercial and public life.

East Timor

Country program allocation	\$30.0 million
Estimated other flows	\$35.0 million
Estimated total aid flows	\$65.0 million

The East Timorese are one of the world's poorest people. Violence following the August 1999 ballot left most of the territory's infrastructure destroyed and nearly three quarters of the population displaced. A massive international humanitarian relief effort is addressing immediate needs in areas such as food, health and shelter, and has helped the return of many displaced people.

As the focus moves from relief to reconstruction and development, the challenges facing East Timor remain enormous. Building the capacity of the East Timorese to govern a stable and democratic independent East Timor will underpin the aid program. Bilateral assistance in 2000-01 will complement the UN Transitional Administration (UNTAET) operations and the programs of other aid donors by focusing on:

- restoring basic services and improving service delivery in the key sectors of health, education, and water supply/sanitation
- helping to develop simple, effective and self-sustaining government and administration in East Timor
- strengthening productive sectors of the economy, especially agriculture
- assisting the process of reconciliation and peace building
- supporting multilateral reconstruction and development efforts, including through continued engagement and coordination with other donors.

Box 9: Reconstruction and development of East Timor

With security now established and the need for emergency relief abating, East Timor is entering a phase of construction and rebuilding of a viable nation. Consistent with Australia’s capacity to assist and East Timor’s development needs, the Australian Government has committed \$150 million over the next 4 years towards the reconstruction of East Timor. This funding will be phased as follows:

- \$40 million in 2000-01 to assist with international reconstruction efforts and to build an ongoing bilateral program with East Timor
- \$40 million in 2001-02, \$35 million in 2002-03, and \$35 million in 2003-04 for a continuing program of assistance.

Viet Nam

Country program allocation	\$60.1 million
Estimated other flows	\$13.1 million
Estimated total aid flows	\$73.2 million

Viet Nam has made significant progress towards poverty alleviation in recent years. Its ability to maintain and increase these achievements will depend on strengthening economic growth which in turn will depend on a deeper commitment to economic policy, management reforms and other key governance issues.

The Australian aid program to Viet Nam has three key strategies: improve the capacity for medium to long-term development through human resource development; improve the livelihoods of the poor; and support the Government of Viet Nam in its program of reform. Australia’s assistance is concentrated in four areas: education and training, rural development, health and governance.

In 2000-01 assistance will focus on the design and commencement of a new rural development program and new governance activities in the areas of economic and financial management, public sector reform and legal and judicial development.

Box 10: Rural development in Viet Nam

A feature of Australia's assistance to Viet Nam in 2000-01 is the design and commencement of a new rural development program estimated at \$95 million over four years. This program will include:

- projects focused on improving the situation of water supply and sanitation in the Mekong Delta
- improving management of water resources at the national level and in the Mekong Delta
- improving rural infrastructure and services in poor provinces of Central Viet Nam
- increasing Viet Nam's capacity for agricultural development.

Philippines

Country program allocation	\$55.5 million
Estimated other flows	\$7.6 million
Estimated total aid flows	\$63.1 million

Australia's assistance to the Philippines is focused on the southern Philippines, particularly Mindanao, where rural poverty is pervasive and where about one third of the nation's rural poor live. Australian aid is supporting Philippine efforts to sustain the momentum of reform and manage the social effects of the East Asian financial crisis through assistance in governance and to social safety net programs. Australia's aid targets the four key areas of rural incomes, the environment, education and health to improve the living standards of men, women and children living in poverty in the Philippines.

In 2000-01 the aid program will focus on consolidating the implementation of the current five-year Country Program Strategy through the development of new assistance programs for rural incomes, the environment and health. In education, Australia will continue to support Philippine efforts to improve the quality and relevance of education, through the development of a new basic education project for Mindanao.

Box 11: Helping vulnerable groups in the Philippines

The \$30 million Philippines Australia Vulnerable Groups Facility began in November 1999 and is helping to expand the provision of essential social services to the poor through providing funding towards well-targeted and successful Philippine Government programs.

For example, the Street and Urban Working Children Project (\$9.5 million over three years) is assisting street and urban working children to obtain rice to feed themselves and their families and also to access education materials and school services. An estimated 40,000 children will be assisted through this program.

The Integrated Delivery of Social Services Program (\$15.5 million over three years) is helping over 500 poor village districts, or barangays, to fund local community development projects driven by grassroots initiatives. These initiatives include small projects such as a community footbridge for local transport, a supplementary feeding program for malnourished children and local micro-enterprise activities.

China

Country program allocation	\$39.8 million
Estimated other flows	\$17.7 million
Estimated total aid flows	\$57.5 million

Australia's aid to China targets poverty alleviation and sustainable development particularly in the poorer central and western provinces. Australian aid focuses on four key sectors: governance, health, education, and the broad area of natural resource management and rural development. Governance is a particular priority with the aim of improving public policy and supporting China's reforms and transition to a market economy.

Key activities include:

- building skills in international economics and foreign trade policy implementation to help China prepare for accession to the World Trade Organisation
- providing leading edge Australian systems and expertise to assist Chinese policy makers with their reform agenda on issues like social security and welfare policy
- implementing a new five-year health strategy to focus on rural health, community health development, health sector reform, and disease prevention
- reducing iodine deficiency in Tibet, contributing to the eradication of a preventable disorder that is a major cause of brain damage and mental retardation in children

- providing vocational education and training in Chongqing that better meets workplace needs by promoting relationships between local industry, government, and education providers.

Australia will continue to help China manage chronic environmental problems associated with water and land degradation. New activities will address flood control and management, irrigation and water supply, reforestation and environmental rehabilitation.

Box 12: Helping to halt environmental degradation in Inner Mongolia

Alxa League is located in the western part of the Inner Mongolia Autonomous Region. Environmental degradation is in an advanced state because of long-standing droughts, destruction of grasslands, and desertification. Approximately 30 per cent of the total area is desert, and desertification advances at some 20 metres per year, destroying farmlands.

The Alxa Environmental Rehabilitation project will improve living standards of the rural poor, both men and women, in desert fringe areas where poverty leads to over-exploitation of natural resources. The aim is to halt desertification, and eventually restore ecological balance to degraded land areas through improved environmental management measures.

Mongolia

Country program allocation	\$2.7 million
Estimated other flows	\$0.6 million
Estimated total aid flows	\$3.3 million

Australia’s aid objectives in Mongolia are to strengthen the capacity of local institutions and human resources to deliver long-term sustainable development and poverty reduction. Very high levels of poverty make Mongolia’s transition to a market economy difficult.

An example of Australia’s aid program in Mongolia is the planned funding for a program of training and technical assistance to the National Statistics Office to improve its capability to evaluate, analyse and disseminate data from the 2000 Census. The production of reliable demographic, health, and other socio-economic indicators will assist the Government of Mongolia to better target health and other services.

Cambodia

Country program allocation	\$23.8 million
Estimated other flows	\$14.1 million
Estimated total aid flows	\$37.9 million

Australia's aid program to Cambodia is helping to reduce poverty and support the country's transition towards sustainable development. Australia's aid focuses on improving productivity and profitability in the agriculture sector, meeting basic human development needs, institutional strengthening and support for demining.

Eighty five per cent of Cambodians live in rural areas and most earn their living from agriculture. But agriculture continues to operate at a subsistence level and rural poverty is widespread. Australia's aid will promote economic growth and food security through a major new Agriculture Quality Improvement Project (AQIP) commencing in 2000. This assistance will bring real productivity gains to rural people through help with rice seed production, rice-related post harvest technology and fruit and vegetable marketing.

Several small but high profile governance activities are currently being funded through regional programs. Australia will continue to contribute to the stability of Cambodia through involvement in donor monitoring of the Government of Cambodia's reform agenda and by participating in the donor working group for public administration reform.

Throughout 1999-2000, Australia played an active role in joint donor efforts to reform the Cambodia Mine Action Centre (CMAC). These reforms will enhance CMAC's capacity to address the problem of landmines and unexploded ordinance. Australia will continue to work alongside other donors to help maintain reform momentum in 2000-01.

Thailand

Country program allocation	\$17.0 million
Estimated other flows	\$7.6 million
Estimated total aid flows	\$24.6 million

Australia is continuing to help Thailand to recover from the economic and social impacts of the East Asian financial crisis. Australia's assistance focuses on developing good governance, contributing to the rehabilitation of the banking and financial sector, and helping to mitigate the impact of the crisis on the poor.

Over 2000-01 Australia will continue to target key capacity-building needs for better governance and civil society. Australia's support for good governance will include a capacity-building facility, with an allocation of \$10 million over 3 years, to provide short-term technical assistance and training. Australia's aid will help to improve the formulation of public policy and delivery of services, and increase accountability and responsiveness. It will also support democratic governance through assistance to the

counter corruption agency, parliamentary ombudsman, alternative dispute resolution training, and the electoral commission.

Laos

Country program allocation	\$14.0 million
Estimated other flows	\$6.4 million
Estimated total aid flows	\$20.4 million

Reducing poverty and improving the quality of life for the population are the major challenges facing Laos. Australia is helping Laos to meet its basic needs by supporting primary health care, rural development, broader access to education and strategic efforts to strengthen policy reform.

Primary health care projects implemented by Australian non government organisations have been very successful. Australian aid will build on this success to support the development of a sustainable and high quality national health service.

Australia is providing basic education to girls from ethnic minorities in conjunction with the Asian Development Bank. This has received strong local support and been instrumental in the establishment of a Gender and Ethnic Minorities Unit within the Lao Ministry of Education. Australia is supporting Laos' reform agenda, building on previous support in the areas of land tenure policy and Laos' accession to the World Trade Organisation.

Burma

Country program allocation	\$1.4 million
Estimated other flows	\$3.1 million
Estimated total aid flows	\$4.5 million

Australia's small program of humanitarian assistance remains targeted to grassroots poverty in Burma, focusing on basic health and HIV/AIDS control. Australian assistance is channeled mainly through Australian NGOs and multilateral organisations (including UN agencies).

In 2000-01 Australia will consider a new round of NGO projects for primary health care and other small scale activities related to poverty reduction and basic human needs. Australian aid will continue to help reintegrate displaced persons returning from refugee camps in Bangladesh.

Australia will encourage the establishment of a national human rights institution in Burma through the initial provision of short-term training in international human rights law and practices to targeted groups of Burmese civil servants. Further activities of this nature may be undertaken if pilot projects are considered successful. Outside Burma, Australia provides humanitarian health, shelter and food assistance to refugees in camps on the Thailand/Burma border, and is part funding a Distance Education

Project delivering Community Management and English language courses for Burmese refugees in Thailand.

South Asia

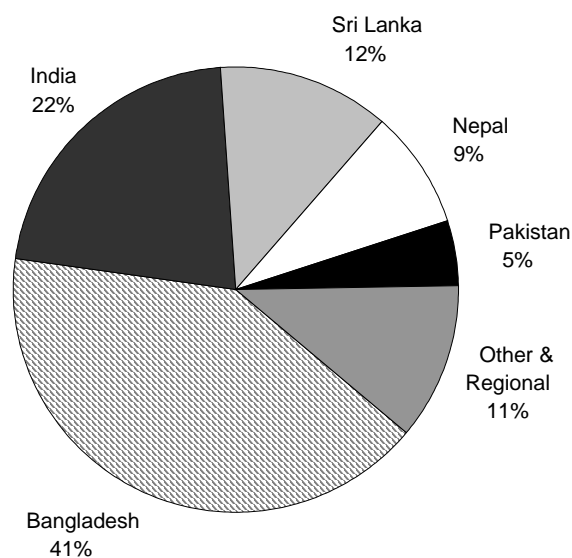
REGIONAL DEVELOPMENT INDICATORS⁹

Country	GNP per capita (\$A)	Access to safe water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	557	84	61	53
India	685	81	63	52
Sri Lanka	1,290	70	73	91
Nepal	334	59	57	38
Pakistan	764	62	62	41
Maldives	1,958	-	67	96
Bhutan	716	64	66	54

Estimated total aid flows to South Asia in 2000-01

\$90.4 million

Diagram 14: Estimated total aid flows to South Asia by country



⁹ Figures from World Bank Country At-a-glance tables (1998)

REGIONAL OVERVIEW OF SOUTH ASIA

South Asia contains nearly 40 per cent of the world's poor and has some of the world's worst social indicators. Productivity is low and the region generates only 1.3 per cent of the world's wealth. South Asia is diverse in terms of size, population concentration, culture, socio-economic conditions and political characteristics.

Regional Strategy

Australia's strategy for aid to South Asia for 1999–2002 concentrates on the needs of vulnerable people in defined geographic areas. The program emphasises the poor, people affected by conflicts and the education of girls. The strategy focuses the program on four priority areas:

- supporting activities that build peace and uphold human rights in the region
- reducing the spread of HIV/AIDS
- strengthening the capacity of governments to deliver basic services
- supporting improvements in resource management and rural development.

Bangladesh

Country program allocation	\$22.1 million
Estimated other flows	\$15.3 million
Estimated total aid flows	\$37.4 million

Australia will continue to support Bangladesh's efforts to achieve food security. Support for peace-building activities will continue in the Chittagong Hill Tracts, where there has been a history of internal conflict causing severe hardships for the poorest people. Australian aid will continue to improve access to basic services for vulnerable groups through projects addressing primary and secondary education for girls and the expansion of the Intensive District Education for All Project. Australian aid will also help to mitigate arsenic poisoning in rural water supplies by strengthening local capacity in removal technologies, providing alternative sources of water and improving health and community activities for safe drinking water.

India

Country program allocation	\$14.5 million
Estimated other flows	\$4.8 million
Estimated total aid flows	\$19.3 million

In view of the developments in Australia's relationship with India, the Government has decided it is appropriate to lift the suspension of non-humanitarian aid to India, imposed in May 1998 as a result of nuclear testing. Australia will continue assisting

India to address its considerable development needs through a targeted program focusing on primary education, basic health care, governance, rural development and environmental management.

Australia will work in partnership with the Indian Government and UNICEF to provide higher quality primary education to over a million vulnerable children in Delhi, Bihar and Maharashtra states. Australia's aid will improve the delivery of water and environmental sanitation to the urban and rural poor, including help with watershed management in the hill states of north west India and Madhya Pradesh.

The new five year \$18.5 million India-Australia HIV/AIDS Prevention and Care Project will help combat the spread of HIV/AIDS in India, where the virus has already infected more than four million people.

The India-Australia Training and Capacity Building project will be extended. New activities will address capacity building and governance issues in the urban water and environmental sanitation sector.

Sri Lanka

Country program allocation	\$6.1 million
Estimated other flows	\$5.1 million
Estimated total aid flows	\$11.2 million

The ongoing civil conflict in the north of Sri Lanka is a major cause of entrenched poverty. Australian aid is providing support for peace-building activities through the Community Resettlement Program. Australian assistance will help resettled families who have been affected by civil strife, including through a mine action program being implemented by UNDP.

Australia is supporting the capacity of the Sri Lankan Government to deliver services, particularly in environmental management and health. The program also includes a Nutrition Improvement Project in south Sri Lanka which will reduce the incidence of low birth weight babies and combat child and maternal malnutrition.

Nepal

Country program allocation	\$6.3 million
Estimated other flows	\$1.4 million
Estimated total aid flows	\$7.7 million

Australian assistance to Nepal seeks to alleviate poverty and address environmental degradation by supporting community management of natural resources. Through the scholarships program, Australia is assisting Nepal tackle its considerable development constraints.

The Community Resource Management Project will continue in 2000-01. This project is increasing literacy, providing access to water and developing community forestry

management skills among forest user groups. A Vitamin A project is reducing infant mortality by as much as 30 per cent in some districts.

Pakistan

Country program allocation	\$2.4 million
Estimated other flows	\$2.0 million
Estimated total aid flows	\$4.4 million

Australia's program to Pakistan concentrates on basic education for girls and improving the management of environmentally degraded agricultural lands. Access by the poor to education will be increased through the Balochistan Girls' Education Project. The Agro-salinity Project will mitigate the impact of environmental degradation on poor rural communities in the Punjab, using biological solutions to waterlogging. Community implemented reforestation of degraded lands using salt resistant trees and grasses will increase farming returns.

Maldives

Country program allocation	\$3.1 million
Estimated other flows	\$0.4 million
Estimated total aid flows	\$3.5 million

Australian assistance to the Maldives aims to alleviate poverty in its isolated outer atolls. Australia's aid is assisting the Government of the Maldives to manage the country's limited environmental resources and deliver health and education services. Efforts to halt environmental degradation in the Maldives are being bolstered by the Protected Areas System project. The project will establish a replicable and sustainable system for protected area management. A new health initiative will ensure the most isolated populations have access to basic health care.

Bhutan

Country program allocation	\$0.9 million
Estimated other flows	\$0.1 million
Estimated total aid flows	\$1.0 million

Australia will continue to support human resource development through a scholarship program to help the government of Bhutan to better address poverty in its isolated and culturally unique society. Primary health care will continue to be addressed in selected areas.

Africa and the Middle East

Estimated total aid flows to Africa and the Middle East in 2000-01 \$82.8 million

REGIONAL OVERVIEW OF AFRICA & THE MIDDLE EAST

	Africa	Middle East
Program allocation	\$35.8 million	\$2.1 million
Estimated other flows	\$38.2 million	\$6.7 million
Estimated total aid flows	\$74.0 million	\$8.8 million

The economic and social development challenges facing Africa are enormous. Instituting and maintaining effective government policy and program frameworks are a vital part of creating a positive climate for development. Australia provides support to improve the capacity of governments to develop and implement appropriate policies. The challenge of the HIV/AIDS epidemic is greatest in Africa. More than 13 million Africans have already died of AIDS, 23 million are now living with HIV/AIDS, and 10 million African children have been orphaned by AIDS. Australia is helping to address the HIV/AIDS epidemic in partnership with Australian NGOs.

For the Middle East, Australia supports the peace process through continuing assistance for the humanitarian needs of over 3.5 million Palestinian refugees in the region.

Africa

The objective of Australia's aid to Africa is to reduce poverty and achieve sustainable development through strong partnerships between Australia and selected African countries and communities. This objective will be achieved through a number of integrated strategies, including:

- a focus on southern Africa to ensure development activities are effective and sustainable and to enable more efficient program management
- building the capacity of governments to formulate and implement effective policy frameworks as a basis of successful development
- a focus on poverty reduction throughout the program.
- The aid program is addressing the challenge of the HIV/AIDS epidemic in partnership with Australian NGOs. Australia is also providing support for ten food security projects valued at over \$11 million. Projects are being implemented in

- Tanzania, Zimbabwe, Kenya, Zambia, Malawi, and Mozambique, ranging from cashew re-forestation and crop diversification, to water storage and improved soil fertility.

Australia will promote improved governance by providing small grants to organisations in selected African countries through the second round of the three-year, \$3 million Africa Governance Fund.

South Africa

Country program funding in 2000-01 will be \$10.1 million. A review of the Capacity Building Program in 1999 found it to be valued by the recipients and that it had made a significant development impact. A new phase of the Program will commence in 2000-01, concentrating on four sectors and broadening its scope to include non government organisations. Another program is being designed to focus on improved capacity at local government level, to support the policy of devolution of many government services and the amalgamation of local councils. South Africa has embarked on a major program of change in technical and vocational education. Australia will support this transformation program.

South Africa has the highest statistics for violence against women in the world for a country not at war. A Gender Violence Fund for indigenous NGOs will continue in South Africa and provide \$500,000 per year.

Mozambique

The Australian program in Mozambique has focused on capacity building, demining, agriculture and non government organisation activities. Following the devastating floods in Mozambique in early 2000, this focus will continue and programs will incorporate activities to specifically address rehabilitation needs. Country program funding in 2000-01 will be \$10.1 million. The massive effort to rid the country of landmines has been set back because of the floods, and the demining effort will need continued support for some time. Capacity building for the public sector will assist Mozambique's impressive reform efforts, while ongoing support for projects implemented by Australian non government organisations will focus on HIV/AIDS, water supply and sanitation, and food security.

Middle East

The Australian Government's development assistance program to the Middle East supports the social and economic advancement of Palestinians in the West Bank and Gaza and the humanitarian needs of Palestinian refugee camp communities throughout the region. Following the signing of the Wye River Memorandum on 23 October 1998, the Government committed \$16 million over three years in support of the Middle East Peace Process (MEPP).

The 2000-01 phase of the Wye Pledge includes:

- assistance through the United Nations Relief and Works Agency to help meet the needs of 3.5 million Palestinian refugees
- support to Australian non government organisations working in partnership with local Palestinian agencies in the education and health sectors
- assistance to build the Palestinian Authority's legal, agricultural and vocational training capacity
- support for MEPP multilateral water and environment, refugee and arms control working groups.

CHAPTER FIVE: GLOBAL PROGRAMS

Most of Australia's aid is delivered through bilateral programs in consultation with partner countries. However, a significant component is distributed through multilateral and non government organisations. In 2000-01 it is expected Australia will expense \$510.9 million to global programs (estimated cash payments will be \$496.5 million). This funding will go to the activities of multilateral organisations, non government organisations, volunteer programs, humanitarian and emergency programs and communication, education and information programs.

MULTILATERAL ORGANISATIONS

Australia's aid support for multilateral agencies extends the reach of the aid program. Multilateral agencies perform a range of valuable humanitarian, technical, policy dialogue and coordination functions. For example, they improve donor coordination by providing leadership on major global issues such as climate change and HIV/AIDS. The multilateral response to the crisis in East Timor illustrates how international organisations are able to marshal resources and coordinate large scale responses, complementing the inputs of individual countries.

Australia has a strong interest in ensuring that any organisation it supports through the aid program performs effectively. Australia systematically considers how well these organisations contribute to the objective of the aid program. The Multilateral Assessment Framework is used to assess the focus and performance of multilateral agencies. During the pilot year (1999-2000) twenty seven assessments were completed.

MULTILATERAL DEVELOPMENT BANKS¹⁰

The allocations to multilateral development banks for 2000-01 are:

Asian Development Fund (ADF) – Asian Development Bank	\$120.2 million
International Development Association (IDA) – World Bank	\$113.4 million
International Fund for Agricultural Development (IFAD)	\$1.5 million
Heavily Indebted Poor Countries Initiative (HIPC)	\$11.5 million
Total Multilateral Development Banks	\$246.6 million

In 2000-01 Australia's contributions to multilateral development banks will total \$246.6 million. These organisations complement Australia's bilateral programs and share the goal of reducing poverty and achieving sustainable development. They play a vital role in the Asia Pacific region of encouraging good governance and promoting sound economic policies.

¹⁰ All figures in this section are calculated on a cash basis to provide estimates of the total funding Australia contributes to multilateral banks in the financial year.

Australia engages multilateral agencies on key development issues like debt relief. The Heavily Indebted Poor Countries (HIPC) Initiative introduced by the World Bank and the IMF is supported by Australia as a mechanism for reducing debt and poverty (see Box 13). Australian aid is supporting the development of a framework to strengthen the link between debt relief and poverty reduction through Poverty Reduction Strategy Papers. These country-driven plans identify priorities for public action that have the greatest impact on poverty.

Box 13: Debt relief for heavily indebted poor countries

International debt can have serious effects on very poor countries, in some cases making it difficult to provide basic services in the face of unsustainable debt burdens. Debt relief has the capacity to free resources for social spending and reduce poverty. However it is vital that debt relief supports the pursuit of sound policies and good governance practices and is linked to effective poverty reduction programs.

Australia believes the enhanced Heavily Indebted Poor Countries (HIPC) initiative, co-ordinated by the World Bank and IMF, is the most credible way to provide sustainable debt relief to the world's poorest countries. It involves all creditors, including multilateral development institutions. It also ensures that the proceeds of debt relief are directed towards basic health, education and poverty reduction programs, and not lost in corruption or military spending. At the 1999 IMF/World Bank Annual Meetings, the Government pledged an additional \$35 million to bring Australia's total contribution to \$55 million.

Australia will provide 100 per cent debt forgiveness to countries which qualify for debt relief under HIPC. There are two countries – Nicaragua and Ethiopia – which have debts to Australia and are expected to qualify for relief. When Nicaragua and Ethiopia receive debt relief under HIPC, all of the debt they owe to the Australian Government will be forgiven. The cost of this initiative will be additional to the aid budget.

Australia will also be seeking to conclude the replenishment negotiations for the Asian Development Fund (the concessional loan arm of the ADB) and IFAD. In particular, Australia is promoting refinements in the ADB's country programming and evaluation systems, and pursuing enhanced governance and performance based lending.

UNITED NATIONS ORGANISATIONS

UN organisations play an important role in reducing poverty and meeting humanitarian needs. In 2000-01, Australia will provide \$61 million in contributions to the following United Nations (UN) development and humanitarian organisations:

World Food Programme	\$43.7 million
United Nations Development Programme (UNDP)	\$7.0 million
United Nations Children's Fund (UNICEF)	\$4.8 million
United Nations Fund for Population Activities (UNFPA)	\$2.2 million
International Atomic Energy Agency (IAEA)	\$1.5 million
United Nations Drug Control Programme (UNDCP)	\$0.8 million
United Nations Environment Programme (UNEP)	\$0.6 million
United Nations Development Fund for Women (UNIFEM)	\$0.4 million

The WFP provides crucial food aid that saves lives in refugee and emergency situations. It aims to improve the nutrition, quality of life and self-reliance of poor people and communities.

Australia's contributions to UNDP support its efforts to reduce poverty. Australian aid helps UNICEF, UNFPA and UNIFEM advance the rights and welfare of women and children through health, education and advocacy programs. Australia's contributions to specialist UN agencies enhance their development programs, for example to coordinate international drug control and meet global environment concerns.

Support for UN reform

Australia is a strong advocate of UN reform. Australia will continue to pursue improvements in the systems, policies and governance of UN organisations in order to lift performance, based on assessments of individual agencies using AusAID's Multilateral Assessment Framework. Australia actively supports the UN Secretary General's reforms of UN development assistance by:

- encouraging improved delivery and coordination of services at the field level
- calling for further financial and administrative reform within agencies
- promoting cooperation between the UN, the World Bank/IMF and other development partners
- supporting and influencing UNDP's current reform program.

INTERNATIONAL HEALTH PROGRAMS

In 2000-01 Australia will contribute \$11.1 million to international health programs. Australia's priorities are to address persistent problems, to strengthen proven, effective interventions and to tackle emerging challenges. Persistent problems include TB,

malaria, child and adolescent health, maternal health, reproductive health (including family planning), and HIV/AIDS. Proven, effective interventions are immunisation, micronutrient supplementation and essential drug supply. Emerging challenges include non-communicable disease surveillance, risky behaviours, trauma (particularly violence against women) and tobacco use.

In line with these priorities, Australia's international health program supports the World Health Organisation's work on the prevention and control of epidemic, endemic and other diseases like TB and malaria. It assists UNAIDS' role in coordinating the international response to HIV and the International Planned Parenthood Federation's work in providing for and advocating improved reproductive health services. It is helping the Centre for Control of Iodine Deficiency Disorders to eliminate iodine deficiency throughout the world.

INTERNATIONAL ENVIRONMENT PROGRAMS¹¹

Prevention of environmental degradation is essential in alleviating poverty and fostering sustainable development. Environmental challenges such as climate change, loss of biological diversity and ozone protection require a global response. Australia works through international environment organisations to help developing countries tackle these problems. This approach allows Australia to participate in projects of a scale that would not be possible to address on a bilateral basis. The involvement of the aid program supports Australia's active role in the negotiation of environmental conventions and dialogue on the global environment.

Australia will continue to assist the Global Environment Facility (GEF) to address the challenges of climate change, conservation of biological diversity, ozone layer depletion and protection of international waters in developing countries. Funding for the GEF in 2000-01 will be \$7.7 million. Australia will provide \$2.9 million for the Montreal Protocol Multilateral Fund (MPMF) to assist developing countries in phasing out the use of ozone depleting substances by 2010 and to meet their obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer.

Australia seeks to ensure its aid and environmental priorities are reflected in the programs of international environmental organisations. In 2000-01, Australia will:

- promote the priority of the Asia Pacific region
- encourage the direction of funds to programs that are likely to have the maximum environmental impact
- assist the mainstreaming of global environmental concerns into the policies of developing countries and multilateral organisations

¹¹ All figures in this section are calculated on a cash basis to provide estimates of the total funding Australia contributes in the financial year.

- identify opportunities for cooperation, including through co-financing of projects
- encourage the development by the GEF of an improved governance framework in order to enhance environmental effectiveness.

COMMONWEALTH ORGANISATIONS

Australia will contribute \$10.6 million during 2000-01 to Commonwealth organisations to assist with their programs in improved governance, institution building, human rights, economic policy making and small states development.

At the Commonwealth Heads of Government Meeting (CHOGM) in 1999, the Prime Minister announced that Australia's contributions to the Commonwealth Fund for Technical Cooperation will increase by 10 per cent per annum over the next three years. Australia will also continue support for the Commonwealth's Trade and Investment Access Facility, with \$1.5 million over 3 years. Australia will be involved in a High Level Group chaired by President Mbeki of South Africa to review the role of the Commonwealth. The High Level Group will report to the 2001 CHOGM in Brisbane.

Non Government Organisations and Volunteer Programs

NON GOVERNMENT ORGANISATIONS (NGOs)

Non Government Organisations

\$44.1 million

Non government organisations are an effective way of providing Australian aid to developing countries. NGOs have particular strengths in engaging local communities and promoting grass roots participation in aid activities. Through their strong links with communities in developing countries and partnerships with local organisations, NGOs are well placed to strengthen civil society, create a better environment for development activities and increase the potential for longer-term sustainable impacts.

The AusAID-NGO Cooperation Program (ANCP) supports NGO development activities that contribute to poverty alleviation. Under this scheme, Australia supplements funds provided by the community, increasing the effectiveness of NGO activities and enabling NGOs to respond to their own regional and sectoral priorities. In 2000-01 funding for the ANCP will be \$25.2 million. This is an increase of \$885,000 from 1999-2000 and will enable Australian NGOs to implement further community based activities in the Pacific, East and South Asia, and Africa.

Joint efforts to improve the quality of aid delivery will be a key priority for AusAID and NGO collaboration in 2000-01. AusAID will work closely with NGOs on accreditation criteria designed to assess performance measurement by the NGOs. These will focus on:

- improving the quality of performance information for NGO activities
- engaging in dialogue with the NGO community on the quality of aid and continuous improvement of aid delivery and outcomes.

Box 14: Supporting NGOs: the AusAID-NGO Cooperation Program

Under this scheme in 2000-01 the Government will support around 50 accredited Australian NGOs for poverty-alleviating activities in developing countries. Examples of these activities include:

- Save the Children Fund Australia has started a three year program in Bangladesh to improve the access of children to rights of participation, association and freedom of expression in their family and community life, and to improve the quality of life of working children through education and advocacy. 42,000 children and 30,000 mothers will benefit from the program.
- The Macfarlane Burnet Centre for Medical Research is implementing a three year project to assist women and children in Mumbai, India affected by the HIV/AIDS epidemic. The project is establishing a residential community for women and children, providing vocational training and continuing education, providing care for those with HIV/AIDS, and assisting the reintegration of women and children into their communities.

VOLUNTEER PROGRAMS

The Australian Youth Ambassadors for Development Program (AYAD) aims to strengthen mutual understanding between Australians and the people of the Asia Pacific region and make a positive contribution to development. The program places Australians between 18 and 30 years of age on development projects to exchange skills with local counterparts. Youth Ambassadors bring back to Australia a practical appreciation of the cultures, economies and development needs of the countries in the Asia Pacific region.

The AYAD Program partners with a broad range of organisations in Australia who nominate and support young Australians as Youth Ambassadors. In 2000-01 the AYAD Program will continue to develop partnerships with Australian organisations from the business, education, community and government sectors and plans to place 240 Youth Ambassadors on assignments in developing countries. Funding of \$5 million in 2000-01 will establish AYAD as an ongoing aid program.

Box 15: Youth ambassadors use their healing skills

More than 140 young Australians are now serving as Australian Youth Ambassadors in 18 Countries throughout the Asia Pacific region. Their activities range from operating on patients in the Solomon Islands, providing nutrition advice in Nepal, educating Indonesians on HIV/AIDS and assisting the Cambodian government to write tobacco control policy. Other countries where the Youth Ambassadors are active include Mongolia, Cambodia, Viet Nam, Bangladesh, Kiribati and Tonga.

Sixteen of the youth ambassadors are working in the health sector, many of them with the support of their Australian employers. Australian organisations are embracing the AYAD program, recognising its potential as a professional development initiative for staff that also enables them to establish or enhance existing links with counterpart organisations in the region.

The Australian aid program contributes to a range of existing volunteer programs. Australian Volunteers International, the AESOP Business Volunteers, the Paulian Lay Missionary Society and Interserve are examples of organisations that enable Australian volunteers to work in developing countries. Total expenditure on these volunteer programs in 2000-01 is expected to be \$12.8 million. This represents an increase of \$700,000 in recognition of the important contribution of Australian volunteers.

Emergency and Humanitarian Programs

Australia's contributions to emergency and humanitarian programs in 2000-01 will total \$107.2 million.

Emergency Aid	\$37.0 million
International Committee of the Red Cross (ICRC)	\$1.4 million
United Nations High Commissioner for Refugees (UNHCR)	\$14.3 million
United Nations Relief and Works Association (UNRWA)	\$2.8 million
Other Humanitarian Aid	\$51.7 million
Total Emergency and Humanitarian Programs	\$107.2 million

In partnership with multilateral agencies, recipient governments and NGOs, Australia aims to deliver prompt, effective and coordinated humanitarian and emergency assistance to those exposed to human suffering and material destruction as a result of disasters and emergencies. Emergency and humanitarian aid provides flexibility for the Government to respond to these unexpected and pressing crises, and also to contribute to protracted relief operations.

EMERGENCY ASSISTANCE

Australia stands ready to respond to natural disasters, such as earthquakes, cyclones, and floods. In addition to rapid response to emergencies, this involves reducing vulnerability, promoting solutions to root causes and facilitating the smooth transition from relief to rehabilitation and development. Australia will continue to focus on those most in need, with a particular emphasis on countries in the Asia Pacific region.

The scale and nature of these crises around the world make it impossible for Australia to respond in every case. The ethnic unrest in Solomon Islands and the crisis in East Timor clearly highlight the importance of Australia's assistance in the Asia Pacific region. Indonesia has started to recover from the economic crisis, but a number of humanitarian situations continue to trouble the country.

OTHER HUMANITARIAN AID

Support for refugees, internally displaced people and other vulnerable groups will continue through contributions to the UN system (particularly UNHCR and WFP), the ICRC and NGOs. This will include support for landmine action programs, health services, water supplies, sanitation and resettlement assistance and human rights monitoring. Opportunities for peace-building will also be supported.

The emergency and humanitarian program will fund around 130,000 tonnes of food aid in response to emergency and protracted relief operations. This food aid will assist the most vulnerable communities and will be channeled primarily through the World Food Programme to meet ongoing humanitarian relief activities in countries such as

the Democratic People's Republic of Korea, Cambodia, Indonesia, Bangladesh and Sri Lanka. This humanitarian food aid will assist in meeting approximately half of Australia's obligations under the Food Aid Convention (FAC) for 2000-01.

LANDMINE ACTION

Nearly one third of the world's nations are contaminated to some extent by landmines and unexploded ordnance. The Australian Government takes its role as a party to the Ottawa Treaty very seriously. The humanitarian program supports a wide range of mine action activities as part of the Government's \$100 million pledge for 1996-2005. To date \$77 million has been committed or spent on mine clearance, mine awareness and victim assistance.

Australia's *Destroy a Minefield* initiative aims to bring the Australian community together to help destroy minefields in Cambodia while raising public understanding of the extent of the global landmine crisis. Deminers are now working in two of the most heavily mined provinces of Cambodia. For every \$2 raised by the community, the Government is contributing \$1 from the Princess Diana trust fund, with the potential for the scheme to raise up to \$1.2 million.

Cross Regional Program

DIRECT ASSISTANCE PROGRAM

The Direct Assistance Program (DAP) is a small grants scheme delivered through Australia's overseas network of diplomatic posts. It provides a flexible support mechanism in the form of small grants for development activities. Development activities supported under the program directly assist women, poor and other disadvantaged people and fund small projects ancillary to Australia's development cooperation program. The emphasis is on alleviating basic humanitarian hardships. In 2000-01 \$3.3 million will be provided through the program.

AUSTRALIAN DEVELOPMENT SCHOLARSHIP SCHEME

Every year, the Australian Government sponsors people from developing countries to study in Australia through the Australian Development Scholarship (ADS) scheme. After completing their studies, students return home and use their skills and knowledge to assist with the development of their country. The objective of the scheme is to strengthen human resource capacity in priority sectors of partner countries. The scheme has a particularly important role in strengthening governance in both the public and private sector, consistent with the objectives of country program strategies, through which countries can improve development, economic growth and sustainability.

In 1999-2000 approximately 3,200 students were funded through scholarship activities. It is expected that approximately 1,000 new scholarships will be offered in 2000-01. The type and number of scholarships offered are based on individual country development needs and priorities. Scholarships are made available to both the public and private sectors. Students undertake studies at TAFE, undergraduate and postgraduate levels. The major fields of study are in economics, business and administration, natural sciences, engineering and health and community services.

Communication, Education and Information

OUTREACH ACTIVITIES AND DEVELOPMENT EDUCATION

The Government places a high priority on informing Australians about the overseas aid program and explaining that 'aid works' and makes a difference to the poor. Expenditure on outreach activities and development education for 2000-01 will be \$2.3 million.

The Government will continue to implement its communications strategy, including an active program of community outreach activities. The aid program will deliver an outreach program through its network of State representation, reaching out to regional and rural areas. Activities include organising events and aid seminars, school and university lectures, displays in public areas and stalls at agricultural shows and providing assistance to members of parliament with volunteer certificate ceremonies.

Information about the aid program will also continue to be provided through television programs, radio interviews, newspapers, magazines, *Focus* magazine and other publications. The internet is also an important communication tool for the aid program. AusAID's internet site (<http://www.ausaid.gov.au>) is accessed, on average, 1,500 times per day or around 40,000 times per month. Over 40 per cent of these come from overseas. The site provides useful information on aid and development issues, contracting opportunities and latest developments. AusAID also has a highly acclaimed site (<http://globaled.ausaid.gov.au>) which provides up to date case studies on aid and development for use by schools.

Speeches, press releases and details of AusAID publications may be found on the AusAID Internet site or by contacting the outreach activities unit on (02) 6206 4600.

ACADEMIC AND RESEARCH PROGRAM

The Academic and Research Program aims to ensure that Australia's aid program accesses relevant, well-focused and high quality research. A total of \$1.3 million will be provided in 2000-01. The program identifies and facilitates research into emerging development issues, through open competition between research providers. The three sub components of the program are:

- the AusAID Development Research Program which funds development research that is directly linked to the aid program's requirements
- core funding for the National Centre for Development Studies of the Australian National University. 2000-01 is the last year that core funding will be provided
- subscription to the Asia Pacific Economic Literature journal on behalf of 1,350 targeted recipients in the Asia Pacific region.

INTERNATIONAL SEMINAR SUPPORT SCHEME (ISSS)

The ISSS assists developing country participants to attend international development-orientated seminars in Australia and overseas. Through their participation, ISSS helps to develop knowledge, technical expertise, networks and policies relevant to the reduction of poverty and achievement of sustainable development. Applications for seminar support are assessed on the degree to which they provide tangible and practical development related outcomes. In 2000-01, \$750,000 will be provided to the scheme.

CHAPTER SIX: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH (ACIAR)

The recovery from the East Asian financial crisis and severe droughts of 1997-98 in many Asia Pacific countries has highlighted the critical importance of agriculture, both for supplying dietary needs and as a potential source of income. ACIAR has a unique and important development role on behalf of the Australian Government in promoting collaborative research partnerships that improve agriculture and natural resource management in developing countries. ACIAR's work contributes to more productive and sustainable systems of agriculture, fisheries and forestry, and to improved rural livelihoods.

ACIAR's mandate is to mobilise Australia's research capacity to help solve the agricultural research problems of developing countries. ACIAR's outcome is to develop international agricultural research partnerships that reduce poverty, improve food security and enhance natural resources management in developing countries and Australia.

ACIAR continues to build strong programs of agricultural research with its developing country partners in support of their rural development. These partners have worked hard to maintain their project commitments in the face of the financial crisis in South East Asia, recognising the crucial role of agriculture in sustaining their recovery from the crisis.

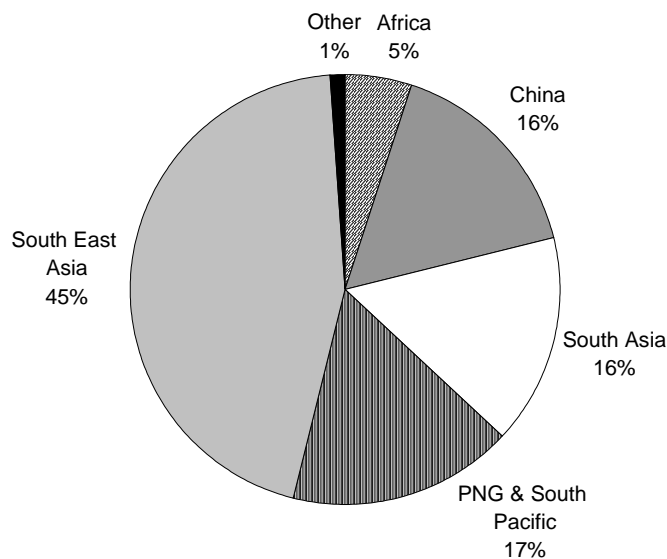
In 2000-01 ACIAR will be supporting more than 150 bilateral research projects in 27 countries, with a primary focus in the Asia Pacific region. Under its multilateral program, ACIAR will support 19 International Agricultural Research Centres (IARCs) through grants that link them to Australia's agricultural research organisations. Approximately three quarters of ACIAR's research and development budget is spent on bilateral programs and one quarter on the multilateral program.

In response to a recent external review, ACIAR is building stronger linkages to other donors through closer collaboration.

The total appropriation for ACIAR in 2000-01 is \$44.7 million.

BILATERAL PROGRAMS

Diagram 15: Estimated bilateral research expenditure by region



ACIAR maintains bilateral programs in agricultural systems economics, agricultural development policy, crop sciences, animal sciences, post-harvest technologies, land and water resources, forestry and fisheries. These programs identify agricultural and natural resource problems of mutual importance to developing countries and Australia, and initiate collaborative research and development projects. Collaboration with partners to apply the results of research through extension and technology transfer is critical.

The major bilateral partners of ACIAR are China, Viet Nam, Indonesia, India, Papua New Guinea, Thailand and the Philippines. The Mekong basin countries are increasingly important to ACIAR's activities, with Viet Nam in particular now a major partner. New partners increase in importance as institution building in countries such as Laos, Cambodia and Nepal takes place. There is a close level of collaboration with AusAID in these initiatives and in the programs in PNG, India and southern Africa.

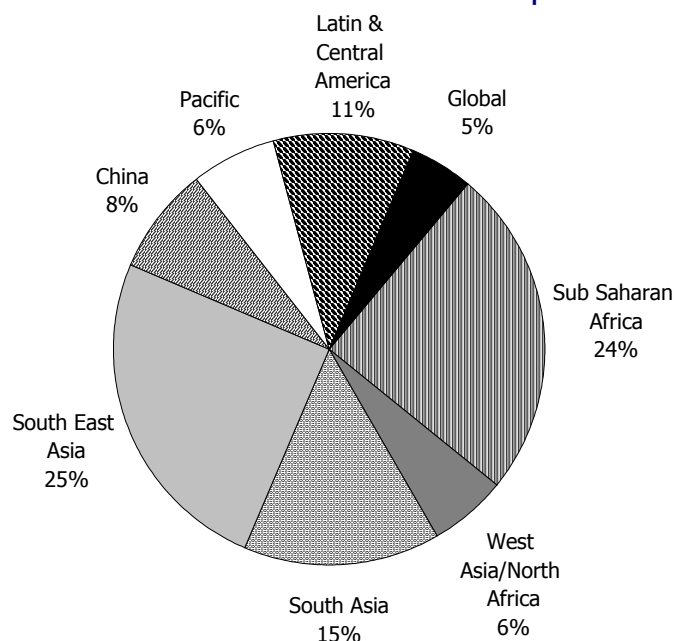
Examples of projects supported under ACIAR's bilateral programs include:

- research in Northern Thailand and Laos to breed and select varieties of rice that tolerate the highly erratic rainfall and variable soil conditions found in these countries
- biological control of the Siam weed, a serious threat to tropical pastures and the environment in Indonesia, PNG and the Philippines

- improvements to water management methods and the performance of irrigation systems for rice in Viet Nam
- increased wheat yields in Northwest China through the adoption of conservation tillage practices and prevention of soil compaction.

MULTILATERAL PROGRAM

Diagram 16: Estimated multilateral research expenditure by region



Through the multilateral program ACIAR provides support for international agricultural research which furthers Australian aid objectives by enhancing rural livelihoods, developing sustainable agriculture and improving natural resource management. Funds are provided to the IARCs for their core programs and also as grants for projects that complement bilateral research and development activities and allow Australian research providers to collaborate with IARCs for mutual benefit. \$9.5 million has been allocated to this multilateral program for 2000-01.

Examples of projects funded under the multilateral program include:

- research on rice to produce grains without pollination, benefiting rice farmers worldwide
- development of more efficient decision making systems for small farmers in semi-arid regions particularly in Africa by modelling crop responses to environmental conditions and agronomic practices.

IMPACT ASSESSMENT

ACIAR conducts impact assessment to provide a systematic basis for establishing research priorities and assessing the impact of research activities in both partner countries and Australia.

FUNDING FOR TRAINING PROGRAMS

ACIAR funds training and development activities to assist the progress and implementation of its research. The John Allwright Fellowship scheme provides fellowships to developing country scientists involved in active ACIAR projects to undertake Masters or PhD training at Australian Universities.

ACIAR supports cross-program training including a range of short courses on topics such as technical writing in English, research proposal preparation, experimental design and statistical evaluation, research and development priority setting, biotechnology and intellectual property management. The Crawford Fund delivers an important component of the non-formal training. In 2000-01, \$610,000 has been allocated to the Crawford Fund.

Box 16: Improving mud crab culture in the Philippines and Australia

The mud crab is a high value fishery species distributed widely throughout the Indo-West Pacific region. Overexploitation and the catching of small crabs, often for stocking into aquaculture systems, have led to major declines in production. This is becoming a serious problem, particularly in South East Asia. From 1992 to 1996 mud crab production in the Philippines declined by 50 per cent from 4,000 tonnes to 2,000 tonnes, a loss in production valued at \$20 million. This has a significant effect on poor coastal communities and represents a major loss of national export income.

Since 1995, ACIAR has been working with research institutes in the Philippines and Australia to increase the supply of hatchery-reared juvenile crabs for stocking into aquaculture ponds, to improve culture practices, and to increase productivity.

Farmers in both Australia and the Philippines are rapidly adopting the results of this research, testimony to an effective extension program. In the Philippines, nine mud crab hatcheries are being developed. Publication of extension and training materials for crab grow-out is underway. ACIAR is now extending the benefits of this research to Viet Nam and Indonesia. Mud crab hatchery technology has also been successfully applied to other crab species to produce new and value added products for the Australian and international seafood markets.

CHAPTER SEVEN: AID ADMINISTRATION AND MANAGEMENT

The Australian Agency for International Development (AusAID) is an autonomous agency within the Foreign Affairs and Trade portfolio. It has prime responsibility for management and administration of the Government's overseas aid program.

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

AusAID has a central office in Canberra and representation in Sydney, Brisbane, Melbourne, Adelaide and Perth. AusAID is also represented at 23 diplomatic missions overseas.

AUSAID OUTPUTS

AusAID's core business is to serve the Government by advising on development issues and delivering Australia's development cooperation program with excellence. AusAID has a single outcome: *Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development*. Two agency 'outputs' contribute to this outcome: *policy* and *program management*. The Government purchases these two outputs from AusAID at an agreed price of \$10.5 million and \$57.4 million respectively in 2000-01.

Policy

AusAID provides advice and analysis to Portfolio Ministers and the Parliamentary Secretary to the Minister for Foreign Affairs on aid policy, program directions and international development issues. The provision of timely, comprehensive and accurate policy advice and analysis enables Ministers to make informed decisions in the national interest.

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

Program Management

The Agency manages Australia's overseas aid program on behalf of the Government. Actual delivery of the aid program is entirely outsourced. AusAID's program management comprises:

- ensuring programs and projects correspond with Government priorities and are determined in partnership with the people and governments of developing countries
- ensuring high quality projects and programs through effective identification and design, regular monitoring, evaluation, establishment of lessons-learned data bases, and accessing technical expertise and external advice as appropriate
- establishing and managing contracts with delivery agents including the private sector, public sector providers, international and regional development organisations and non government organisations.

Indicators of the quality of AusAID's program management output include:

- 75 per cent of activities within the program are rated satisfactory overall or higher
- major programs are carried out in partnership with recipients and other donors
- agreed procedures are in place to ensure management of a high quality program that reflects Government priorities
- feedback on tender information, the number of late gazettals, and the percentage of contracts terminated or subject to serious dispute.

SUPPORTING SERVICES

In order to effectively deliver AusAID's two key outputs - *policy* and *program management* - a wide range of support activities are undertaken and managed within the Agency.

Contract Services

AusAID contracts firms and individuals to deliver activities at all stages of the project management cycle: feasibility, design, implementation, review and evaluation. Following approval by the Minister for Foreign Affairs in early 1999, a number of reforms to AusAID's contractor selection procedures were implemented in 1999-2000. These reforms have improved project quality and selection outcomes.

Enhancements to project quality were also made through the introduction of a new contractor performance reporting system early in 2000. The new system allows

contractor performance information to be considered in the assessment of tenders. The introduction of a new suite of standard services contract and tender documentation will also produce real benefits to contract activity quality. The appointment of a commercial contracts adviser to the Contracts Services Group will enhance efforts to improve the quality of contracted activities, contractor performance and the further development of best practice approaches in contracting.

Quality assurance

In line with the Government's shift to results based management, AusAID adopted an outcomes approach to the planning and management of the aid program, incorporating a greater emphasis on enhancing quality and reporting results against performance targets.

A review of Australia's aid program in 1999 by the Development Assistance Committee (DAC) found that AusAID's strengthened approach to quality assurance placed it in the vanguard of DAC members' aid management practices.

In the year ahead, priority will be given to upgrading systems and guidelines for the collection and reporting of performance information on individual activities across the program. Quality assurance will also be further strengthened through revisions to comprehensive guidelines on management of projects, AusGUIDE. These guidelines are available to AusAID staff, contractors and NGOs involved in the delivery of the aid program, through AusAID's Intranet and external Web page (www.ausaid.gov.au).

Evaluation

Performance information is complemented by evaluations in which the focus is on impact and sustainability of outcomes. In 1999-2000 AusAID's evaluation program included a number of project reviews (health, microfinance, rural development, water supply and sanitation and rural poverty), sectoral analyses (land management, environment and gender) and strategic studies (NGO programs in Viet Nam and Africa and a Pacific regional organisation). In 2000-01 there will be a greater focus on thematic evaluations (institutional strengthening and capacity building, poverty reduction and co-financing). Evaluation and review reports are available through the AusAID Internet site. An improved system of lessons feedback and dissemination from evaluations is under development to help improve the design and implementation of new projects and programs.

Quality Assurance Group

The Quality Assurance Group (QAG) will continue its work to improve the quality of the aid program through reviews of bilateral and regional projects during preparation and implementation. These assessments have confirmed that the key factors for improving quality are the improvement of management systems and strengthening the

approach to monitoring and reporting. In 2000-01 these will be the priority issues for the QAG. This will be supported through assessments of project quality, preparation of guidelines and dissemination of best practice approaches for AusAID staff and other stakeholders.

Improving statistical information

Provision of accurate, comprehensive statistics on the aid program is fundamental to enhancing the quality of the aid program. In 2000-01 the quality of statistical information used in the development of policy advice and ongoing program management will be enhanced through the implementation of a new statistics package, Datamart. This will enable consistent and comprehensive statistical reporting to a range of interested users both within and outside AusAID.

Improving management systems

AusAID's computer based activity management system is designed to collect financial and performance management information to support monitoring, analysis and reporting on all aspects of aid projects. In 1999-2000 links between this system and most of Australia's overseas missions dealing with the aid program were strengthened. The direct entry of performance information by staff working in these missions, particularly from project monitoring reports, has substantially improved program management.

Further program performance will be achieved through the establishment in 2000-01 of a computerised system to support the contracting out of the management of overseas students to tertiary institutions throughout Australia. This new system will improve student placement and support processes as well as monitoring and reporting students' academic performance.

Accountability and risk management

The internal audit program plays an important role in improving the quality of the aid program. The Agency's fourth Fraud Prevention Plan was prepared during the year and endorsed by the Attorney-General's Department as meeting the requirements of the Fraud Control Policy of the Commonwealth. A revised risk management policy will help to improve decision-making and accountability. Audits of commercial contractors and NGOs involved in the delivery of aid will continue. This approach will be broadened through a progressive shift to risk-based auditing of key Agency programs and functions.

Sectoral advice

AusAID has a number of groups established to focus on sectoral priorities. These groups cover health, education and gender, environment, resources and infrastructure, governance and program development. Their role is to ensure the delivery of high quality technical advice and sectoral analysis to support programs. The groups gather, analyse and disseminate sectoral information between country, regional and multilateral programs. A program development group works to develop new ways to incorporate lessons learned into the design of activities.

People management

AusAID maintains a high commitment to enhancing staff effectiveness and satisfaction through the provision of targeted training and development activities.

During 2000-01, AusAID will continue to implement its comprehensive People Management Strategy, designed to ensure AusAID is well placed to attract, recruit and retain the best staff to meet the Government's aid program objectives.

Information and financial management

Program management is supported through effective and efficient financial management systems. These systems are progressively developed to meet the changing needs of Government reporting. They have recently been upgraded to take account of the new requirements for accrual budgeting.

AusAID has completed the development of an Information Technology Management Strategic Plan and is now working through the implementation of the strategies identified.

STATISTICAL ANNEX

Table 2: Australia's ODA 1971-72 to 2000-01

	Current prices (\$m)	Constant 1999-2000 prices (\$m) ¹	Real change over previous year (%)	ODA/GNP ² ratio (%)
1971-72	200.5	1,255.6	4.0	0.49
1972-73	219.2	1,254.0	-0.1	0.47
1973-74	264.9	1,324.3	5.6	0.48
1974-75	334.6	1,406.6	6.2	0.50
1975-76	356.0	1,303.2	-7.4	0.45
1976-77	386.2	1,272.7	-2.3	0.43
1977-78	426.1	1,303.3	2.4	0.44
1978-79	468.4	1,329.9	2.0	0.42
1979-80	508.7	1,301.5	-2.1	0.41
1980-81	568.0	1,317.3	1.2	0.40
1981-82	657.8	1,382.7	5.0	0.40
1982-83	744.6	1,417.4	2.5	0.42
1983-84 ³	931.8	1,659.6	17.1	0.47
1984-85	1,011.4	1,704.4	2.7	0.46
1985-86	1,031.0	1,628.9	-4.4	0.43
1986-87	975.6	1,438.3	-11.7	0.37
1987-88	1,019.6	1,399.1	-2.7	0.34
1988-89 ⁴	1,194.6	1,505.6	7.6	0.35
1989-90	1,173.8	1,396.5	-7.2	0.32
1990-91	1,261.0	1,452.3	4.0	0.33
1991-92	1,330.3	1,504.5	3.6	0.34
1992-93	1,386.1	1,547.0	2.8	0.34
1993-94	1,410.8	1,558.5	0.7	0.33
1994-95	1,483.7	1,613.5	3.5	0.33
1995-96	1,556.5	1,646.1	2.0	0.32
1996-97	1,432.0	1,486.7	-9.7	0.28
1997-98	1,443.1	1,475.0	-0.8	0.27
1998-99	1,528.6	1,550.0	5.1	0.26
1999-2000(est)	1,651.1	1,651.1	6.5	0.27
2000-01(est)	1,599.3	1,557.3	3.7 ⁵	0.25

Diagram 17: DAC Member Countries' ODA/GNP ratios 1998¹²

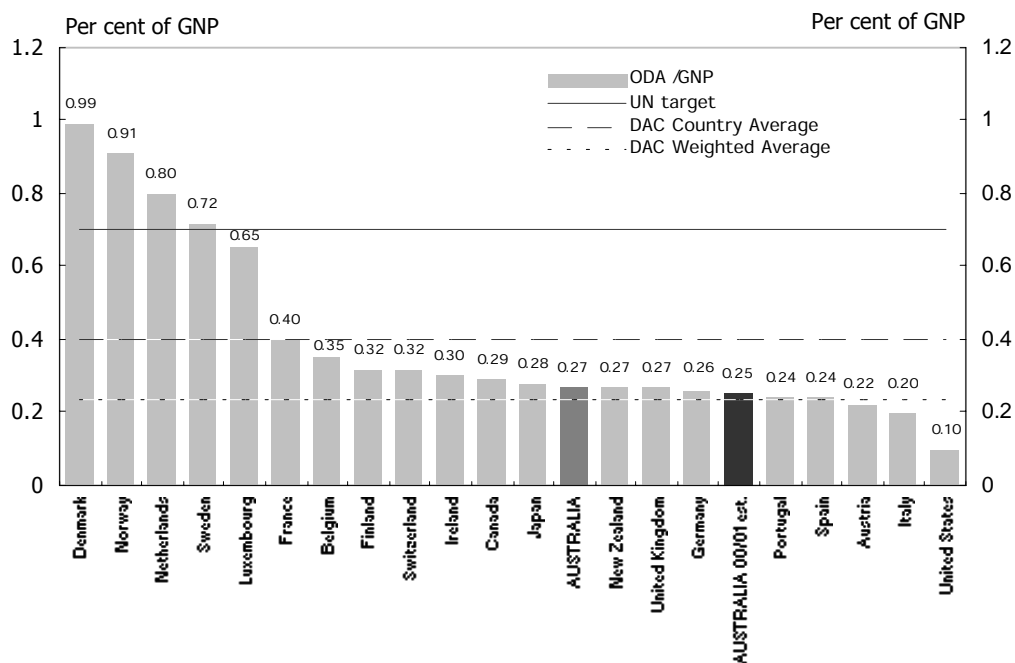
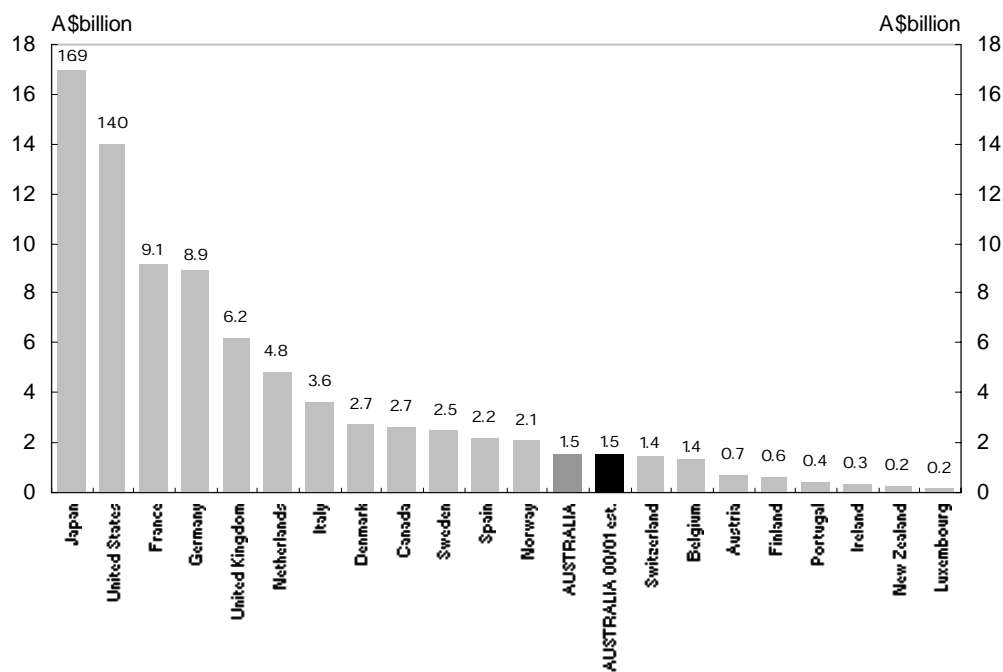


Diagram 18: DAC Member Countries' net ODA 1998¹²



¹² The source for Diagrams 17 and 18 is DAC (1998) - figures are for the 1998 calendar year.

Diagram 19: Total Australian aid by region 2000-01 (% of total aid)

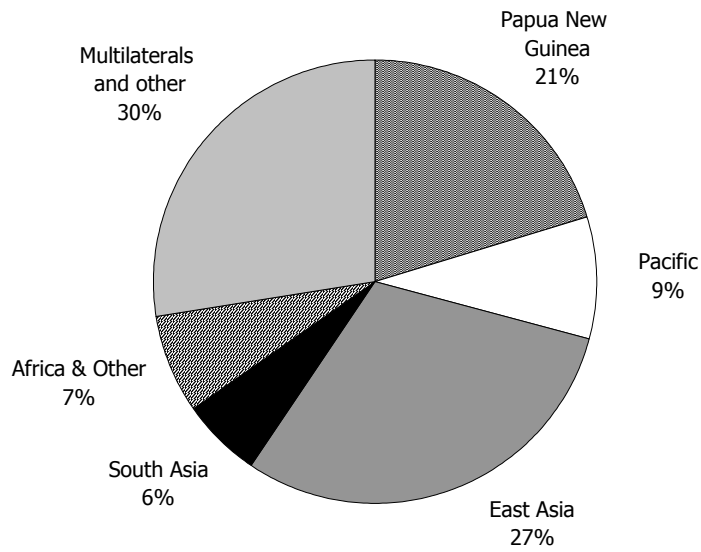
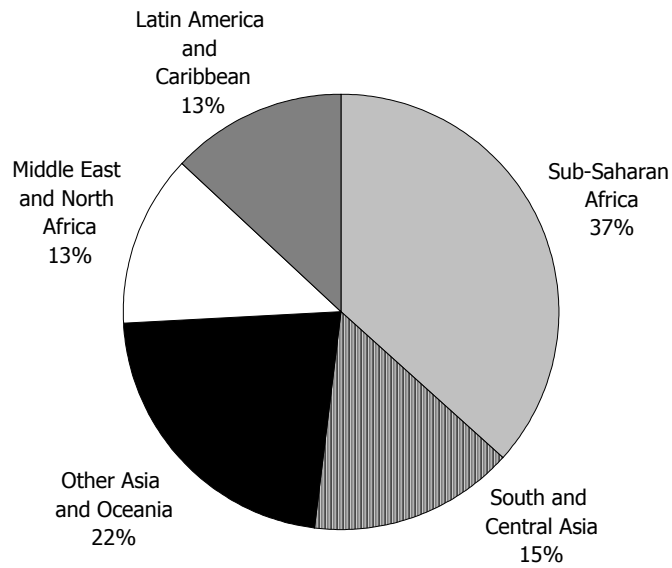


Diagram 20: Total aid by region by all donors 1998 (% of total aid)¹³



¹³ Source: DAC (1998)

**Diagram 21: Trends in total Australian aid by region
(constant 1999-2000 prices)**

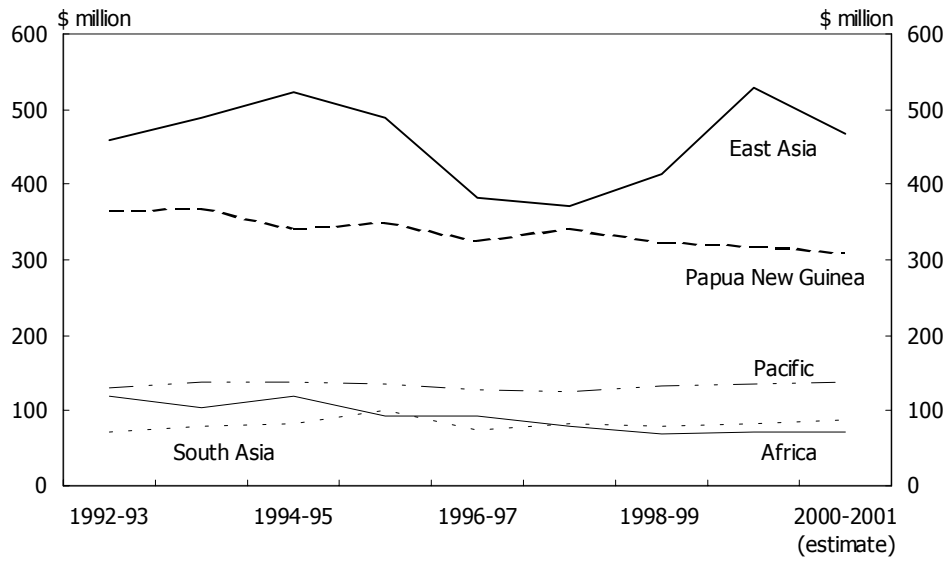


Table 3: Total aid flows to aid recipients not detailed in Table 1

Major Partner Countries / Regions	Expenditure ¹			Estimate	
	Cash			Expenses ²	
	1996-97	1997-98	1998-99	1999-2000 Expected Outcome	2000-01 Budget Estimate
Nauru	3.0	2.9	2.9	3.3	3.4
Tuvalu	2.8	2.3	2.7	3.5	3.6
Micronesia	2.1	2.6	2.1	3.0	3.1
Cook Islands	1.5	1.7	1.5	2.2	2.3
Niue and Tokelau	0.9	0.9	0.8	1.2	1.3
Malaysia	8.6	3.2	2.6	3.4	3.4
Mongolia	2.7	2.5	2.5	3.2	3.3
Burma	2.4	3.2	3.3	4.2	4.5
Afghanistan	4.7	5.4	0.1	0.6	0.9
Maldives	3.2	2.5	2.4	3.5	3.5
Bhutan	0.7	0.5	0.8	0.7	1.0
Sub-Saharan Africa	79.1	63.6	55.1	58.8	60.7
Egypt	12.0	14.3	14.4	13.8	13.4
Total regional /other	66.1	74.2	94.4	109.6	89.6
Countries identified in Table 1	800.5	834.1	878.8	1006.9	971.0
Core contributions to multilateral organisations , other ODA	441.6	429.0	464.2	438.4	440.3
<i>Reconciliation of expenses to cash (1999 -2000 and 2000 -01)³</i>				-5.2	-5.8
Total ODA (cash)	1432.0	1443.1	1528.6	1651.1	1599.3

Expenditure and Allocations

Table 4: Country Programs expenditure and allocations

Country	Expenditure			Estimate	
	Cash			Expenses ¹	
	1996-97	1997-98	1998-99	1999-2000 Expected Outcome	2000-01 Budget Estimate
PAPUA NEW GUINEA	314.4	313.5	314.6	280.4	314.3 ²
PACIFIC					
Fiji	18.1	17.0	16.8	17.1	17.5
Vanuatu	11.5	10.9	11.9	12.1	12.4
Solomon Islands	9.6	9.7	11.2	13.5	14.5
Samoa	10.5	10.3	10.4	10.7	11.0
Tonga	9.5	9.3	9.2	9.4	9.5
Kiribati	4.8	5.6	6.5	6.4	7.1
Nauru	3.0	2.9	2.9	0.2	0.2 ³
Tuvalu	2.7	2.1	2.3	2.5	2.6
Micronesia ⁴	1.8	1.7	1.8	1.8	1.9
Cook Islands	1.5	1.3	1.5	1.4	1.5
Niue and Tokelau	0.8	0.8	0.8	0.9	1.0
Policy and Management Reform	9.0	11.0	12.5	14.1	15.0
Other and Regional	35.1	33.0	33.3	33.0	34.4
Subtotal Pacific	117.9	115.8	121.1	123.0	128.6
EAST ASIA					
Indonesia	88.1	80.4	81.1	90.7	93.5
East Timor	0.0	0.0	4.2	59.3	30.0
Philippines	52.1	51.2	53.4	53.9	55.5
Thailand	19.2	16.5	17.7	17.0	17.0
Viet Nam	53.0	53.0	58.3	58.5	60.1
Cambodia	22.9	24.9	24.0	23.1	23.8
Laos	14.2	13.8	14.0	14.1	14.0
Malaysia	5.4	2.4	0.9	0.2	0.0
Burma	0.8	1.0	0.8	0.8	1.4
China	39.1	36.6	38.0	38.7	39.8
Mongolia	2.6	2.4	2.3	2.6	2.7
Asia Regional and other	25.6	19.1	28.0	38.2	30.8
Subtotal East Asia	322.9	301.4	322.7	397.2	368.6
SOUTH ASIA					
Bangladesh	18.7	20.4	21.2	21.7	22.1
India	16.9	12.9	14.3	14.2	14.5
Sri Lanka	7.0	7.1	6.0	5.9	6.1
Nepal	5.2	4.6	5.7	5.9	6.3
Pakistan	3.3	2.9	2.6	2.4	2.4
Bhutan	0.6	0.4	0.8	0.7	0.9
Maldives	3.2	2.4	2.4	3.2	3.1
Other and Regional	0.0	0.0			
Subtotal South Asia	55.0	50.8	52.9	54.0	55.4
OTHER					
Africa	42.1	33.0	33.3	34.0	35.3
Seychelles Mauritius	3.2	2.6	1.5	0.9	0.5
Palestinian Territories	2.4	1.1	1.4	2.0	2.1
Rest of the World	0.2	1.9			
Subtotal Other	48.0	38.6	36.1	36.9	37.9
CROSS REGIONAL PROGRAMS ⁵	9.5	10.0	10.7	11.0	12.0
TOTAL COUNTRY PROGRAMS	867.6	830.1	858.1	902.5	916.9

Table 5: Global Programs expenditure and allocations

	Expenditure			Estimate	
	Cash			Expenses ¹	
	1996-97	1997-98	1998-99	1999-00	2000-01
EMERGENCY AND HUMANITARIAN PROGRAMS					
Emergency Aid	11.2	35.4	46.9	36.5	37.0 ²
Core Contributions to Agencies					
United Nations High Commissioner for Refugees	13.5	13.5	13.7	13.9	14.3
United Nations Relief and Works Agency	2.7	2.6	2.7	2.8	2.8
International Committee of the Red Cross	0.7	0.7	1.0	1.2	1.4
Other Humanitarian Programs	53.5	52.7	56.6	50.4	51.7
Carryover or additional Emergency or Humanitarian Aid			4.0	0.0	0.0
Subtotal	81.5	105.0	124.8	104.8	107.2
MULTILATERAL DEVELOPMENT BANKS					
Asian Development Fund	75.7	107.8	113.8	0.0	250.0
International Development Association	127.4	121.5	115.5	0.0	0.0
International Fund for Agricultural Development	1.6	1.5	1.5	0.0	10.1
Heavily Indebted Poor Countries Initiative	0.0	0.0	0.0	12.0	11.5
Subtotal	204.7	230.7	230.8	12.0 ³	271.6
OTHER INTERNATIONAL ORGANISATIONS					
United Nations Agencies	74.9	66.8	64.6	59.3	61.8
<i>of which</i>					
<i>World Food Programme</i>	54.0	50.2	41.8	42.5	43.7
<i>Other United Nations Development Agencies</i>	20.9	16.6	22.8	16.7	18.1
Commonwealth Organisations	9.0	9.9	10.2	10.1	10.6
Other International Programs	15.9	23.3	14.2	22.7	11.4
Subtotal	99.8	100.0	89.0	92.0	83.7
NGO AND VOLUNTEER PROGRAMS					
NGO Project Subsidy Schemes	17.6	19.9	22.6	24.5	25.4
Volunteer Programs	11.5	11.1	12.0	12.1	12.8
Australian Youth Ambassadors for Development			2.6	4.6	5.0
Other NGOs	1.0	1.1	0.8	0.8	0.8
Subtotal	30.1	32.1	38.0	42.1	44.1
PUBLIC INFORMATION AND DEVELOPMENT EDUCATION					
Public Information/ Development Education	1.6	1.2	1.3	1.8	2.3
Subtotal	1.6	1.2	1.3	1.8	2.3
DEVELOPMENT RESEARCH AND SEMINAR SUPPORT					
Development Research	1.5	0.7	0.7	1.3	1.3
Seminar Support	0.5	0.7	0.7	0.7	0.8
Subtotal	2.0	1.4	1.4	2.0	2.1
COMMERCIAL PROGRAMS					
Commercial programs	11.6	0.0	0.0	0.0	0.0
Subtotal	11.6	0.0	0.0	0.0	0.0
TOTAL GLOBAL PROGRAMS	431.3	470.5	485.3	254.7	510.9

Table 6: Total ODA by subprograms

	Expenditure			Estimate	
	Cash			Expenses ¹	
	1996-97	1997-98	1998-99	1999-2000	2000-01
Country Programs	867.6	830.1	858.1	902.5	916.9
Global Programs	431.3	470.5	485.3	254.7	510.9
Depreciation				0.9	0.9
Departmental items ²	52.8	58.2	64.0	65.2	67.1
ACIAR ³	40.4	39.8	43.5	43.3	44.7
Other ODA ⁴	39.9	44.6	77.7	127.3	76.3
Accrual adjustments ⁵					
<i>Cash paid to multiyear liabilities</i>				274.0	248.5
<i>Expenses of new multiyear liabilities</i>				-11.6	-260.1
<i>Other accrual adjustments</i>				-5.2	-5.8
TOTAL ODA(cash in all years)	1,432.0	1,443.1	1,528.6	1,651.1	1,599.3

Table 7: Official aid through Australian and non-Australian NGOs

	Expenditure ¹		Estimate	
	Cash		Expenses	
	1997-98	1998-99	1999-00	2000-01
AUSTRALIAN NGOS				
NGO projects funded from country programs	21.2	14.0	12.8	13.4
Emergency Relief and Refugees	26.8	23.0	17.0	17.0
Development Project Subsidies	19.4	22.1	24.9	25.2
Volunteer Programs	11.3	14.5	16.7	17.0
ACFOA and Other	1.5	1.4	0.8	0.8
Global Education	0.3	0.3	0.3	0.3
Direct Assistance Program (DAP)	0.0	0.0	0.0	0.0
Regional Programs Australian NGOs ²	0.0	9.4	9.4	9.4
Subtotal Australian NGOs	80.5	84.7	81.9	83.1
NON-AUSTRALIAN NGOs				
Indigenous/International NGOs funded from Country programs	15.1	13.0	22.9	21.5
Direct Assistance Program (DAP)	1.4	1.0	3.0	3.0
Emergency Relief and Refugees	4.0	3.8	2.0	2.0
Women in Development (WID) Small Grants Scheme ³	0.0	0.0	0.3	0.0
Human Rights and Cross Regional	0.2	0.2	0.0	0.0
Regional Programs non Australian NGOs ²	0.0	1.5	1.5	1.5
Subtotal Non-Australian NGOs	20.7	19.5	29.7	28.0
Total Official Aid Through NGOs	101.2	104.2	111.6	111.1

Table 8: Developing country students supported by the aid program¹⁴

Country	Male	Female	Total
PAPUA NEW GUINEA	226	143	369
PACIFIC			
Cook Islands	5	4	9
Federated States of Micronesia	9	4	13
Fiji	63	69	132
French Polynesia	7	7	14
Kiribati	15	9	24
Nauru	1	1	2
New Caledonia	6	12	18
Niue	1	0	1
Palau	2	2	4
Samoa	14	20	34
Solomon Islands	19	13	32
Tokelau Islands	1	0	1
Tonga	12	13	25
Tuvalu	7	2	9
Vanuatu	8	9	17
Subtotal Pacific	170	165	335
EAST ASIA			
Burma	1	0	1
Cambodia	25	3	28
China	42	35	77
Indonesia	383	364	747
Laos	68	60	128
Mongolia	6	3	9
Philippines	117	135	252
Thailand	54	70	124
Viet Nam	293	215	508
Subtotal East Asia	989	885	1874
SOUTH ASIA			
Bangladesh	52	45	97
Bhutan	17	6	23
India	37	21	58
Maldives	14	21	35
Nepal	30	23	53
Pakistan	9	11	20
Sri Lanka	12	11	23
Subtotal South Asia	171	138	309
AFRICA & OTHER			
Africa	76	73	149
Other	10	12	22
Subtotal Africa & Other	86	85	171
Total	1,642	1,416	3,058

¹⁴ Students in Australia, by country as at 15 March 2000

Sectoral Focus of the Aid Program

Table 9: Estimated total ODA by sector 2000-01 (\$ million)

	Expenditure			Estimate ¹	
	1996-97	1997-98 ²	1998-99	1999-00	2000-01
SOCIAL INFRASTRUCTURE & SERVICES					
Education	232.3	225.9	239.3	259.2	256.5
Health	58.5	64.3	82.1	115.3	112.7
Population Policies & Reproductive Health	34.1	36.9	32.4	36.2	34.7
Water Supply & Sanitation	43.9	34.9	31.6	39.0	35.8
Government & Civil Society	60.7	73.7	135.4	151.4	150.6
Other Social Infrastructure & Services	49.4	55.4	49.1	55.2	56.0
Total Social Infrastructure & Services	478.9	491.1	569.9	656.2	646.3
ECONOMIC INFRASTRUCTURE & SERVICES					
Transport & Storage	63.3	83.1	85.2	89.5	87.3
Communications	8.7	4.4	5.0	4.5	4.8
Energy Generation & Supply	51.8	13.2	5.6	9.5	10.6
Banking & Financial Services	2.4	2.5	3.8	5.5	5.3
Business & Other Services	8.2	4.5	6.0	4.0	5.2
Total Economic Infrastructure & Services	134.4	107.7	105.6	113.0	113.2
PRODUCTION SECTORS					
Agriculture, Forestry & Fishing	86.6	83.0	100.1	79.0	75.8
Industry, Mining & Construction	8.1	6.9	3.9	2.6	3.3
Trade & Tourism	5.1	7.4	7.6	8.8	8.5
Total Production Sectors	99.8	97.3	111.6	90.4	87.6
MULTISECTOR/ CROSS-CUTTING ³	312.4	356.2	337.2	344.1	355.2
COMMODITY AID & GENERAL ASSISTANCE PROGRAM					
EMERGENCY ASSISTANCE	62.5	81.6	101.6	102.5	105.3
ADMINISTRATIVE COSTS OF DONORS	67.5	72.1	81.5	85.6	79.7
SUPPORT TO NGOS	0.6	0.5	0.5	0.5	0.5
UNALLOCATED/UNSPECIFIED	2.3	2.1	2.8	1.6	1.7
ACTION RELATING TO DEBT ⁴				12.0	11.5
OTHER GOVERNMENT DEPARTMENTS ODA					
Action relating to debt ⁵	12.0	14.3	12.8	13.7	13.3
Other	35.6	40.2	71.9	121.3	71.8
<i>Total Other Gov. Departments' ODA</i>	<i>47.5</i>	<i>54.5</i>	<i>84.7</i>	<i>135.0</i>	<i>85.1</i>
TOTAL ODA BY SECTOR	1432.0	1443.1	1528.6	1651.1	1599.3

Diagram 22: Changes in sectoral expenditure 1977-78 and 1997-98: Australia

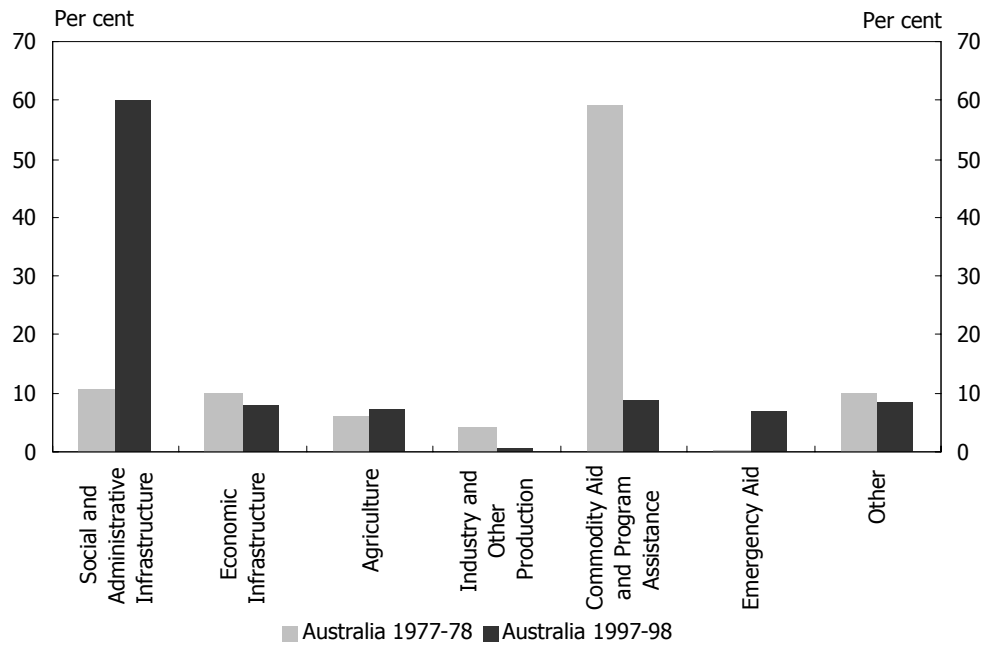
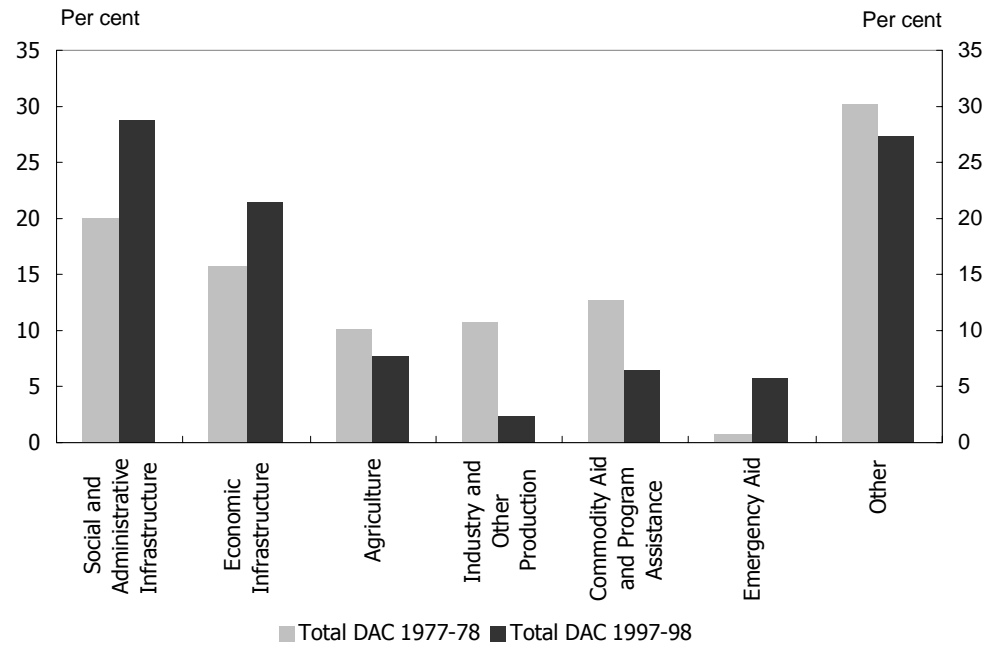


Diagram 23: Changes in sectoral expenditure 1977-78 and 1997-98: all donors¹⁵



¹⁵ Source: DAC (1998)

Technical Notes

DIFFERENCE BETWEEN ACCRUAL EXPENSES AND CASH PAYMENTS

Presentation

In this Statement all figures prior to 1999-2000 are in cash terms (the amount of cash paid out in a particular year). The government moved to an accrual budgeting framework in 1999-2000. Subsequently budget allocations (Tables 4 and 5) are presented in terms of accrual expenses (an expense recorded when the liability is incurred, rather than when cash is paid). The full value of multi-year liabilities, such as annual payments to the World Bank or the Asian Development Fund, is recorded as an expense at the time of commitment—not when the cash payments are made. This accounting treatment is used in AusAID's financial statements, available in the Foreign Affairs and Trade Portfolio Budget Statement and on the Internet at <http://www.dfat.gov.au/dept/budget>.

Total aid flow estimates for 1999-2000 onwards (Table 1) are adjusted from pure expenses by including the cash paid out to multi-year commitments, rather than the amount of new commitments. This is to give a more accurate picture of annual aid flows.

Estimates of sectoral expenditure are in cash terms throughout the Statement. Total ODA continues to be measured in terms of cash. A number of tables in this Budget statement include an 'accrual adjustment' figure prior to calculating ODA. This figure includes adjustments for depreciation, investment, and expected net change in liabilities to creditors. Table 6 also makes explicit the adjustments required to multiyear liabilities, such as the multilateral development banks, to convert expenses to cash.

Conversion

Apart from those individual aid allocations affected by multiyear liabilities, the difference between cash and expenses is quite small. The differences can be summarised as follows:

- most **country program** expense allocations are around 0.4 per cent higher under accruals than cash (this reflects an estimated increase in unpaid creditors through the year).
- The PNG expense allocation for 2000-01 differs significantly from the 1999-2000 allocation because PNG budget support (\$35.5 million in 1999-2000) was not recorded as an expense (the full value of the aid program's budget support for

PNG was recorded as an expense at the time of its commitment). The final budget support payment from the aid program was made in 1999-2000. From 2000-01 all aid funding will be provided as jointly programmed (expense) activities.

- the total **Pacific** expense allocation is less than cash due to the Nauru Settlement Treaty (\$2.8 million) not being counted as an expense in 2000-01 (the full value of the Nauru Settlement was recorded as an expense in 1993-94). In Table 1 the \$2.8 million for the Nauru Settlement expense is included with the flows to Nauru to give a more comprehensive picture of Australia's contribution to the country in 2000-01.
- the **multilateral development banks** estimated expense allocation (Table 5) is \$271.6 million as Australia expects to enter into new multi-year contribution agreements with the Asian Development Fund and the International Fund for Agricultural Development and contributions to the World Bank's Heavily Indebted Poor Countries Initiative. Figures in Chapter 5 reflect the ongoing cash contributions Australia is making to these international institutions to give a more accurate picture of the aid flows going to these organisations within the budget year.
- the **international environment programs** expense allocation is zero because no new agreements to the Montreal Protocol Multilateral Fund (MPMF) or to the Global Environment Facility (GEF) are expected to be signed in 2000-01. Cash payments to the MPMF and GEF are factored into total flows shown in Table 1. Figures in Chapter 5 reflect the ongoing cash contributions Australia is making to these organisations.
- other **global program** expense allocations are identical to cash.
- **depreciation** of administered assets (\$0.9 million) is funded as a separate line.

Methodology of AusAID estimates

This Budget statement contains two sorts of figures for 1999-2000 and 2000-01 – *allocations* and *estimates*.

Tables 4 and 5 reflect the decisions taken by the Minister for Foreign Affairs at budget time to *allocate* expenses to various programs for 2000-01. These allocations are used by AusAID to manage the aid program and include items such as individual country programs, the emergency program, and the AusAID/NGO Cooperation Program (ANCP).

Other tables are based on *estimates*. These are published due to the interest associated in figures such as total aid going to any individual country (not just the country program), or the amount spent in any particular sector (such as education, governance or health). In estimating future expenditure or expenses, these figures are less reliable than allocations.

Estimated total aid flows

In estimating total aid flows, AusAID begins with budget allocations for particular countries (specific country program allocations). To these are added estimates of expenditure from 'regional' and 'global' programs that do not have country allocations specified at budget time. Such estimates reflect previous expenditure patterns, and are subject to change throughout the year. For example, funding from the humanitarian allocation is notionally distributed for 2000-01 to different countries in the same proportions as expected for 1999-2000 expenditure. Funding from the emergency allocation has been notionally distributed on the basis of an average of geographical distributions over the past four years (assistance to Indonesia and East Timor from the humanitarian and emergency allocations has been separately estimated, based on the latest assessment of probable needs). Other programs that are notionally allocated to countries in similar ways – a combination of past year distributions and latest estimates – include the ANCP, subsidies to volunteer organisations and regional programs such as the Asia Recovery and Reform Fund and the South East Asian Regional Program. Estimated total aid flows also include ODA expenditure by other Government departments. For example in 1999-2000 the Australian Government, through the Department of Immigration and Multicultural Affairs, provided \$27.5 million for Kosovar evacuees in Australia, which is classified as ODA.

Estimated sectoral expenditure

While the sectors identified by the Government in *Better Aid for a Better Future* are high priorities for the Australian aid program, centralised allocations are generally not made for expenditure on a particular sector. Programming decisions are made on the

basis of individual country strategies that are developed in consultation with partner governments, addressing their priority needs.

Expenditure in any particular sector is thus the result of numerous programming decisions, made in accordance with Government policy but not determined at budget time. Estimates published in this Budget statement are qualified and are subject to programming decisions throughout the year.

Sectoral expenditure estimates are reflective of past trends in expenditure recorded in AusAID's Activity Management System (AMS) for 1998-99 and 1999-2000. The AMS tracks planned and actual expenditure on individual projects. Each project is allocated sector codes, in accordance with DAC guidelines, which reflect the primary focus of the project, as well as attributing secondary codes to track indirect expenditure. The 1999-2000 expenditure was extracted from the AMS in February, including planned expenditure to the end of the year, and was adjusted by formulae to account for over-programming. To this was added estimates for sectoral flows from multilateral organisations, based on these organisations' reports. Further information relating to the value of imputed flows from multilateral organisations can be obtained from the Statistical Services Section of AusAID (ph. +61 2 6206 4000).

Expenditure on the cross-cutting issues of environment and gender overlaps with expenditure on other sectors and should not be compared on the same basis.

Other estimates

Other figures estimated (rather than allocated) by methods similar to those outlined above include total flows through NGOs (which includes desk estimates of expenditure on NGOs funded through country programs) and progress against the food security pledge.

NOTES TO TABLES

Table 2

- ¹ Based on GDP(E) Implicit Price Deflators provided by the ABS.
- ² This column compares ODA to GNI, not GNP, but the two measures are very similar. In late 1998, the Australian Bureau of Statistics changed its method of calculating GNI resulting in all historical measures of GNI, GNP and GDP being revised upwards and, consequently, ODA/GNP ratios revised downwards.
- ³ Australian Government contributions towards costs of educating private students from developing countries in Australian tertiary and secondary educational institutions were included in ODA for the first time in 1983-84.
- ⁴ In 1988-89 there was a one-off bringing forward of multilateral development bank payments, increasing 1988-89 but decreasing 1989-90 ODA expenditure.
- ⁵ This represents a real per cent increase over the 1999-2000 estimated Budget Figure of \$1502.1 million as detailed in Table 1.

Table 3

- ¹ Pacific Policy and Management Reform Program funding is included in the total aid flows to individual Pacific island countries.
- ² These columns show expenses plus cash from capital injections and special appropriations, minus new commitments to multiyear liabilities such as the World Bank. It is not strictly comparable to cash figures, but the difference is less than 0.5 per cent.
- ³ See Technical Notes for an explanation of the relationship between expenses and cash.

Table 4

- ¹ See Technical Notes for an explanation of the relationship between expenses and cash.
- ² The PNG expense allocation for 2000-01 differs significantly from the 1999-2000 allocation because PNG budget support (\$35.5 million in 1999-2000) was not recorded as an expense (the full value of the aid program's budget support for PNG was recorded as an expense at the time of its commitment). The final budget support payment from the aid program was made in 1999-2000. From 2000-01 all aid funding will be provided as jointly programmed (expense) activities.

- ³ The Nauru Settlement (\$2.8 million) is not counted as an expense in 2000-01. The full value of the Nauru Settlement was recorded as an expense in 1993-94.
- ⁴ For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.
- ⁵ Funding for ADCOS scholarships is included in country program allocations rather than Cross Regional Programs.

Table 5

- ¹ See Technical Notes for an explanation of the relationship between expenses and cash.
- ² In 2000-01, the \$500,000 allocation for the South Pacific Geoscience Commission – Disaster Management Unit is transferred to Pacific Regional from the Emergency Aid allocation.
- ³ Only new commitments to the Asian Development Fund, IFAD and HIPC are recorded as expenses. See Chapter 5 for details of 2000-01 cash contributions to these organisations.
- ⁴ Other international programs include the Global Environment Facility, MPMF, and international health programs. See Chapter 5 for details of 2000-01 cash contributions to these organisations.
- ⁵ Australian Youth Ambassadors for Development was originally funded in 1998-99 by the Government for a period of two years. Ongoing funding will be provided from within existing resources.

Table 6

- ¹ See Technical Notes for an explanation of the relationship between expenses and cash.
- ² Departmental ODA expenditure does not include receipts under Section 31 of the FMA Act, interest earned on bank deposits, and departmental carryover.
- ³ ACIAR's figure equals their total appropriation. ACIAR's full financial statements are available in the Foreign Affairs and Trade Portfolio Budget Statement at <http://www.dfat.gov.au/dept/budget>.
- ⁴ Other ODA includes ODA eligible activities by State Governments and Commonwealth Agencies other than AusAID and ACIAR. Included, for example, are capital contributions to multilateral development banks, funded by Treasury appropriations, or assistance to East Timor provided by the Australian Federal

Police Service. Minor adjustments are made for AusAID revenue items and fringe benefits tax, and other non-ODA eligible expenditure.

- ⁵ Refer to the explanation of multiyear liabilities in the Technical Notes. 'Other accrual adjustments' factors out the net increase in aid program creditors and depreciation, and adds back in the cash used for purchasing assets.

Table 7

- ¹ Expenditure for 1997-98 and 1998-99 corresponds to figures published in NGO annual reports.
- ² Regional Programs are a sub-set of Country Programs first separated in 1998-99.
- ³ WID was a program with a specific funding allocation that is now being finalised.

Table 9

- ¹ Figures are estimates only, current as at February 2000, and are qualified, subject to final programming decisions. Figures include adjustments for over programming and sectors not yet specified.
- ² Series break between 1996-97 data and 1997-98 data due to activity recoding undertaken in 1998.
- ³ Does not include non-ODA eligible aid expenditure. Figures have been adjusted for over programming and sectors not yet specified.
- ⁴ Contribution to the Heavily Indebted Poor Countries Initiative.
- ⁵ Treasury contributions to Egypt debt relief.

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Diagram 18

- ¹ Australian 2000-01 estimate shown in 1998-99 constant prices (deflated).

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