

**AUSTRALIA'S OVERSEAS
AID PROGRAM
2001-02**

STATEMENT BY
THE HONOURABLE ALEXANDER DOWNER MP
MINISTER FOR FOREIGN AFFAIRS
22 MAY 2001

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ABBREVIATIONS AND ACRONYMS

AADCP	ASEAN-Australia Development Cooperation Program
ACIAR	Australian Centre for International Agricultural Research
ADF	Asian Development Fund
ADS	Australian Development Scholarships
AMB	Activity Monitoring Brief
AMS	Activity Management System
ANCP	AusAID/NGO Cooperation Program
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
AusAID	Australian Agency for International Development
AVI	Australian Volunteers International
AYAD	Australian Youth Ambassadors for Development
CEP	Capital Aid Fund for Employment of the Poor (Vietnam)
CHOGM	Commonwealth Heads of Government Meeting
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Assistance Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAEA	International Atomic Energy Agency
ICRC	International Committee of the Red Cross
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
ITTO	International Tropical Timber Organisation
MDB	Multilateral Development Bank
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
PMR	Policy and Management Reform program
PNG	Papua New Guinea
QAG	Quality Assurance Group
STD	Sexually Transmitted Disease
TAFE	Technical and Further Education
TB	Tuberculosis
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
USP	University of the South Pacific
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

FOREWORD

The aid program advances Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development.

With its focus on the countries of the Asia-Pacific region, the aid program is an integral part of Australia's engagement in the region and a practical demonstration of our commitment to helping build regional stability and prosperity.

The aid program is also an expression of the conviction of the Australian people that it is right for Australia to help the millions of people, especially among our neighbours, whose lives are afflicted by extreme poverty.

The Australian Government will provide \$1.725 billion in Official Development Assistance (ODA) in 2001-02. This represents an increase of \$125 million over the 2000-01 budget figure, and an increase of more than 6 per cent in real terms. Australia's ODA/GNP ratio for 2001-02 is estimated to be 0.25 per cent, well above the latest (2000) donor average of 0.22 per cent.

ODA represents only one part of the Australian Government's overall assistance to developing countries. The total effort is better reflected by ODA plus other official flows to developing countries which are reported by Australia to the Development Assistance Committee of the OECD, but which do not meet the narrow ODA criteria. The Government also provides generous tax deductions for contributions from the Australian people to non-government organisations providing overseas aid. When these other official flows and deductions are taken into account, Australia's total Government assistance to developing countries stands at around \$2.75 billion, or 0.40 per cent of GNP.

PARTNERSHIP IN THE ASIA-PACIFIC REGION

Four years on from the initial shock of the East Asian financial crisis, its reverberations are still being felt throughout the region. While there has been a return to economic growth across the Asian countries, the recovery is fragile and uneven. Major political and social changes present opportunities, including for more open, democratic and accountable government, but also pose risks to stability as countries grapple with rapid change. National and regional security are increasingly challenged by non-military threats, such as transboundary criminal activities, communicable diseases and adverse environmental impacts. And as we have seen again in recent years—in East Timor, Solomon Islands, Fiji, parts of Indonesia and elsewhere—conflict devastates people's lives, undermines development gains, and has long-term effects on economic growth prospects.

As a strong and stable member of the region, Australia is committed to working with our partners in Asia and the South Pacific to achieve a secure and prosperous future

for us all. The aid program will continue to have a vital role in taking forward the Government's overall approach in the region.

The program will continue to help partner countries implement the range of reforms necessary for sustainable economic growth, including trade related assistance to enhance their capacity to participate effectively in the global and regional economies. The strong and increasing emphasis on good governance will help develop the political, economic and social conditions essential for sustainable development and enhanced stability. The aid program will continue to work with regional countries to find regional solutions to transboundary problems. The aid program will also continue to be an indispensable tool for Australia to help address both the underlying causes and the consequences of conflict in the region.

In 2001-02, the major features of the aid budget aimed at promoting regional peace, stability and economic development include:

- further strengthening of our commitment to the South Pacific, including through:
 - an increase to \$20 million for the Policy and Management Reform program, which will encourage economic and public sector reform, and support programs which promote peace and nation building
 - well-targeted assistance to support Fiji's return to constitutional and democratic rule and to help consolidate the peace process in Solomon Islands, as well as strengthen governance and responsible economic management
- continued substantial support for our major bilateral aid partner, Papua New Guinea (PNG), to meet its development challenges, help sustain the momentum for reform, and help consolidate peace and development for Bougainville. The PNG Incentive Fund will increase to \$20 million to support good performance in policy and program management
- total flows of \$121.5 million to Indonesia will be maintained, a very tangible demonstration of Australia's strong commitment to Indonesia's future as a democratic, prospering and stable state
- in the second year of Australia's four year \$150 million pledge for East Timor, Australia will continue to focus in particular on building East Timorese capacity to govern after the transition to independence
- a \$10 million South-East Asia regional initiative to help combat the scourge of people trafficking

- ongoing funding totalling \$5 million to 2004 for the Centre for Democratic Institutions to continue its work to promote democracy and human rights in the Asia-Pacific region
- an increase to \$1.6 million for the Human Rights Fund, including strong continuing support for the Asia-Pacific Forum of National Human Rights Institutions.

MEETING GLOBAL CHALLENGES

Globalisation will continue to provide opportunities for those developing countries that have an open approach to development, effective governance and efficient markets. With the right policy and regulatory environment, the revolution in information and communication technologies holds enormous potential to offer significant development gains. Australia will continue to work with developing countries, including through the aid program, to meet these globalisation challenges.

HIV/AIDS is one of the greatest tragedies and challenges facing developing nations today, and increasingly so in the Asia-Pacific region. The spread of the disease can devastate a nation's productive resources, cut a swathe through whole generations, and dramatically reduce economic and social development. It will continue to demand a concerted and sustained response from the international community.

Natural disasters and conflicts will continue to cause immense human suffering across the globe. As we have demonstrated over the last year in response to the earthquake in India, floods in the Mekong region, drought in the Horn of Africa, and violence in the Middle East, Australia will continue to provide flexible and responsive emergency and humanitarian assistance to ease the suffering caused by these crises.

Some of the features for the 2001-02 budget are:

- a study to examine the opportunities presented by information and communication technologies to improve education and access to knowledge in developing countries
- implementation of the \$200 million Global HIV/AIDS initiative, with a focus on securing strong international political leadership and commitment to action at all levels. I will host a regional ministerial meeting, *A lengthening shadow—HIV/AIDS in the Asia-Pacific*, at the time of the 6th International Congress on AIDS in Asia and the Pacific in October 2001
- a commitment to Rotary International, in partnership with the World Health Organisation, UNICEF and the US Center for Disease Control, to eradicate polio from the world by 2005. This commitment will match Australian corporate private sector donations dollar for dollar up to \$10 million over 2001-05.

- our contribution to the International Committee of the Red Cross (ICRC) and its activities (such as support for its emergency programs) makes Australia a member of the ICRC's Donor Support Group, increasing our capacity to influence its directions.

SUPPORTING OUR VOLUNTEERS

Volunteers come from all walks of life, but share one thing in common - a desire to improve the world we live in.

The Australian Government recognises the valuable contribution that thousands of volunteers make, and aims to facilitate and promote the work of volunteers at home and abroad.

Volunteers build strong links with local communities and are an excellent vehicle for promoting development. By sharing their skills and building partnerships with local communities, Australian volunteers help to strengthen our ties with developing countries in the Asia-Pacific region.

To celebrate and recognise the outstanding contributions of Australian volunteers in 2001, the International Year of Volunteers, the Government is pledging \$60 million for volunteer activities over the next three years.

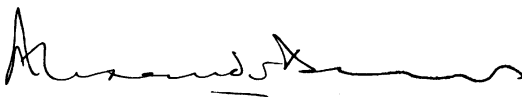
This pledge will build on our commitment to the Australian Youth Ambassadors for Development Program, and other volunteer organisations, including Australian Volunteers International (AVI) and AESOP Business Volunteers.

CONCLUSION

The 2001-02 aid budget continues this Government's commitment to working with our developing country partners and other members of the international donor community to help reduce poverty and achieve sustainable development.

The aid program will remain a strong feature of Australia's active and constructive engagement particularly in the Asia-Pacific region, drawing on the strength of our economy and the depth of relevant expertise in the Australian public and private sectors, and the broader Australian community.

By investing in development, we are investing in our own future.



Alexander Downer

Table 1: Total flows to partner countries (\$m)

Major Partner Countries / Regions	Outcome			Estimate		
	Cash		Expenses ¹	Expenses ¹		
	1997-98	1998-99	1999-00 ²	2000-01 ³	2001-02	2001-02
				Budget Figure	Expected Outcome	Budget Estimate
PAPUA NEW GUINEA	339.7	321.7	321.5	323.7	344.5 ⁴	342.9 ⁴
PACIFIC						
Fiji	19.3	18.8	19.9	22.3	18.2	* ⁵
Vanuatu	13.7	14.9	17.9	18.1	19.2	19.5
Solomon Islands	11.0	13.2	19.4	19.7	24.4	* ⁶
Samoa	12.8	12.3	14.3	14.5	14.7	15.1
Tonga	10.1	10.1	10.8	11.7	11.7	11.8
Kiribati	7.1	8.5	8.8	9.7	10.1	10.7
Other and Regional	51.1	49.8	44.1	48.7	49.9	52.4
Total Pacific	125.1	127.6	135.2	144.9	148.3	164.6
<i>of which, Policy and Management Reform⁷</i>	<i>11.0</i>	<i>12.5</i>	<i>14.1</i>	<i>15.0</i>	15.0	20.0
EAST ASIA						
Indonesia	97.1	121.2	121.4	120.5	120.8	121.5
East Timor						
<i>Aid program total flows</i>		26.0	70.4	40.0	40.4	40.4
<i>Other Government Department flows</i>			95.2	25.0	93.4	81.4
Viet Nam	64.9	67.8	77.2	73.2	73.1	73.3
Philippines	55.4	57.7	58.9	63.1	63.2	63.5
China	52.0	52.5	56.5	57.5	57.4	56.0
Cambodia	34.1	35.5	37.0	37.9	37.9	38.5
Thailand	20.9	21.9	26.1	24.6	24.8	25.0
Lao PDR	17.2	17.1	19.3	20.4	18.7	18.8
Other & Regional	27.6	37.6	33.7	25.4	32.0	33.0
Total East Asia	369.2	437.4	595.6	487.6	561.9	551.6
SOUTH ASIA						
Bangladesh	33.7	32.3	31.8	37.4	37.8	37.0
India	16.6	18.6	20.2	19.3	20.1	20.5
Sri Lanka	12.8	10.4	12.7	11.2	10.8	11.0
Nepal	6.7	6.6	7.7	7.7	7.9	7.9
Pakistan	3.7	3.2	3.5	4.4	4.4	4.5
Other & Regional	8.6	3.3	4.7	10.3	10.5	11.2
Total South Asia	82.1	74.5	80.5	90.4	91.5	92.0
AFRICA & OTHER						
Africa	78.0	69.5	74.8	74.0	75.1	76.0
Middle East	5.3	8.3	8.8	8.8	9.8	9.9
Other	14.7	25.3	69.8	35.4	46.6	44.8
Total Africa & Other	98.0	103.1	153.5	118.3	131.5	130.7
<i>Reconciliation to ODA</i>						
Core contributions to multilateral organisations, other ODA	429.0	464.2	473.6	440.3	448.5	453.7
Other Adjustments			-11.2	-5.8	-20.9 ⁸	-10.5
Total ODA (cash)	1443.1	1528.6	1748.7	1599.3	1705.2	1725.0
ODA at constant 2000-01 prices	1508.9	1597.0	1795.9	1599.3	1705.2	1701.1
Real change over previous year (%)	-0.4	5.8	12.5		10.5 ⁹	6.4 ¹⁰
ODA/GNP Ratio (%) ¹¹	0.27	0.26	0.28	0.25	0.26	0.25
Other Australian Flows (estimate) ¹²						1021.5
Total Australian Assistance (estimate)¹³						2746.5

Notes to Table 1

- ¹ Shows expenses plus cash from capital injections and special appropriations, minus new commitments to multi-year liabilities such as the World Bank. Expenses are not strictly comparable to cash figures, but the difference is only around 1 per cent.
- ² Total aid flow estimates for 1999-2000 onwards are not strictly comparable to historical expenditure figures (which are based on figures published in the Statistical Summary 1998-99: 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.
- ³ Shows total aid flows for the estimated Budget Figure as at May 2000 of \$1,599.3 million and estimated Expected Outcome as at May 2001 of \$1,705.2 million. The estimated Expected Outcome for total aid flows has increased largely due to Australia's generous whole-of-government response in East Timor and improved reporting of aid flows by other Government Departments.
- ⁴ PNG increase due to expenditure by other Government Departments on Bougainville peacekeeping efforts.
- ⁵ Fiji allocation and total flows to be determined within the overall Pacific allocation.
- ⁶ Solomon Islands allocations and total flows to be determined within the overall Pacific allocation.
- ⁷ The Pacific Policy and Management Reform program is included in the total aid flows to individual Pacific island countries.
- ⁸ Increase due to underestimate of accrual adjustments at Budget time 2000-01 and an administered operating loss of \$6.636 million due to rationalisation of payments to multilateral organisations (this change in accounting treatment required a one-off increase in expenses in 2000-01 with no corresponding cash requirement).
- ⁹ Real per cent change over 1999-2000 Budget Figure of \$1,502.0 million.
- ¹⁰ Real per cent change over 2000-01 Budget Figure of \$1,599.3 million.
- ¹¹ 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 downward.
- ¹² Other Australian Flows includes: Other Official Flows (OOF) to developing countries that are reported by Australia to the Development Assistance Committee of the OECD, but which do not meet the narrow ODA criteria; and tax deductions for contributions from the Australian people to non-government organisations providing overseas aid.
- ¹³ Total Australian Assistance provides an indication of the Australian Government's estimated total effort in developing countries, including Official Development Assistance, Other Australian Flows and tax deductibility (see note 12).

CHAPTER ONE: FOCUS OF THE AID PROGRAM

Consistent with the Government's 1997 policy statement on the aid program, *Better Aid for a Better Future*, Australia's aid program is heavily concentrated in East Asia, Papua New Guinea and the Pacific Island countries - with selective engagement in South Asia, Africa and the Middle East.

A focus on the Asia-Pacific region enables Australia to maximise the impact of our development assistance on reducing poverty. The number of people living in extreme poverty in Asia and the Pacific has fallen by around 90 million in the last decade. But there are still nearly 800 million people living on less than two dollars a day in our region, and this presents an immense challenge.

In February 2001, the Government adopted a new poverty reduction framework for the aid program. The framework will strengthen the program's focus on poverty by increasing understanding of who the poor are, the causes of their poverty and what aid actions will most effectively help reduce their poverty. The framework addresses a number of critical issues including key strategies for reducing poverty, the importance of poverty analysis and principles to guide future action.

The framework is based on four pillars: growth, productivity, accountability and vulnerability. Each pillar incorporates key aspects of good governance, reflecting the pivotal importance of transparent, accountable and participatory government for the development process. The framework focuses the aid program on activities that:

- strengthen fundamental structures for sustainable and inclusive economic growth in developing countries
- support interventions that enable the poor to increase their productivity including facilitating access to land and credit, and investing in health and education
- increase the accountability of governments, institutions and donors
- help to reduce vulnerability associated with conflict, exclusion, and disasters.

The four pillars are closely connected and mutually reinforcing. Inclusive growth policies can be essential for allowing the poor to realise opportunities for improving their productivity. Enhancements in access to education and health can be critical for allowing greater involvement in decision-making processes, and support wider moves towards greater accountability in government, society and private sector operations. Improved accountability arrangements increase the likelihood that broader policies, including those encompassing macroeconomic and microeconomic factors, include an analysis and redirection of the distributional consequences of those policies. Reductions in vulnerability will often be reinforced by other actions such as improved health services and better risk management in policy formulation.

In 2001-02, Papua New Guinea will receive around one fifth of total flows, in line with flows in recent years. East Asian and Pacific countries will remain a high priority, with allocations to South Asia and Africa remaining similar to 2000-01.

Diagram 1: Total Australian aid by region 2001-02 (% of total aid)

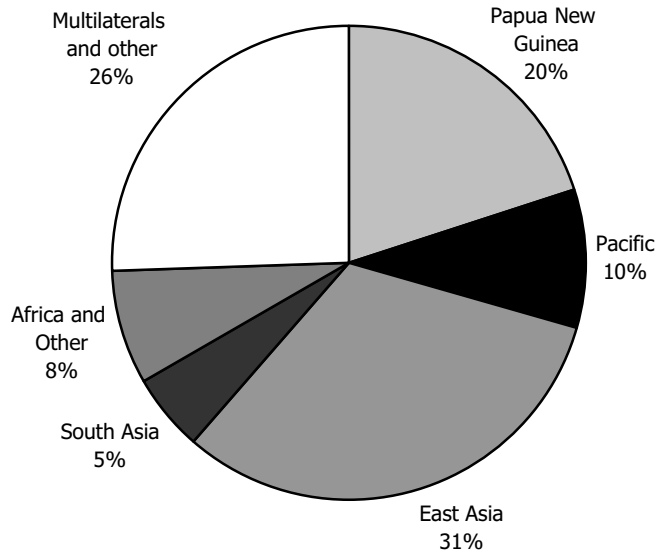
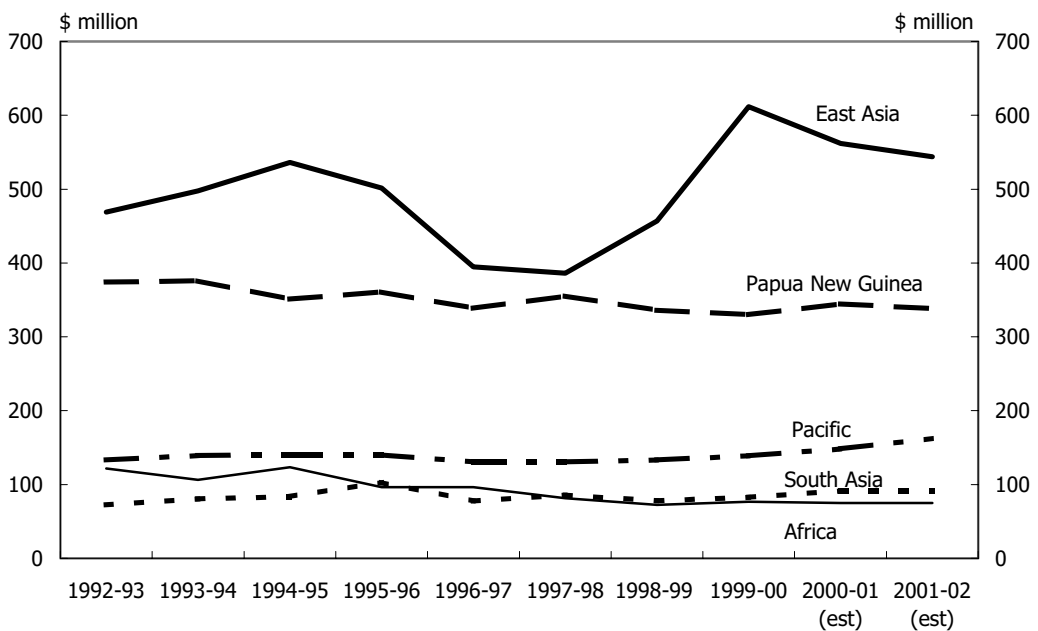
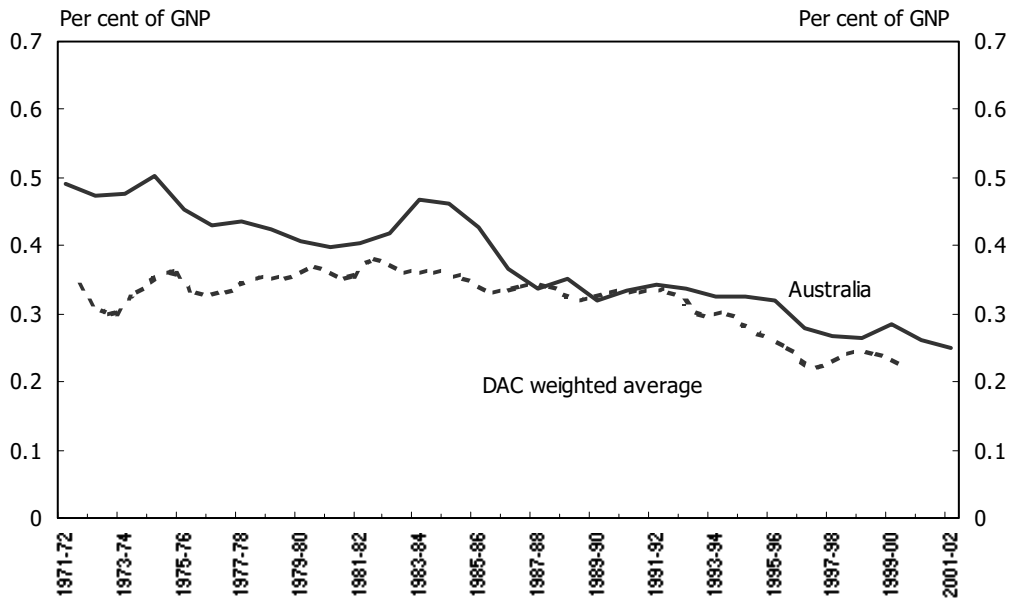


Diagram 2: Trends in total Australian aid by region (constant 2000-01 prices)



Australia's ODA/GNP ratio is estimated to be 0.25 per cent in 2001-02, which is well above the latest (2000) donor average of 0.22 per cent.

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



*DAC figure for 2000 is provisional.

Key sectors of the aid program

The aid program provides assistance in five key sectors: governance, agriculture and rural development, health, education and infrastructure. Activities in these sectors are underpinned by a commitment to environmental sustainability and gender equity.

Country and regional strategies, which are developed in consultation with partner governments, are the primary means through which sectoral priorities are translated into programs on the ground. Strategies take account of partner government priorities, Australia's strengths and the activities of other donors. Often work within one sector can have a flow-on effect in others. For example, governance activities aimed at strengthening public institutions can improve the delivery of health and education services for the poor.

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

Diagram 4: Estimated breakdown of the aid program by sector 2001-02

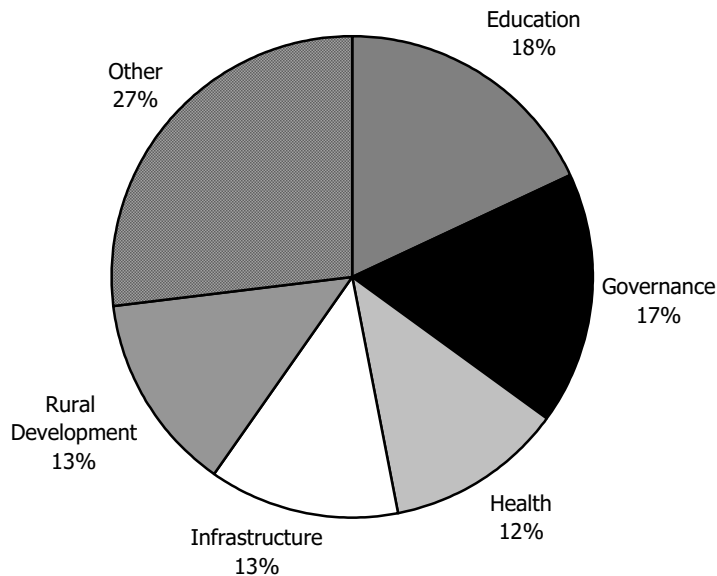
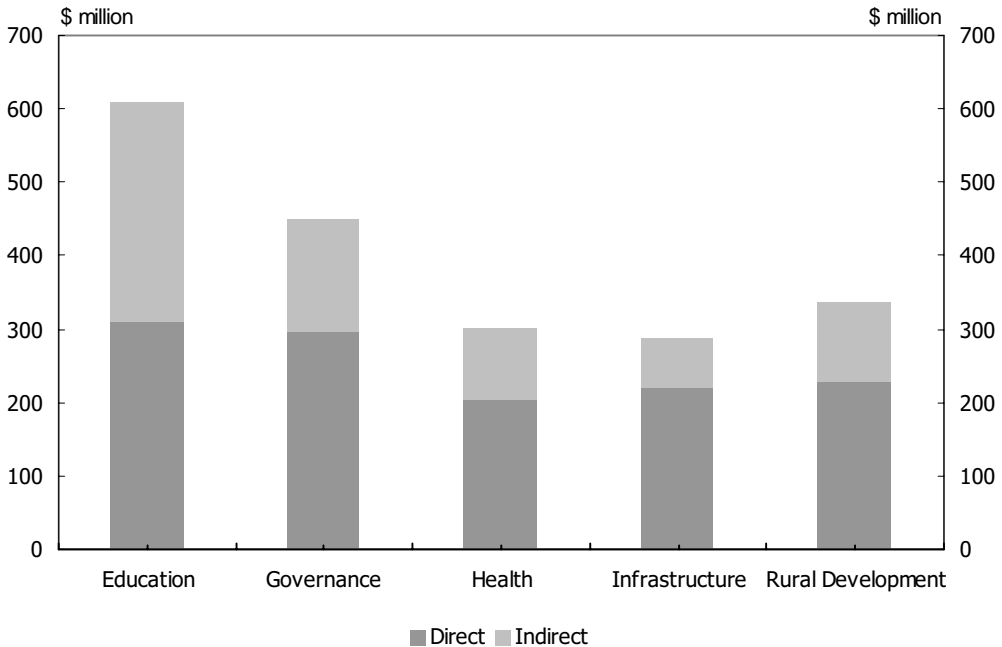


Diagram 5: Estimated expenditure by key sector 2001-02



GOVERNANCE

Good governance is essential for sustainable development and for effective aid. This underpins the increasing importance of governance in the aid program, with expenditure on governance activities in 2001-02 estimated to reach \$295 million. Governance activities represent about 17 per cent of overall aid expenditure.

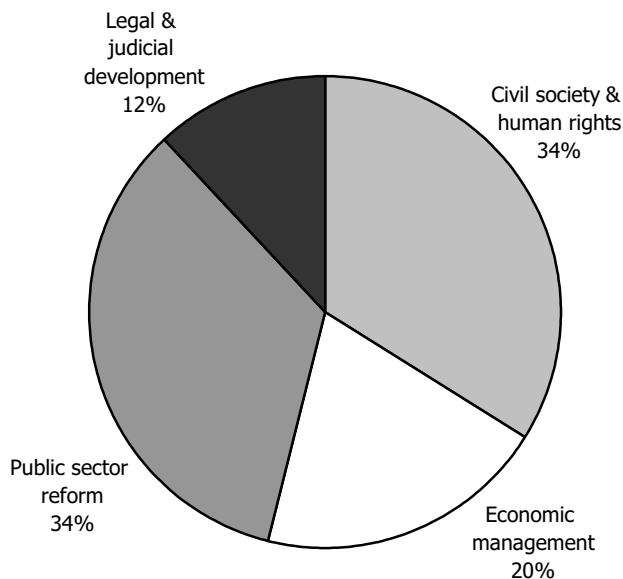
The elements of governance are interdependent and mutually reinforcing, as recognised in the aid program's support for:

- improving economic and financial management
- strengthening law and justice
- increasing public sector effectiveness
- developing civil society.

In 2001-02, the aid program will continue to work with partner governments and their citizens to build representative, accountable and effective governance processes, adherence to the rule of law, and strong and pluralistic civil societies. Ongoing funding for the Centre for Democratic Institutions will provide a continued focus for enhancing broad political participation and human rights in the Asia-Pacific region. The Human Rights Fund will maintain support for small-scale human rights activities and the strengthening of national and regional human rights institutions.

Recognising that economic growth and poverty reduction are best achieved in an efficient, open and market based economy, the aid program will continue to work with partner governments to achieve the necessary policy and planning frameworks, strong public institutions, dynamic private sectors and social investments in people. Increased support for microfinance will feature, with an emphasis on sustainability. In a globalised world, there will also be a greater focus on trade-related assistance to enable developing countries to attract private investment and to participate in global and regional trading arrangements.

Diagram 6: Estimated Australian assistance to the governance sector 2001-02



AGRICULTURE AND RURAL DEVELOPMENT

Income generation is at the centre of Australia's aid programs to assist the rural poor. The *Rural Development Strategy* is designed to increase opportunities for the poor to generate income through improving agricultural sector productivity, stimulating rural non-farm employment, and managing natural resources sustainability.

The aid program will provide \$230 million for rural development in 2001-02, which represents around 13 per cent of overall aid expenditure. In addition, around \$105 million will be spent in rural areas on education, governance, health and infrastructure activities that make a significant contribution to basic needs and essential services for the rural poor.

In 2001-02, aid activities in the rural sector will be focused on projects that have long timeframes and clearly defined objectives. Past experience has proven these forms of activities to be more effective than complex, multi-sector projects with interdependent components. A priority will be activities that increase the productivity of subsistence producers, in an effort to help their food security and nutritional status, as well as assist them to generate cash income through marketing of surpluses.

Food Security

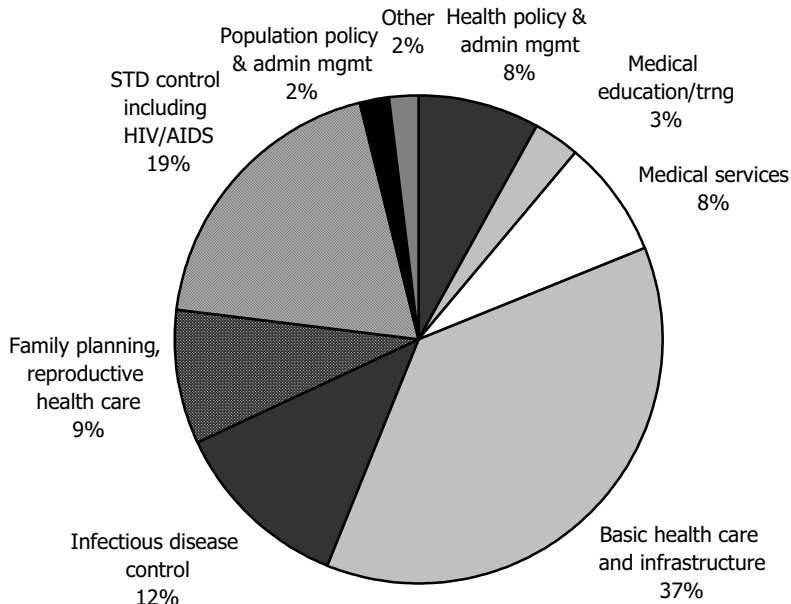
The Government's Food Security Strategy for the aid program is aimed at improving access of the poorest and most vulnerable to sufficient, nutritionally adequate and safe food. Food aid and other food security activities will continue under a pledge made by Australia in 1998 to contribute \$1 billion over four years from July 1998 to June 2002. Australia will spend over \$250 million dollars under the pledge in 2001-02. The major part of Australia's food aid is directly sourced from Australian commodities.

HEALTH

Effective national investment in health assists developing countries by increasing the capacity of children to learn and adults to earn. Australia's assistance to the health sector aims to improve the basic health of those most in need, to improve the quality of health service delivery and to address the health effects of natural disasters and emergencies.

In 2001-02 Australia will provide an estimated \$205 million of direct health assistance to developing countries. Australia's support for health in developing countries has increased substantially since 1996-97, when it accounted for only around 4 per cent of total overall aid expenditure. In 2001-02, health expenditure will account for around 12 per cent of overall aid expenditure.

Diagram 7: Estimated Australian assistance to the health sector 2001-02



Approaches to implementation are tailored to address local priorities and circumstances. The aid program will have a strong focus on the following areas in 2001-02:

- communicable and vector-borne diseases, including HIV/AIDS and re-emerging diseases such as tuberculosis and malaria
- women's and children's health
- non-communicable diseases, such as diabetes and cardiovascular disease
- national policy development and health sector reform.

Combating HIV/AIDS

HIV/AIDS is one of the highest priorities of Australia's aid program. The epidemic threatens to reverse decades of development, and puts at risk the political stability and economic security of developing countries. The social and economic devastation is already significant in many countries: villagers too sick to harvest their crops, children orphaned as parents die, families divided where relatives living with HIV/AIDS are ostracised, school teachers and health workers too sick to contribute any longer to the development of their community.

Most of the 36 million people currently living with HIV/AIDS reside in developing countries. The great majority of these people live in sub-Saharan Africa, although there are signs that the annual number of new infections in sub-Saharan Africa may have stabilised. In Asia and the Pacific, well over seven million people are infected with HIV and the rate of infections has been increasing, threatening to have a devastating impact on the region.

Australia is actively supporting international efforts to counter the HIV/AIDS epidemic at a global, regional and bilateral level. Securing high-level political commitment is critical if the advance of the epidemic is to be reversed. At the United Nations, Australia is working to ensure that a special session in June 2001 intensifies global action against HIV/AIDS. The Australian Government is providing leadership in our region by convening a meeting of ministers from the Asia-Pacific, *A lengthening shadow—HIV/AIDS in the Asia-Pacific*, in Melbourne in October 2001 to discuss how governments can best respond to this public health crisis.

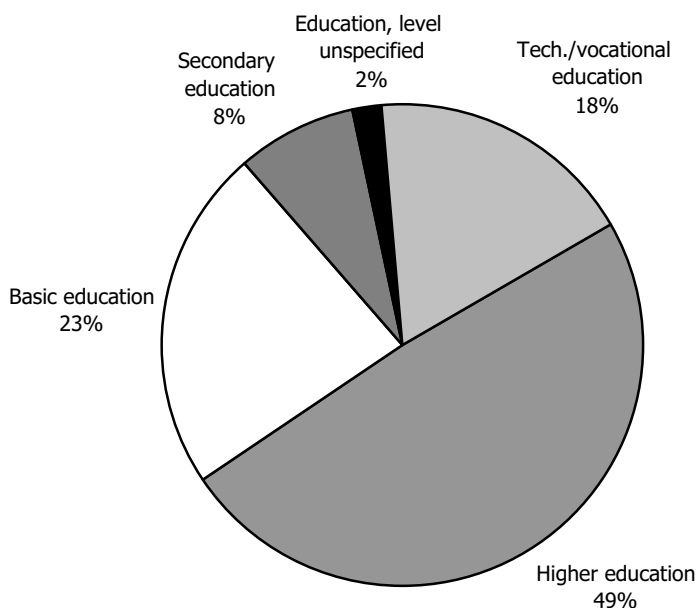
At the bilateral level, the Australian Government is helping developing countries counter the advance of HIV/AIDS through a six-year \$200 million initiative. Australia is assisting countries like Papua New Guinea, Indonesia and China to prevent the epidemic from devastating the health of their populations and stalling their social and economic development. Expenditure on the initiative in 2001-02 will be approximately \$27.6 million, with new activities due to commence in China and South-East Asia.

EDUCATION

Education contributes to the alleviation of poverty and achievement of sustainable development by developing knowledge and skills, strengthening the capacity of countries to manage their own affairs, and increasing the productivity of national labour forces. Improved educational standards have an effect at both a national and individual level, with flow-on effects for future generations. In 2001-02 Australia will spend an estimated \$310 million through the aid program on the education sector. This represents about 18 per cent of overall aid expenditure.

Access, equity and quality are increasingly important issues for education activities funded by the aid program. Access to basic education has been a higher priority in recent years, which is in turn starting to create a stronger demand for secondary places. Many education programs also aim to overcome obstacles that face female and minority populations. A greater emphasis is also being placed on the quality of education services.

Diagram 8: Estimated Australian assistance to the education sector 2001-02



Basic education

Basic education provides a foundation for all future learning. It equips people to make informed decisions and contribute more effectively to their societies, has a positive effect on child health and nutrition, and improves employment opportunities for individuals. Since 1996, basic education has increased substantially as a share of total education aid, rising from 6 per cent or around \$15 million to 23 per cent or \$70 million. Support for basic education is an important part of Australia’s assistance to PNG and the Pacific, where school age populations are increasing rapidly and educational needs are very great. Australia will also assist at least 12 countries across Asia to improve basic education during 2001-02.

Technical and vocational education

Direct aid program expenditure on technical and vocational education has increased significantly, from 14 per cent of education expenditure in 2000-01 to an estimated

18 per cent in 2001-02. Australia has responded to requests from developing countries where workforce skills are critically short and unemployment high. Partner countries are benefiting from Australia's recent experience in reforming its own technical and further education (TAFE) systems. Many partner countries are improving the relevance of technical and vocational education by introducing demand driven approaches. This is allowing private sector employers to be more actively engaged as partners in the development, delivery and funding of technical and vocational education.

Higher education

In 2001-02, spending on higher education will account for approximately half of the aid program's total education sector expenditure. Around 90 per cent of higher education expenditure is on Australian Development Scholarships (ADS). Scholarships will be used as an aid delivery mechanism across most country programs, with the highest ADS participation in Indonesia, Papua New Guinea, Viet Nam and the Philippines. Approximately 3000 students were funded through scholarship activities in 2000-01. It is expected that around 1100 new scholarships will be offered in 2001-02.

Scholarships contribute to human resource development in our partner countries, having a direct effect on all priority development sectors through tertiary training provided at Australian institutions. The majority of scholarships are expected to be awarded to candidates from key government agencies, health professionals (including public health workers), science professionals (particularly agriculture and food science), educators and engineers.

INFRASTRUCTURE

The development of basic infrastructure such as safe drinking water, sanitation facilities and roads has a range of benefits for the poor. Infrastructure development can act as a catalyst for economic development, which in turn leads to increased employment opportunities. The well-being of the poor can be improved, for example, through a decrease in death and illness associated with poor sanitation systems and contaminated drinking water. The development and maintenance of roads can significantly improve access for the rural poor to markets and services.

It is estimated that Australia will provide about \$220 million in 2001-02 towards infrastructure. This represents about 13 per cent of overall aid expenditure.

During 2001-02, support for infrastructure will focus on:

- assisting the creation of enabling environments for both private and public financing and management of infrastructure
- supporting human resource development and capacity building in infrastructure

- improving poor people's access to essential infrastructure such as water supply and sanitation, transport and energy.

ENVIRONMENT

Environmental degradation has a major and disproportionate effect on the poor. The World Bank estimates the annual cost of environmental degradation in East Asia and the Pacific is five 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.

In 2001-02, Australia will provide an estimated \$70 million for activities that address environmental problems in developing countries (around 4 per cent of overall aid expenditure), with an additional \$140 million of indirect expenditure. Activities will range from support for improved water, waste and natural resource management to biodiversity conservation, climate monitoring and renewable energy projects.

Australia assesses and manages all aid activities to avoid or minimise negative environmental impacts. In July 2000 the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999* replaced the *Environment Protection (Impact of Proposals) Act 1974* as the law governing environmental impact assessment under Australia's aid program. In 2001-02 the aid program will implement environmental assessment guidelines revised to reflect the requirements of the new Act and will extend a comprehensive training program to support the new guidelines.

Other priorities for 2001-02 are to:

- implement the October 2000 Record of Understanding between AusAID and Environment Australia that revised mechanisms for consultation on potentially environmentally significant activities
- participate in activities leading up to the 2002 Rio Plus 10 conference, which will include a comprehensive review of progress achieved in implementing the Agenda 21 program of action since the 1992 United Nations Conference on Environment and Development.

GENDER

Mainstreaming gender into development initiatives is the priority of the aid program's Gender and Development policy. Strong progress is being made as the linkages between development, growth and gender disparities are becoming more widely recognised. During 2001-02 Australia will spend approximately \$450 million on activities in which gender equality is a stated objective of the activity.

During 2001-02, Australia's aid program will work with partner countries to:

- address violence against women and children, particularly trafficking in women and girls
- promote the role of women in peace making and peace building
- identify opportunities for women to participate in decision-making and leadership
- identify gender dimensions of poverty.

CHAPTER TWO: PAPUA NEW GUINEA AND THE PACIFIC

Papua New Guinea

PNG DEVELOPMENT INDICATORS

Country	GNP per capita (\$A)	Access to water supply (% of population)	Life expectancy (years)	Adult literacy (% of population)
Papua New Guinea	1240	42	64	64

Source: GNP per capita and adult literacy (1999): DAC; Access to water (2000): Global Water Supply and Sanitation Assessment 2000 Report; Life expectancy (1999): Geographical Distribution of Financial Flows to Aid Recipients 1995-1999, OECD.

PNG PROGRAM

Programmed activities	\$300.3 million
Retirement benefits	\$14.1 million
Estimated other flows	\$28.5 million
Estimated total aid flows	\$342.9 million

Aid to Papua New Guinea (PNG) accounts for over one-fifth of the total Australian development cooperation program and is the largest aid program Australia has with any one country. The current aid strategy for PNG contains four key elements:

- strengthening governance by: increasing contestability through the introduction of an incentive fund; supporting effective economic management and an environment that encourages the private sector; building the capacity of PNG agencies to deliver services; and 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
- consolidating the peace process in Bougainville by providing an identifiable peace dividend.

Funding for the Incentive Fund is expected to increase from the allocation of \$15 million in 2000-01 to \$20 million in 2001-02. The fund provides a high degree of contestability in the aid program by rewarding agencies and institutions that demonstrate a proven track record in program and financial management. Programs that will receive funding in 2001-02 include the extension of a primary school in Boroko, provision of health extension services for rural communities, a new marketplace in the Paiam Valley and a new university library and lecture theatre in Madang. The Incentive Fund will support the provincial implementation of key PNG Government development policies in the health, education and agriculture sectors.

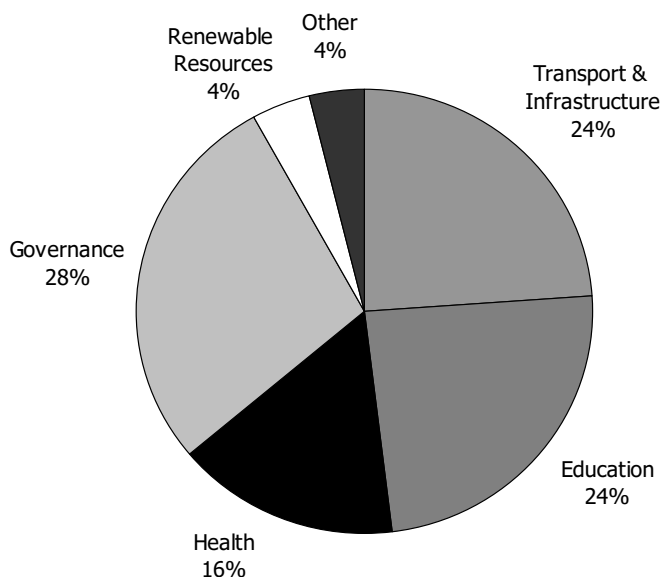
Quality performance targets for key inputs and outputs of both the Australian and PNG Governments, established under a performance benchmark system, will be assessed for the first time in 2001-02. These benchmarks monitor Australia's responsibility to increase levels of PNG participation in the aid program and monitor PNG's responsibility to provide counterpart funding and make progress in the health, education and infrastructure sectors. Performance against benchmarks will be taken into account in deciding future resource allocations to PNG.

In 2001-02, Australia will also be examining options to assist the PNG Government to implement the *National Charter on Reconstruction and Development*, a key initiative in the PNG 2001 Budget.

SECTORAL ASSISTANCE TO PNG

Australian aid to PNG is focused on governance, education, health, infrastructure, renewable resources and assisting the peace process in Bougainville.

Diagram 9: Estimated total aid flows to PNG by sector in 2001-02



Governance

Governance constraints are seriously undermining the development performance of PNG. Economic and financial management, the efficient and accountable use of public resources, the rule of law, a vibrant private sector and an active civil society are key elements to poverty reduction.

The PNG Government is undertaking a wide ranging program of public sector reforms as part of the structural adjustment program with the IMF and World Bank. This program includes privatisation of key state owned assets, strengthening of Cabinet and budget processes, strengthening economic and financial management, rationalisation of the public service payroll, increasing independence of the Central Bank and revamping the country's superannuation industry. The PNG Government is also undertaking a functional and expenditure review of all government departments and agencies.

Australia's support for the public sector reform program adopts two broad strategies:

- providing financial and advisory resources to key agencies including the Prime Minister's Department and Treasury
- rebuilding capacity in key areas of public administration (economic and financial management, conduct of fair elections, census and disaster management).

Australian assistance to the law and justice sector amounts to about 10 per cent of the total PNG program. A review of Australian assistance to the sector was recently undertaken and a new strategy is being formulated to guide future support. In line with PNG Government policy, the key objectives for Australian assistance will be to:

- foster the principle of a sectoral approach to law and justice between key PNG Government agencies, and between the formal and informal sectors
- encourage greater community participation
- assist in the development of preventative and restorative justice capacity
- improve the efficiency and effectiveness of the deterrence system.

The aid program is funding a six-year Community Development Scheme that aims to enhance the capacity of PNG's civil society to engage and participate in the development process. The scheme channels financial and technical support to PNG non-government and community-based organisations to build the capacities of these organisations and help them undertake community development activities.

Education and training

PNG's social diversity presents complex challenges for its education system. Although relatively small, the widely-dispersed population is highly diverse both linguistically and ethnically. A large proportion of men and women are illiterate and only 60 per cent of children who commence school continue beyond the sixth grade.

PNG is pursuing an ambitious program of education reform that seeks to achieve universal basic education and a literate and skilled population. Australia strongly supports the reform process and in 2001-02 will again provide approximately a quarter of its aid to PNG for the education sector.

Australian assistance to the sector is helping to improve the quality and relevance of teaching at the elementary, primary and secondary levels, the development and distribution of curricula, the construction and rehabilitation of physical infrastructure and the building of institutional capacity. Australia is the largest provider of tertiary scholarships to PNG; up to 150 new scholarships for study in Australian universities are available each year.

A strategy for future Australian assistance to the sector was agreed with PNG in 2000. Future assistance will continue current programs while at the same time giving increased attention to the institutional requirements of the sector, literacy and numeracy training for out-of-school youths and adults, and technical and vocational education and training. Planning of the forward program has commenced with a view to new activities starting early in 2002.

Health

While health conditions remain a major concern in PNG, there are encouraging signs that the Government's strategy is beginning to make progress. Health has been identified as a priority sector in the PNG Government's 2001 budget with a significant increase in recurrent funding going to health programs. Expenditure in the health sector as a proportion of total Australian aid funding for PNG will increase from 15 per cent in 2000-01 to around 16 per cent in 2001-02.

During 2001-02, Australia will provide support for rural health services based on PNG Government health policies and implementation plans. This reflects the steady progress PNG has made in establishing the Health Sector Improvement Program, which uses a new aid framework, the sector-wide approach. Sector-wide approaches seek to combine donor funds and activities in support of the Government's medium term expenditure plans and programs. These resources are supported by transparent financial and performance monitoring systems. Australia and PNG are moving towards a sector-wide approach in the health sector to improve donor coordination and support for the PNG National Health Plan 2001-10.

Extensive support will also be provided for women's and children's health programs, rural health infrastructure, communications, medical equipment, drugs and vaccines.

Training of a wide range of health workers will continue as an important means of improving the quality of health care.

The PNG Government has given high priority to addressing the HIV/AIDS crisis, including boosting funding for the National AIDS Council Secretariat. Australia will continue to support the PNG Government's Medium Term Plan for HIV/AIDS through the \$60 million National HIV/AIDS Support Program, which began in October 2000. It is the largest HIV/AIDS project ever funded by Australia. The program works with government, community and non-government organisations to raise awareness, expand essential medical and community services, support legal reform and strengthen the capacity of PNG organisations to manage their own response to the epidemic.

Infrastructure

Efficiently managed and maintained transport infrastructure is a prerequisite for economic development. Without it access to government services in health, education and communication become difficult, rural economic development is stymied through challenges in getting crops to markets and entrepreneurial activity is discouraged. PNG's existing stock of infrastructure has deteriorated over the last ten years as a result of insufficient funding for maintenance. The National Transport Development Plan for 2001-10 recognises this by making regular maintenance of transport infrastructure a top priority. Accordingly, the infrastructure strategy in Australia's aid program focuses on maintaining national assets in the area of land and air transport.

The land transport program is assisting the PNG Government to maintain national roads and bridges in six provinces, and working to strengthen local capacity to plan and manage construction contracts. In the Highlands, the program is rehabilitating a major section of the highway between Wabag and Wapenamanda. In 2001-02, funds will be provided for a new project that will upgrade many of the single-lane and poorly maintained bridges along the Highlands Highway, which currently impede traffic flow and create major safety problems. In East New Britain province, the aid program will provide assistance for the ongoing rehabilitation of the road between the new provincial capital of Kokopo and the port of Rabaul, which was damaged by devastating volcanic eruptions in 1995.

Air transport provides the only form of access to much of PNG's remote territory. Keeping the essential air links open and in safe working order is a priority. Australia will continue to provide support for the maintenance of national airports. The aid program will also support the newly established Civil Aviation Authority, with particular focus on planning and air safety.

Renewable resources

The sustainable management of PNG's heavy reliance on its agricultural, fisheries and forestry resources is a key aspect of the effort to raise living standards in rural areas. In

renewable resources, the aid program is focusing on institutional strengthening, training, and research to help PNG develop appropriate systems and expertise to ensure resources are preserved for future generations.

In 2001-02, Australia will continue to provide financial and technical assistance to agriculture, forestry and environment sectors, working in partnership with other donors including the World Bank. Ongoing projects include assistance to upgrade the Fisheries Staff College, and for agricultural rehabilitation activities in Bougainville. Support is also being provided to upgrade the agricultural research capacity of the National Agricultural Research Institute and for the PNG research and development activities of the Australian Centre for International Agricultural Research.

Bougainville peace process

Australia is committed to helping consolidate the peace process, both through continued assistance to negotiations for a political agreement, and through encouraging a visible peace dividend to the people of Bougainville.

In 2001-02, Australia's aid program will target key sectors both at the community level and by assisting government service delivery. Initial emphasis has been on rehabilitating essential infrastructure, and restoring health and education facilities. As conditions have improved, support for reinvigorating economic activity has become a focus. This year, the aid program will assist to re-establish the cocoa industry, through the supply of seedlings and the replacement of cocoa dryers. Maintenance of the major coastal trunk road, essential for getting agricultural products to markets and accessing government services, will continue. Funding will also be provided to improve sea transport links by upgrading the wharf at Buka and constructing a jetty and warehouse at Kangu in the south.

The Pacific region

REGIONAL DEVELOPMENT INDICATORS¹

Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Fiji	3425	47	73	93
Solomon Islands	1162	71	71	30
Vanuatu	1813	88	65	34
Samoa	1643	99	69	96
Tonga	2665	100	71	99
Kiribati	1410	47	61	92
Tuvalu	1843	85	67	95

Source: GNP per capita (1999): DAC; Access to water (2000): Global Water Supply and Sanitation Assessment 2000 Report; Life expectancy (1998): Geographical Distribution of Financial Flows to Aid Recipients 1995-1999, OECD; Tuvalu and Adult literacy: UNDP Pacific Human Development report 1999.

Estimated total aid flows to the Pacific

\$164.6 million

REGIONAL OVERVIEW OF THE PACIFIC

Pacific Island countries face significant development challenges as a result of their economic and environmental vulnerability. Countries in the Pacific lack diversity in terms of production and export sectors, making them especially vulnerable to economic shocks and crop failure. High transport costs caused by their remoteness from major markets increase significantly the costs of both exporting and importing goods.

Small island states, already facing the dual challenges of expanding populations and limited viable agricultural land, are particularly susceptible to natural disasters and environmental deterioration. Adverse events, such as cyclones, can have extremely detrimental effects on national infrastructure and production. Furthermore, small countries often lack adequate capacity in their public or private sectors to cope with the range of challenges presented by the rapidly globalising world. They do not have access to a sufficiently large pool of people with the technical, administrative and managerial skills a modern state requires.

¹ 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.

Addressing the social and economic causes of actual and potential political instability is another important issue for Pacific Island countries as the events of 2000 have demonstrated.

Regional strategy

Australia's long-term objective is to help Pacific Island countries achieve the maximum possible degree of self-reliance. The aid program aims to achieve five principal outcomes for Pacific Island countries: better governance, stronger economic growth, greater capacity, better service delivery and environmental integrity.

Work is currently underway to develop a new three-year strategy for assistance to Pacific Island countries. It is expected that this new strategy will maintain a strong focus on governance and economic growth, education, health and resource management.

SECTORAL ASSISTANCE TO THE PACIFIC

In 2001-02, Australian assistance to Pacific Island countries will focus on support for governance and economic reform, education and training, health, environment and natural resource management and private sector development.

Governance and economic reform

Stronger economic growth and better service delivery require good governance. In 2001-02 the aid program will continue to assist Pacific Island countries to enhance the policy, legislative and administrative frameworks needed for more effective public and private sectors. This work is in the areas of taxation, economic and fiscal management reform, customs operations and public sector reform. Australia will also provide support to legal sector institutions, including police, correctional facilities, courts and auditors-general.

Australia will continue to provide support for Pacific Island countries embarking on economic and public sector reform through the Policy and Management Reform program (PMR). In 2001-02, PMR will be expanded to include support for programs that promote peace and nation building. Total funding for this program in 2001-02 will be \$20 million.

One area for PMR activity will be support for strengthening the capacity of Pacific Island countries to combat money laundering, which threatens their financial stability. Australia will also support the dissemination of research on economic and governance challenges in Pacific Island countries through outreach programs and publications of the National Centre for Development Studies and the Australian National University's State, Society and Governance in Melanesia Project.

Education and training

Education and training is the largest element of Australia's aid program in the Pacific. In 2001-02, the aid program will provide funds to help Samoa, Kiribati and Tuvalu strengthen the capacity of their education departments through reforms to management systems and structures. In Fiji, Vanuatu and Samoa there will be an increased focus on upgrading teacher qualifications and skills at primary, secondary and vocational levels. Fiji, Vanuatu, Samoa and Kiribati will work to improve teacher training, curriculum development, facilities and teaching resources to enhance educational processes and outcomes.

Around 800 Pacific Islanders will receive scholarships for study at Australian and regional tertiary institutions. The aid program will provide support for innovative approaches to distance education and flexible learning at the University of the South Pacific (USP), utilising the USPNet communications network which links 12 Pacific Island countries.

Health

In 2001-02, the aid program will provide continued support for national health reform and management, including the development of health information systems, provision of clean water and sanitation, and health training. At a regional level, funds will be provided to promote strategies to address non-communicable lifestyle diseases such as diabetes and cancer, family planning and the control of communicable diseases such as filiarisis, hepatitis and HIV/AIDS. Tertiary health services will continue to be enhanced through visits of volunteer medical specialists and the introduction of systems to maintain essential medical equipment.

A new phase of the regional HIV/AIDS program is currently being designed through extensive collaboration and participation by key stakeholders. It is anticipated that the program will focus on a multi-sectoral response at national levels. Support will also be provided for the Pacific Children's Program, which will assist Fiji, Samoa and Vanuatu to reduce the levels of violence against children by strengthening existing community-based initiatives and increasing government commitment to child protection. Other new initiatives in 2001-02 include an expanded regional program of immunisation and health infrastructure development. The aid program will maintain support for women's crisis centres in Fiji and Vanuatu.

Environment and natural resources

As part of its ongoing effort to assist Pacific Island countries to protect their fragile environments, Australia will continue its support in the areas of waste management, conservation and management of tuna resources, sea level monitoring and disaster preparedness.

Regional initiatives in agriculture will include pest management, taro research and the conservation of the region's genetic material. Coastal and oceanic fisheries management support will also be provided through regional organisations. In addition, training will be provided to staff of national meteorological agencies in the practical application and analysis of weather forecasting data.

Private sector development

Australia will continue to provide support for the establishment of policy and regulatory environments to stimulate trade and support private sector development and investment in the Pacific region.

Australia expects to provide \$2.3 million for a new phase of the World Bank's International Finance Corporation's South Pacific Project Facility, which assists entrepreneurs to develop commercial business opportunities, including through expanding current small and medium businesses. The Facility will also assist the development of businesses providing capital and financial services. The South Pacific Trade Commission, with continuing support from Australia, will focus on assisting export-capable businesses to develop markets in Australia, and promoting viable investment projects to potential Australian investors.

PACIFIC REGIONAL ORGANISATIONS

Australia's support for regional organisations - the Pacific Islands Forum Secretariat, the South Pacific Regional Environment Program, the Forum Fisheries Agency, the Secretariat of the Pacific Community, the South Pacific Applied Geoscience Commission and the University of the South Pacific - will help to address priorities and programs endorsed by their island members. These organisations have an important role in providing Pacific Island countries with technical assistance, capacity building and policy development across the range of economic and social sectors.

Increasingly, Australia is channeling regional program and project funds through regional organisations, and is providing training for their professional staff and support for corporate review processes. Australia has supported recent initiatives by the regional organisations to improve the quality and sustainability of their service delivery. The management capacity and performance of each organisation is being monitored annually by AusAID under its Multilateral Assessment Framework. In addition, AusAID will undertake an in-depth review of the Secretariat of the Pacific Community in 2001. The review will consider a number of issues including the organisation's effectiveness in program planning and delivery.

BILATERAL PROGRAMS

Fiji

Estimated total aid flows

to be determined

Following the May 2000 hostage crisis and ensuing political unrest in Fiji the Australian Government imposed a range of sanctions on the interim government on 18 July 2000. These sanctions are designed to give maximum incentive for Fiji to return to a democratically based system of government whilst having minimal impact on the poorer sections of the Fiji community.

As part of these sanctions, the bilateral aid program was reduced by around 30 per cent in 2000-01. Most non humanitarian activities have been suspended or terminated including all new scholarships and training as well as a range of public sector projects. These include the Mineral Resources Department, Civil Service Reform, National Planning Office, the Bureau of Statistics and the UNDP/Australia Information Services for Parliamentarians.

Health projects are continuing, as are activities in support of basic education and small scale projects aimed at helping poorer communities. In 2001-02, funds will be provided to help Fiji increase access to quality education through improvements in basic educational infrastructure and the overall quality of educational opportunities. The aid program will assist in addressing basic health needs by targeting activities such as primary and preventive care and measures aimed at improving the overall management and delivery of health care services. The aid program will also provide assistance to the Office of the Director of Public Prosecutions to increase public confidence in the law and justice sector, and help to improve Fiji's revenue base by working with its major revenue collection agency.

Following Fiji's announcement of new elections planned for August in accordance with the 1997 constitution, Australia announced a package of assistance for the conduct of these elections. However, sanctions against Fiji will not be reviewed before a fully constitutional and democratic government is in place.

Solomon Islands

Estimated total aid flows

to be determined

The deterioration of security in the Solomon Islands in 2000 focused aid priorities on humanitarian and peace building activities. In 2001-02, the Australian Government will continue to provide support for the peace process in Solomon Islands. This will include contributing resources to the International Peace Monitoring Team, and providing support for the work of the Solomon Islands Peace Monitoring Council and other community, church-based and women's organisations.

In 2001-02, Australia's assistance will help people in Solomon Islands to deal with the serious economic and social consequences of the unrest in recent years by ensuring a minimal level of basic services continues, especially in the health sector.

Australian support will also assist with recovery, reconstruction and rehabilitation activities. The aid program will continue to provide support in the areas of financial management, education, customs, forestry and land administration. The program will have a strong focus on assisting rehabilitation of the law and justice sector in the Solomon Islands, through a long-term project which is helping to strengthen institutions of police, prisons and courts. The Community Peace and Restoration Fund, established in November 2000, will provide much-needed facilities in communities disadvantaged by the crisis, at the same time as providing employment and earning opportunities to help former combatants reintegrate into civilian life.

Vanuatu

Country program allocation	\$12.5 million
Estimated other flows	\$7.0 million
Estimated total aid flows	\$19.5 million

In 2001-02, Australian aid in Vanuatu will continue to be shaped by needs identified by the Vanuatu Government in its Comprehensive Reform Program (CRP). Areas of focus will include the role and efficiency of the public sector, fiscal and economic management, the legislative framework and legal system, health and education.

Aid funding will assist the Vanuatu Government to develop key staffing and employment policies in the public sector, and to implement a comprehensive training program across the public service, including in provincial areas. Assistance for fiscal and economic management will be provided through provision of expertise within the Ministry of Finance and Economic Management. There will be an increase in activities to line ministries to improve budget and accounting processes. This will be supported by rollout and implementation during 2001-02 of the Finance Management Information System, which was developed and installed during the first half of 2001. Assistance will continue in the field of legislation drafting to support the CRP. Key offices in the legal sector, especially the State Law Office, the Public Prosecutor's Office and the Public Solicitor's Office, will benefit from an expanded program of capacity building, training and assistance.

A higher priority will be delivering key government services, especially to rural areas. Advisers working with Ministry of Health staff in the northern and southern districts will promote a service delivery focus, as will Australian-funded doctors based at the central hospital making regular visits to rural hospitals. Projects based within the Public Service Commission, Ministry of Finance and Ministry of Education will all increase service delivery components. The education sector will benefit through the planning of a project to refurbish and expand secondary schools in outer islands, and Australian teachers will continue working in outlying schools.

Samoa

Country program allocation	\$11.1 million
Estimated other flows	\$4.0 million
Estimated total aid flows	\$15.1 million

Australian aid activities in Samoa focus on governance and public sector reform, health, education and natural resource management. In 2001-02, the aid program will strive to improve opportunities for, and the productivity of, Samoans dependent on the village economy, particularly young people and those living in relatively remote locations.

Samoa's allocation from the regional Policy and Management Reform program is now the greatest in the Pacific, due largely to an impressive public sector and economic policy reform record. In 2001-02, the aid program will provide assistance through institutional strengthening projects with the Public Service Commission, Ministry of Agriculture, Quarantine Service, Police Service and Immigration Department.

Priority will also be given to substantial projects aimed at improving the quality of, and access to, health and education services. The five-year Samoa Health Project, which commenced in January 2000, is working to strengthen the management and operational capacity of the Department of Health. Education initiatives include the Department of Education Institutional Strengthening Project, which aims to improve learning opportunities and outcomes for Samoan children.

Tonga

Country program allocation	\$9.5 million
Estimated other flows	\$2.3 million
Estimated total aid flows	\$11.8 million

Australia's assistance to Tonga currently focuses on economic reform, health, education, private sector development and natural resource management. Priorities for 2001-02 include strengthening institutional capacity in finance, justice and revenue collection. The provision and quality of basic services, including education and health, will also remain high priorities. A new project aimed at improving the management of marine resources will assist the Ministry of Fisheries to manage in-shore fisheries on an effective and sustainable basis. This project also has the capacity to identify and effectively manage private sector involvement in the fisheries sector.

The aid program will continue to provide support for Tonga's outer islands, through the Ha'apai Development Fund, which works to strengthen community-based development, and the Ha'apai Outer Islands Electrification Project.

Kiribati

Country program allocation	\$7.3 million
Estimated other flows	\$3.4 million
Estimated total aid flows	\$10.7 million

In 2001-02, Australia will support economic planning and public sector reform in Kiribati through continued assistance for strengthening institutional capacity in the Ministry of Finance and Economic Planning, and through new initiatives in the Customs Department and the legal sector. Human resource development will be promoted through improvements in educational opportunities and the quality of education available. Outer island development will be supported through better education, improved water supply and sanitation, and more effective land management and planning.

Other island nations

Country program allocation	\$7.3 million
Estimated other flows	\$6.5 million
Estimated total aid flows	\$13.8 million

In 2001-02, Australia will continue to provide assistance in the form of scholarships to enable students from **Tuvalu, Federated States of Micronesia, Marshall Islands, Nauru, Palau, Cook Islands, Niue** and **Tokelau** to study either in Australia or at the University of the South Pacific.

In **Tuvalu**, the aid program will also provide support for the education sector and for the environment through a waste management activity. Assistance to the **Federated States of Micronesia, Marshall Islands, Nauru, and Palau** will support economic reform initiatives and service delivery in education and health. In the **Cook Islands** and **Niue**, there will be an ongoing focus on infrastructure development and public sector reform.

CHAPTER THREE: ASIA AND AFRICA

East Asia

REGIONAL DEVELOPMENT INDICATORS²

Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Indonesia	899	69	66	87
East Timor	471	48	57	47
Viet Nam	573	56	69	94
Philippines	1581	87	69	96
China	1209	75	70	84
Mongolia	542	60	67	63
Cambodia	403	30	54	39
Thailand	3037	80	73	96
Lao PDR	1798	90	54	48
Burma	-	68	60	85

Source: GNP per capita and adult literacy (1999): DAC; Access to water (2000): Global Water Supply and Sanitation Assessment 2000 Report; Life expectancy (1998): Geographical Distribution of Financial Flows to Aid Recipients 1995-1999, OECD; East Timor: UN common country assessment 'East Timor, Building Blocks for a Nation', November 2000.

Estimated total flows for East Asia in 2001-02

\$551.6 million

REGIONAL OVERVIEW

Recovery from the East Asian financial crisis is progressing at different speeds. For some governments in our region, the tumult of the East Asian financial crisis has passed, but few countries can afford to be complacent in the face of a more complex and demanding international environment. This requires a two-pronged approach from the Australian aid program: to improve the social and economic conditions for the poorest and most vulnerable, and to assist governments in our region to strengthen their resilience to future economic shocks, especially in the wake of the slow down of the world economy. Australia is supporting a re-intensification of reform efforts,

² There is very little reliable statistical information available for East Timor, and figures may change as new data is collected. GNP per capita (1999 est); Adult literacy (1998); Life expectancy (1985); Access to safe water (1998).

particularly strengthening financial markets, facilitating trade and improving government transparency.

Regional program

Allocation

\$29.4 million

Australia's regional program has two strategic priorities:

- to target high priority development needs that require a response on the regional level
- to further the whole of government effort to develop closer partnerships with our regional neighbours, particularly through close engagement with APEC and ASEAN.

Australia's response to the East Asian financial crisis has been a priority for the Asia Regional Program. As the region emerges from this crisis phase, Australia will increasingly focus on regional governance and health. Governance activities assist regional governments to manage the impacts of globalisation and establish a firmer and broader basis for growth and poverty alleviation. This is achieved largely through sound economic management, international trade and economic integration and effective social protection programs to address the needs of the marginalised.

A \$10 million regional initiative to combat people trafficking in South-East Asia will commence in 2001-02. People trafficking, and the attendant risks of increased money laundering, drug trafficking and the spread of communicable diseases, is a serious and growing development issue for the region. More than three and a half million women and children in the region are estimated to be victims of the sexual exploitation that drives much people trafficking.

HIV/AIDS prevalence rates in East Asia pose a serious threat to the long-term development prospects of the region, with current trends suggesting Asia may have surpassed Africa in new infections per year. In 2000, the region accounted for over 6 million cases of HIV/AIDS, with over 900,000 newly identified cases in that one year alone. In 2001-02, a new HIV/AIDS project will form a part of the Government's \$200 million global HIV/AIDS initiative announced in 2000. The project will bolster ongoing efforts aimed at tackling the HIV/AIDS pandemic in the region.

As an active member of Asia-Pacific Economic Cooperation (APEC), Australia is committed to the delivery of a free and open trade and investment environment in the Asia-Pacific no later than 2020. Australia provides 'ecotech' assistance that helps APEC developing member countries participate in the growth of the international economy. 'Ecotech' or economic and technical cooperation focuses on six priority areas in the APEC context: developing human capital, developing stable, safe and efficient capital markets, strengthening economic infrastructure, harnessing technologies for the future,

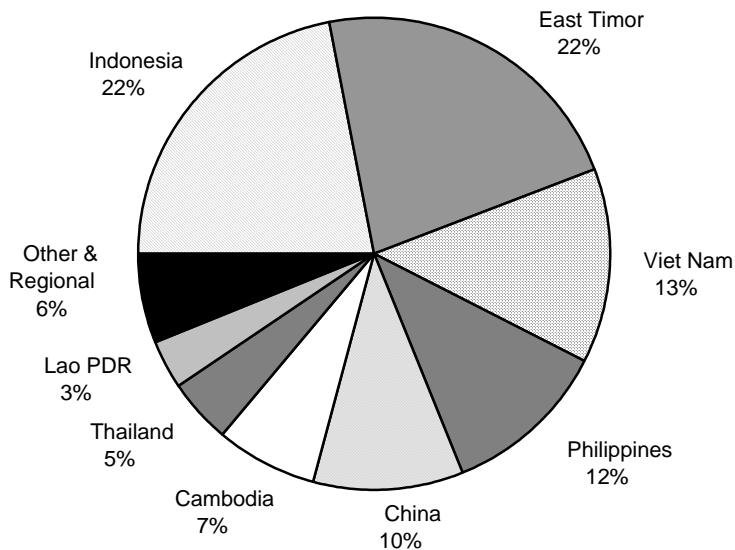
safeguarding the quality of life through environmentally sound growth, and developing and strengthening the dynamism of small and medium sized enterprises.

The Thailand-Australia Social Protection Facility is a \$5 million APEC activity promoting the delivery of quality social services to the poor and vulnerable. The University of Mahidol in Thailand jointly manages the Facility with an Australian contractor. In addition, Australia is supporting other APEC-related activities that are assisting regional governments to bridge the 'digital divide', improve quarantine capacity and remove barriers to trade.

The planned ASEAN-Australia Development Cooperation Program (AADCP) will enhance regional economic governance, integration and competitiveness. Key elements of the six year \$45 million program will be a program stream, consisting of two large scale regional development programs, a flexible mechanism for smaller collaborative activities promoting joint ASEAN/Australian solutions to regional development challenges, and a policy research facility within the ASEAN Secretariat focusing on economic issues. The particular needs of the poorer 'new ASEANs' will receive careful attention.

BILATERAL PROGRAMS

Diagram 10: Estimated total aid flows to East Asia by country 2001-02



Indonesia

Country program allocation	\$99.5 million
Estimated other flows	\$22.0 million
Estimated total aid flows	\$121.5 million

The objective of the Australia-Indonesia development cooperation program over the period 2001 to 2003 is to contribute to poverty reduction, sustainable economic recovery and democratisation in Indonesia. This objective recognises the complex nature of development in Indonesia during a period of reform and transition. A key element of this reform process is the decentralisation of the nation's political and administrative system. To achieve sustainable poverty reduction outcomes in a decentralised environment it is necessary to address both the direct and indirect determinants of poverty (lack of access to basic services, unsustainable livelihoods, community conflict) as well as governance issues (eg. skills shortages, poor policies, weak institutions) that are essential to ensure sustainable economic growth.

In 2001-02, two major initiatives to promote improved governance will commence. A Legal Reform Program will assist legal institutions to improve their effectiveness, transparency and accountability. The program will provide training and capacity building assistance for judicial and supervisory institutions and legal NGOs. The second phase of the Technical Assistance Management Facility will mobilise short-term targeted technical and training assistance to support economic and financial reforms in the public sector.

Meeting basic needs such as access to health care and water and sanitation facilities remains a major challenge in Indonesia and a priority for the aid program. New activities in health to commence implementation in 2001-02 will help strengthen HIV/AIDS and STD prevention and care, and improve maternal and neonatal health and planning services. Support will also be provided for decentralising health services to District Administrations and improving the operation and maintenance of rural water supply and sanitation systems.

In the education sector, Australia will expand activities in the area of basic education with a significant primary education assistance project that will increase the quality of learning and teaching. Short-term training to Indonesian government and non-government agencies in areas ranging from community development to good governance also remains a priority, as does tertiary training through Australian Development Scholarships.

East Timor

Country program allocation	\$30.0 million
Estimated other flows	\$91.8 million
Estimated total aid flows	\$121.8 million

The goal of Australia's aid to East Timor is to reduce poverty and build East Timorese capacity to govern a peaceful, democratic and independent East Timor. This will be achieved through:

- contributing to the development of a simple, effective and sustainable government and administrative structure
- assisting the process of reconciliation and peace building, including by strengthening institutions of civil society and promoting human rights
- supporting the restoration of basic services and improved service delivery in the key sectors of education, health, water supply and sanitation
- strengthening productive sectors of the economy, especially agriculture
- promoting continued engagement and coordination with other donors.

The key sectors for Australia's aid to East Timor are education and training, health, rural development, water supply and sanitation, and governance.

The Australian program has a particular focus on building government and administrative capacity to assist the East Timorese to prepare for the handover of government responsibilities after independence. In 2001-02, targeted technical assistance and capacity building initiatives will include support for the development of effective budget management and taxation systems, the establishment of land administration systems, the provision of English Language Training and scholarships targeted at East Timor's highest priority skills needs.

Other activities will target vulnerable groups and those currently living with limited access to resources, particularly outside Dili, in recognition of the fact that 85 per cent of East Timor's poor live in rural areas. Australia will also commence longer-term development programs, including a rural development program which will increase food security and help re-establish rural livelihoods in three districts; a rural water supply project which will bring clean water to three districts; and an oral health care program which will help re-establish basic dental care throughout East Timor.

As part of Australia's commitment to a strong, stable democratic East Timor, Australia is providing training for East Timorese leaders and their support staff in democratic parliamentary processes. The aid program will provide support for a functional Parliament building and technical advice and training in preparation for elections scheduled for 2001.

Viet Nam

Country program allocation	\$60.0 million
Estimated other flows	\$13.3 million
Estimated total aid flows	\$73.3 million

Through its aid program, Australia is working in partnership with Viet Nam to reduce poverty in an equitable and sustainable way. The program is increasing Viet Nam's development capacity through training and education, and helping to improve the livelihoods of the rural poor through delivery of quality health, agriculture and infrastructure services. The aid program is also supporting the Government of Viet Nam's program of institutional and policy reform in the areas of private sector development, economic integration, effective use of public resources and the legal system.

In 2001-02, the program will develop and implement new activities in rural development, governance and education.

Improved rural water supply and sanitation will be provided to disadvantaged communities in seven provinces of the Mekong Delta. A major new project in Quang Ngai province aims to increase income generation for the rural poor. This project will include interventions in agriculture, rural infrastructure and vocational training.

Australia will establish a facility to allow swift and effective responses to existing and emerging governance issues, particularly in Viet Nam's priority areas of economic integration and public sector management reform. Australia will also provide funds to the Capital Aid Fund for Employment of the Poor (CEP). Australian assistance for a Microfinance Expansion Project will allow CEP to provide its financial services to an additional 15,500 clients from poor households.

In education, Australia and the World Bank will work together to increase the number of disadvantaged children who complete primary school, targeting the estimated half million who currently drop out each year. It is expected that 200 new scholarship places will be offered at Australian universities in 2001-02.

Philippines

Country program allocation	\$56.2 million
Estimated other flows	\$7.3 million
Estimated total aid flows	\$63.5 million

Australia's assistance to the Philippines aims to help reduce poverty and promote sustainable development. The program's geographic focus is the southern Philippines, including Mindanao. About one fifth of the nation's population and about one third of the nation's poor live in Mindanao. The new Arroyo administration has expressed its commitment to search for a peaceful resolution to the long running civil disputes in Mindanao. Australia is keen to support this effort through our aid relationship with the Philippine Government at the national and local levels, and to work with civil society to achieve improvements for poor Filipinos in four key livelihood areas: rural incomes, the environment, education and health.

In 2001-02, a new program of assistance will focus on four of the poorest provinces in the southern Philippines and Mindanao. New activities will support the Philippine Government's reform agenda through assistance with land reform and improving the policy and regulatory framework for water supply and sanitation.

The program will continue to assist vulnerable groups affected by reform and economic change through the \$30 million Philippines-Australia Vulnerable Groups Facility. The facility reaches some 40,000 street and urban working children and around 17,000 parents in 25 cities nationwide, and is helping over 520 village districts, or *barangays*, to fund local community development projects driven by grassroots initiatives.

China

Country program allocation	\$40.3 million
Estimated other flows	\$15.7 million
Estimated total aid flows	\$56.0 million

Australia's program of development cooperation with China focuses on four key sectors: governance, health, education and rural development/environment, particularly in the poorer central and western provinces of China. A key challenge is to assist China with the reforms underway in its transition to a market economy.

In 2001-02, a new Australian project in Xinjiang Province will help to limit the transmission of HIV infections and will introduce a comprehensive approach to caring for AIDS sufferers. A major project will be completed in Tibet, bringing clean water and better primary health care to around 17,000 people in 54 rural villages. Australia will also implement a new initiative in Chongqing Municipality to help China develop vocational education and training that better meets the needs of the workplace. Other new measures will address rural household poverty, develop water supplies for

people in poverty-stricken areas and combat environmental problems such as desertification and soil erosion.

Australia continues to support the Human Rights Technical Cooperation Program, which underpins the annual human rights dialogue with China by providing assistance with the protection, promotion and administration of human rights. The program builds on earlier successful activities in areas such as legal reform, women's and children's rights and ethnic and minority rights.

Mongolia

Country program allocation	\$2.7 million
Estimated other flows	\$0.5 million
Estimated total aid flows	\$3.2 million

Australia is helping to strengthen the capacity of the Mongolian government to deliver long-term development, through assistance in areas such as financial reform and aid coordination. Australia is also working with the UNDP to help limit the spread of HIV/AIDS among Mongolia's mobile populations, and with the World Bank to provide better access to clean water for the poor areas of Ulaan Baatar.

Mongolia continues to face social and economic hardship brought on by two consecutive years of a natural disaster, the *Dzud*, in which droughts are followed by snowstorms, causing severe losses of livestock. Australian assistance for the purchase and distribution of emergency foods is being provided through the International Federation of the Red Cross.

Cambodia

Country program allocation	\$24.4 million
Estimated other flows	\$14.1 million
Estimated total aid flows	\$38.5 million

Australia is helping to reduce poverty in Cambodia and support the country's transition towards sustainable development. Australia's approach is based on improving agricultural productivity and profitability and strengthening Cambodia's capacity to meet basic human development needs. Institutional strengthening is concentrated in three sectors: education and training, agriculture and health. There is also a major activity in the criminal justice sector.

In 2001-02, a new program of support for agricultural research and development will boost rural incomes and improve food security by contributing to increased crop yields, improved produce quality and marketability. Australian efforts with the International Rice Research Institute have increased rice production over 50 per cent over the last 14 years, with a new Agriculture Quality Improvement project aiming to benefit over 200,000 farm families. In the health sector, Australia will support the Cambodian Government's efforts to improve and extend cost-effective primary health

care services to up to 1.6 million people in Cambodia's most populous province. A second phase of support to strengthen capacity in Cambodia's criminal justice sector will build on and consolidate the achievements of the first phase, improving human rights conditions and strengthening the rule of law. Australia will continue to provide operational support to the Cambodia Mine Action Centre.

Thailand

Country program allocation	\$17.0 million
Estimated other flows	\$8.0 million
Estimated total aid flows	\$25.0 million

Australia's aid program in Thailand has a broad focus on governance, and is designed to build government policy, management and service delivery capacity. It targets rehabilitation of the banking and finance sector. Assistance is being provided to strengthen prudential supervision and regulation in the Bank of Thailand.

A Capacity Building Facility will deliver a \$10 million program of short-term technical assistance and training over three years. The facility will provide the Prime Minister's Office with assistance in reforming the entire public sector procurement system. Other key activities will continue to support Thailand in the fields of economic governance, public sector capacity building, and civil service reform.

Mitigation of negative social effects will continue, primarily through the Australian Community Support Scheme, which provides grants to local community organisations and programs. Activities are supported in areas ranging from community forestry and village weaving to human rights strengthening and constitutional reform.

Lao PDR

Country program allocation	\$14.0 million
Estimated other flows	\$4.8 million
Estimated total aid flows	\$18.8 million

The Australian aid program is supporting the Government of the Lao PDR to improve its ability to meet its people's basic needs by supporting primary health care, rural development, broader access to education and policy reform.

In 2001-02, a new five-year phase of Australia's support for the development of primary health care services in the northern provinces will commence. Goals include a reduction in the rate of infant mortality of 75 per 1000 live births and an increase in life expectancy above the average of 54 years. As well as providing better health services, this activity will support the Government's decentralisation policy by building local ownership and increased capacity for service delivery in rural areas.

The aid program is providing support for Australian NGOs that have played an important and effective role in delivering assistance to the most disadvantaged rural

communities. In 2001-02, NGO activities will include HIV/AIDS awareness and clean water and sanitation.

Australia will continue support for reform of land tenure and property rights and the Lao PDR's accession to the World Trade Organisation (WTO) planned for 2001. Australia is also supporting financial sector reform of state owned banks and increased public sector transparency in conjunction with the United Nations Development Program (UNDP).

Burma

Country program allocation	\$1.6 million
Estimated other flows	\$2.8 million
Estimated total aid flows	\$4.4 million

In 2001-02, Australia's small program of humanitarian assistance will focus on basic health and HIV/AIDS control. Australian government assistance is channeled mainly through Australian NGOs and multilateral organisations (including UN agencies), with bilateral, government-to-government aid largely suspended because of concerns over Burma's poor human rights record.

In 2000-01, the Australian Human Rights Initiative has been working in a practical way to bring about improvements in human rights for Burmese people, for example through the provision of short term training in international human rights law and practice. The Australian Government is considering options to continue the Human Rights Initiative, which is aimed at the eventual establishment of a national human rights institution in Burma.

In 2001-02, Australia will continue to fund a number of NGO projects for primary health care and HIV/AIDS control projects under the Burma Community Health Program, and other small-scale activities related to poverty reduction and basic human needs. Outside Burma, Australia provides 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. The aid program is also helping to reintegrate displaced persons returning to Burma from refugee camps in Bangladesh.

South Asia

REGIONAL DEVELOPMENT INDICATORS

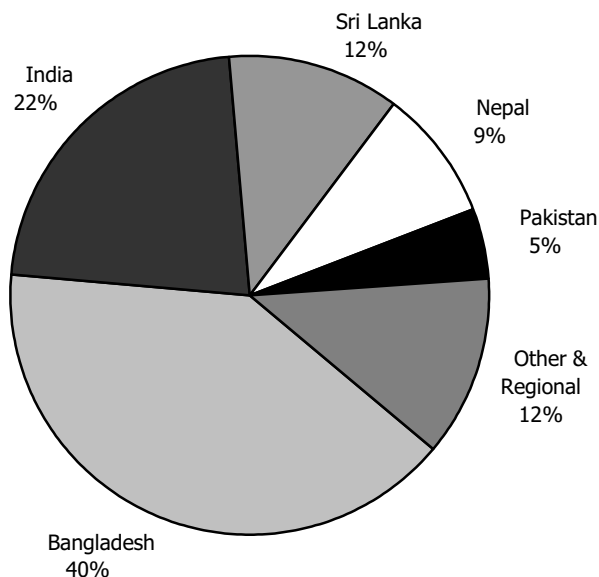
Country	GNP per capita (\$A)	Access to water (% of population)	Life expectancy (years)	Adult literacy (% of population)
Bangladesh	573	97	59	41
India	697	88	64	57
Sri Lanka	1271	83	74	92
Nepal	341	81	58	41
Pakistan	728	88	63	45
Maldives	1160	100	68	97
Bhutan	790	62	62	-

Source: GNP per capita and adult literacy (2000): DAC; Access to water (2000): Global Water Supply and Sanitation Assessment 2000 Report; Life expectancy (1998): Geographical Distribution of Financial Flows to Aid Recipients 1995-1999, OECD.

Estimated total aid flows to South Asia in 2001-02

\$92.0 million

Diagram 11: Estimated total aid flows to South Asia by country 2001-02



Regional strategy

Given the extent of poverty in South Asia, the Australian aid program has to be highly focused. This entails identifying niche areas where Australian assistance can deliver high impact development outcomes. Australian aid requires a tight geographical and sectoral focus with complementary activities supporting strong local efforts, aimed wherever possible at drawing in and catalysing other assistance.

The program is developing an increased focus on sustainable poverty reduction. Core areas include:

- strengthening the capacity of governments to manage the delivery of more effective services
- improving health outcomes, especially preventing the spread of HIV/AIDS
- strengthening primary education, especially for girls
- supporting efforts to improve natural resource management (especially water) and rural development.

Bangladesh

Country program allocation	\$22.1 million
Estimated other flows	\$14.9 million
Estimated total aid flows	\$37.0 million

In 2001-02, Australian aid will continue to support Bangladesh's efforts to achieve food security, contributing to sustainable improvements in household food security and nutrition for some 400,000 extremely poor households. In education more than a quarter of a million girls will benefit in 2001-02 from the Intensive District Education for All project that is increasing access to better quality primary education. Programs aimed at reducing arsenic contamination of drinking water will lessen the risk of poisoning among rural communities. Microfinance programs will provide opportunities for small-scale livelihood activities in the North West and the Chittagong Hill Tracts.

India

Country program allocation	\$14.7 million
Estimated other flows	\$5.8 million
Estimated total aid flows	\$20.5 million

Australia will continue to assist India to address its considerable development needs through a strategically targeted program. Key sectors are education, health, and water and sanitation, with a focus on the northeast, Sikkim and Himachal Pradesh. These areas are among the poorest in the country, have reformist governments and currently

little access to external development resources. Improving the capacity of local authorities to provide clean water and sanitation will have a significant impact on the health of hundreds of thousands of poor people in the towns of Bangalore, Shillong and Gangtok.

Sri Lanka

Country program allocation	\$6.1 million
Estimated other flows	\$4.9 million
Estimated total aid flows	\$11.0 million

Australia is supporting the capacity of the government of Sri Lanka to deliver services, particularly in environmental management and health. The ongoing civil conflict is a major cause of entrenched poverty and hence Australia is supporting activities that enable communities affected by the conflict in the North and East to resettle in more peaceful areas.

Nepal

Country program allocation	\$6.3 million
Estimated other flows	\$1.6 million
Estimated total aid flows	\$7.9 million

Australian assistance to Nepal seeks to alleviate poverty by supporting the community management of natural resources and the development of human resources through new scholarships for around 22 students to study in Australia in 2001. More than 400,000 people from poor rural communities will benefit from improved environmental practices through the Community Resource Management Project in Nepal. In health, Australia is developing initiatives to combat the spread of HIV/AIDS through education and treatment to mitigate the worst effects of the disease on Nepal's communities.

Pakistan

Country program allocation	\$2.4 million
Estimated other flows	\$2.1 million
Estimated total aid flows	\$4.5 million

Australia's program to Pakistan has a humanitarian focus. In 2001-02, the program will improve community management of environmentally degraded agricultural lands in the Punjab through implementation of an agro-salinity project which is transforming rural land poisoned with salt into productive farm land. In education, Australia will provide increased access to better quality primary education for some 35,000 girls through the Balochistan Girls' Education Project.

Maldives

Country program allocation	\$3.1 million
Estimated other flows	\$0.3 million
Estimated total aid flows	\$3.4 million

Human resource development in the Maldives, through about 12 new scholarships to Australian universities, will remain a high priority. Assistance will also aim to alleviate poverty in the geographically isolated outer atolls, where the program is strengthening the Government of Maldives' capacity to manage environmental resources.

Bhutan

Country program allocation	\$0.9 million
Estimated other flows	\$0.2 million
Estimated total aid flows	\$1.1 million

Australia will continue to support human resource development as a means of enabling the government of Bhutan to address poverty more effectively. Ten new scholarship places are likely to be offered in 2001-02. Primary health care will also continue to be addressed in selected areas.

Africa and the Middle East

REGIONAL OVERVIEW OF AFRICA & THE MIDDLE EAST

	Africa	Middle East
Program allocation	\$35.6 million	\$2.1 million
Estimated other flows	\$40.4 million	\$7.8 million
Estimated total aid flows	\$76.0 million	\$9.9 million

Intractable poverty and epidemic illness, particularly HIV/AIDS, dominate the African development agenda. Civil and economic instability has constrained private investment flows to the economies of sub-Saharan Africa. Durable policy solutions are critical to improving government service delivery and encouraging foreign investment and economic growth.

To help meet these challenges, Australia is focusing its assistance on poverty reduction in southern Africa. Australian aid is assisting partner governments develop and implement more effective policies and programs, and is funding Australian NGOs to help fight the spread of HIV/AIDS in the region.

The HIV/AIDS epidemic is the greatest development challenge facing Africa. More than 14 million Africans have already died of AIDS, 25 million are now living with HIV/AIDS, and the disease has orphaned 13 million children. The concentration of AIDS deaths among people of working age threatens economies across the region.

Australia will work with African governments and community groups to care for those affected by HIV/AIDS and to strengthen the responses of governments, employers, researchers and communities. An Australian funded NGO program is combining technical strategies like condom promotion and STD reduction with broader responses, including community prevention and care and outreach to highly vulnerable groups. The aid program will also support a program of national level research and capacity building.

In the Middle East, Australia is continuing assistance for the humanitarian needs of over 3.5 million Palestinian refugees in the region.

South Africa

Country program funding in 2001-02 will be \$10.1 million. As the engine of growth in the region, South Africa's economic future will largely dictate the economic future of southern Africa. Australia's aid program will continue to build the capacity of public institutions, particularly in agriculture, local government and vocational education. The aid program will support South Africa's social and economic reforms, a key element of which is decentralising service delivery to the provincial and local levels of government.

Programs to build the capacity of civil society to combat gender violence and reduce poverty will be undertaken with local NGOs. HIV/AIDS is a major problem, with 4.2 million people living with AIDS or HIV, the highest number of any country in the world. Water supply and HIV/AIDS projects have been implemented through Australian NGOs.

Mozambique

Despite impressive advances in democratic, economic and public sector reform, Mozambique remains one of the poorest countries in the world. Mozambique is maintaining macroeconomic stability and has allocated extra resources to strengthen social services for the poor. Country program funding in 2001-02 will be \$10.1 million.

Australia's aid program to Mozambique supports the Government of Mozambique's work to overcome two major hurdles: its own limited capacity and widespread poverty. Capacity building for the public sector will bolster Mozambique's impressive reform efforts and improve provincial service delivery. Ongoing support for projects implemented by Australian NGOs will focus on water supply and sanitation, HIV/AIDS and food security. Australia is working closely with other donors to limit the effects of severe flooding which displaced tens of thousands of Mozambicans. A food security project will begin in 2001-02 to prevent Newcastle disease in village chickens and increase income and nutrition for Mozambique's rural poor.

Middle East

The Australian Government's development assistance program to the Middle East focuses on 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. Currently, the focus of assistance is on meeting the humanitarian needs of the Palestinian people.

In the short to medium term, the bilateral program will continue to address the urgent social and economic situation in the West Bank and Gaza, through our annual contribution to the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) and through NGOs.

CHAPTER FOUR: GLOBAL PROGRAMS

The majority of Australia's aid is delivered through bilateral programs in consultation with our development partners in the region. However, a significant component is delivered through multilateral and non-government organisations. In 2001-02, it is expected that Australia will expense \$590.4 million to global programs (estimated cash payments will be \$515.0 million). This assistance will support activities delivered by multilateral organisations and non-government organisations and will fund volunteer programs, humanitarian and emergency programs and communication, education and information programs.

Multilateral organisations

Australia's support for multilateral organisations extends the reach of the aid program and leverages the benefits Australia's assistance can deliver. In promoting development, multilateral organisations fulfill 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 assesses how well these organisations contribute to the objective of the aid program. The Multilateral Assessment Framework is used to assess the relevance and performance of United Nations and Commonwealth multilateral organisations.

MULTILATERAL DEVELOPMENT BANKS³

Asian Development Fund (ADF) – Asian Development Bank	\$112.0	million
Heavily Indebted Poor Countries (HIPC) Initiative	\$11.5	million
International Development Association (IDA) – World Bank	\$135.1	million
International Fund for Agricultural Development (IFAD)	\$1.5	million
Total multilateral development banks	\$260.1	million

In 2001-02, Australia's contribution to multilateral development banks (MDBs) will total \$260.1 million. As well as providing macroeconomic policy advice and assisting developing countries in the Asia-Pacific with highly concessional finance, MDBs play a

³ 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.

critical role in promoting donor coordination, good governance and sound economic policies across the Asia-Pacific region.

Australia's priorities for 2001-02 are to engage the MDBs with a particular focus on their effectiveness as development partners in the Asia-Pacific region and to deepen their ongoing internal reform processes. Australia will work with the World Bank towards a successful conclusion to the 13th replenishment of the International Development Association (IDA) and to establish a policy framework for allocating resources on highly concessional terms to the world's poorest countries in the future.

The World Bank and the IMF are implementing the Heavily Indebted Poor Countries (HIPC) Initiative. This initiative is providing debt relief to the world's poorest countries and ensuring that the proceeds of debt relief are directed to basic health, education and poverty reduction programs and not lost in corruption or military spending.

As well as contributing to the HIPC Initiative, Australia has pledged 100 per cent bilateral debt forgiveness to countries that qualify for debt relief under the enhanced HIPC Initiative. The Australian Government announced on 2 February 2001 that interim debt relief will be provided to Nicaragua, following the country's qualification for interim debt relief under the HIPC Initiative. Accordingly, Nicaragua will not be making debt repayments to Australia on its outstanding debt of \$6.3 million. Following its cease-fire with Eritrea, Ethiopia is again being considered for debt relief and is expected to qualify under the enhanced HIPC Initiative in the near future. When Ethiopia receives debt relief under HIPC, all its debt owed to the Australian Government will be forgiven. The cost of this initiative is additional to the aid budget.

Australia will encourage the World Bank and the IMF to monitor and manage the delivery of debt relief to ensure this relief is sustainable and results in increased transfers of development spending.

UNITED NATIONS DEVELOPMENT ORGANISATIONS

UN agencies play a key role in poverty reduction and sustainable development. Australia's aid program will continue to engage actively with UN agencies to encourage improvements in UN development activities.

In 2001-02, Australia will provide \$79.9 million in contributions to the following UN development and humanitarian organisations:

World Food Programme (WFP)	\$44.3	million
United Nations High Commissioner for Refugees (UNHCR)	\$14.3	million
United Nations Development Programme (UNDP)	\$7.0	million
United Nations Children’s Fund (UNICEF)	\$4.9	million
United Nations Relief and Works Agency (UNRWA)	\$3.8	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)	\$0.65	million
United Nations Development Fund for Women (UNIFEM)	\$0.38	million

All UN development agencies are actively participating in mechanisms established under the UN reform agenda to improve the quality of development assistance.

WFP aims to improve the nutrition, quality of life and self-reliance of poor people and communities. UNDP advances its overall objective of sustainable development through the promotion of an enabling environment (including good governance), poverty reduction, protection of the environment and gender equality. Australian aid helps UNICEF, UNIFEM and UNFPA advance the rights and welfare of women and children through health, family planning, education and advocacy programs. Similarly, Australia’s contributions to specialist UN agencies enhance their development programs, for example coordinating international drug control and meeting global environment concerns.

The Australian aid program seeks to maximise the developmental impact of Australia’s contributions to the UN development agencies. This is done in part through: annual assessments of the relevance, efficiency and effectiveness of UN agencies; less frequent in-depth reviews of individual agencies; support for broad-based UN reform including improved coordination and delivery at the field level; financial and administrative reform within agencies; and cooperation between the UN and other development bodies.

INTERNATIONAL HEALTH PROGRAMS

In 2001-02, Australia will provide \$13.9 million to international health programs. Australia’s key priorities are to provide an ongoing response to continuing global challenges, while also tackling emerging health problems. Persistent health problems include tuberculosis (TB), poor child, adolescent and maternal health, HIV/AIDS, reproductive health (including family planning) and polio. Increasing immunisation coverage, particularly for the poor, and micronutrient supplementation are still the key interventions to combat many of the most persistent health problems. Emerging global health challenges include non-communicable ‘lifestyle’ diseases and violence against women.

To meet these challenges, AusAID’s international health program will continue to build effective partnerships with multilateral agencies which further Australia’s

strategic global health agenda. These partnerships will emphasise primary health and complement our regional and bilateral relationships. In 2001-02, Australia will support:

- the World Health Organisation (WHO) to control and eradicate diseases like TB, with a particular focus on the Asia-Pacific region
- the United Nations Fund for Population Activities (UNFPA) and the International Planned Parenthood Federation to deliver and advocate improved reproductive health services
- UNAIDS to promote the most effective response to HIV/AIDS
- the International Centre for Control of Iodine Deficiency Disorders
- Rotary International, in partnership with the World Health Organisation, UNICEF and the US Center for Disease Control, to eradicate polio from the world by 2005. The Australian Government will match Australian corporate private sector contributions dollar for dollar up to \$10 million over the period 2001-05.

INTERNATIONAL ENVIRONMENT PROGRAMS

The prevention of environmental degradation is important in achieving sustainable development and reducing poverty. The global nature of many of today's environmental challenges such as climate change, ozone depletion, persistent organic pollutants, loss of biological diversity and pollution of the marine environment demands an international response.

Australia, through its support for the activities and programs of international environment organisations, assists developing countries in addressing environmental imperatives on a scale that would not be possible on a bilateral basis. In 2001-02, Australia will continue to support the Global Environment Facility (GEF), designed to meet growing environmental concerns in developing countries. Funding for the GEF in 2001-02 will be \$9.5 million. Australia will provide \$4.5 million to the Montreal Protocol Multilateral Fund (MPMF) in 2001-02, which is helping developing countries phase out the use of ozone depleting substances by 2010. Australia will also contribute to the United Nations Environment Programme (UNEP) and the International Tropical Timber Organisation (ITTO).

Australia seeks to ensure that its aid and environmental priorities are reflected in the programs of international environment organisations. In 2001-02, Australia will continue to:

- promote the global importance 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, especially in the lead-up to the World Summit on Sustainable Development in 2002
- encourage efforts by the GEF to streamline its operations in order to enhance environmental effectiveness.

COMMONWEALTH ORGANISATIONS

Australia will contribute \$11.6 million during 2001-02 to Commonwealth organisations and programs assisting in the areas of good governance, institution building, human rights, economic policy making and small states development. This includes implementation of the second year of the Prime Minister's 1999 announcement that Australia's contribution to Commonwealth Fund for Technical Co-operation would increase by 10 per cent per annum for three years. Assistance to the Trade and Investment Access Facility continues, as also pledged by the Prime Minister.

A Commonwealth Heads of Government Meeting (CHOGM) will be held in Brisbane from 6 to 9 October 2001. Leaders will discuss the findings of the High Level Review Group, which has been reviewing the role of the Commonwealth and how best it can respond to the challenges of the new century. This Group is chaired by President Mbeki of South Africa and includes the heads of nine other governments including Australia. This review is closely linked to the CHOGM theme: *The Commonwealth in the twenty first century: continuity and renewal.*

Non-government organisations and volunteer programs

NON-GOVERNMENT ORGANISATIONS

Non-government organisations

\$26.7 million

Non-government organisations (NGOs) play a key role in the provision of Australian aid to developing countries. Through their strong links with communities in developing countries and partnerships with local organisations, NGOs are well placed to strengthen civil society and build longer-term sustainable development at the grass roots level. NGOs have also been very successful at mobilising public support and voluntary contributions for aid and engaging the Australian local community in aid activities.

The AusAID/NGO Cooperation Program (ANCP) supports NGO activities that help reduce poverty in developing countries. Under this scheme, Australia supplements funds provided by the community, enhancing the scale and effectiveness of NGO activities and providing NGOs with the capacity to respond to their own regional and sectoral priorities. In 2001-02, funding for the ANCP will be \$25.7 million.

Strengthening the quality of the NGO program is the overriding priority for AusAID's NGO relationship for 2001-02. This will be achieved by building a stronger learning environment in which AusAID and NGOs work cooperatively to share systematically lessons learned in the delivery of quality aid projects, by clarifying expectations of aid quality and by improving guidance to NGOs on AusAID systems.

VOLUNTEER PROGRAMS

Volunteer programs

\$18.6 million

In addition to their own unique experiences and relationships, volunteers bring back to Australia a greater appreciation of the culture, economies, and development needs of countries in the Asia-Pacific and beyond. Volunteers help to reduce poverty in those regions through skills transfer and institutional strengthening and heighten Australian community participation and interest in the aid program.

Four agencies currently receive grant funding under AusAID's Volunteer Programs: Australian Volunteers International (AVI), AESOP Business Volunteers, Interserve and the Paulian Lay Missionary Society (PALMS).

The Australian Youth Ambassadors for Development program (AYAD) is now an ongoing program, with an annual budget of \$5.3 million in 2001-02. This commitment will enable the program to continue developing partnerships with Australian organisations, and education, community and government sectors through the placement of more young Australians on development assignments throughout the region.

Emergency and humanitarian programs

Emergency aid	\$37.5 million
Humanitarian aid	\$48.1 million
of which: International Committee of the Red Cross (ICRC)	\$2.2 million

In close cooperation with its international and domestic development partners, Australia aims to deliver quick, effective and targeted assistance to those caught in conflict and emergency situations. The aid program will continue to limit the human suffering of the vulnerable in humanitarian and emergency crises through improved preparedness, risk reduction and effective response.

In recent times there has been a disturbing growth in instability in the Asia-Pacific region with civil conflicts developing in East Timor, the Solomon Islands, Bougainville, and parts of the Philippines and Indonesia. In 2001-02, Australia will focus on humanitarian crisis response and conflict prevention in the Asia-Pacific region. This regional focus will be in the context of a continued strong global response to international humanitarian crises as they emerge. Other initiatives in 2001-02 will include:

- the mainstreaming of disaster preparedness and conflict prevention into bilateral development programs
- smoother transition between relief, recovery and development activities
- greater emphasis on vulnerability reduction and supporting local capacities for peace achieved through:
 - the delivery of basic needs in the immediate aftermath of disasters and mass population displacements
 - the introduction of a capacities and vulnerabilities approach at an early stage in the crisis that will help promote self-reliance and reduce dependency.

As well as providing support for refugees, internally displaced people and other vulnerable groups, the humanitarian program is one element in the whole of government strategy to combat illegal people movements from major refugee host countries. AusAID is working closely with the Department of Immigration and Multicultural Affairs to develop and manage appropriate support for countries of first asylum, and to support the voluntary return of illegal immigrants.

Australia's obligations under the Food Aid Convention require the provision of at least 250,000 tonnes of wheat or wheat equivalent each year. A growing proportion of this commitment is met through the humanitarian program. Over the last six years this food has been largely delivered through programs managed by the World Food Programme. WFP has a good reputation for efficiency and effectiveness. The

renegotiation of the Food Aid Convention will provide an opportunity to assess the effectiveness of the current Convention's provisions and to support further reforms.

LANDMINE ACTION

One in three nations of the world are contaminated to some degree by land mines and unexploded ordnance. The real risk of death and serious injury is a key obstacle to sustainable development in many of the world's poorest countries. Mines compound refugee problems, lay waste to large tracts of potentially productive land and interfere with transportation and communication. As a party to the *Ottawa Convention on Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and On Their Destruction*, Australia has committed \$100 million towards mine action activities around the world from 1996-2005. To date some \$97 million has been spent or committed to supporting mine action that builds indigenous capacity, integrates victim assistance and promotes mine awareness.

DIRECT ASSISTANCE PROGRAM

The Direct Assistance Program (DAP) is a small grants scheme used to fund projects ancillary to Australia's development cooperation program. The program is delivered through Australia's diplomatic posts with over 40 posts currently drawing on the scheme. The program will continue to focus on alleviating basic humanitarian hardships. Development activities supported under the program are directly aimed at assisting women, the poor and other disadvantaged people. In 2001-02, \$3.8 million will be provided through the program.

Communication, education and information

OUTREACH ACTIVITIES AND DEVELOPMENT EDUCATION

The Government puts significant emphasis on informing the Australian people about the benefits aid delivers to the poor in developing countries, particularly in the Asia-Pacific region. Expenditure on media, outreach, publications, internet, and global education activities for 2001-02 will be \$2.3 million.

The Government will continue to implement a communication strategy that aims to inform increasing numbers of Australians about the aid program by targeting a range of media and public forums. AusAID will provide information about the aid program through:

- proactive communications strategies with commercial media, both print and electronic
- outreach activities at shows, trade and business forums, universities and schools
- professional development of teachers in global education studies
- *Focus* magazine, the agency's flagship magazine, and other agency publications
- on-line delivery of information and new on-line services for specific stakeholders.

AusAID's Global Education unit will provide aid and development teaching resources via its web site (<http://globaled.ausaid.gov.au>).

Speeches, press releases and details of AusAID publications may be found on the AusAID Internet site (<http://www.ausaid.gov.au>).

ACADEMIC AND RESEARCH PROGRAM

The Academic and Research Program will continue to focus on ensuring that Australia's aid program has access to relevant and high quality research. A total of \$1.3 million will be provided in 2001-02. Research is a critical element in ensuring the quality and relevance of the aid program. The Academic and Research Program supports Australia's aid program by identifying and facilitating research into emerging development issues through open competition between research providers. The program also funds targeted distribution of the Asia-Pacific Economic Literature journal to developing countries throughout the Asia-Pacific region.

INTERNATIONAL SEMINAR SUPPORT SCHEME

The International Seminar Support Scheme assists participants from developing countries to attend development-focused seminars both in Australia and overseas. Through enabling their participation, the scheme helps to develop knowledge, technical expertise, networks and policies relevant to pursuing sustainable development and reducing poverty in developing countries. Applications for support will continue to be assessed against the ability to show tangible and practical development-related outcomes. In 2001-02, \$0.8 million will be provided to the scheme.

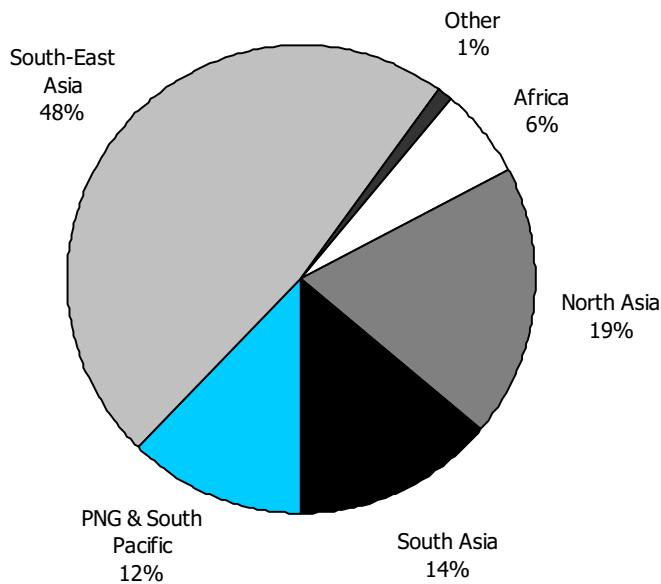
CHAPTER FIVE: AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH (ACIAR)

The Australian Government funds the Australian Centre for International Agricultural Research (ACIAR) to assist Australian researchers and institutions and international research centres develop solutions to agricultural problems in developing countries. The objective of ACIAR is to develop international agricultural research partnerships that reduce poverty, improve food security and enhance natural resources management in developing countries and Australia. Collaboration with researchers in developing countries is integral to all ACIAR projects, and ACIAR provides training and infrastructure to help build the capacity of these countries to undertake and apply research.

The total appropriation for ACIAR in 2001–02 is \$45.4 million. This funding will support more than 180 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 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.

BILATERAL PROGRAMS

Diagram 12: Estimated bilateral research expenditure by region 2001-02



ACIAR manages bilateral projects focussing on agricultural systems economics and management, agricultural development policy, crop sciences, animal sciences, postharvest technologies, land and water resources, forestry and fisheries. ACIAR works with partner governments to identify agricultural and natural resource problems, and develop research and development projects. Collaboration with partners to apply the results of research through extension and technology transfer is a critical part of ACIAR's efforts to build expertise in developing countries. Estimated expenditure on bilateral programs in 2001-02 is \$27.7 million.

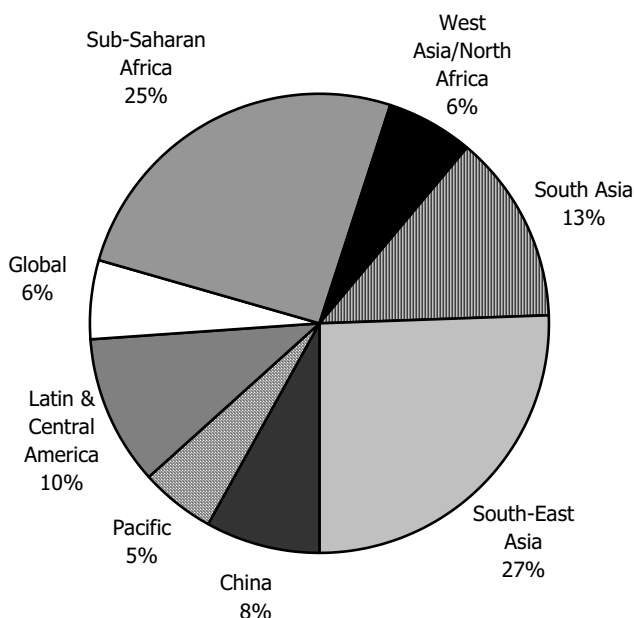
The major bilateral partners of ACIAR are China, Indonesia, Viet Nam, India, Papua New Guinea, the Philippines and Thailand. During 2001-02, Australia will strengthen support for Indonesia and the Philippines by implementing a suite of new projects. Research activities will also commence in the new partner countries of East Timor and the Democratic People's Republic of Korea. ACIAR is working closely with AusAID on institution-building initiatives in Viet Nam, Cambodia and PNG and on rural development programs in PNG, India and southern Africa.

Bilateral projects that will be supported by ACIAR in 2001-02 include:

- developing non-chemical pest and disease control methods for tropical fruits in Viet Nam, Papua New Guinea and Indonesia
- identifying high-yield adapted varieties of staple food crops in East Timor, and strengthening agricultural education and research capability at the University of East Timor
- training key agricultural scientists in modern technologies used in sustainable agricultural production, and initiating collaborative research projects in soil management and crop production in North Korea.

MULTILATERAL PROGRAM

Diagram 13: Estimated multilateral research expenditure by region 2001-02



Through its multilateral program ACIAR leverages Australian development assistance by supporting international agricultural research that aims to enhance rural livelihoods, develop sustainable agriculture and improve natural resource management. Funds are provided to International Agricultural Research Centres for their core programs and also as grants for projects that complement bilateral research and development activities. Estimated expenditure on the multilateral program in 2001-02 is \$10.0 million.

Examples of projects that will be funded under the multilateral program in 2001-02 include:

- collaborating with the Chinese Government to determine appropriate levels of public investment in different agricultural sectors
- developing and implementing options for sustainable internal parasite control in sheep and goats in South-East Asia.

IMPACT ASSESSMENT

ACIAR's impact assessment activities will continue in 2001-02, to provide a systematic basis for establishing research priorities and to determine the impact of research activities both in partner countries and in Australia.

FUNDING FOR TRAINING PROGRAMS

ACIAR funds training and development activities to assist the progress and implementation of its research. While most training is built into research projects, the John Allwright Fellowship scheme provides support to a small number of developing country scientists involved in ACIAR projects for postgraduate study at Australian universities.

ACIAR also supports cross-program training, including a range of short courses on topics such as technical writing in English, research proposal preparation, management of research and extension programs, experimental design and statistical evaluation, research and development priority setting, and biotechnology and intellectual property management. Many of these activities are financed by the Crawford Fund, which will receive \$0.65 million of government funding in 2001-02.

Supporting sustainable crop production in China

In Northern China, especially in the Loess Plateau, dry conditions, soil erosion and poor crop yield are the major problems of rain-fed wheat and maize cropping. Labour shortage is also a problem as younger people look for work in the cities. An ACIAR project has studied this problem, and has developed sustainable mechanised crop production systems suited to the region's light textured, erosion-prone soils.

These conservation tillage systems minimise soil disturbance and use crop residues to protect the soil surface. Such systems are in widespread use in Australia, but they are less easily applied in the Chinese situation of small-scale mechanisation. This project has introduced Australian instrumentation and experimental approaches to the study of tillage impacts on soil and crop. Field equipment, largely for zero-tillage planting, has been developed using Australian and Chinese components.

The project has developed conservation tillage systems for wheat and maize cropping suitable for small and medium tractors. Tests show the systems reduce loss of valuable rainfall as runoff, there are substantial increases in fallow water storage and yields of maize are up 17 per cent and wheat by 13 per cent respectively. The project has already had a significant impact on tillage technology in Shanxi Province, with around 10,000 hectares cropped using the new techniques. In 2001-02 these results will form the basis for a research focus on mechanised conservation tillage in Gansu Province.

CHAPTER SIX: AID ADMINISTRATION AND MANAGEMENT

The Australian Agency for International Development (AusAID) is an administratively autonomous agency within the Foreign Affairs and Trade Portfolio. The agency is responsible for the management and administration of the Australian Government overseas aid program.

While all AusAID staff have a role in the operation and performance of the agency, final responsibility rests with the Director General, who reports directly to the Minister for Foreign Affairs on all aspects of aid policy and operations. The Director General is responsible to the Secretary of the Department of Foreign Affairs and Trade for the administration of AusAID and is a member of the Department's Executive.

AusAID has a central office in Canberra and representation in Sydney, Brisbane, Melbourne, Adelaide and Perth. Operations in developing countries and multilateral agencies are supported by AusAID staff deployed at Australian overseas missions and by locally engaged staff.

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 will purchase these two outputs from AusAID at an agreed price of \$10.6 million and \$57.9 million respectively in 2001-02.

Policy advice

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

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

Program management

AusAID manages Australia's overseas aid program on behalf of the Government. Actual delivery of the aid program is 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 databases, 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.

SUPPORTING SERVICES

AusAID undertakes a wide range of support services to assist in the delivery of its two key outputs.

Contract services

Contractors are used extensively to deliver projects and activities funded under the aid program. AusAID contracts firms and individuals to deliver activities at all stages of the project management cycle: feasibility, design, implementation, review and evaluation. In 2001-02, the agency will continue work to improve contracting standards, and explore options for more effective and efficient contracting models for aid delivery.

Selection processes for major contractors will be amended in 2001-02, to take overall past performance into account, and AusAID will actively encourage new players to participate in project tenders. The agency will also continue to place a high emphasis on training for staff, with courses aimed at enhancing contracting skills and competencies running throughout the year.

Significant changes to contracting arrangements for Australian Development Scholarships (ADS), which provide opportunities for people from selected developing countries to study in Australia, came into effect on 1 January 2001. Australian universities and TAFEs that were successful in the tender process now have increased responsibility and capability for tailoring both academic and student support services to students studying under the ADS program. Regular monitoring of institutional performance and outcomes will take place in 2001-02.

Performance information management and reporting

AusAID assesses performance against its overall quality target by aggregating information on individual aid activities across programs. This information is collected in a number of ways, depending on the program or aid mechanism, and further improvements to the reliability and comprehensiveness of the systems used to record and analyse this information will be undertaken during the forthcoming year.

AusAID's Activity Management System (AMS) collects financial and performance management information to support monitoring, analysis and reporting on all aspects of aid projects. In 2000-01 substantial upgrading has occurred to provide monitoring reports for performance information and for end-of-year financial positions across the project portfolio. The AMS is used to gather and record performance information on all bilateral activities. The main tool used is the Activity Monitoring Brief (AMB). Significant enhancement of the AMB, including easier access for overseas staff to information on the AMS essential for completion of the assessment, will result in more regular reporting on progress and more reliable annual assessments of activity performance.

Advances in technology and the need to respond to emerging changed work practices have led to the commissioning of a comprehensive review of the AMS. The review, which will be completed by the end of 2001, will consider how to better align the AMS with workflow and improve interfaces with performance, financial and other supporting systems. The review will make recommendations aimed at ensuring the project management and performance reporting needs of the agency can continue to be met.

Quality assurance

Quality enhancement and reporting of results against performance targets are the main themes of AusAID's quality assurance activities. These themes were strengthened in 2000-01 with the development of guidelines for country program reviews, including indicators for program performance, and a trial of an upgraded Activity Monitoring Brief (AMB) system. In 2001-02, priority will be given to implementing the country program review guidelines and introducing improved systems for activity monitoring, including the upgraded AMB. These initiatives will simplify activity and program reporting and facilitate a focus on development outcomes. Quality assurance will be further strengthened through regular updating of AusAID's comprehensive guidelines on the management of projects, AusGUIDE.

The Quality Assurance Group (QAG) will build on previous work aimed at improving the quality of bilateral and regional aid projects and programs. QAG studies have identified the main constraints to achieving high quality development activities. During 2000-01 the emphasis of the QAG shifted from reviews of projects to developing guidelines for strengthening the quality assurance function. The program for 2001-02 will also involve collaboration with program areas further to develop

simple and effective approaches for tackling these constraints. Further assessments of activity quality are also planned.

Evaluation complements other quality assurance reviews by providing more detailed assessment of the impact of aid activities and the sustainability of the benefits. Evaluation also generates lessons to improve future projects and programs. In 2000-01, AusAID's evaluation program began a number of thematic evaluations, including the application of gender and development policies, and technical and design issues in land and resource management activities. Other activities that will continue into 2001-02, include evaluation of an HIV/AIDS project in Thailand; review of a major regional organisation in the Pacific and a joint evaluation with the World Health Organisation of its emergency programs in East Timor. The focus in 2001-02 will also be on evaluating the resource and effectiveness issues associated with key aid delivery mechanisms, reviewing core AusAID processes and further strengthening program and project management systems.

Improving statistical information

Statistics collected from the AMS are used by AusAID to ensure accurate information about the aid program can be provided to the Parliament and the public, and to assist in improving the quality of the program. Trials of a new statistics package, Datamart, have recently been completed and the package will be fully operational in 2001-02. Datamart has been introduced to enhance the quality of statistical information and reports. It will act as a repository of validated, historical aid statistics and provide AusAID with enhanced capacity to prepare accurate, consistent and comprehensive statistics, data analyses and reports.

Accountability and risk management

Risk assessment is an essential component of quality assurance. A review of the Agency's risk management framework was carried out during 2000-01. This is being supported by risk management training for staff and through the preparation of risk management plans for key business areas across the agency. The Audit Committee coordinates the Agency's audit and risk management plans and provides oversight and guidance in the implementation of risk management procedures and practices. AusAID has produced a detailed formal guideline outlining the application of risk management in development cooperation activities. The Strategic Audit Plan for 2001-04 is under preparation and will be presented to the Audit Committee in June 2001.

AusAID's audit section provides internal audit, fraud prevention and investigation services, as well as advice on risk management. Audits of commercial contractors and NGOs involved in the delivery of aid will continue to be the main focus of audit activity in 2001-02. This work will be complemented by audits that focus on key agency programs and functions including managerial, operational, financial/accounting, and information technology systems and procedures. Fraud

control activities will centre on implementation of recommendations contained in the agency's fourth Fraud Prevention Plan.

Sectoral advice

The Sectoral Advice and Analysis Branch is responsible for providing high quality technical advice and sectoral analysis within the agency. In 2001-02, the Branch will focus on improving the quality of aid outcomes by concentrating on activity design and appraisal. As part of this focus, additional linkages will be made to relevant academic and professional groups in Australia and overseas.

People management

Implementation of the *AusAID People Management Strategy (1999-2001)* will continue in 2001-02 with a focus on developing AusAID's strategic workforce planning capacity, streamlining recruitment, selection and placement processes and better rewarding and recognising good work performance.

The professional skills of staff will be enhanced through the *AusAID Learning and Development Framework* particularly in the areas of leadership/management, aid project and contract management, communication, risk management, security awareness, work unit planning and team building.

AusAID will also continue to implement elements of the Workplace Diversity Program 2001-04. This program focuses on outcomes and integrates equity and diversity principles into corporate planning processes, performance management systems and general resource planning.

Financial and information management

Program management is supported through effective and efficient financial management systems. These systems are being progressively developed to meet the changing needs of Government reporting. This will result in easier reconciliation between systems, faster end of month reporting and better integrity of estimates.

AusAID has developed an *Online Action Plan* consistent with the Government's Online strategy and as an integral component of the agency's Information Technology Management Strategic Plan. A number of activities identified in the Online Action Plan have already been completed. In 2001-02, work will continue on consideration of online options for simple procurement.

The AusAID library provides a reference and information service to AusAID staff to support them in their work for the agency. Library staff have recently established desktop access to a selection of electronic journals for AusAID staff in the central office. In 2001-02, library staff will be working to increase the range of material available in this form.

APPENDIX

Aid flows

Table 2: Australia's ODA 1971-72 to 2001-02

Year	Current prices (\$m)	Constant 2000-01 prices (\$m) ¹	Real change over previous year (%)	ODA/GNP ² ratio (%)
1971-72	200.5	1,249.2	4.0	0.49
1972-73	219.2	1,256.4	0.6	0.47
1973-74	264.9	1,319.9	5.0	0.48
1974-75	334.6	1,420.4	7.6	0.50
1975-76	356.0	1,319.8	-7.1	0.45
1976-77	386.2	1,282.5	-2.8	0.43
1977-78	426.1	1,306.3	1.9	0.44
1978-79	468.4	1,338.8	2.5	0.42
1979-80	508.7	1,308.6	-2.3	0.41
1980-81	568.0	1,329.3	1.6	0.40
1981-82	657.8	1,386.7	4.3	0.40
1982-83	744.6	1,418.1	2.3	0.42
1983-84 ³	931.8	1,659.0	17.0	0.47
1984-85	1,011.4	1,705.4	2.8	0.46
1985-86	1,031.0	1,641.4	-3.8	0.43
1986-87	975.6	1,454.5	-11.4	0.37
1987-88	1,019.6	1,403.6	-3.5	0.34
1988-89 ⁴	1,194.6	1,512.3	7.7	0.35
1989-90	1,173.8	1,408.8	-6.8	0.32
1990-91	1,261.0	1,462.5	3.8	0.33
1991-92	1,330.3	1,513.3	3.5	0.34
1992-93	1,386.1	1,554.1	2.7	0.34
1993-94	1,410.8	1,564.4	0.7	0.33
1994-95	1,483.7	1,632.6	4.4	0.33
1995-96	1,556.5	1,668.8	2.2	0.32
1996-97	1,432.0	1,515.6	-9.2	0.28
1997-98	1,443.1	1,508.9	-0.4	0.27
1998-99	1,528.6	1,597.0	5.8	0.26
1999-2000	1,748.7	1,795.9	12.5	0.28
2000-01(est)	1,705.2	1,705.2	10.5 ⁵	0.26
2001-02(est)	1,725.0	1,701.1	6.4 ⁶	0.25

Diagram 14: DAC member countries' ODA/GNP ratios 2000

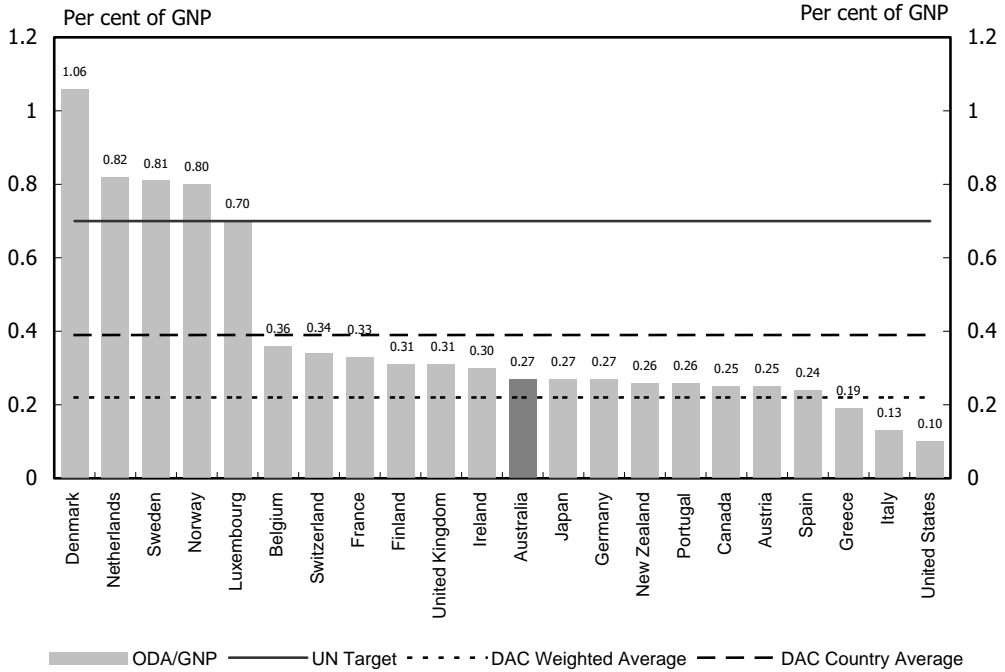
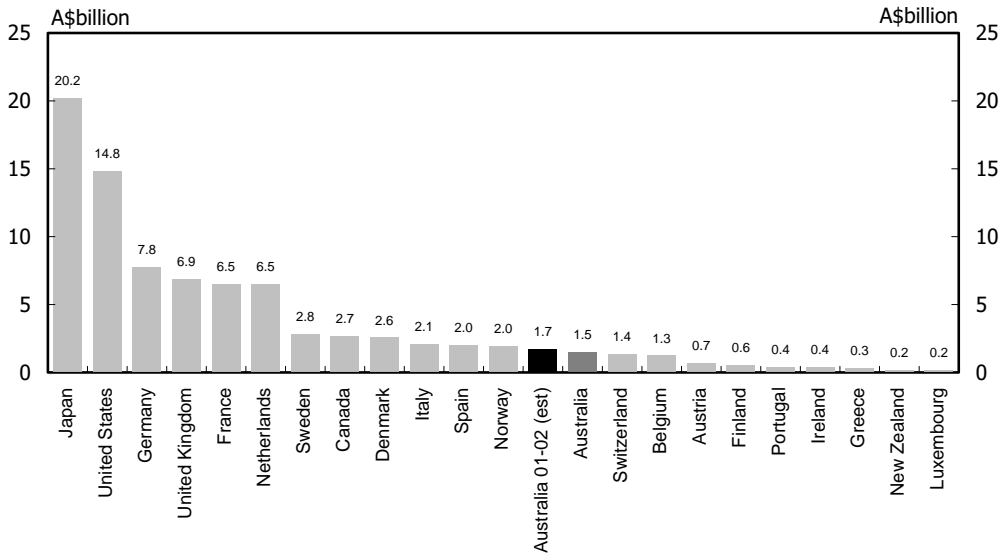


Diagram 15: DAC member countries' net ODA 2000



Source: DAC preliminary figures for Diagrams 14 and 15. Australia's net ODA in Diagram 15 sourced from AusAID estimates.

Diagram 16: Total net resource flows to aid recipient countries¹

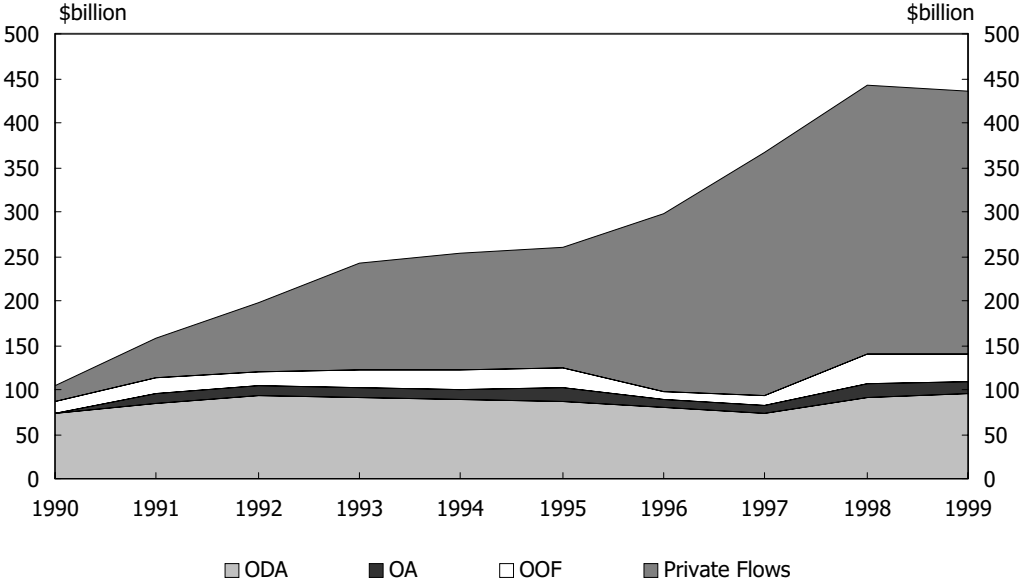


Table 3: Total aid flows to aid recipients not detailed in Table 1 (\$m)

Major Partner Countries / Regions ¹	Outcome			Estimate	
	Cash		Expenses ²	Expenses ²	
	1997-98	1998-99	1999-2000	2000-01 Expected Outcome	2001-02 Budget Estimate
Nauru	2.9	2.9	3.6	3.4	3.4
Tuvalu	2.3	2.7	3.7	3.5	3.7
Micronesia	2.6	2.1	2.0	3.0	3.1
Cook Islands	1.7	1.5	2.4	2.3	2.3
Niue and Tokelau	0.9	0.8	1.6	1.3	1.3
Malaysia	3.2	2.6	5.5	6.2	5.9
Mongolia	2.5	2.5	3.2	3.2	3.2
Burma	3.2	3.3	3.9	4.2	4.4
Afghanistan	5.4	0.1	0.8	1.4	1.3
Maldives	2.5	2.4	2.8	3.4	3.4
Bhutan	0.5	0.8	1.0	1.0	1.1
Sub-Saharan Africa	63.6	55.1	58.0	58.8	60.1
Egypt	14.3	14.4	16.8	16.3	15.9
Total regional/other	74.2	94.4	121.6	106.1	108.1
Countries identified in Table 1	834.1	878.8	1059.2	1063.5	1064.5
Core contributions to multilateral organisations, other ODA	429.0	464.2	473.6	448.5	453.7
<i>Reconciliation of expenses to cash³</i>			-11.2	-20.9	-10.5
Total ODA (cash)	1443.1	1528.6	1748.7	1705.2	1725.0

Expenditure and allocations

Table 4: Country programs expenditure and allocations (\$m)

Country	Outcome			Estimate	
	Cash		Expenses ¹	Expenses ¹	
	1997-98	1998-99		1999-2000	2000-01
PAPUA NEW GUINEA	313.5	314.6	279.7	314.3	314.4
PACIFIC					
Fiji	17.0	16.8	14.9	13.0 ²	* ³
Vanuatu	10.9	11.9	12.2	12.4	12.5
Solomon Islands	9.7	11.2	14.7	19.0	* ⁴
Samoa	10.3	10.4	11.2	11.0	11.1
Tonga	9.3	9.2	9.4	9.5	9.5
Kiribati	5.6	6.5	7.0	7.1	7.3
Nauru	2.9	2.9	0.2	0.2	0.2
Tuvalu	2.1	2.3	2.5	2.6	2.7
Micronesia ⁵	1.7	1.8	1.0	1.9	1.9
Cook Islands	1.3	1.5	1.5	1.5	1.5
Niue and Tokelau	0.8	0.8	0.9	1.0	1.0
Policy and Management Reform	11.0	12.5	14.1	15.0	20.0
Other and Regional	33.0	33.3	33.6	34.4	34.8
Subtotal Pacific	115.8	121.1	123.0	128.6	134.9
EAST ASIA					
Indonesia	80.4	81.1	90.8	93.5	99.5
East Timor		4.2	59.3	30.0	30.0
Philippines	51.2	53.4	53.5	55.5	56.2
Thailand	16.5	17.7	17.2	17.0	17.0
Viet Nam	53.0	58.3	58.6	60.1	60.0
Cambodia	24.9	24.0	23.1	23.8	24.4
Lao PDR	13.8	14.0	14.1	14.0	14.0
Malaysia	2.4	0.9	0.2	0.0	0.0
Burma	1.0	0.8	0.8	1.4	1.6
China	36.6	38.0	38.6	39.8	40.3
Mongolia	2.4	2.3	2.7	2.7	2.7
Asia Regional and other	19.1	28.0	37.0	30.8	29.4
Subtotal East Asia	301.4	322.7	396.0	368.6	375.1
SOUTH ASIA					
Bangladesh	20.4	21.2	21.8	22.1	22.1
India	12.9	14.3	13.3	14.5	14.7
Sri Lanka	7.1	6.0	7.0	6.1	6.1
Nepal	4.6	5.7	5.6	6.3	6.3
Pakistan	2.9	2.6	2.6	2.4	2.4
Bhutan	0.4	0.8	0.9	0.9	0.9
Maldives	2.4	2.4	2.6	3.1	3.1
Other and Regional	0.0	0.0	0.1	0.0	0.0
Subtotal South Asia	50.8	52.9	53.9	55.4	55.6
OTHER					
Africa	33.0	33.3	34.0	35.3	35.3
Seychelles, Mauritius	2.6	1.5	0.9	0.5	0.3
Palestinian Territories	1.1	1.4	2.1	2.1	2.1
Rest of the World	1.9				
Subtotal Other	38.6	36.1	36.9	37.9	37.8
CROSS REGIONAL PROGRAMS	10.0	10.7	11.9	12.0	13.1
TOTAL COUNTRY PROGRAMS	830.1	858.1	901.5	916.9	930.9

Table 5: Global programs expenditure and allocations (\$m)

	Outcome			Estimate	
	Cash		Expenses ¹	Expenses ¹	
	1997-98	1998-99		1999-00	2000-01
EMERGENCY AID	35.4	46.9	36.9	37.0	37.5
HUMANITARIAN PROGRAMS	53.4	61.6 ²	51.7	53.1	48.1
<i>of which:</i>					
<i>International Committee of the Red Cross</i>	0.7	1.0	1.2	2.0	2.2
MULTILATERAL DEVELOPMENT BANKS ³					
ADF	107.8	113.8	0.0	291.1	0.0
IDA	121.5	115.5	0.0	0.0	350.0
IFAD	1.5	1.5	0.0	7.9	0.0
Heavily Indebted Poor Countries Initiative	0.0	0.0	12.0	12.7	11.5
Subtotal	230.7	230.8	12.0	311.6	361.5
OTHER INTERNATIONAL ORGANISATIONS					
United Nations Agencies	83.0	81.0	59.1	81.3	79.9
<i>of which:</i>					
<i>UNHCR</i>	13.5	13.7	13.9	14.3	14.3
<i>UNRWA</i>	2.6	2.7	2.7	3.8	3.8
<i>WFP</i>	50.2	41.8	42.5	43.7	44.3
<i>Other UN Agencies</i>	16.6	22.8	0.0	19.5	17.5
Commonwealth Organisations	9.9	10.2	50.5	11.1	11.6
Other International Programs ⁴	23.3	14.2	0.0	16.0	14.2
Subtotal	116.2	105.4	109.6	108.5	105.7
NON GOVERNMENT ORGANISATIONS	21.0	23.4	25.2	26.3	26.7
<i>of which:</i>					
<i>ANCP</i>	19.9	22.6	24.2	25.3	25.7
Volunteer Programs	11.1	12.0	12.1	12.8	13.3
AYAD		2.6	4.6	5.0	5.3
Subtotal	32.1	38.0	41.9	44.1	45.3
Public Information / Development Education	1.2	1.3	1.9	2.3	2.3
Subtotal	1.2	1.3	1.9	2.3	2.3
Development Research	0.7	0.7	1.0	1.3	1.3
Seminar Support	0.7	0.7	0.9	0.8	0.8
Subtotal	1.4	1.4	1.9	2.1	2.1
TOTAL GLOBAL PROGRAMS	470.5	485.3	255.9	558.5	590.4

Table 6: Total ODA by subprograms (\$m)

	Outcome			Estimate	
	Cash		Expenses ¹	Expenses ¹	
	1997-98	1998-99		1999-2000	2000-01
Country Programs	830.1	858.1	901.5	916.9	930.9
Global Programs	470.5	485.3	255.8	558.5	590.4
Departmental items	58.2	64.0	68.9	68.0	68.5
ACIAR ²	39.8	43.5	43.3	43.7	44.3
Other ODA ³	44.6	77.7	228.1	189.2	186.1
Adjustments					
<i>Administered⁴</i>			(2.7)	(15.2)	(7.5)
<i>Departmental⁵</i>			(8.6)	(5.7)	(3.1)
<i>Less new multi-year expenses⁶</i>			(11.6)	(298.9)	(350.0)
<i>Plus cash paid to multi-year liabilities</i>			274.0	248.5	265.4
TOTAL ODA (cash in all years)	1,443.1	1,528.6	1,748.7	1,705.2	1,725.0

Table 7: Official aid through Australian and non-Australian NGOs (\$m)

	Expenditure ¹			Estimate	
	Cash		Expenses	Expenses	
	1997-98	1998-99	1999-00	2000-01	2001-02
AUSTRALIAN NGOs					
NGO projects funded from country programs	21.2	14.0	16.5	15.4	15.6
Emergency relief and refugees	26.8	23.0	22.1	22.0	22.0
ANCP and other	21.0	23.4	25.2	26.3	26.7
Volunteer programs	11.1	12.0	12.1	12.8	13.3
Global education	0.3	0.3	0.3	0.3	0.3
Regional programs ²	0.0	9.4	9.4	9.4	9.4
Subtotal Australian NGOs	80.4	82.1	85.6	86.2	87.3
NON-AUSTRALIAN NGOs					
Indigenous/International NGOs funded from Country programs	15.1	13.0	19.8	21.5	21.5
Direct Assistance Program (DAP)	1.4	1.0	1.5	2.0	2.3
Emergency relief and refugees	4.0	3.8	2.0	3.0	3.0
Human rights and cross regional	0.2	0.2	0.0	0.0	0.0
Regional programs	0.0	1.5	1.5	1.5	1.5
Subtotal non-Australian NGOs	20.7	19.5	24.8	28.0	28.3
Total official aid through NGOs	101.1	101.6	110.4	114.1	115.6

Table 8: Developing country students supported by the aid program¹

Country/Region	Total
PAPUA NEW GUINEA	396
PACIFIC	193
EAST ASIA	1927
SOUTH ASIA	319
AFRICA & OTHER	196
Total	3,031

Technical notes

GENERAL

- Normal rounding rules apply where the end digit is less than five. In accordance with the Department of Finance and Administration guidelines, where the end digit equals five, the numbers are rounded up to the next digit. Totals and percentages are calculated on unrounded totals. Columns may not add due to rounding.
- This 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.
- All estimates are exclusive of recoverable GST.
- All amounts are in Australian dollars (\$AUD) 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 2000-01 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.

DIFFERENCE BETWEEN ACCRUAL EXPENSES AND CASH

Presentation

In this Budget Statement, all figures prior to 1999-2000 are in cash terms (i.e. the amount of cash paid out in a particular year). The Government moved to an accrual budgeting framework in 1999-2000, and subsequently, budget allocations (e.g. Tables 4 and 5) are presented in terms of expenses. Multi-year liabilities, such as payments to the Asian Development Fund, International Development Association and International Fund for Agricultural Development are recorded as an expense at the time of signing the Instrument of Commitment/Contribution, not when the cash is paid out. This accounting treatment is used in AusAID’s financial statements, available in the Foreign Affairs and Trade Portfolio Budget Statement on the Internet at <http://www.dfat.gov.au/dept/budget>.

Total ODA estimates for 1999-2000 onwards (e.g. in Table 1) are adjusted from an expense basis by excluding the expenses booked for new multi-year commitments and including the cash paid for those same agreements. Minor adjustments are also made for things such as movements in creditors and depreciation.

Estimates of sectoral expenditure are in cash terms throughout. 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 creditors. Table 6 also details the adjustments required to multi-year liabilities, such as the multilateral development banks, to convert expenses to cash.

Conversion

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

- Country program expense allocations are around 0.4 per cent higher than corresponding indicative cash allocations (this reflects an estimated increase in unpaid creditors throughout the year).
- Pacific expense allocation is less than cash due to the Nauru Settlement Treaty (\$2.8 million) not being expensed in 2001-02 (the full value of the Nauru Settlement was recorded as an expense in 1993-94). In Table 1, the \$2.8 million cash for the Nauru Settlement is included with the flows to Nauru to give a more comprehensive picture of Australia’s contribution to the country in 2001-02.
- Multilateral development banks expense allocation (Table 5) is \$361.5 million as Australia expects to enter into a new multi-year contribution with the International Development Association, and will make a further contribution to the World Bank’s Heavily Indebted Poor Countries Initiative. Figures in Chapter 4 reflect the ongoing cash contributions Australia is making to these international institutions (\$260.1 million), to give a more accurate picture of the aid flows going to these organisations within the budget year. With the exception of MDBs and International environment programs, all other global program expense allocations are equal to cash.
- International environment programs expense allocation relates to International Tropical Timber Organisation (ITTO) only. No new agreements to the Montreal Protocol Multilateral Fund (MPMF) or the Global Environment Facility are expected to be signed in 2001-02. Cash payments to the MPMF and GEF are factored into total flows shown in Table 1. Figures in Chapter 4 reflect the ongoing cash contributions Australia is making to these organisations.
- Depreciation of administered assets (\$0.7 million) is funded as a separate line.

Methodology of AusAID estimates

This Budget statement contains two sorts of figures for 2000-01 and 2001-02 - *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 2001-02. 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. Estimated total aid flows also include ODA expenditure by other Government departments.

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 1999-2000 and 2000-01. 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 2000-01 expenditure was extracted from the AMS in February, including planned expenditure to the end of the year, and was adjusted 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 and diagrams

Table 2

- ¹ Based on GDP(E) Implicit Price Deflators provided by the ABS, which have recently been rebased to 1998-99.
- 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 budget figure of \$1,502.0 million (at 2000-01 constant prices).
- ⁶ This represents a real per cent increase over the 2000-01 budget figure of \$1,599.3 million (at 2000-01 constant prices) as detailed in Table 1.

Table 3

- ¹ Policy and Management Reform funding is included in the total aid flows to individual Pacific countries.
- ² See Technical Notes for an explanation of the relationship between expenses and cash.
- 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 In 2000-01, Fiji's aid program was reduced by around 30 per cent, from an estimated \$18.6 million to around \$13 million. Most non-humanitarian activities were suspended or terminated, including all new scholarships and a range of public sector projects. However, health, basic education, and small-scale projects aimed at helping the poorer sections of the Fiji community will continue. Aid sanctions were designed to have minimal impact on the poor, while providing maximum incentive for the return to constitutional democracy.
- ³ Fiji allocation and total flows to be determined within the overall Pacific allocation.
- ⁴ Solomon Islands allocations and total flows to be determined within the overall Pacific allocation.
- ⁵ For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.

Table 5

- ¹ See Technical Notes for an explanation of the relationship between expenses and cash.
- ² Includes \$4 million additional Humanitarian program carryover.
- ³ From 1999-2000 onwards, only new commitments to the Asian Development Fund, IFAD and HIPC are recorded as expenses. See Chapter 4 for details of 2001-02 cash contributions to these organisations.
- ⁴ Other international programs include the Global Environment Facility, MPMF, International Tropical Timber Organisation and international health programs. See Chapter 4 for details of 2001-02 cash contributions to these organisations.

Table 6

- ¹ See Technical Notes for an explanation of the relationship between expenses and cash.
- ² ACIAR's figure equals their total cash expenditure. ACIAR's full financial statements are available in the Foreign Affairs and Trade Portfolio Budget Statement at <http://www.dfat.gov.au/dept/budget>.
- ³ 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.
- ⁴ Includes adjustments for non-ODA eligible Administered expenditure such as revenue items, fringe benefits tax, and other non-ODA eligible expenditure. In 2000-01, this figure also includes an operating loss of \$6.636 million due to rationalisation of payments to multilateral organisations (this change in accounting treatment required a one-off increase in expenses in 2000-01 with no corresponding cash requirement).
- ⁵ Includes adjustments for non-ODA eligible Departmental expenditure such as receipts under Section 31 of the FMA Act, interest earned on bank deposits, departmental carryover, the net increase in aid program creditors and depreciation.
- ⁶ Refer to the explanation of multi-year liabilities in the Technical Notes.

Table 7

- ¹ Expenditure for 1997-98 through to 1999-2000 corresponds to figures published in NGO annual reports.
- ² Regional Programs are a sub-set of Country Programs first separated in 1998-99.

Table 8

- ¹ Includes partially aid funded East Timorese students who have been offered 'free' places by Universities in Australia. Australia is providing funding through DETYA to assist with living allowances for these students. There are expected to be 56 students in this category studying in Australia next year.

Diagram 16

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

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