

AUSTRALIA

As Australia does not have significant programmes in any of the HIPC Capacity Building Programme countries, there is no reporting on HIPC-CBP survey views in this profile.

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance

Net ODA US\$m	3166
% of GNI	0.34%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Australia's ODA has quadrupled in absolute amount (up from US\$873m) and relative to GNI (up from 0.25%). Over the period 2001-08, Australia's ODA volume has increased by almost 200% in real terms.

1.2. Future Quantity Intent

The Prime Minister announced in 2008 that Australia would reach 0.37% of its GNI in aid by 2010. The OECD DAC estimates that this will exceed US\$ 3.5 billion, or 0.37% of GNI (DAC, 2009).

Australia is committed to reaching 0.5% of GNI by 2015, and the 0.7% target 'when economic conditions permit'.

2) KEY AGENCIES/MECHANISMS

2.1 Agencies and Structures

Australian Agency for International Development (AusAID)

AusAID is the principle development organization within the Australian government. AusAID oversee, equips, and supports overseas offices as well as setting the strategic direction of the organization, however overseas foreign missions implement the programmes (AusAID, 2007b). Australian firms and individuals under contract to AusAID play a major role in delivering Australia's development assistance. In 2000-01, AusAID managed more than 1600 commercial contracts with a value of approximately AUS\$ 2.3 billion, representing around 90% of Australia's bilateral aid programme (DAC, 2004, p73).

AusAID relies on a number of advisory and coordination mechanisms, including the Aid Advisory Council that provides independent assessments of aid activities and the Office of Development Effectiveness that evaluates the impact of Australian aid interventions.

Recently, Australia's 'whole of government' policy has drawn in other ministries (Commonwealth of Australia (henceforth CoA), 2004). In the Solomon Islands and Papua New Guinea, Australian military and police personnel have been deployed

under the mandate of promoting ‘good governance’, while aid and trade policies have been synchronized to provide a more comprehensive approach to development (Reality of Aid, 2006, p247 and AusAID, 2005a, p2).

2.2 Key Policies and Documents

White Paper on Australia’s Overseas Aid Programme (AusAID, 2006a)

The White Paper outlines the strategic framework that is intended to guide Australia’s overseas aid programme over the next ten years. The main objective of Australian aid is defined as follows: “to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia’s national interest”. The themes of the Australian aid programme are: accelerating economic growth; fostering functioning and effective states; investing in people; and promoting regional stability and cooperation.

AusAID Corporate Plan 2006-2010 (AusAID, 2006b)

AusAID’s Corporate Plan details how the Australian Government will implement its strategic plan.

AusAID 2010 (AusAID, 2007a)

It provides an institutional framework for significantly increasing aid. By 2010, country offices will have full accountability for all aspects of implementation in-country, including policy dialogue and monitoring activities. The AusAID office in Canberra will be responsible for oversight and setting strategic goals for the organization.

Australian Aid: An Integrated Approach (AusAID, 2005a)

The thirteenth annual statement to parliament on Australia’s aid programme provides an overview of important issues and developments, particularly the recent focus on integrating efforts by all government agencies to enhance policy coherence (see also CoA, 2004).

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Indonesia	13.1%	15.3%	248
Papua New Guinea	12.5%	14.7%	238
Iraq	7.9%	9.2%	150
Solomon Islands	7.6%	8.9%	145
Viet Nam	2.6%	3.1%	50
Philippines	2.5%	3.0%	48
Timor-Leste	2.2%	2.6%	42
China	1.8%	2.2%	35
Sri Lanka	1.7%	2.0%	33
Cambodia	1.6%	1.9%	31

Source: OECD/DAC, 2005-2006 data.

The top ten recipients listed above received 62.9% of bilateral ODA in 2005-06.

Distribution among different groups of recipients (% country allocated / region specified bilateral ODA disbursements):

Least Developed Countries	24.9%
Other Low Income Countries	26.6%
Sub-Saharan Africa	3.8%
Other Asia and Oceania	74.6%

Source: OECD/DAC, 2005-2006 data.

Australia's primary focus is on the Eastern Asia and Pacific regions, and this can be seen clearly by the fact that the regions each have a dedicated deputy directorate within AusAID. Otherwise, Australia has selective programmes in Africa primarily focusing on humanitarian concerns, with the majority of Australian assistance to the region going through multilaterals and other bilateral donors. In the Middle East, Iraq and Afghanistan have grown in importance dramatically since 2001. In these countries, Australia is focused on conflict prevention, security, and reconstruction (AusAID, 2006a, p31).

Australia has a relatively high focus on low-income countries but also has considerable aid programmes with middle-income countries in East Asia.

By 2010, AusAID operations will be significantly increased in the Philippines, the Mekong, and South Asia. Aid to Indonesia, East Timor, Papua New Guinea and the Pacific will also be expanded (AusAID, 2007b).

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

AusAID does not have any pre-selection criteria.

3.2.2. *Allocation criteria:*

The current allocation of Australian ODA is heavily influenced by its historical ties (e.g. AusAID's 2006 White Paper confirms Australia's increasing focus on the Asia-Pacific region). Country allocations as decided in Australia's annual budget process are heavily based on allocations from preceding years. Resources for humanitarian crises, e.g. the Tsunami, are mostly coming through 'new budget measures', outside of normal budget funding (i.e. money needs to be found that is not budgeted for through the normal channels).

Over the past couple of years, Australia has phased out its support to India and Thailand, and is now doing the same with China.

Australia is looking to make more use of performance based aid allocations. The White paper points out that "*Australia will allocate up to 10 per cent of the aid programme over time on the basis of performance*" Performance criteria will:

- be developed as part of country strategy performance frameworks agreed with respective partner governments
- comprise a mix of quantitative and qualitative indicators, such as independent corruption ratings; government budget allocations for core services necessary to reduce poverty, such as health, education, and law and order; improvements in business regulation; progress in implementation of economic and public

sector reforms; and, in the Pacific, commitments to sensible regional governance arrangements

- be different in each country and be based on improvements relative to each country's particular situation in order to maximise impact. (AusAID, 2006a, p44)

4) AID POLICIES

4.1. Concessionalities

Grant share of bilateral ODA commitments (excluding debt reorganisation)	99.2%
Grant element of bilateral ODA to LDCs	100%

Source: OECD/DAC, 2005-2006 data.

Australia has had a clear policy of grant-only finance since 1996. With the exception of the Australia Indonesia Partnership for Reconstruction and Development (AIRPD), which provides for a \$500 million loan for transportation and education in Indonesia, the Australian government does not 'envisage' future loan programmes (AusAID, 2006a, p70).

4.2. Types of Assistance

Breakdown of different types of ODA (disbursements):

	US\$m	% of gross bilateral ODA disbursements [denominator gross disbursements]
Stand-alone technical cooperation	860	47.9%
General budget support	0.4	0.0%
Sectoral projects and programmes (including some technical cooperation)	395	21.9%
Action related to debt	380	21.1%
Developmental food aid	3.6	0.2%
Other commodity assistance	0.9	0.0%
Emergency and distress	179	9.9%

Source: OECD/DAC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

The willingness of AusAID to provide direct budget support depends on the degree to which the recipient government has the capacity to enact necessary reforms. It has phased out budget support to Papua New Guinea, yet maintains it in East Timor, where Australia plays a role in the multi-donor budget support set-up.

Looking at the 9 country offices that responded to the Paris survey, we can see that best practice in Paris indicator 9 (= % of total Australian aid given through Programme Based Approaches or PBAs) can be found in Papua New Guinea (42% in PBA), followed by Laos (36%) and Indonesia (35%).

As for Technical Cooperation (TC), Paris Indicator 4 indicates that all TC is coordinated with country programmes in Afghanistan, Bangladesh and the Philippines..

4.3. Channels of Assistance

Australia allocates approximately 15% of its ODA via multilateral organisations, of which 12% goes to UN agencies and 56% to the World Bank Group (Source: OECD/DAC, 2006 data). As most Australian aid is managed by private consultants and NGOs, it is not always recorded in the recipient budget.

4.4. Sectors and Projects

Australia's country programme strategies work through PRSPs where they are available, and otherwise the government supports national development strategy processes (AusAID, 2003, p1).

However, within this broader picture, AusAID's top sectoral goals are improving health and education services, fighting corruption, improving security, engaging in the fight against HIV/AIDS and improving the effectiveness of government organisations through training and other assistance. The Australian government has also shown an increasing commitment to 'law and justice' programmes, mostly linked to security related programmes in Afghanistan and Iraq, which has increased from 17% in 2000-01 to 36% of total aid allocations (Reality of Aid, 2006, p246).

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	53.2%
Of which: Education	8.6%
Health	11.5%
Population	2.5%
Water supply and sanitation	0.4%
Government and civil society	24.8%
Economic Infrastructure	3.4%
Of which: Transport and communications	1.8%
Energy	0.4%
Production	4.6%
Of which: Agriculture	4.1%
Industry, mining, construction	0.2%
Trade and tourism	0.3%
Multi-sector	7.5%
Programme Assistance	0.2%
Action relating to debt	15.5%
Emergency aid	10.7%
Administrative expenses	4.3%
Unspecified	0.6%

Source: OECD/DAC, 2006 data.

4.5. Flexibility

Australia provides only very limited budget support, and does not have any system for contingency financing to fund budget or Balance of Payments deficits or the consequences of exogenous shocks, apart from emergency aid against natural disasters.

4.6. Predictability

The length of Australia's financial commitments with partner countries varies. Aside from Papua New Guinea, where the Australian government is mandated by treaty to provide AUD 300m per year (CoA, 1999), AusAID is subject to a yearly budgetary approval process. In order to increase predictability, Australia operates on multi-year programmes with indicative financing agreements. The length of these arrangements depends on the relationship with partner countries. For example, Papua New Guinea and the Solomon Islands work with Australia on five-year programmes and Vietnam is on a three-year programme.

According to Paris Indicator 7, Australian aid is considered most predictable in Cambodia (92% of the aid scheduled by donors actually shows up in the partner government's records), followed by Indonesia (27%).

4.7. Conditionality

Because of its very limited involvement in budget support, Australia does not generally include macro-economic conditions in its programmes. However, its aid disbursements remain very sensitive to governance or human rights problems (see the withdrawal of the budget support modality in Papua New Guinea). Ex-post conditionality linked to Performance Based aid is explained in section 3.2.

4.8. Policy Dialogue

Also as a result of its limited budget support, Australia does not generally play any significant role in the economic policy dialogue in countries. However, in East Timor for example, Australia works closely with the World Bank through the multi-donor budget support group and Australia's tranche releases do depend to a large extent on analysis done by the World Bank.

5) AID PROCEDURES

5.1 Conditions Precedent

Each country receiving Australian aid has a Programme Strategy, which depends on: the "big picture" of the development context of the country; the size of the Australian programme relative to overall country need; Australian expertise and capacity to assist, and what others are doing. Information on Australian conditions precedent is currently being assembled.

From the Australian entries for the Paris survey, AusAID makes relatively heavy use of Project Implementation Units (PIUs), with 52 PIUs reported in 5 countries. Best practice according to this indicator is to be found in Afghanistan, Bangladesh and Laos where there is no PIUs

5.2 Disbursement Methods

Most Australian Aid is still channelled through implementing private companies and NGOs. For these typical project set-ups, payment is performance based, with disbursements linked to achievement of milestones. Further information on Australian disbursement methods is currently being assembled.

5.3 Disbursement Procedures

For the 9 country offices reporting to the Paris Declaration Survey on the percentage of AusAID's aid that uses recipient government's public financial management systems (Paris indicator 5a), best practice can be found in Indonesia where 67% of total Australian ODA going to Indonesia uses local PFM systems followed by Afghanistan with 31%. Further information on Australian disbursement procedures is currently being assembled.

5.4 Procurement Procedures

According to the OECD's Development Assistance Committee, 28% of Australian aid (excluding TA) was tied in 2005. Since 2001, Australia has shifted away from aid tying and in 2006, the government pledged that all future aid disbursements will be untied (AusAID, 2006a, p22-23), with the exception of Australia Indonesia Partnership for Reconstruction and Development (AIPRD) funded programmes. All major procurements are publicly advertised. AusAID's procurement policy framework is well described in AusAID (2005b) from which the rest of this section is taken. It is based on the following sources:

- the Commonwealth Procurement Guidelines;
- internal procurement policies aligned to the Guidelines;
- Government legislation and other policies that interact with government procurement, including AusAID's Eligibility Criteria; and AusAID's Chief Executive Instructions.

Australia's aid programme procurements, irrespective of their value, are exempt from the mandatory procedures in the Commonwealth Guidelines. However, as of 1 July 2005, AusAID has elected to apply the mandatory procedures to Australia's aid programme procurements above a value threshold, while retaining the discretion to apply the exemptions to:

- aid programme procurements from other Commonwealth, State or Territory or Local government entities where no commercial market exists or where government legislation or policy requires a Government provider; and
- other extraordinary aid programme procurements.

AusAID's Value Thresholds for applying the mandatory procedures, where an exemption is not applied, are:

- \$80,000 for purchasing goods and services for the AusAID's own use (non-construction);
- \$500,000 for Australia's aid programme procurements (non-construction);
- \$6m for construction procurements.

For some procurements, AusAID's Eligibility Criteria specify where suppliers must carry on business to be eligible to tender. The restrictions are dependant on the nature of the goods and services being purchased and the recipient country involved. AusAID's Eligibility Criteria are government policy and supersede any non-discriminatory provisions in the Guidelines.

For the 9 country offices reporting on the % of AusAID's aid that is procured through recipient government's procurement systems (Paris indicator 5b), best practice can be found in Vietnam (40% of total Australian ODA going to Vietnam uses local procurement systems), followed by Papua New Guinea (26%).

5.5 Coordination

Australia endorsed the Paris Declaration on Aid Effectiveness in 2005. In its Paris Declaration Action Plan, Australia cites its Pacific Poverty Programme which seeks to improve coordination between the ADB, World Bank and NZAID in their poverty analyses and activities in the Pacific (AusAID, 2003). Australia is further engaged in delegated cooperation arrangements with New Zealand in the Pacific (AusAID, 2006c). Joint programme design and contracting was undertaken with DFID for the East-Timor policing project, and a similar set-up was used for HIV/AIDS programme in Indonesia. Further, AusAID worked within a joint donor regional assistance framework for its assistance to the Solomon Islands. AusAID (2003) gives an overview as to the country-specific and general initiatives that were taken in the wake of the Rome declaration on aid effectiveness, focusing mainly on the years 2004-2005, but there is no updated Australian Paris Implementation plan so far.

As for joint missions and joint analytical work (Paris indicators 10a and 10b), all missions are held jointly in Afghanistan and the Philippines, whilst best practice for joint analytical work can be found in Vietnam, Indonesia and Nepal (all of the analytical work done jointly with other donors).

Key Sources (*All internet sources were accessed on 25 August 2008*)

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