

CHAPTER ONE: FOCUS OF THE AID PROGRAM

The Australian aid program is concentrated in East Asia, PNG and the Pacific Island countries, with selective engagement in South Asia, Africa and the Middle East. The program's focus on the Asia-Pacific region is an expression of Australia's strong engagement with the region and commitment to working in partnership to meet its considerable development challenges. The region is home to the greatest number of the world's poor, two-thirds of whom live in Asia and the Pacific. Australia's aid contributes to the reduction of poverty in the region by working with our development partners to:

- strengthen frameworks for sustainable and inclusive economic growth
- support interventions that enable the poor to increase their productivity
- encourage governments, institutions and donors to be more accountable
- reduce vulnerability associated with conflict, exclusion and disasters.

In 2002-03, PNG will receive approximately one fifth of total flows, in line with flows in recent years. Total aid flows to the Pacific, East Asia and Africa will increase compared to 2001-02 expected outcomes. In 2002-03 total aid flows to South Asia are expected to remain at the same high level as was provided in 2001-02.

Diagram 1: Total Australian aid by region in 2002-03

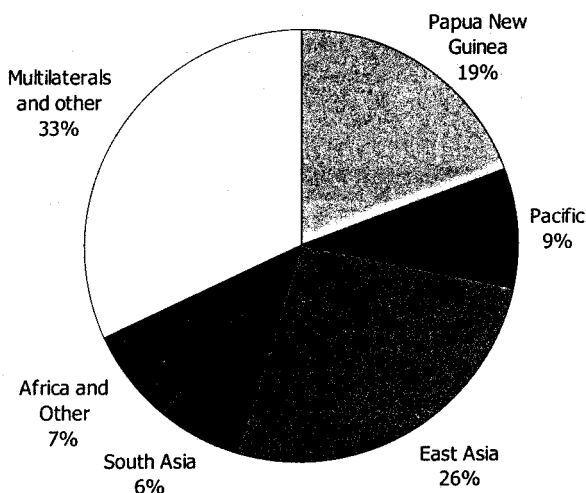
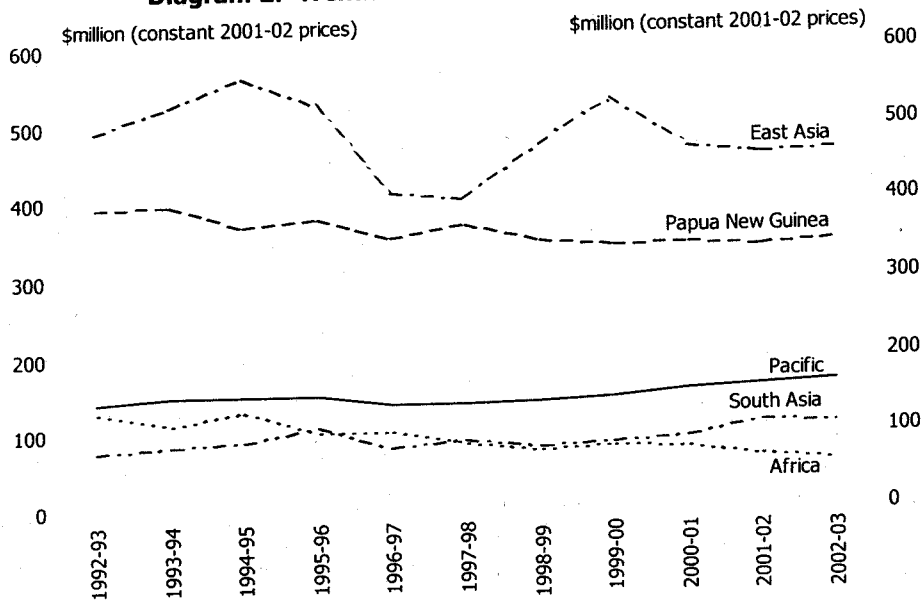
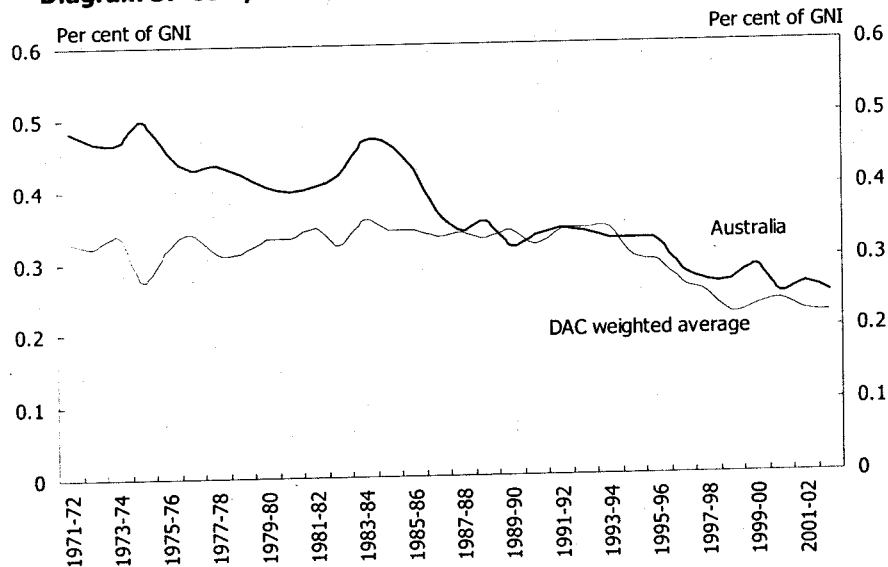


Diagram 2: Trends in total Australian aid by region



Note: Figures for 2001-02 and 2002-03 are estimates.

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



Australia's ODA/GNI ratio is estimated to be 0.25 per cent in 2002-03, which is above the latest (2001) donor average of 0.22 per cent.

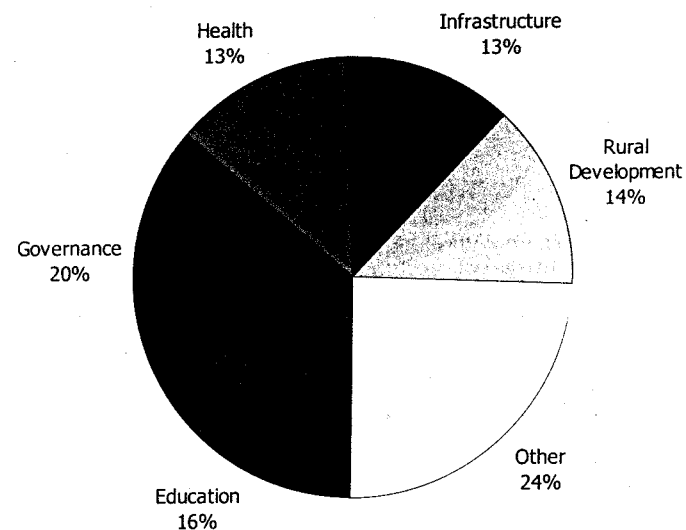
Key sectors of the aid program

Australian aid is provided in the five priority sectors of governance, rural development, health, education and infrastructure. The principles of environmental sustainability and gender equity guide activities in these sectors.

Australia's aid is programmed primarily on the basis of country and regional strategies developed in consultation with partner governments. Sectors for assistance are determined through consideration of Australian and partner government priorities, Australia's expertise and the activities of other donors. Aid activities may target one or more of the sectors. Many activities with a principal focus on one sector also benefit other sectors. For example, infrastructure activities addressing water supply and sanitation can improve the health of the poor through elimination of water-borne diseases.

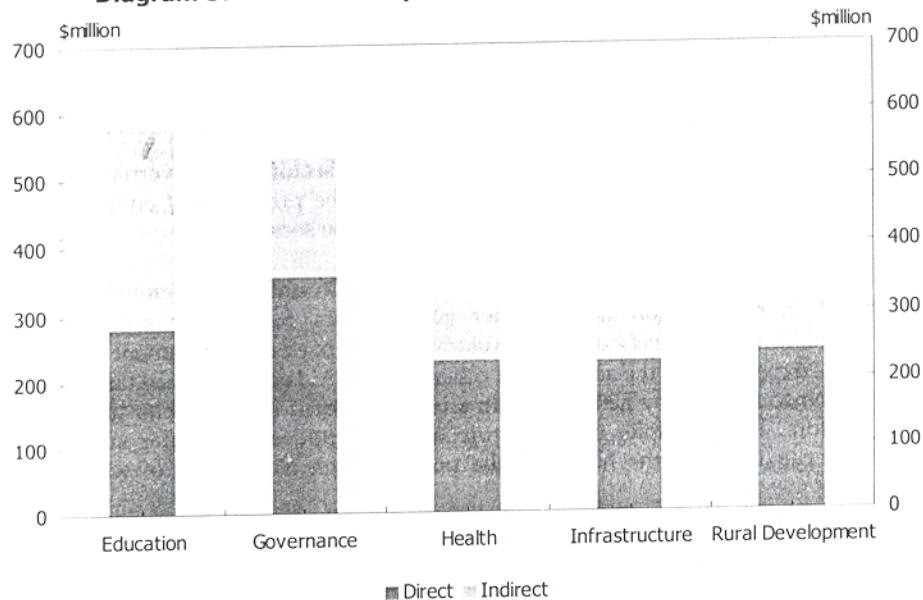
The figures in this section are estimates and subject to change during the course of the year as a result of programming decisions.

Diagram 4: Estimated breakdown of the aid program by sector in 2002-03



Note: 'Other' includes direct expenditure on areas such as gender, environment, humanitarian, refugee and emergency aid.

Diagram 5: Estimated expenditure by key sector in 2002-03



GOVERNANCE

Good governance lays a foundation for poverty reduction and for sustainable development. The promotion of effective governance is an increasingly important part of the aid program, with expenditure on governance activities in 2002-03 estimated to reach \$355 million. Governance activities represent about 20 per cent of overall aid expenditure.

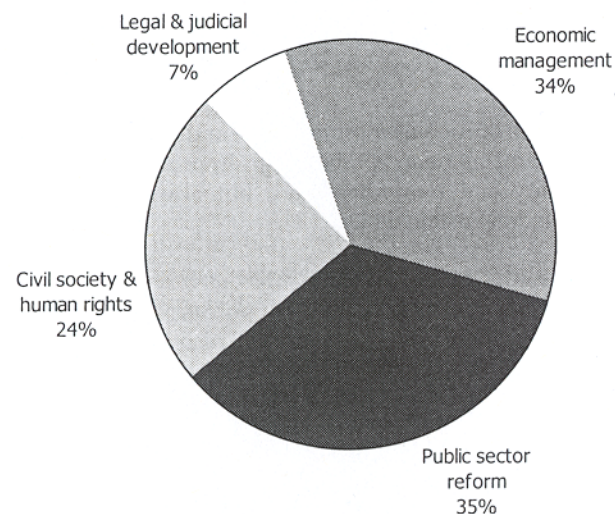
Good governance means the competent management of a country's resources in a manner that is open, transparent, accountable, equitable and responsive to people's needs. The elements of governance are inter-reliant and mutually supporting. Australia's governance assistance under the aid program includes support for improving economic and financial management, strengthening law and justice, increasing public sector effectiveness and developing civil society and human rights.

Australia's aid program recognises that economic growth and poverty reduction are best fostered in an efficient, open and market-based economy. Australia will increase its focus on helping developing countries strengthen their capacity to integrate into the global economy, attract private investment, participate in global and regional trading arrangements, and take advantage of new trade opportunities. A priority for Australia will be assisting developing countries to build their capacity to participate in the new round of trade negotiations agreed to at the WTO Ministerial meeting in Doha in late 2001. Continuing support for microfinance will also feature, with an emphasis on sustainability and a strong commitment to serving the poor.

In Asia, Australian governance assistance will include support for economic cooperation and integration, particularly through fora such as APEC (Asia-Pacific Economic Cooperation) and ASEAN (Association of South-East Asian Nations). In the Pacific, assistance will continue to be provided to improve public sector management, service delivery and accountability.

In 2002-03, continued funding for the Australian Centre for Democratic Institutions will enhance broad political participation and human rights in the Asia-Pacific region by providing training to key institutions such as parliaments and the media. The centre will also encourage the exchange of information and public debate in the region. Australia's Human Rights Fund will support activities that promote awareness of and adherence to human rights. Activities supported under the fund will also strengthen national and regional human rights institutions.

Diagram 6: Estimated Australian assistance to the governance sector in 2002-03



AGRICULTURE AND RURAL DEVELOPMENT

The majority of the world's poorest people live in rural areas. In recognition of this, Australia's aid program aims to reduce rural poverty by increasing opportunities for the poor to generate income. Increased income can provide the poor with the freedom to make choices about how to improve their lives. It allows them to build assets, reduce their vulnerability to disasters and improve their food security.