



**Australian Council for
International Development**

**AID BUDGET 2008–09
— Overview and Analysis —**

Overview

The 2008-09 Aid Program Budget focuses primarily on implementing the Labor Government's 2007 pre-election commitments on adaptation to climate change, access to clean water and sanitation, and fighting avoidable blindness.

We are pleased to see that the government has used this Budget to place the Millennium Development Goals (MDGs) at the centre of the program's design and evaluation processes. A major increase in funding to targeted UN agencies demonstrates the Government's determination to achieve a better balance of multilateral and bilateral activity engagement.

There has been a modest increase of \$7.2 million in the AusAID-NGO Cooperation Program (ANCP). This will see ANCP funding increase from approximately \$37 million in 2007-08 to \$44 million in 2008-09. Volunteer program funding has remained steady at current levels.

Overall ODA expenditure in 2008-09 will increase by 9% in real terms to \$3660 million. Excluding debt relief to Iraq the increase is 4.9% in real terms.

Highlights

- Funding under the new Pacific Partnerships for Development targets regional infrastructure, public sector capacity and land administration.
- Increased funding of \$200 million over four years for key UN agencies
- Significant increased funding to PNG-Pacific, Africa, and Central Asia and the Middle East
- New program for Iraq Humanitarian and Reconstruction Assistance \$140 million over 3 years, with a \$20 million humanitarian component in 2008-09
- An additional \$7.2 million for the AusAID-NGO Cooperation Program (ANCP)
- Commitment to create a cross-cutting disability strategy

Stay tuned for 2009-10 Budget

This budget shows that the government's top priority was to deliver on its election commitments. Given the short time it had to develop this Budget since the November 2007 election, it plans to use the 2009-10 Budget as the mechanism for major change in the aid program.

AusAID will undertake this policy work over the next 4 – 5 months, and then the government will decide on the new policy proposals to be included in the 2009-10 Budget before the end of this year. The 2009-10 Budget will then set the broad aid program direction for the remainder of the Rudd Government's current term.

Therefore any new policy proposals from the sector and other external stakeholders will need to be put forward in the next 2-3 months.

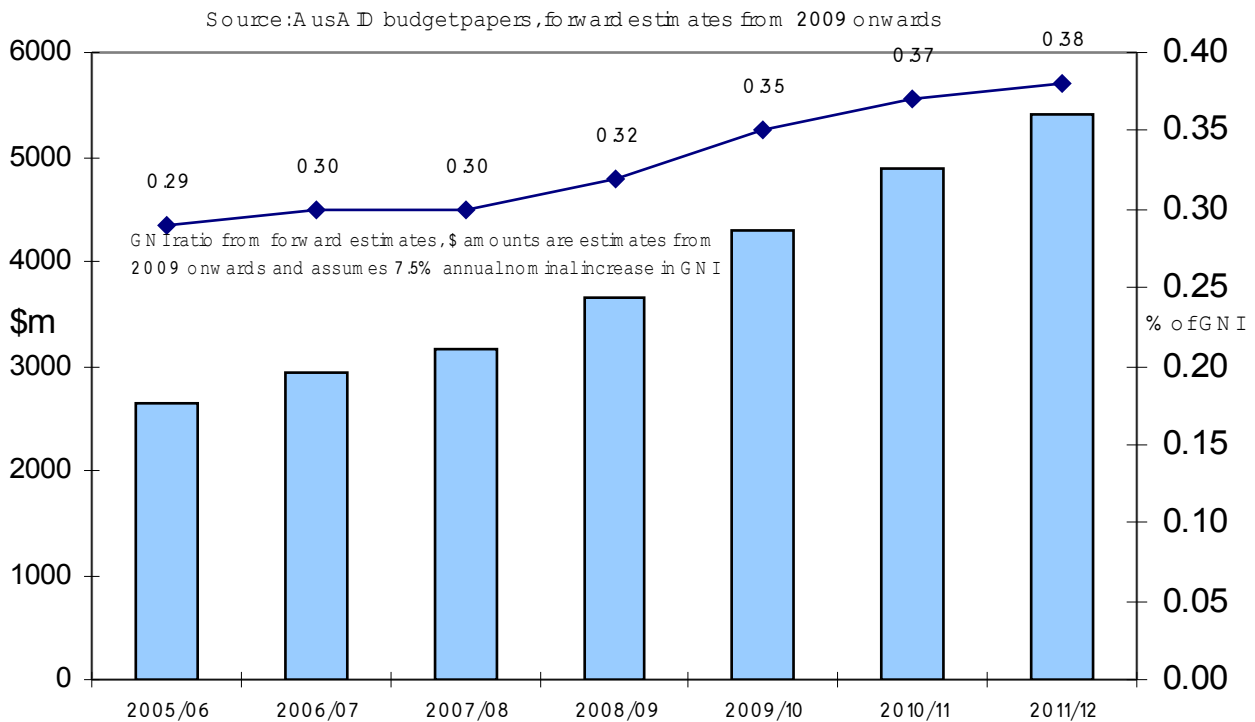
Scale of Aid Budget

In this 2008-09 budget the government has estimated that the ODA/GNI ratio for the aid program for the next four years will be:

2008-09	0.32%
2009-10	0.35%
2010-11	0.37%
2011-12	0.38%

This represents an increase over the previous government's forward projections to 2010. However the rate of growth will need to increase if the government is to reach its commitment of 0.50% of GNI by 2015.

Trends in Australian aid volume - current dollars and as a proportion of GNI



Note: the OECD estimates that the average country ODA/GNI ratio in 2010 will be 0.58%

Funding for NGOs

AusAID-NGO Cooperation Program (ANCP) will increase by \$7.2 million from approximately \$37 million in 2007-08 to \$44 million in 2008-09.

Technical note:

Unlike in previous years, this year's budget papers from AusAID have not provided any detailed breakdown of NGO funding within country programs and for humanitarian and emergency expenditure. ACFID will seek this information from AusAID and provide this to members as soon as it becomes available.

Sectors

Significant health, education and infrastructure sector program expenditure over four years was included in the 2007-08 Budget. Therefore there remain ongoing commitments over the next three years (2008-09 onwards) in each of these sectors.

The 2008-09 budget increase in multisector expenditure is primarily due to a one-off payment of \$238 million relating to the final tranche of debt relief for Iraq scheduled to be recognised in 2008-09. This payment will be triggered under a multilateral commitment made the so-called 'Paris Club' of donors.

Health

HIV/AIDS There is a modest increase in HIV/AIDS program expenditure to \$130 million in 2008-09. As part of this increased engagement with multilateral institutions, \$135 million over three years will be provided to the Global Fund and \$13.4 million over four years to UNAIDS. A major review of the HIV strategy will be undertaken in 2008-09 to identify how the program will add value to the global HIV response particularly in the Asia-Pacific region.

Fighting Avoidable Blindness in the Region provides \$45 million in both 2008-09 and 2009-10 to support a pilot eye and vision care program to address blindness and vision impairment, through a range of measures including increasing the number of qualified eye health workers.

Following a sustained advocacy campaign by ACFID and the Australian Disability and Development Consortium (ADDC) over the past few years, the Government has now committed to develop a Disability Strategy to bring its policy framework in line with other bilateral donors.

Water and Sanitation

Access to Clean Water and Sanitation provides \$300 million over three years with \$8.9 million in 2008-09 to address critical challenges to health and wellbeing posed by inadequate access to clean water and sanitation. The initiative will improve access to clean water and effective sanitation, primarily in densely populated urban and peri-urban areas. AusAID has indicated that the program will shift its current focus from water supply to an increased focus on sanitation.

Environment

From 2008-09 onwards, AusAID will budget and report on Environment expenditure as a separate sectoral category. This reflects the heightened importance of this area under the new government.

Adaptation to Climate Change provides \$150 million over three years. It will meet high priority climate adaptation needs in vulnerable countries primarily in Australia's neighbouring island countries.

Humanitarian and Emergencies

The Humanitarian and Emergencies program has increased to \$319.6 million in 2008-09, representing 8.6% of Australia's ODA.

Within the framework of strengthened support for multilateral partnerships, the program has broadened to encompass funding of UN humanitarian agencies. There is increased funding for the World Food Programme (\$57.5 million in 2008-09). No funding was budgeted for UNOCHA in 2007-08. In 2008-09 \$6.0 million for UNOCHA will strengthen the capability for effective humanitarian coordination in large scale emergencies such as in Burma. Additional funding has also been given to UNHCR and UNRWA has been maintained at current levels.

Funding for humanitarian emergency response has increased slightly to \$202.5m. Direct NGO partnerships will continue in the humanitarian emergency response and disaster risk management programs. Funding of \$15 million for the International Refugee Fund and \$10 million for UN CERF maintains funding for both these agencies at 2007-08 levels.

Regions

Pacific/PNG

A substantial increase in the program of 11% is welcomed. Total funding increased to \$999.5 million (equal to 27% of total ODA) and the program has been expanded to include three new initiatives over a four-year period.

A new **Pacific Land Program** (\$54 million in total) will spend \$6.5 million in 2008-09 to protect customary land rights, promote economic and social development, and reduce the potential for land-related conflict. The program will initially focus on Papua New Guinea, Vanuatu and Solomon Islands. The AusAID Deputy Director General at the budget briefing made a strong emphasis that this program will only be implemented where partner governments see it as beneficial.

The **Pacific Public Sector Capacity program** (\$107 million) will spend \$6 million in 2008-09, and strengthen public sector administration. AusAID has indicated this program will focus on leadership development and will be implemented cooperatively with governments and in partnership with tertiary institutions.

The **Pacific Regional Infrastructure Facility** (\$127 million) will spend \$5.5 million in 2008-09. This multisectoral program is consistent with government statements since early 2008. AusAID has indicated the primary focus of this program will be on improving transport infrastructure.

Africa

There was a welcome increase of 15.9% in real terms to the Africa program. The program will focus on achieving the MDG goals, funding humanitarian assistance and support for reintegration of Zimbabwe into the international community if and when that becomes possible. Although there has been a significant increase in real terms, the size of the Africa program as a proportion of ODA remains around 3% for 2008-09. We anticipate a further increase in 2009-10.

Central Asia and the Middle East

This regional grouping has been reconfigured and now includes Pakistan, Afghanistan, Iraq and Palestine territories. Overall funding for this region in 2008-09 is \$497.5 million.

The Iraq program has increased substantially to \$313.4 million or 8.6% of total ODA. However, this includes the debt relief of \$238 million. The structure of the program has changed significantly to include an increase in support for humanitarian response, capacity building and supporting reconciliation efforts.

South Asia

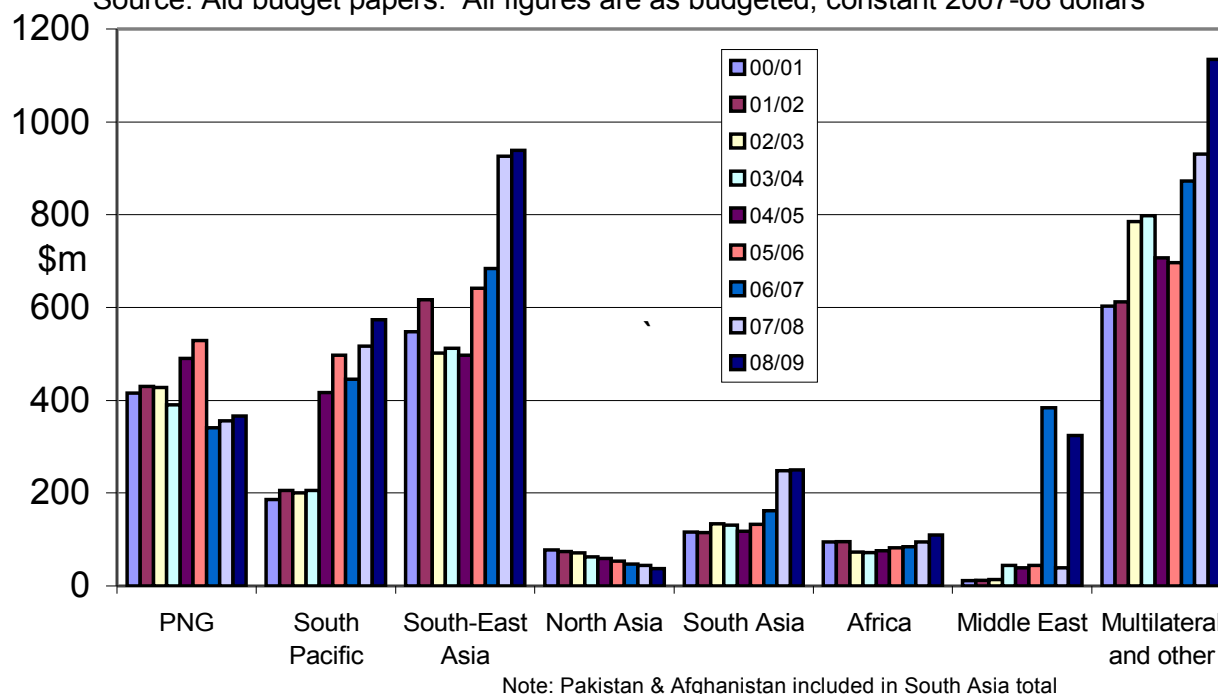
The South Asia program has decreased from \$148.8 million in 2007-08 to \$113.5 million in 2008-09. This decrease however is in proportion to the size of the Pakistan program (\$30.5 million), which has been reallocated to the Central Asia and the Middle East region. Funding will address HIV/AIDS, water and sanitation, basic education and climate change and other country-based programs.

Indonesia and East Asia

Spending in Indonesia and East Asia will increased to \$1038.7 million in 2008-09. This is a 0.6% increase in real terms from 2007-08. This represents the largest share of geographic funding in the aid program. A significant proportion of funding is for the Indonesia program (\$462 million in 2008-09).

Regional distribution of the Australian aid program

Source: Aid budget papers. All figures are as budgeted, constant 2007-08 dollars



Other funding

AusAID capacity

AusAID's Departmental expenditure rises from \$109 million in 2007-08 to approximately \$130 million in 2008-09. This will provide more than twenty additional positions within the agency. The funding for many of these positions has been included in previous years' budget announcements, with program funding typically running over four year cycles. While AusAID is not facing a reduction of positions associated with program cuts in other portfolios, the agency is still subject to the annual public sector efficiency dividend. Significantly, at the same time the Department of Foreign Affairs and Trade has lost overseas-based positions, AusAID has retained all its current overseas positions. This would indicate that the Government has not yet reviewed the Director General's Blueprint of February 2007, which planned for sixty per cent of AusAID's staff to be based overseas by 2010.

Other Government Department expenditure

ODA expenditure in other government departments has increased to \$564 million in the 2008-09. This includes \$10 million for displaced Iraqis in the Middle East in the Immigration and Citizenship portfolio. There has been a substantial increase in funding in the Attorney General's portfolio for Australian Federal Police to build policing capacity in the Pacific, and for deployments in Iraq and Afghanistan.

Aid Budget Analysis by Country 2007–08

	2007/08 A\$m current dollars	2008/09 A\$m current dollars	% change in in real terms since last budget	% change in real terms since 95/96
Total Aid Budget	3155.3	3659.9	9.0	56.6
Total budget minus Iraq debt	3155.3	3521.9	4.9	50.7
PNG	355.9	389.4	2.8	-23.0
Pacific				
Fiji	28.7	26.9	-11.9	-17.8
Vanuatu	44.5	51.8	9.4	125.4
Solomon Islands	223.9	236.4	-0.8	1256.9
Western Samoa	23.3	28.3	14.2	53.2
Tonga	15.7	19.3	15.5	9.8
Kiribati	15	18.4	15.3	77.5
Nauru	8.7	26.6	187.4	510.7
Tuvalu	5.6	6.3	5.7	7.6
Other island nations	15.6	14.3	-13.8	
Regional	135.6	181.9	26.1	246.0
Total Pacific	516.6	610.1	11.0	222.4
East Asia				
Indonesia	458.8	462	-5.4	136.8
East Timor	72.8	96.3	24.3	
Vietnam	90.8	93.1	-3.6	-2.2
Philippines	100.6	109.3	2.1	-1.9
China	39.3	34.8	-16.8	-62.7
Cambodia	54	55	-4.3	15.5
Thailand	6.5	4.3	-37.8	-92.3
Laos	27.2	27.8	-3.9	-6.0
Burma	14	16.1	8.1	
Mongolia	4.9	5.2	-0.3	
Regional	101.5	134.8	24.8	80.6
Total East Asia	970.4	1038.7	0.6	47.8
South Asia				
Bangladesh	47.6	52.6	3.9	4.2
India	6.3	5.4	-19.4	-85.2
Sri Lanka	25	27	1.5	59.1
Nepal	8.2	8.2	-6.0	-25.2
Pakistan	27.1	30.5	5.8	81.3
Afghanistan	99.6	122.4	15.5	1597.8
Maldives	4.9	4.6	-11.8	
Bhutan	3.8	3.2	-20.9	
Regional	25.8	12.5	-54.5	137.8
Total South Asia	248.3	266.4	0.8	84.8
Africa and Other				
Africa	94.4	116.4	15.9	-28.7
Iraq	22.5	313.4		
Palestine and other Middle East	16.7	31.3	76.1	119.4
Core contributions to multilateral organisations, other ODA expenditure, other government departments unallocated	929.2	878.6	-11.1	45.3