

# RESEARCH NOTE

2003–04  
No. 59, 31 May 2004

## The changing focus of Australia's Aid Program: Budget 2004–05

### An increase in outlay ...

According to the budget statement<sup>1</sup> Australia's Official Development Assistance (ODA) outlay for 2004–05 is an estimated \$2133 million, more than \$239 million over the 2003–04 *budget* figure of \$1894 million. This represents a 'real increase' of 9.9 per cent. While this observation is technically correct it does not indicate the actual increase in outlay. With the *expected outcome* for 2003–04 to be \$2019 million, the *actual* increase in the aid budget in constant dollar terms is less than one third of the announced figure, a mere \$62.3 million or 3.1 per cent.

### ... over the ODA for 2003–04

To put the increase in ODA in context, the rise in the 2003–04 outlay from the budget figure of \$1893.8 million to the expected outcome of \$2018.8 million (\$125 million) needs to be explained.

The \$125 million increase in the ODA is primarily because of unplanned expenditure in Solomon Islands and Nauru. The total budget outlay for the Solomon Islands in 2003–04 was \$37.4 million. As a result of the Regional Assistance Mission to Solomon Islands (RAMSI), the expected outcome is \$168.5 million. This includes an expenditure of \$79 million by Other Government Departments (OGDs) that qualifies as ODA. In the case of Nauru, in March 2004, Australia and Nauru signed the third Memorandum of Understanding (MOU) 'for management of the offshore processing centre for asylum seekers and Nauru's long-term development'. Consequently,

Australia is providing additional ODA of \$15.5 million in 2003–04 (and \$13.5 million in 2004–05) 'to help Nauru stabilise the country's economy and strengthen law and order'.

The chart below puts the 2004–05 aid budget estimate in perspective. At 2003–04 constant prices, the \$2081 million outlay for 2004–05 is \$111 million or 5.6 per cent higher than ODA expenditure in 1999–2000. But the ODA/Gross National Income (GNI) ratio has declined from 0.29 per cent in 1999–2000 to 0.26 per cent in 2004–05.

and Administration, Attorney General's, the Australian Federal Police (AFP) and the Department of Foreign Affairs and Trade.

RAMSI will continue in 2004–05 with a \$33 million increase in ODA to \$201.6 million, of which \$93.9 million will be given to the AFP to further build the capacity of the Royal Solomon Islands Police to uphold law and order.<sup>3</sup>

Papua New Guinea will also be a beneficiary of the whole-of-government approach through the Enhanced Cooperation Program (ECP). Aid will increase in real

terms by 27 per cent in 2004–05 to \$435.6 million. Of this, \$114.3 million will be expenditure by OGDs (compared to \$7.5 million in 2003–04).

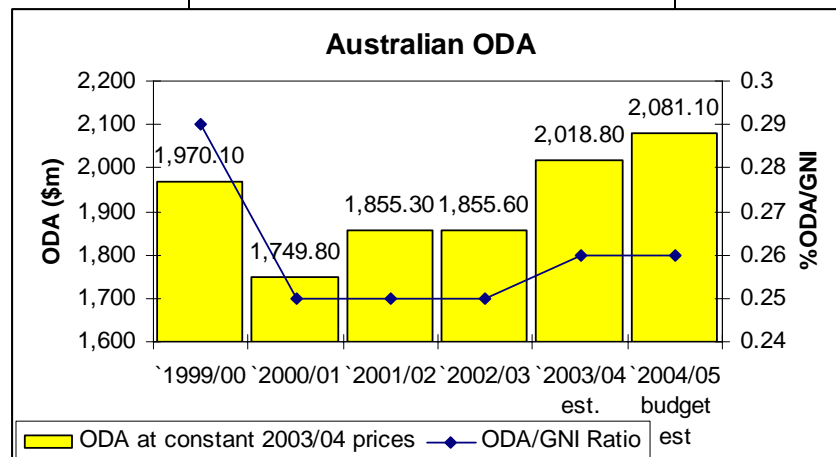
Major assistance programs in the law and justice sector are also being implemented in East Timor, Fiji and Vanuatu.

This increasing emphasis on governance issues

appears to be the result of a recognition by Australia that certain Pacific nations are showing characteristics of failing states to an extent that the issue can no longer be ignored. RAMSI is a good example. In May 2003, a budget allocation of \$37.4 million for Solomon Islands in 2003–04 was announced. On 22 July 2003, Australia announced that it would send an assistance mission which would eventually cost \$168 million for the year.

### Countering terrorism

One fact that appears to have been overlooked by most commentators is the recent but growing



### Changing focus

The ODA budget for 2004–05 is significant on two counts. First, some 33 per cent of the ODA is allocated for projects related to governance, up from 15 per cent in 1999–2000. On the other hand, expenditure in support of education and health programs has declined from 27 per cent and 14 per cent respectively in 1999–2000<sup>2</sup> to 14 per cent and 12 per cent in 2004–05. Second, it emphasises the Government's 'enhanced whole-of-government' approach to ODA. The best example of this new approach is the RAMSI which included contributions from AusAID, Treasury, Department of Finance

contribution of Australia's aid program to counter-terrorist and other security related activities in the region after the Bali bombings in October 2002. While assistance to issues such as policing and border control has been common, there nonetheless appears to be some new thinking as to what constitutes ODA. Assistance to develop local security apparatus appear to be added to traditional areas of aid such as health, education and rural/infrastructure development.

According to AusAID, Australia's contribution aims 'to build the capacity of partner countries to manage terrorist threats by strengthening counter-terrorist and broader law enforcement capacity' particularly in the areas of counter-terrorism aspects of policing, border security, terrorist financing and money laundering.<sup>4</sup>

Programs currently underway include:

**Philippines:** A three-year \$5 million Philippines Counter-Terrorism Assistance initiative. This includes a \$3.65 million AusAID/AFP law enforcement counter-terrorism capacity building project and a \$1.3 million initiative to strengthen port security.<sup>5</sup>

**Indonesia:** A four year \$10 million program to help Indonesia build its counter-terrorism capacity in three areas. \$3.5 million is to be spent on improving the Indonesian Police's capability to combat terrorism including the establishment of the Transnational Crime Centre. A further \$3.5 million will help Indonesia strengthen its anti-money-laundering regime and a \$3 million fund has been established to build links between Australian and Indonesian government departments relating to travel security.<sup>6</sup>

**Pacific Islands:** A \$500,000 program will help Pacific nations to improve port security and develop port security plans. Similar assistance is being provided to PNG under the 'PNG Maritime Security Assistance Project' jointly managed by AusAID and the Department of Transport and Regional Services.<sup>7</sup> As is the case with the Philippines, this will help these countries meet the 1 July 2004 deadline for compliance with the International Maritime Organisation's

International Ship and Port Facility Security Code.

### Other features of the ODA 2004–05

Some other salient features of the budget outlay include:

**Refugees:** A contribution of \$48 million by the Department of Immigration and Multicultural and Indigenous Affairs for refugee related and offshore asylum seeker costs, down from \$87.1 million in 2003–04.<sup>8</sup>

**Iraq:** Australia has so far committed \$120.5 million for relief and reconstruction efforts in Iraq since 2002–03 when \$58.2 million was spent. Assistance in 2003–04 is expected to be \$40.3 million and about \$22 million remains to be disbursed in 2004–05. Additional funding will be considered 'as required'.

**Afghanistan:** A total of \$110 million has been pledged to Afghanistan in reconstruction and humanitarian support since September 2001. It received \$31 million in assistance in 2003–04. An estimated \$18 million remains to be disbursed in 2004–05.

**Papua New Guinea:** The main focus in 2004–05 will be the implementation of the five year \$1.1 billion Enhanced Cooperation Program (ECP), once the modalities have been worked out. The outlay for 2004–05 is \$435.6 million, an increase of \$105.5 million over the previous year. As mentioned earlier, \$114.3 million of this amount will be funded by OGDs.

**Pacific States:** Vanuatu and Fiji are the greatest beneficiaries of the budget after Solomon Islands, with their allocations increasing by \$7.7 million and \$5.3 million to \$30.9 and \$25.1 million respectively.

**Indonesia:** An increase of about \$10 million to \$160.8 million. Funding for education is expected to increase including a new program to improve education standards in Islamic schools.

**East Timor:** An 8.4 per cent decrease in estimated total ODA, down from \$43.9 million in 2003–04 to \$39.9 million in 2004–05.

### Summing up

The 2004–05 aid program adds to the evidence that the rationale

underpinning Australia's aid program is shifting from the previous focus on poverty alleviation to encompass broader issues such as regional security and greater emphasis on good governance. As a consequence there will be increasing instances of whole-of-government responses involving other government departments that traditionally have had little to do Australia's aid program.

1. Unless indicated otherwise, all information is derived from *Australia's International Development Cooperation 2004–05*, Statement by The Honourable Alexander Downer, Minister for Foreign Affairs, 11 May 2004 (available at <http://www.ausaid.gov.au/budget04/default.cfm>)
2. *Australia's Overseas Aid Program 1999–2000*, Statement by The Honourable Alexander Downer, Minister for Foreign Affairs, 11 May 1999, p. 16.
3. The Hon. Alexander Downer, *Media Release*, 11 May 2004.
4. AusAID, *Counter-Terrorism and Australian Aid*, August 2003, p. 5.
5. AusAID, *Media Release*, 27 April 2004.
6. *Counter-Terrorism and Australian Aid*, p. 6.
7. AusAID, *Media Release*, 10 May 2004.
8. Australian Council for International Development, *Aid budget 2004–05: Overview and Analysis*, 13 May 2004, p. 2.

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ISSN 1328-8016