

1C. FOREIGN ECONOMIC AID

NATURE OF OUTLAYS

The bulk of Foreign Economic Aid outlays are counted as Official Development Assistance. Also covered are some outlays other than aid, including for the conduct of foreign and international trade relations (but not including trade promotional activities) and contributions to the activities of international organisations such as the United Nations (UN), including assessed contributions to UN peacekeeping operations.

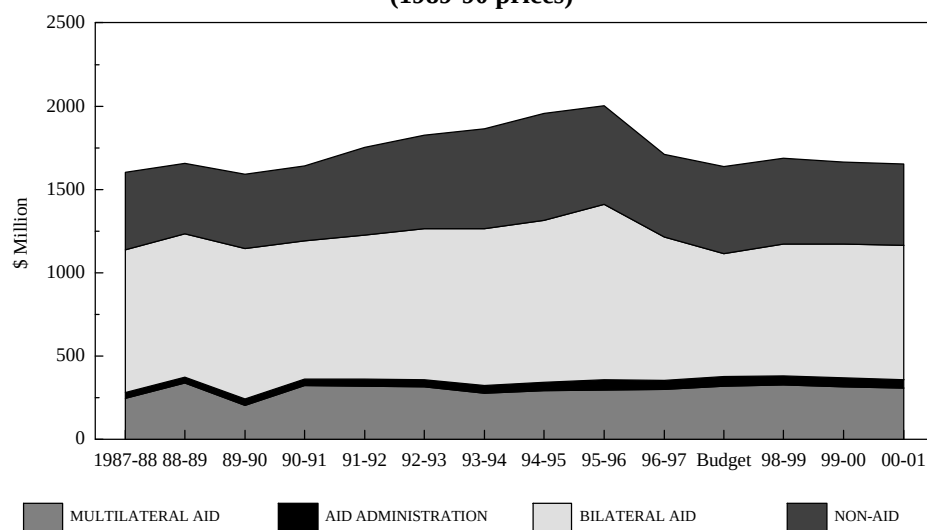
This function principally includes outlays of the following portfolios:

- Foreign Affairs and Trade;
- Administrative Services; and
- Treasury;

with minor outlays from:

- Health and Family Services;
- Industrial Relations;
- Attorney-General's;
- Immigration and Multicultural Affairs;
- Industry, Science and Tourism; and
- Transport and Regional Development.

Chart 1. Overview of Commonwealth Outlays on Foreign Economic Aid (1989-90 prices)



TRENDS IN FOREIGN ECONOMIC AID OUTLAYS

Outlays for bilateral and multilateral aid under this function primarily reflect funding for programmes classified as Official Development Assistance. Following implementation of savings measures in 1987-88, one-off funding was provided to make additional payments to International Development Financial Institutions in 1988-89. Overall increases in Overseas Aid outlays between 1989-90 and 1995-96 reflect decisions made to increase aid funding in real terms. The reduction in these outlays in 1996-97 and 1997-98 reflects the abolition of the Development Import Finance Facility, general savings measures and repayment of a loan by the Papua New Guinea Government in 1997-98.

Growth in Foreign Affairs Non-Aid over the period since 1987-88 has largely been influenced by Australian contributions to UN peacekeeping operations and by property. UN peacekeeping contributions have decreased in recent years and are projected to remain at this lower level. The fluctuations over the current, budget and forward years for Non-Aid outlays primarily reflect greater than average overseas property sales in 1996-97, carryovers in the Overseas Property Group's medium and minor works from 1996-97, transitional arrangements for devolving overseas property funding from the Overseas Property Group, affecting only 1997-98 at this stage, and the completion of major works overseas.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
1C.1 Bilateral Aid	\$m	994.7	873.2	958.2	1000.3	1024.6
	%		-12.2	9.7	4.4	2.4
1C.2 Multilateral Aid	\$m	347.7	378.7	395.7	391.9	391.7
	%		8.9	4.5	-1.0	-0.1
1C.3 Aid Administration	\$m	64.1	67.4	64.6	65.1	65.7
	%		5.1	-4.2	0.8	0.9
Sub-total - Overseas Aid	\$m	1406.4	1319.3	1418.4	1457.2	1482.0
	%		-6.2	7.5	2.7	1.7
1C.4 Foreign Affairs Non-Aid	\$m	575.2	615.8	625.6	610.5	618.8
	%		7.1	1.6	-2.4	1.4
TOTAL	\$m	1981.7	1935.1	2044.0	2067.7	2100.8
	%		-2.4	5.6	1.2	1.6

1C.1 BILATERAL AID

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Papua New Guinea - Budget Support	\$m	142.2	37.2	71.0	35.5	-
	%		-73.8	90.9	-50.0	-100.0
Projects, Technical Cooperation and Related Activities	\$m	533.1	525.7	569.6	626.3	674.3
	%		-1.4	8.4	10.0	7.7
Training	\$m	156.3	156.8	159.4	168.9	176.5
	%		0.3	1.7	6.0	4.5
Emergency Aid	\$m	11.2	11.2	11.4	13.7	14.1
	%		-	1.8	20.2	2.9
Refugee Relief	\$m	70.3	70.0	71.8	77.6	79.5
	%		-0.4	2.6	8.1	2.4
Non-government Organisations	\$m	30.1	32.1	33.7	36.1	37.0
	%		6.6	5.0	7.1	2.5
Development Import Finance Facility	\$m	11.8	-	-	-	-
	%		-100.0	na	na	na
Australian Centre for International Agricultural Research	\$m	39.7	40.1	41.1	42.2	43.2
	%		1.0	2.5	2.7	2.4
TOTAL	\$m	994.7	873.2	958.2	1000.3	1024.6
	%		-12.2	9.7	4.4	2.4

Bilateral Aid supports development assistance programmes provided to specific countries, such as technical and other training, education, health and other humanitarian programmes. The principal recipients of Australia's bilateral aid are countries in the Asia-Pacific region, with Papua New Guinea being the largest.

Papua New Guinea - Budget Support

Under the Papua New Guinea-Australia Treaty on Development Cooperation, Budget Support is being phased out and substituted with programmed aid. In 1997-98, the loan made to Papua New Guinea in 1995-96 to help fill the External Financing Gap is to be repaid.

Development Import Finance Facility

The Development Import Finance Facility was abolished in the 1996-97 Budget.

1C.2 MULTILATERAL AID

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
International Development Financial Institutions	\$m	218.7	246.4	261.5	245.1	239.6
	%		12.7	6.1	-6.3	-2.2
United Nations Organisations	\$m	74.7	67.5	69.1	74.9	76.7
	%		-9.6	2.4	8.4	2.4
Commonwealth Organisations	\$m	8.8	8.8	9.0	10.2	10.5
	%		-	2.3	13.3	2.9
Other International Organisations	\$m	16.3	23.3	20.5	22.4	22.2
	%		42.9	-12.0	9.3	-0.9
Regional Organisations	\$m	29.1	32.7	35.5	39.2	42.8
	%		12.4	8.6	10.4	9.2
TOTAL	\$m	347.7	378.7	395.7	391.9	391.7
	%		8.9	4.5	-1.0	-0.1

Multilateral aid outlays encompass contributions to economic development funds administered by international, regional or other multinational organisations including the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the International Fund for Agricultural Development, and the International Monetary Fund's Enhanced Structural Adjustment Facility.

1C.3 AID ADMINISTRATION

Aid Administration outlays provide for the administrative costs of the Australian aid programme, including the operational costs of AusAID.

1C.4 FOREIGN AFFAIRS NON-AID

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Membership of International Organisations	\$m	68.9	79.8	77.3	75.8	75.8
	%		15.8	-3.1	-1.9	-
United Nations Peacekeeping Operations	\$m	35.7	40.0	40.0	40.0	40.0
	%		12.0	-	-	-
Other Activities	\$m	9.1	8.8	8.5	8.5	8.6
	%		-3.3	-3.4	-	1.2
General Administration	\$m	461.5	487.2	499.8	486.1	494.4
	%		5.6	2.6	-2.7	1.7
TOTAL	\$m	575.2	615.8	625.6	610.5	618.8
	%		7.1	1.6	-2.4	1.4

Foreign Affairs Non-Aid outlays cover the promotion of Australia's interests through diplomatic relations with other countries, both bilaterally and through our participation in, and contributions to, international organisations and forums including UN peacekeeping operations.

Because of the nature of the events covered, the contributions for UN Peacekeeping activities are uneven and not easy to predict. The forward years, therefore, reflect a provision based on previous experience.

General administration outlays include the major part of the Department of Foreign Affairs and Trade administration costs (other than a small proportion of the Department's costs which relate to 3. *Public Order and Safety*) and the administrative costs of the Department of Administrative Services' Overseas Property Group.