

# Australia

## What is your Aid-for-Trade Strategy?

### 1. Do you have an Aid-for-Trade Strategy and what are the key elements in the Strategy?

The Australian Government believes that developing country participation in global trade liberalisation is the most effective way of delivering developing countries a better deal in world trade, encouraging development and eradicating poverty. We have pushed, and will continue to push, for reductions to trade barriers and the creation of new commercial opportunities across all areas in the world trade negotiations. For over 25 years, Australia has provided preferential market access for the world's poorest countries. Since 2003, we have granted duty and quota free access for all products from LDCs, including East Timor. Australia is a world leader in this regard. We are also a longstanding provider of assistance to enable developing countries to take advantage of global trading opportunities.

Australian strategies to support Aid-for-Trade are guided by the Australian Government's White Paper, *Australian Aid: Promoting Growth and Stability*, which is the key framework policy document for the Australian aid program. Launched in 2006, the White Paper outlines strategies to enable Australia's aid program to generate shared and sustainable economic growth in the Asia-Pacific region over the next ten years, and gives direction to how the Australian Government will approach the doubling of Australia's aid budget to around A\$4 billion annually by 2010.

The White Paper places the objective of accelerating economic growth first and foremost in the Australian aid program, as the single most important objective for the Asia-Pacific region over the next decade. It directs the aid program to work to improve the policy environment for private sector growth; promote trade through assistance for trade policy, trade analysis and trade facilitation; support the drivers of growth through investing in infrastructure, building skilled workforces and strengthening support for private-sector-led rural and business development; and address environmental challenges to growth.

With respect to facilitating the participation of developing countries in multilateral trade liberalisation processes, the White Paper directs the aid program to increase support to its regional partners in three key areas:

- *Beyond the border*, by providing trade policy and analysis training;
- *At the border*, by enhancing trade facilitation through improving the efficiency of areas such as customs and quarantine services while also maintaining the integrity of national borders; and
- *Behind the border*, by focusing on policies that promote growth and overcome bottlenecks to trade, such as inadequate infrastructure.

This strategic direction for Australia's Aid for Trade initiatives over the next decade is integrated at all levels of the aid program: at the policy level into sectoral and thematic policies and at the program level into global, regional and country programs.

## **2. How has this Strategy evolved since the December 2005 WTO Ministerial Conference?**

As described above, the release of the White Paper in 2006 has brought increased prominence and strategic direction to Australian Aid-for-Trade initiatives, while building on Australia's longstanding track record in assisting regional partners to participate in and benefit from the multilateral trading system.

The commencement of new White Paper initiatives has resulted in a significant up-scaling of Australia Aid-for-Trade commitments, from approximately A\$154 million in 2006-07 to around A\$325 million per year over the next three years.

A key component of Australia's increased focus on Aid-for-Trade has been the announcement in May 2007 of a major new Infrastructure for Growth Initiative. Under this Initiative, the Australian Government has committed A\$505 million to help developing countries in Asia and the Pacific address their pressing infrastructure needs. Through the Initiative, Australia will help countries in Asia and the Pacific improve their infrastructure policies and finance high priority infrastructure projects that will have strong economic and social benefits.

## **3. How does this Strategy address regional Aid-for-Trade challenges?**

AusAID's support for Aid-for-Trade focuses on Asia and the Pacific and responds to the specific needs and priorities of developing country partners in that region.

The most significant issue facing Asia is sustaining the impressive rates of economic growth achieved by the region over the last decade. To do this, Asian countries will need to overcome infrastructure constraints, advance microeconomic reform, strengthen their market orientation, build their human capital, and continue to pursue closer regional economic integration. In Asia, we work at regional, sub-regional, national and sub-national levels to support Aid-for-Trade. For example,

- The ASEAN Australia Development Cooperation Program is an example of how Australia works regionally on Aid-for-Trade. This A\$50 million, six-year program (2002-2008) has promoted economic integration among ASEAN countries through a range of mechanisms: medium term projects promoting ASEAN's economic integration and competitiveness; collaborative activities between ASEAN and Australian institutions that contribute to deeper economic integration; and targeted economic policy research focusing on ASEAN economic integration issues of particularly high priority.
- The Trade Analysis and Reform Project (A\$5.6 million, 2002-08) provides specific trade-related technical assistance to help Cambodia, Laos, Vietnam and Thailand participate in global trade liberalisation and regional economic integration.

The major issue facing countries in the Pacific is lack of economic integration. Addressing this problem will require robust policies to promote trade and more extensive infrastructure. In the Pacific, Australia supports trade facilitation bilaterally and through the regional Pacific Agreement on Closer Economic Relations. For example,

- Australia is providing A\$2.65 million through the Regional Trade Facilitation Program to help Pacific island countries undertake trade facilitation and capacity-building activities in three key

areas (customs, quarantine, and standards and conformance) and to host in-country workshops to facilitate dialogue on trade facilitation and aid for trade between governments, the private sector and civil society.

- Australia provides annual support of A\$1.25 million to the Pacific Islands Trade and Investment Commission in Sydney, which promotes Pacific exports and tourism in Australia and assists Pacific business to enter the Australian market. We support the development of foreign investment in the Pacific through funding for the Pacific Investment Commissioner, whose role at the Australian Trade Commission, Australia's trade and investment promotion agency, is to promote Australian investment in the Pacific islands, with the aim of increasing technology transfer and business activity in the Pacific.

Other Australian Government agencies also provide Aid-for-Trade in the Pacific. For example, Australian Customs is undertaking major institutional strengthening programs in both Papua New Guinea and the Solomon Islands to help their respective Customs manage their borders, facilitate trade and collect government revenues. The programs also aim to improve cargo management and cut customs clearance from days to hours.

## How much Aid-for-Trade do you provide?

### SCOPE

- 4. How do you define Aid-for-Trade (i.e. which types of program and project do you consider trade related)?**

Australia defines Aid-for-Trade along similar lines to the WTO. It is defined as those activities, or components of a larger program, that address one or more of the following areas:

- Trade policy and regulations;
- Trade development;
- Trade-related infrastructure;
- Building productive capacity;
- Trade-related adjustment; and
- Other trade-related needs.

### METHODOLOGY

- 5. How do you allocate the Aid-for-Trade share in individual projects and programs?**

Australia considers a program or project to be Aid-for-Trade related if it falls under the definition provided in the answer to Question Four.

### COMMITMENTS

- 6. According to your Aid-for-Trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?**

Category	2002	2003	2004	2005
Trade Policy and Regulations	3 893	13 769	11 808	12 382
Trade Development	12 646	3 215	1 211	0
Trade-related infrastructure	9 445	30 891	135 630	13 465
Building productive capacity	93 699	102 382	32 011	111 135
Trade-related Adjustment	18 816	22 897	0	5 697
Other trade-related needs	0	0	0	0
TOTAL	138 499	173 154	180 660	142 679

Source: OECD Creditor Reporting System and the joint WTO/OECD Trade Capacity Building Database

## PLEDGES

### 7. Describe any Aid-for-Trade pledges you have made at or since the December 2005 WTO Ministerial Conference.

At the December 2005 WTO Ministerial Conference, the Hon Mark Vaile MP, then Minister for Trade, announced an Australian contribution of A\$4 million to Aid-for-Trade.

Since the Ministerial Conference, significant Australian announcements for Aid-for-Trade activities have included:

- The announcement in May 2007 of a commitment of A\$505 million to the Infrastructure for Growth Initiative.
- A\$328 million for the Eastern Indonesia National Roads Improvement Project, which commenced in March 2006. This four-year program aims to develop a strong national road network in Eastern Indonesia in order to ensure adequate access to regional centres, national level public services, markets, and terminals.

### 8. What is your medium-term (beyond 3 years) financial plan for Aid-for-Trade?

Category	2006-07	2007-08	2008-09	2009-10	2010-11
Trade Policy and Regulations	4,811	6,124	4,834	4,000	3,500
Trade Development	33,845	35,203	26,521	20,202	17,474
Trade-related infrastructure	92,083	231,851	257,101	277,394	216,107
Building productive capacity	23,361	59,092	54,635	49,724	42,021
Trade-related Adjustment	515	947	817	3,070	0
Other trade-related needs	0	0	0	0	0
Total	154,615	333,217	343,908	354,390	279,102

Notes: Amounts are expressed in A\$ Thousands, and in line with Australian financial years (July to June).

## How do you implement your Aid-for-Trade Strategy?

### MAINSTREAMING

### 9. How do you ensure that Aid-for-Trade is effectively integrated in your overall development strategy and programming both at headquarters and in-country?

As described above, Australia's Aid-for-Trade work takes place within the context of the White Paper, *Australian Aid: Promoting Growth and Stability*. All regional and country program strategies under the Australian aid program are aligned to the priorities of the White Paper.

**10. Have you recently strengthened your in-house Aid-for-Trade expertise and how is this expertise deployed to link policies with operations?**

Australia has strengthened its Aid-for-Trade expertise by establishing a specialist Economics Thematic Group in AusAID to develop aid activities; improve the performance of the aid program by providing relevant and up-to-date technical advice to program areas; and monitor and analyse sectoral trends, challenges and issues related to their area of expertise. This is complemented by specific Asia and Pacific sections at AusAID headquarters in Canberra with a dedicated trade and economic growth focus, combined with the deployment of trade and economics experts at key posts in the Asia-Pacific region.

**OWNERSHIP**

*Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.*

**11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?**

The Australian aid program's country and regional strategies provide the overall program-level policy and implementation framework for Australian aid to any given country or region. They translate the White Paper's guiding themes and strategies into programs tailored to individual country circumstances and priorities. Because of the priority accorded in the White Paper to accelerating economic growth in Asia and the Pacific, comprehensive consideration is given to trade issues in the Australian aid program's country and regional strategies.

These strategies are strongly driven by recipient countries or regions themselves. In all cases, strategies are developed and agreed jointly with partner governments through a rigorous appraisal process. This provides the opportunity for Australia to engage partner governments and other key stakeholders and reform constituencies on the importance of integrating strong trade development strategies into national development strategies. During the course of program implementation, this is backed up by ongoing advocacy work at key points in the policy cycle. Australia has also provided specialist expertise to assist national governments in the reform process.

- In Lao PDR, for example, Australia is providing A\$1.5 million over two years to the Integrated Framework for Trade-Related Technical Assistance and has served as the Integrated Framework 'Facilitator' for Laos since 2004. This helps support Lao PDR, as one of the few remaining Least Developed Countries (LDCs) in Asia, through trade policy capacity-building and assistance to integrate trade issues into overall national development and poverty reduction strategies. As part of this initiative, Australia has included the contracting of a professional IF Facilitation Specialist for a two-year period (with funding of up to A\$600,000), and targeted financial support (up to A\$900,000) for related priority activities which emerge from the Diagnostic Trade Integration Study Action Matrix. The IF Facilitation Specialist commenced work in Laos in January 2007 and is working within the Ministry of Industry and Commerce.
- In Vietnam, Australia's Beyond WTO program (A\$1.3m, 2006-07) has assisted the Government of Vietnam to prepare an Action Plan for post WTO implementation commitments.

## **12. How do you encourage and support policy dialogues on Aid-for-Trade among key stakeholders in partner countries?**

Australia is recognised internationally for its strong track record on policy coherence for development, particularly on issues such as trade. In addition to a strong focus on in-country policy dialogues as part of the country strategy development process described above, Australia encourages and supports policy dialogues on Aid-for-Trade through a range of different country level mechanisms:

- Under the China-Australia Governance Program (A\$20m, 2004-10), for example, Australia is providing support for better informed and enhanced policy reform processes, including through workshops and policy exchanges to strengthen China's productivity and competitiveness through the removal of institutional barriers to trade.
- Through the Public Sector Linkages Program in Asia and the Pacific Governance Support Program in the Pacific, Australia has supported trade related policy dialogues in a range of countries.

Given the strong potential for regional cooperative groupings to provide powerful demonstration effects and shared learning opportunities, Australia also works through regional organisations to build support for trade and development issues.

- In Asia, for example, Australia plays a leading role in the Asia Pacific Economic Cooperation (APEC) and East Asia Summit (EAS) groupings to advance cooperative strategies to promote regional trade, economic and financial integration. This is backed up with support through the aid program at the regional, national and sub-national levels to boost developing country awareness of, and capacity for, trade development related activities. Through APEC, Australia has supported advocacy and information sharing activities through its \$7.5 million in contributions to the APEC Support Fund, a flexible funding mechanism to assist developing APEC members with priority trade and economic integration needs. In 2007, Australia announced an additional \$10 million contribution to the establishment of an APEC Policy Support Unit to promote shared learning on key regional economic integration issues facing developing East Asia.
- The annual Pacific Islands Forum Trade Ministers Meeting is the primary venue for inter-government dialogue in the Pacific region on trade agreements and Aid-for-Trade. The meeting focuses on trade liberalisation, regional economic integration and domestic policies to facilitate trade and economic growth. The meeting also has an oversight and decision-making role, setting the agenda for the Regional Trade Facilitation Program, which supports the formation of National Trade Facilitation Committees in Pacific island countries. These committees are intended to coordinate and harmonise national trade facilitation policy and programs.

### **ALIGNMENT**

*Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.*

## **13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your Aid-for-Trade programs?**

Australia recognises that aid programs that are owned and driven by partner countries are likely to be sustainable. Our experience demonstrates that aid programs that are aligned with partner government priorities, championed by local people, involve beneficiaries in design and implementation, and are aligned with partner government budgets and systems are more likely to be sustainable and effective than those that are not.

A fundamental tenet of Australia's aid program, therefore, is that assistance is jointly agreed and implemented with Australia's developing country partners. We actively work towards the principles of the Paris Declaration on Aid Effectiveness and look for opportunities to use partner country budget processes and procurement and financial management systems in aid delivery. While we recognise that this approach will not always be possible, activities are, in all cases, designed and implemented collaboratively with partner governments and other key stakeholders.

- In Vietnam, Australia has played a lead role with the Government of Vietnam and DFID in the design of the 'Beyond WTO' program (BWTO). A key output of Phase 1 is the development of a comprehensive, 5-year WTO Implementation Plan, behind which all government and donor programs in support of international economic integration are expected to align. BWTO is being implemented by Government of Vietnam line ministries and agencies at the national and provincial level, coordinated through the Office of Government, and assisted by international and national technical assistance. Several other donors are expected to contribute to the Multi-Donor Trust Fund established under the Program in Phase 2.
- Australia is in the process of designing a major new program to assist ASEAN with its regional economic integration agenda. In line with principles of aid effectiveness, the program is being designed to maximise alignment of delivery mechanisms with established and emerging regional institutional and management structures and systems, rather than building 'parallel' systems. This will require increasingly using ASEAN Secretariat systems for managing, monitoring and accounting for the use of dialogue partner funds.

## HARMONISATION

*Refers to donor, actions being more harmonised, transparent and collectively effective.*

### **14. Do you coordinate Aid-for-Trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

Australia is fully committed to the principle of donor coordination as described in the Paris Declaration on Aid Effectiveness. Increasingly, we work with other donors in all Aid-for-Trade areas.

Australia contributes to a number of multilateral initiatives to coordinate Aid-for-Trade:

- Australia's annual contributions to the WTO Global Trust Fund (over A\$2.9 million since 2002) are earmarked to support trade related technical assistance in the Asia-Pacific region.
- From 2004-2007, Australia contributed \$3.3 million to the IFC-managed Foreign Investment Advisory Service (FIAS) to provide advice to developing country governments in the Asia-Pacific region on attracting and retaining foreign direct investment (FDI) and maximising the impact on poverty reduction. In the Pacific region, FIAS has acted as a resource for regional meetings about investment policy, including the Pacific Islands Forum Economic Ministers' Meeting.

At the regional and sub-regional levels, Australia coordinates Aid-for-Trade analyses and programming with other donors through close links with regional organisations.

- The Pacific Regional Trade Facilitation Program is an example of Australia's commitment to donor harmonisation, with Australia and New Zealand both providing funding and cooperating on program oversight while the regional Pacific Island Forum Secretariat coordinates activity in recipient countries. Australia contributes to a number of similar multi-donor facilities to improve

the capacity of Pacific island countries to engage in trade, such as the International Finance Corporation's Private Enterprise Partnerships Pacific.

- In the Mekong sub-region, Australia is working closely with the World Bank and ADB through the Infrastructure for Growth Initiative to improve:
  - Market access for poor farmers by upgrading connections to transport corridors;
  - Border crossing procedures to promote intra-regional trade; and
  - Management and sharing of Mekong River water resources between the four Mekong countries through a partnership with the Mekong River Commission.

**15. Are you increasing the amount of Aid-for-Trade for regional and/or multilateral programs? (If you are a regional or multilateral agency, are you managing an increasing amount of Aid-for-Trade?)**

Yes. Of particular importance is Australia's commitment to contribute A\$505 million between 2007 and 2011 to the Infrastructure for Growth Initiative, which is designed to help countries in Asia and the Pacific improve infrastructure policies and finance high-priority infrastructure projects through the multilateral development banks, and in some cases, bilaterally for projects that have strong economic and social benefits and where national government, private and development bank finance is not available.

Australia is also in the process of designing and implementing new regional programs to contribute to Aid-for-Trade objectives:

- For example, Australia is currently designing a new, seven year ASEAN-Australian Development Program which will focus on strengthening ASEAN's institutional capacity to support regional economic integration; provide timely and high quality economic policy advice on inter and intra regional economic integration issues; and support implementation of selected high priority ASEAN Economic Community Blueprint activities.

## **MANAGEMENT FOR RESULTS**

*Refers to both donors and partner countries managing resources and improving decision making for results.*

**16. What objectives and timeframes do you set for your Aid-for-Trade Strategy and programs? How do you measure success?**

Australia's Aid-for-Trade objectives over the next decade are outlined in Question 1. These overarching objectives are complemented by five-year country program strategies that are annually reviewed; are tailored to individual country circumstances and priorities; and are subject to performance frameworks that outline how the performance of Australian aid to any given country is judged and what performance information is required by managers to assess progress. The annual review process for country program strategies ensures that they remain consistent with the directions of the White Paper and the priorities of partner governments, and allows country program areas to test, on an ongoing basis, the validity of the assumptions on which they were based.

The process for measuring success against Aid-for-Trade objectives differs for each country program area, as each country program strategy has different objectives. Broadly, success is measured in relation to the following three key principles:

- The expected results of relevant Australian program initiatives and those of partners;

- The policy context including any significant institutional changes deemed necessary and the intended level of engagement in policy dialogue;
- Essential progress against key cross-cutting constraints, such as gender inequality or corruption.

### **17. What evaluation methodologies do you apply to your Aid-for-Trade projects and programs?**

Aid effectiveness is a key area of interest for Australia. The recent creation of the Office of Development Effectiveness (ODE) within AusAID underlines the continued importance that Australia places on achieving results and providing high quality aid. ODE is fostering a results-based management culture to enhance our ability to assess and improve aid effectiveness.

At the strategic level, the major evaluation methodologies of the Australian aid program are as follows:

- Annual Review of Development Effectiveness, which reports to Parliament and the public on the effectiveness of Australia's aid program. Information for this review is drawn from Annual Program Performance Updates, independent evaluations, quality process reviews, and the experiences of all Australian agencies delivering ODA;
- Annual Program Performance Updates, which describe the performance of the program over the year, using information and approaches defined in the Country Strategy;
- State of the Sector Reports, which summarise the main performance issues for each sector. Information for these reports is drawn from country strategy performance frameworks but report addresses cross-country issues;

At the activity level, the major evaluation methodologies employed by the Australian aid program are as follows:

- Evaluation reports, including Project Completion Reports, Independent Completion Reports, Mid-Term Reviews, program-commissioned evaluations and ODE-managed major evaluations; and
- Quality at Implementation reports, which assess each aid activity according to a set of common quality criteria. In conjunction with this, spot checks are carried out on Quality at Implementation reports and ratings of ongoing activities to verify that systems are being used correctly, that programs are being implemented effectively and that ratings are realistic.

### **18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of Aid-for-Trade projects and programs?**

Australia's aid program has a strong culture of activity monitoring and engaging with key stakeholders. Working creatively with partners and leveraging their strengths and expertise is important, and we have begun to move towards more programmatic approaches that require greater partner government responsibility in decision making and, in some cases, funding.

Partner governments are increasingly assuming a greater share of responsibility for all stages of development assistance, from priority setting and planning to delivery and implementation, and monitoring and evaluation. Where possible, partner governments will be in the driving seat with Australia assisting in a review and dialogue role rather than a direct implementation role. Moreover, Australia uses partner government data, works through their systems, and builds its counterparts' capacity to manage and undertake monitoring and evaluation activities.

In line with the Paris Declaration, Australia also engages in joint monitoring and evaluation missions with other donors, and wherever they are the lead agency, we use their data and work through their systems, taking them to be the project standard.

- In the Pacific, Australia works with partner organisations and other donors to implement and improve monitoring, evaluation and reporting arrangements for Aid-for-Trade programs including the Pacific Islands Trade and Investment Commission and the Regional Trade Facilitation Program.
- To ensure the effective use of Australia's contribution to the APEC Support Fund, which supports capacity building for developing APEC economies, AusAID and the APEC Secretariat funded the development of an Assessment, Monitoring and Evaluation (AME) Framework in 2006. The AME Framework has since been adopted for all three APEC funds: the Operational Account, the Trade and Investment Facilitation Special Account and the APEC Support Fund. The framework is utilised by the APEC Working Groups at three stages of the project cycle – the assessment of project proposals, the monitoring of projects in implementation, and evaluation of completed projects.

### **DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?**

*Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.*

#### **19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your Aid-for-Trade policy and program commitments?**

Given that partner governments are increasingly assuming a greater share of responsibility for all stages of development assistance, the Australian Government regularly reviews progress towards the fulfilment of its Aid-for-Trade policy and activities with key stakeholders. In addition, Australia participates actively in OECD DAC peer reviews of policies and programs.

- In the Pacific, the Forum Trade Ministers Meeting and officials-level meetings in the Pacific region provide an opportunity for mutual feedback on aid for trade commitments and program performance between Australia, New Zealand, Pacific island countries and regional organisations.
- Similarly, APEC working groups provide regular opportunities each year for the 21 member economies to exchange information and feedback on relevant policies and programs.