



The *Performance Incentives* initiative aims to encourage sustainable reforms and improved services to citizens by providing additional resources to partner governments and service providers linked to pre-agreed performance criteria and milestones being met.

Australia's support will encourage the implementation of economic, institutional and governance reform in selected partner countries, and improved development outcomes. Performance incentive payments will be directed towards agreed development priorities such as infrastructure, health and education.

The *Performance Incentives* initiative will invest \$115.6 million over 2 years, including \$41.3 million in 2007-08 and \$74.3 million in 2008-09.

Major activities planned include:

Vietnam	<ul style="list-style-type: none"> Continuing support for Vietnam's nationally-owned strategies for economic growth and poverty reduction via involvement in the World Bank led multi-donor Poverty Reduction Support Credit facility. Australian assistance is linked to agreed milestones identified in three areas of reform identified in Vietnam's Socioeconomic Development Plan 2006-2010: transition to a market economy, social inclusion and environmental sustainability, and modern governance.
Papua New Guinea (PNG)	<ul style="list-style-type: none"> Building on the existing PNG-Australia Performance Review and Dialogue process whereby a performance grant has recognised Government of Papua New Guinea achievements in areas such as the allocation of PNG budgetary resources to development priorities; improved budget implementation, transparency and integrity; use of whole-of-government performance management systems; and improving aid effectiveness. Allocation of potential performance grant to infrastructure and/or other development priorities agreed with Australia. Building on the existing Provincial Performance Improvement Initiative, which aims to strengthen capacity and improve service delivery at the provincial, district and local levels of government using performance linked payments complemented by technical assistance.
Philippines	<ul style="list-style-type: none"> Encouraging implementation of the Government of the Philippines basic education sector reform agenda. This agenda and the additional Australian assistance provided will support system-wide governance reforms as well as improvements in the Department of Education's financial systems, capabilities and accountability structure.
Indonesia	<ul style="list-style-type: none"> Encouraging improved performance of selected provinces and districts of Eastern Indonesia in public financial management and service delivery. Additional assistance will be available to enhance basic service delivery and support improvements in local infrastructure.
Pacific	<ul style="list-style-type: none"> Encouraging improvements in budgeting, planning, revenue and public expenditure management and public administration. Encouraging price, coverage and quality improvements in basic utility services by supporting Governments to build regulatory institutions and open markets to competition. The additional assistance provided will strengthen regulatory oversight of utilities and improve access to services, especially in rural areas.
Global/Regional Partnerships	<ul style="list-style-type: none"> Other potential performance arrangements will be assessed for support where they offer prospects of promoting reform and improved performance, especially in the delivery of basic services.

Research	<ul style="list-style-type: none">• Investigating economic reform achievements, opportunities, drivers and impediments in the Pacific and parts of East Asia to inform the design of performance based arrangements.• Assessing other donors' ongoing experiences with performance arrangements around the world.
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We will gauge the year to year success of the *Performance Incentives* initiative by whether mutually agreed performance milestones and criteria are met. Over the longer term, the initiative will be successful if targeted reforms and service improvements have been maintained and progressed.