



COMMONWEALTH OF AUSTRALIA

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SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE
AND TRADE

ESTIMATES

(Budget Estimates)

TUESDAY, 3 JUNE 2008

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**SENATE STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

Tuesday, 3 June 2008

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Cormann, Forshaw, Hogg, Sandy Macdonald and McEwen

Participating members: Senators Abetz, Adams, Allison, Barnett, Bartlett, Bernardi, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Watson, Webber and Wortley

Senators in attendance: Senators Allison, Mark Bishop, Boswell, Bob Brown, Jacinta Collins, Cormann, Ellison, Forshaw, Hogg, Ian Macdonald, Sandy Macdonald, McEwen, Nettle, Patterson, Payne and Trood

Committee met at 10 am

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Consideration resumed from 2 June 2008

In Attendance

Senator Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector and Parliamentary Secretary Assisting the Prime Minister for Social Inclusion

Department of Foreign Affairs and Trade

Portfolio overview

Mr Doug Chester, Deputy Secretary

Mr James Wise, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

Ms Lynette Wood, Assistant Secretary, Executive, Planning and Evaluation Branch

Output 1.1—Protection and advocacy of Australia's international interests through the provision of policy advice to ministers and overseas diplomatic activity

1.1.1 North Asia

Mr Graham Fletcher, First Assistant Secretary, North Asia Division

Ms Alice Cawte, Assistant Secretary, East Asia Branch, North Asia Division

Mr Tom Connor, Assistant Secretary, North East Asia Branch, North Asia Division

1.1.2 South-East Asia

Mr Peter Woolcott, First Assistant Secretary, South-East Asia Division

1.1.3 Americas

Mr Chris De Cure, Acting First Assistant Secretary, Americas Division

1.1.4 Europe

Ms Penny Wensley, First Assistant Secretary, Europe Division

1.1.5 South and West Asia, Middle East and Africa

Mr David Ritchie, Deputy Secretary

Ms Deborah Stokes, First Assistant Secretary, South and West Asia, Middle East and Africa Division

Mr Paul Robilliard, Assistant Secretary, Afghanistan and Iraq Branch

1.1.6 Pacific

Mr David Ritchie, Deputy Secretary

Mr Richard Rowe, First Assistant Secretary, Pacific Division

1.1.7 Bilateral, regional and multilateral trade negotiations

Mr Paul Tighe, First Assistant Secretary, Trade Development Division

Mr Ric Wells, Head, China FTA Task Force and Head, Japan FTA Task Force

Mr Tim Yeend, First Assistant Secretary, Office of Trade Negotiations

Ms Virginia Greville, Assistant Secretary, Market Development Business Liaison and Regional Trade Policy Branch

1.1.8 Trade development/policy coordination and Asia-Pacific Economic Cooperation

Mr Paul Tighe, First Assistant Secretary, Trade Development Division

Ms Virginia Greville, Assistant Secretary, Market Development Business Liaison and Regional Trade Policy Branch

Mr Justin Brown, First Assistant Secretary, Trade Division

1.1.9 International organisations, legal and environment

Mr Michael Potts, First Assistant Secretary and Ambassador for People Smuggling Issues, International Organisations and Legal Division

Ms Gita Kamath, Assistant Secretary, Domestic Legal Branch, International Organisations and Legal Division

Mr Adam McCarthy, Assistant Secretary, International Legal Branch, International Organisations and Legal Division

1.1.10 Security, nuclear disarmament and non-proliferation

Mr David Ritchie, Deputy Secretary

Ms Jennifer Rawson, First Assistant Secretary, International Security Division

Mr John Carlson, Director-General, Australian Safeguards and Non-Proliferation Office

Output 1.2—Secure government communications and security of overseas missions

Mr Sam Gerovich, First Assistant Secretary, Diplomatic Security, Information Management and Services Division

Output 1.3—Services to other agencies in Australia and overseas, including parliament, state representatives, business and other organisations**1.3.1 Parliament in Australia**

Mr Peter Baxter, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Andrew Todd, Assistant Secretary, Parliamentary and Media Branch, Consular, Public Diplomacy and Parliamentary Affairs Division

1.3.2 Services to attached agencies

Mr James Wise, First Assistant Secretary, Corporate Management Division

1.3.3 Services to business

Mr Paul Tighe, First Assistant Secretary, Trade Development Division

1.3.4 Services to state governments and other agencies overseas and in Australia

Mr Paul Tighe, First Assistant Secretary, Trade Development Division

Output 1.4—Services to diplomatic and consular representatives in Australia**1.4.1 Services to the diplomatic and consular corps**

Ms Lyndall McLean, Chief of Protocol, Protocol Branch

1.4.2 Provision of protection advice through liaison with the Protective Security Coordination Centre

Ms Lyndall McLean, Chief of Protocol, Protocol Branch

Output 2.1—Consular and passport services**2.1.1 Consular services**

Mr Peter Baxter, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Bassim Blazey, Assistant Secretary, Consular Policy Branch, Consular, Public Diplomacy and Parliamentary Affairs Division

2.1.2 Passport services

Mr Bob Nash, Executive Director, Australian Passport Office

Output 3.1—Public information services and public diplomacy**3.1.1 Public information and media services on Australia's foreign and trade policy**

Mr Paul Tighe, First Assistant Secretary, Trade Development Division

Mr Peter Baxter, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Andrew Todd, Assistant Secretary, Parliamentary and Media Branch, Consular, Public Diplomacy and Parliamentary Affairs Division

3.1.2 Projecting a positive image of Australia internationally

Mr Peter Baxter, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Andrew Todd, Assistant Secretary, Parliamentary Media Branch, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Peter Tesch, Executive Director, World Expo 2010—Shanghai

3.1.3 Freedom of information and archival research and clearance

Ms Gita Kamath, Assistant Secretary, Domestic Legal Branch, International Organisations and Legal Division

Mr Peter Baxter, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Ms Dara Williams, Assistant Secretary, Information Resources Branch, Consular Public Diplomacy and Parliamentary Affairs Division

Output 4.1—Property management

Mr Peter Davin, Executive Director, Overseas Property Office

Output 4.2—Contract management

Mr Peter Davin, Executive Director, Overseas Property Office

Enabling services

Mr James Wise, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

Ms Lynette Wood, Assistant Secretary, Executive, Planning and Evaluation Branch

Dr David Engel, Assistant Secretary, Global Issues Branch

Australian Agency for International Development

Outcome 1—Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development

1.1 Policy

1.2 Program management

Administered items—Australia's development cooperation program

Outcome 2—Australia's national interest advanced by implementing a partnership between Australia and Indonesia for reconstruction and development

2.1 Australia-Indonesia partnership for reconstruction and development management

Mr Bruce Davis, Director General

Mr Jamie Clout, Deputy Director General, Corporate Enabling Division

Mr Scott Dawson, Deputy Director General, Pacific and Papua New Guinea Division

Mr Richard Moore, Deputy Director General, Asia Division

Ms Catherine Walker, Deputy Director General, Global Programs Division

Mr Murray Proctor, Deputy Director General, Program Enabling Division

Mr Mark McGillivray, Chief Economist

Ms Octavia Borthwick, Assistant Director General, Asia Regional Branch

Ms Margaret Callan, Assistant Director General, Papua New Guinea Branch

Ms Stephanie Copus-Campbell, Assistant Director General, Pacific Branch

Mr Robin Davies, Assistant Director General, Growth and Resource Management Branch

Mr Laurie Dunn, Assistant Director General, Operations Policy and Support Branch

Ms Ali Gillies, Assistant Director General, Asia Bilateral Branch

Mr Robert Jackson, Assistant Director General, Corporate Operations Branch

Mr Shane McLeod, Chief Information Officer

Ms Therese Mills, Assistant Director General, People and Planning Branch

Ms Lisa Rauter, Chief Finance Officer

Mr Chris Tinning, Assistant Director General, Development Partnerships Branch

Mr Peter Versegi, Assistant Director General, Office of Development Effectiveness

Mr Dave Vosen, Acting Assistant Director General, Humanitarian and Middle East Branch

Mr Peter Waddell-Wood, Acting Assistant Director General, Economics and Service Delivery Branch

Ms Alison Chartres, Acting Assistant Director General, Governance and Capacity Building Branch

Ms Jenny Da Rin, Acting Assistant Director General, Indonesia and East Timor Branch

Mr Ross Muir, Director, South Asia Section

Ms Gaynor Shaw, Director, East Asia Regional Section

Ms Julie Delforce, Director, Asia Transboundary Section

Mr Andrew Collins, Director, Mekong Section

Australian Trade Commission

Outcome 1—Australians succeeding in international business with widespread community support.

1.1 Awareness raising

1.2 Government advice and coordination

1.3 Services and opportunities

1.4 Austrade administered: EMDGs for small to medium sized businesses and ITES loans and advances

Outcome 2—Australians informed about and provided access to consular, passport and immigration services in specific locations overseas

2.1 Consular, passport and immigration services

Mr Peter Yuile, Deputy Chief Executive Officer

Mr Tim Harcourt, Chief Economist

Ms Hazel Bennett, Director, Finance, Information and Planning

Mr Ian Chesterfield, General Manager, Business Policy and Programs

Ms Marcia Kimball, Director, Human Resource

Ms Helen Monro, General Manager, Government and Communications

Ms Elizabeth Gamin, National Operations Manager, Grants, EMDG Section

[10.01 am]

AusAID

CHAIR (Senator Mark Bishop)—I welcome to the table senior officer Mr Scott Dawson and other officers from AusAID. I also welcome to the table Senator Stephens, who will be standing in for Senator Faulkner today. I also wish to express the appreciation of the committee to those AusAID officers who have had to put themselves out at very short notice to make themselves available to help the committee in its deliberations.

When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for an answer. I remind senators to provide their written questions on notice to the secretariat by close of business on Wednesday, 11 June. The committee has resolved that Thursday, 31 July 2008 is the date for the return of answers to questions taken on notice at these hearings. Please note that, under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations of financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has discretion to withhold details or

explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

An officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. The officer shall be given reasonable opportunity to refer questions asked of him or her to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to which ground is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim. Are there any questions for AusAID?

Senator PAYNE—I notice that Mr Davis is not with us this morning. Was the committee advised of Mr Davis's absence?

Mr Dawson—I am not aware of whether that was the case or not. At the moment Mr Davis is in Samoa working on the discussion of a Pacific partnership for development with the government of Samoa.

Senator PAYNE—Helpfully, you have answered one of my questions, Mr Dawson. Not speaking for the chair but speaking in relation to matters pertaining to the operations of Senate committees, and most particularly Senate estimates, the committee would expect to be advised of the absence of the director-general of the agency. His name is listed as a witness.

Mr Dawson—I apologise if there was an oversight in that regard.

Senator PAYNE—Thank you. Thank you also for assisting with one of my questions on Pacific partnerships as well, Mr Dawson, but let me go to budget matters in the first instance. In terms of the announced increase in ODA funding which is in this budget, has the increase in the AusAID budget resulted in any particular changes in priority in the agency?

Mr Dawson—I think that there are a number of priority changes which come through in the current budget and which reflect commitments from the government in the pre-election period—perhaps most obviously the work on development in the Pacific and in PNG, through the initiative fought to establish Pacific Partnerships for Development. That is one clear priority, and is reflected in the budgetary allocations to a number of development measures relating to the Pacific in the areas of, for example, infrastructure, land and public service capacity development. Other priorities clearly come through in such measures as an initiative on water supply and sanitation, which is a very large measure extending over three years and for which the year ahead will be an intense period of planning and development. Similarly, there are measures relating to avoidable blindness and other measures that are outlined in the minister and the parliamentary secretary's statement, particularly in the areas of climate change and work with United Nations development agencies.

Senator PAYNE—I do not think you specifically mentioned the MDG in that brief summary but, in terms of the focus on the MDG that is outlined, where does the agency

believe the impact of that increase will be in terms of assisting Pacific nations to reach their MDG targets?

Mr Dawson—I think the increase, or the effort, in assisting countries in our immediate region to increase their progress towards achievement of the MDG comes through in a number of areas, but it is not going to be something which is resourced by one budget or resolved during the term of one budget. Obviously a number of countries in the region are tracking poorly against the Millennium Development Goals. To return them to a position where they are on track to achieve the goals is going to be very difficult in a number of cases and is going to require significant investment of resources, not just from international donors such as Australia but from the countries themselves—increased investment in education, in health and in economic infrastructure to name just some areas. So, broadly, we are seeing in the budget, I think, an increase of over \$120 million in programs for Papua New Guinea and the Pacific. Some of that comes through in particular budget measures that are outlined in the budget papers. Some of that is for this year but, as we go into discussions in detail with Pacific island countries on the possible establishment of partnerships for development, the achievement of the Millennium Development Goals will be a key element to those discussions and will inform future resource allocations.

Senator PAYNE—Thank you for that. I wanted to ask some questions about the Pacific Partnerships for Development. We are obviously aware of the announcement in relation to Papua New Guinea made by the Prime Minister some weeks ago now, and you have indicated that Mr Davis is in Samoa. Over and above those two discussions, what else can you tell us about Pacific Partnerships for Development which have been established since the policy was announced?

Mr Dawson—Just to clarify: there have been no partnerships which have been established. There are discussions that are taking place, as I indicated, with Samoa—this is the second visit that the director-general has made to that country—and with Papua New Guinea. I visited Papua New Guinea once myself for initial discussions, and those are being taken forward by our high commission in Port Moresby at the moment.

Senator PAYNE—So when you say none have yet been established, what is the envisaged time frame for the actual establishment or achievement of a ‘Pacific partnership’?

Mr Dawson—There is not one Pacific partnership. There will be a series of bilateral understandings.

Senator PAYNE—I understand that. I am sorry if I was not clear. Let me take Papua New Guinea as an example; what time frame is the government working to to complete the establishment of a Pacific partnership with Papua New Guinea?

Mr Dawson—The government is working to have a framework document ready for the approval of prime ministers at the August Pacific leaders meeting in Niue this year. That would be, as I said, a framework document. We are aiming for a similar style of document with the government of Samoa. Those documents would outline broad objectives, principles, ways of working together and broad commitments and would identify some particular areas of work for much more detailed examination. Some of those may be able to be fleshed out in documents before August. Thereafter, there is an ongoing program of work to progressively

add to agreements in individual sectors that relate to and support the achievement of the Millennium Development Goals.

Senator PAYNE—Are there any other countries with which it is intended to achieve a framework document by the time of the Pacific Islands Forum meeting in Niue in August?

Mr Dawson—There have been no other discussions at this stage.

Senator PAYNE—Are there intended to be other discussions with other countries before the Pacific Islands Forum meeting takes place?

Mr Dawson—I think that it is unlikely that we will be in a position to be engaging in detailed discussions on possible bilateral development partnerships before Niue. The learning through the work with two countries, initially, is quite valuable to us, and I think if we are able to get to a position of agreement it is a good demonstration to other countries in the region of the style of the documents that might be possible. We were not intending to get to the point of reaching agreement on those documents before Niue, but there may be some preliminary discussions before then.

Senator PAYNE—With which countries?

Mr Dawson—There have been no countries identified at the moment.

Senator PAYNE—How was Samoa identified as the second cab off the rank, so to speak?

Mr Dawson—I do not think there was any particular science involved in the decision to start with Papua New Guinea and Samoa, but it made sense, given that the Prime Minister announced the initiative in Port Moresby, to begin with PNG, the largest country in the region. It made sense to attempt to develop a partnership with a country outside of Melanesia, and obviously, since Samoa is one of the best-performing countries, if not the best, in the region in terms of its economic performance, its social development and its governance indicators, it was felt that was also a good place to start.

Senator PAYNE—Is the counter of that argument that a country, which perhaps does not fit the description that you have just applied to Samoa, might in fact be an alternative focus for attention for a Pacific partnership for development in terms of greater assistance and support from Australia?

Mr Dawson—I think you could certainly take that view but, on the other hand, I do not think it is the government's intention that this should be a drawn-out process. Within a relatively short period of time, I imagine, we will have been in discussion and have attempted to reach framework understandings with most of the major countries in the region.

Senator PAYNE—Within a relatively short period of time?

Mr Dawson—That is right.

Senator PAYNE—‘With most of the countries in the region’—which would you exclude from that description?

Mr Dawson—There would be no intention at this stage, for example, to start discussions on a development partnership with Fiji.

Senator PAYNE—Any others?

Mr Dawson—Some of the smaller island states may take a little bit longer to engage in discussions.

Senator PAYNE—You mentioned the intention of producing a framework document or aiming to produce a framework document which is ready for approval by the prime ministers for the Pacific Islands Forum meeting. You mentioned that in the context of PNG and said in relation to Samoa that you would look at a similar aim, of a framework document. What is the next step after the framework document?

Mr Dawson—The next step is to start to discuss and reach agreement with similar arrangements with other countries progressively.

Senator PAYNE—I'm sorry; I meant for PNG and Samoa. What is the next step after the framework document for them and Australia?

Mr Dawson—We envisage that framework document will identify some early areas of work. For example, it may be that the achievement of universal basic education is identified in the case of Papua New Guinea as an area that we would want to work together on. We would be attempting to identify ways in which PNG's progress towards that goal could be measured. Some of those things might be interim actions or interim achievements, for example, relating to the recruitment of teachers, reform of curriculum, improvements in the way in which the education ministry budget is administered—there may be a whole range of particular actions which the two governments agree between them are necessary actions in order to eventually reach the goal of universal basic education. It is also likely that there would be issues of resourcing from both sides. Clearly, the achievement of universal basic education in Papua New Guinea would require a significantly larger quantum of resources to be applied than is currently being applied, and to be applied not just by the international donor community but also by the government of Papua New Guinea itself. So we would want to discuss, in that context, resourcing for a single sector plan. We would really want to put these elements together in some sort of agreement around sector resourcing and sector actions and to determine how we would monitor that performance over a period of time. Then it would be a matter of translating that, on both sides, into action. At least on the Australian side, it would be something that we would need to look at it in subsequent budgets.

Senator PAYNE—You mentioned the concept of how to monitor performance over a period of time. I am assuming that, seeing as these are entitled partnerships, they are envisaged to be a two-way street, effectively—

Mr Dawson—Absolutely.

Senator PAYNE—and that there will there be obligations, responsibilities and opportunities for both parties in a partnership.

Mr Dawson—That is correct.

Senator PAYNE—What does AusAID envisage as the process of monitoring performance? Let us assume, for the sake of the argument, that Australia meets its obligations. How do you ensure that the obligations of the partnership country are met? And what process is to be adopted under the Pacific Partnerships for the development scheme if those obligations are not met by partner countries?

Mr Dawson—Perhaps we are getting ahead of ourselves in the discussion of that at the moment. We are only now working through the contents of a broad framework understanding between the two countries. We will need to talk with them about specific monitorable actions in individual sectors and the resourcing associated with that. We need to be quite clear from the beginning that we are not talking about a form of conditionality. We are not talking about hard measures of performance such that if, in a particular time frame, those were not met for whatever reason then there would be some necessary withholding of funds. We are talking about something that is based on mutual respect, mutual responsibility and mutual commitments. Obviously, if, over a period of time, the commitments were not being delivered upon by one side then it would be reasonable to assume that the Australian government would want to look again at its resource allocation for the partnership, and we would build in review mechanisms to enable that to happen.

Senator PAYNE—I will come back to this, but you said we are not talking about conditionality and we are not talking about the concept of penalties if obligations are not met. But in other parts of the broader aid program there are components of conditionality, aren't there?

Mr Dawson—Which areas are you thinking of?

Senator PAYNE—I was just flicking through my papers here, and I will have to come back to it later when I get to that point—which I will—but it is not unusual in recent times for us to be discussing the concept of conditionality in development relationships.

Mr Dawson—Donors have been talking about conditionality for 20 years or more. I think the international consensus is that hard conditionality is something that has not delivered results. It is relatively easy to force partners to agree to a range of very detailed actions. But international experience is that, for reasons of capacity—inability to carry through those actions—and often for reasons of lack of political ownership, lack of country ownership, of reform programs so agreed, they are not carried through. So the international experience has been very poor in relation to hard conditionality. The more common approach, that most international donors now share, is to try to approach development issues as a partnership, where both sides are making undertakings and commitments, and where they discuss, on a regular basis, the contribution of both sides to it in a robust and mature policy dialogue.

Senator PAYNE—In the ministerial statement, in the context of the Pacific Partnerships for Development, when we look at, for example, the Pacific Land Program, does that fall under the heading of Pacific Partnerships for Development?

Mr Dawson—It is a budgetary initiative relating to the Pacific that has been worked on for well over a year. It is certainly something which—

Senator PAYNE—It was mentioned in the white paper, wasn't it—land reform and tenure issues?

Mr Dawson—It was mentioned in the white paper; that is correct. The work has been proceeding since that period of time to develop a range of learnings about how land is regulated and used within the Pacific for development and other purposes. The initiative provides funding for a range of activities that are expected to proceed over the next several years. I think we would expect that elements of that would be included in individual bilateral

partnerships as they are agreed. It forms something that can be drawn down and referred to in partnerships but, being a budget initiative, the range of actions underneath that are well in preparation.

Senator PAYNE—When one is looking at the ministerial statement and comes to the beginning of the discussion headed ‘Pacific Partnerships for Development’, breakout box 5 on the Pacific Land Program has details of some of the basics of the program with which we are familiar and then goes on to state:

Bilateral programs, initially in Papua New Guinea, Vanuatu, Solomon Islands and East Timor, will support partner government efforts to strengthen land departments and related agencies ...

and so on. Based on what you have just said, is it the case that the countries listed there—PNG, Vanuatu, Solomon Islands and East Timor—would, in the course of events, be expecting to be part of the specific Pacific Partnerships for Development relationships, or are they just fortuitously or gratuitously in the Pacific Land Program box in this part of the ministerial statement? I am trying to get my head around the discussion that we were having earlier about how the government is intending to identify countries with whom they will establish the official Pacific partnerships and those with whom they will not and the time frames and so on. But, when I saw these four countries appearing in this particular part of the ministerial statement, my assumption was that meant they would be part of the Pacific Partnerships for Development program automatically.

Mr Dawson—It is not intended that the government establish a partnership for development under the Pacific Partnerships for Development initiative with East Timor.

Senator PAYNE—I see.

Mr Dawson—The intention is to confine them to Pacific Islands Forum countries.

Senator PAYNE—Okay. But the expectation in the normal course of events would be that Vanuatu and Solomon Islands may well fit into that category then?

Mr Dawson—That is correct.

Senator PAYNE—When we move through the regional program referred to in the Pacific Land Program and then further on into the Pacific Regional Infrastructure Facility, which refers to country-specific support, how is the delineation being made between support and engagement in countries which will form part of the Pacific Partnerships for Development and those which will not? It is in the Pacific Regional Infrastructure Facility box there. It is a reasonably oblique statement. I was not looking for greater specificity, but I am trying to understand how those lines will be drawn. For example, in breakout box 6 it says:

Support will be country specific, targeted to address local constraints to growth and challenges to nation building and stability.

And further on:

Support will be provided across a range of infrastructure sectors in both rural and urban areas ...

et cetera. How will countries that are not part of the Pacific Partnerships for Development process be delineated in terms of whether they come under the Pacific Partnerships for Development category or get support separately under the Pacific Regional Infrastructure

Facility? Does that support manifestation change if and once they end up as members of the Pacific Partnerships for Development group?

Mr Dawson—I suppose it is possible, Senator, that you might be complicating things unnecessarily.

Senator PAYNE—I am just trying to read the ministerial statement and the PBS. I am doing my inadequate best to do that.

Mr Dawson—I will try to explain. The ministerial statement identifies three specific budget initiatives to commence in the 2008-09 financial year. We envisage that assistance underneath those initiatives will be able to be included as part of bilateral partnerships for development with individual countries. We envisage that those partnerships will be established relatively quickly. In all cases, the three initiatives identified in the ministerial statement begin rather modestly during the course of the 2008-09 financial year. We have a lot of work to do with, for example, the regional infrastructure facility to establish the facility and establish a work program under it. We are talking at the moment with the government of New Zealand and with the Asian Development Bank and the World Bank about how to formally constitute the facility. We are talking about a range of analytical work that it makes sense to do early to help establish a work program of actual activities in individual countries. That analytical program will be going on during the course of this year and much of the funding this year will be associated with that analytical work.

When the time comes to be drawing down significant funding under the infrastructure facility, we would be expecting that partnerships would be developed with most of the main countries who are likely to be in receipt of significant additional aid flows. But the fact that we do not have at any particular time a bilateral partnership with a particular country would not exclude it from being able to benefit from work done and funded through the Pacific Regional Infrastructure Facility. Our intention is that eventually the bilateral development partnerships would replace our country strategies—that they would subsume all of our existing bilateral assistance programs. But it is a transition process. We will start with framework agreements, we will start with a few particular areas of identified more intensive work, but that will not preclude the continuation of programs that are already in existence and it will not preclude the ability of individual countries to benefit under the particular budget initiatives that have been announced in the 2008-09 budget.

Senator PAYNE—I was going to ask you how the facility was to be constituted. You said you were discussing with the New Zealand government and—did you say the World Bank or the Asian Development Bank?

Mr Dawson—Both.

Senator PAYNE—What is the status of those discussions—how progressed are they?

Mr Dawson—We have had a range of discussions at a technical working level and at a senior officials level. I think we have a very well-developed concept of what the facility would look like. We are in the process of developing an initial work program, as I said, largely focused initially on analytical work. For example, one of the key things that we feel that we need to do to get a more sustainable approach to infrastructure in the Pacific is to put the issue of maintenance squarely in a budgetary context—so to look at the long-term

recurrent financing needs to maintain a country's stock of infrastructure and to see how that is reflected in their own budgetary planning and budgetary settings. I think it would be difficult to identify what the long-term infrastructure spend of most countries within the region should be in order to maintain adequately the stock of public infrastructure that they already have. Part of our analytical work will be going to this issue, but there will be other areas at work as well. So that is what we are starting on, and then we will be able to start to develop a work program of concrete activities drawing on that initial analysis.

Senator PAYNE—So where, and by whom, will the analytical work be done?

Mr Dawson—It will be done by the parties, jointly.

Senator PAYNE—The parties meaning Australia, New Zealand, ADB and the World Bank?

Mr Dawson—The World Bank and the Asian Development Bank. That is right.

Senator PAYNE—Where will it be run from?

Mr Dawson—We are still talking about that, but we are trying to make this a genuinely shared and harmonised initiative. We are trying to divide the work up between us. I think it is likely that one of the banks will agree to host and manage a secretariat function for the facility, and that secretariat function—with technical contributions from the different members—will coordinate the work program.

Senator PAYNE—Would the secretariat be in Australia, New Zealand or the Pacific?

Mr Dawson—Both banks have got major offices in Sydney, so I think the locus of activity is likely to be in Australia.

Senator PAYNE—In terms of the Pacific Regional Infrastructure Facility—and this is not a criticism; I am just trying to confirm the process—this financial year is not the year to be expecting practical, on-the-ground delivery from the Pacific Regional Infrastructure Facility. This is about establishment, analysis, as you have said, and groundwork more than the actual construction and building and so on that you might otherwise expect an infrastructure facility to be pursuing.

Mr Dawson—As you see from the box in the ministerial statement, the funding this year is \$5.5 million, so that may well be able to do some small practical activities. But this is planning an investment program over a period of time. Infrastructure is quite complicated, and it is best that it be done in a well-planned and well-coordinated fashion. I think that most of the concrete expenditure on infrastructure activities is likely to take place in subsequent years.

Senator PAYNE—‘Concrete expenditure’—is that a pun, Mr Dawson?

Mr Dawson—Unfortunately not.

Senator PAYNE—I have two other questions on the infrastructure facility. The statement mentions other donor partners. You have referred to New Zealand—is it envisaged that there will be further donor partners whose support we are seeking?

Mr Dawson—There may be, but we have not had discussions with any other donors at this stage.

Senator PAYNE—It also makes a reference to providing ‘performance-linked support for basic infrastructure services in Pacific island countries’. What is the expectation there around performance-linked support?

Mr Dawson—I think all partners clearly want this facility to have a performance element to it. For example, around the discussion that I was just describing on maintenance expenditure, we will be quite keen to see countries with the benefit of some analysis about their budgetary settings for infrastructure expenditure start to set up proper planning and resource allocation processes for maintenance. If countries are inclined to do that, we would then expect to be able to recognise that better performance with increased allocations through the facility. So, in broad terms, we are looking to make some sort of linkage between better management of a country’s infrastructure and the additional resource allocations to it.

Senator PAYNE—In terms of the other initiative in this area, in this part of the statement, Investing in Pacific Public Sector Capacity, I was struck by the fact that the material that I could see did not seem to make any particular reference to having a public sector that operates transparently and with accountability. Is that not a priority in terms of strengthening public sector capacity?

Mr Dawson—It is a huge priority in terms of the effective operation of the public sectors across the region. The words may not appear within the box on page 7 but—

Senator PAYNE—Or the introduction on page 29.

Mr Dawson—But issues of transparency and accountability in public administration are something that Australia pursues with all of our development partners. We have significant programs in support of increased transparency and accountability with most partners. I would certainly expect that these issues of transparency and accountability will be a subject of discussion bilaterally, when we are talking about Pacific development partnerships.

Senator PAYNE—Why wouldn’t it have been referred to in the ministerial statement in this particular area, then?

Mr Dawson—I assume because it is probably covered elsewhere in the document. On page 33 there is some further information about that.

Senator PAYNE—There is certainly more information about those issues. I was just thinking that, if you wanted to provide the level of emphasis on public sector capacity that the government appears to have identified, you might want to include that. In the public workforce development needs aspect of the public sector capacity initiative there is a reference to ‘increased opportunities for Pacific public servants’ in relation to ‘formal and on-the-job training and work attachments’. I wanted to get some idea of whether there is any impediment to public sector work attachments in Australia. I recall in a committee inquiry undertaken last year, I think, about the Pacific, where there was some discussion of whether we could do exchanges between Pacific public servants and the Australian Public Service. A concern was raised with us at the time about an impediment due to citizenship issues in relation to that. I wonder whether that pertains to this initiative and whether you have thought about that if it is an issue. It may not be an issue, and that would be a good thing.

Mr Dawson—To be honest we have not delved into that in any detail at the moment. I imagine that, if you are exercising functions delegated by legislation, citizenship becomes an issue. But I think you could have a quite productive work attachment without necessarily formally exercising functions. But there are undoubtedly practical constraints to attachments of public servants from other countries to public sector organisations in Australia. One practical constraint is often the requirement that people be security cleared to work in certain buildings, but I think there are ways around that. For example, in our own office we have an area that is available outside our secure area where visiting staff and new staff who have not yet been security cleared can sit and work while they await their security clearance.

Senator PAYNE—Ms Copus-Campbell, did you want to add anything on that?

Ms Copus-Campbell—Yes. We already, through supporting programs with the Australian Public Service Commission are undertaking some work attachment programs in various areas. That has worked well to date. We are also exploring as part of this initiative to look not only at Commonwealth work attachment programs but also at work attachment programs at the state level.

Senator PAYNE—Is there more flexibility in doing that?

Ms Copus-Campbell—There is more flexibility, we suspect. We are investigating this. It may also be more relevant experience at a state level as opposed to a Commonwealth agency.

Senator PAYNE—Would you contemplate extending that to local government? I heard the parliamentary secretary make some reference to different levels of engagement with jurisdictions in the Pacific. I assume that would be reflected in his views in relation to Australia.

Ms Copus-Campbell—That is correct, and we are certainly looking at that as well. In the first year of this initiative we have quite a heavy focus on the analytical stage. We will be looking at workplace attachments and where they are most practical and relevant, including at the local level.

Senator PAYNE—It does not say here but, in terms of engagement in public sector experience, would it be contemplated that we would also partner—for want of a better word in this discussion—with New Zealand in talking about placements and things like that?

Ms Copus-Campbell—We have had initial discussions with New Zealand on a range of issues, including this initiative. As we look particularly at the analytical stage, they are interested in perhaps participating with us in some of that early analytical work. That will certainly be an area that we will explore with them into the future. There is a strong cooperation with New Zealand on this particular initiative in its early, analytical phase.

Senator PAYNE—Mr Dawson, if that were to be pursued, would that engagement be part of the public activity that we could ask questions about and pursue in other committees? It is not clear to me from here. Ms Copus-Campbell has been very helpful with that information, and it is obviously an important part of the engagement between Australia and New Zealand. If we wish to pursue that, is it a matter upon which the agency will be reporting into the future?

Mr Dawson—Which particular issue?

Senator PAYNE—The sorts of things like engagement with New Zealand in these particular initiatives, so that we understand whether Australia is doing it alone or whether Australia has the support of New Zealand.

Mr Dawson—We are very happy at any stage to talk about our partnership arrangements with other agencies.

Senator PAYNE—Is there anywhere else I need to know that New Zealand is engaged in these discussions?

Mr Dawson—Is there anywhere else?

Senator PAYNE—Yes. You talked about New Zealand in the infrastructure context and I asked about other donors there. Is New Zealand offering support from its expertise in relation to the Pacific Land Program?

Ms Copus-Campbell—New Zealand is very aware of the Pacific Land Program, but at this stage we have not looked at joint work under that program with New Zealand. As part of a very strong commitment to coordination and harmonisation, we discuss with New Zealand all aspects of these programs to ensure that we are delivering an effective aid program in the Pacific. That is essential. So we meet with our colleagues frequently and share information on key programs and look to harmonise in every way that we can.

Senator BOB BROWN—I am wondering if you could answer this overarching question: what percentage of Australian GDP equivalent goes into overseas aid?

Mr Dawson—I think, as the budget documents make clear, the ratio of official development assistance to our gross national income for the 2008-09 financial year is expected to be 0.32 per cent.

Senator BOB BROWN—What was it last year?

Mr Dawson—Last year it was 0.30 per cent.

Senator BOB BROWN—Is there a projection beyond the next financial year?

Mr Dawson—Yes. The budget papers make clear a commitment from the government to increase the level of official development assistance as a proportion of gross national income to 0.35 per cent in the 2009-10 financial year; 0.37 per cent in the 2010-11 financial year; and 0.38 per cent in the 2011-12 financial year, as preliminary steps along the way to achieving a ratio of 0.5 per cent by 2015-16.

Senator BOB BROWN—Is there an international benchmark for giving aid, or one that the United Nations has established or one that has been established anywhere else?

Mr Dawson—The 0.5 per cent figure by 2015, as I understand it, represents an agreement or an understanding by DAC members about what they should be aiming for by that period of time.

Senator BOB BROWN—Is there a target of 0.7 per cent established elsewhere in the international dialogue or debate?

Mr Dawson—There is an international aspiration to achieve 0.7 per cent. That is correct.

Senator BOB BROWN—Where did that come from?

Mr Dawson—I would have to go back and check again, but it is a longstanding target.

Senator BOB BROWN—Yes. Was Australia party to that longstanding target?

Mr Dawson—This goes back a very long period of time.

Senator BOB BROWN—It goes back to the Earth Summit in 1992 in Rio, doesn't it?

Mr Moore—I think, in fact, that the target dates back even further, possibly to the late sixties or early seventies in UN discussions about financing gaps. I think that, since that time, discussion about what is most required to promote effective development has changed, and the emphasis now is less on volume and more on overall effectiveness. So the antecedents are from a long way back. I think that most recently, as Mr Dawson has said, there has been a renewed commitment to 0.5 per cent.

Senator BOB BROWN—Would not a better outcome be volume and quality of delivery?

Mr Dawson—They are obviously both important.

Senator BOB BROWN—And complementary.

Mr Dawson—Absolutely.

Senator BOB BROWN—Australia's aim now is for a lesser target of 0.5 per cent, which is nearly 30 per cent down on the previous target, by 2015. Can you tell me, in gross monetary terms, what the gap is for the coming year between that 0.32 per cent—was that it?—and the 0.5 per cent target that Australia now subscribes to?

Mr Dawson—I am not sure I understand the calculation you want me to make, Senator.

Senator BOB BROWN—Here is the calculation I want you to make. The budget aims at a 0.32 per cent target for 2008-09. Can you tell me what the gap is between that and Australia achieving a 0.5 per cent target in 2008-09?

Mr Dawson—I do not have that figure with me. We would have to check it. We could take it on notice.

Senator BOB BROWN—Would you take that on notice for me, please. Holland has a similar population to, but a much smaller resource base than, Australia, but a similar standard of living. Do you know what its current achieved ratio between GDP and overseas aid is?

Mr Dawson—I am not sure I quite heard you, Senator. Are you referring to a particular country?

Senator BOB BROWN—The Netherlands.

Mr Dawson—Bear with me, Senator. I will find the information.

Senator BOB BROWN—Thank you.

Mr Dawson—In the 2007 calendar year, which is the last year for which comparative statistics are available from the Development Assistance Committee of the OECD, the Netherlands' total ODA in US-dollar terms was approximately US\$6.2 billion, and their ratio of ODA to GNI was 0.81.

Senator BOB BROWN—What was Australia's gross budget for the same year?

Mr Dawson—It is not a budget figure. It is a total ODA figure based on reporting of actual cash flow.

Senator BOB BROWN—Well, an ODA budget figure.

Mr Dawson—The comparative figure advised by the Development Assistance Committee for the 2007 calendar year for Australia is total ODA of approximately US\$2.47 billion, with an ODA-GNI ratio of 0.30.

Senator BOB BROWN—So we are way below half of the achieved spending of the Netherlands.

Mr Dawson—That is correct.

Senator BOB BROWN—When you say that the new target is 0.5 per cent, is that a globally agreed target? How was that arrived at?

Mr Dawson—I would need to go back to check to make sure, unless my colleagues can help me with the exact origin of this, but I understand that it was in discussions in the Development Assistance Committee of the OECD several years ago.

Senator BOB BROWN—Could you please take that on notice and come back with the specific way in which that agreement was arrived at. You say it was in discussions, and I understand that, but what I am looking for is an accepted agreement to which Australia subscribed.

Mr Dawson—Certainly. We will take it on notice.

Senator BOB BROWN—Thank you. What we have established here is that we are short of the target which Australia was ascribing to in the seventies and eighties. We are massively short of that—by more than 50 per cent—and certainly we are more than 50 per cent behind the Netherlands, with an equivalent population and ability to help people in poverty overseas.

Maybe you can answer this, Senator Stephens: does the government have a defined trajectory towards the 2015 target? It is easy to put these targets, but the point I am making here is that we went for an even higher target under Labor way back—two decades ago now—and we are not even halfway to that target. I wonder what assurance you can give to the committee that this increasing overseas aid budget is not just a means of putting off for two or three further elections a target that there is no intention to achieve and that there is a real strategy for achieving this 0.5 per cent of GDP for overseas aid by 2015.

Senator Stephens—Both the Prime Minister and the parliamentary secretary have both been quite explicit in our commitment to increasing our aid budget. We consider what we have achieved in this budget to be a fairly rapid scaling up towards that commitment. We have in this budget a projected nine per cent real increase. In 2008-09, it will go to \$3.7 billion, which equals 0.32 per cent of GNI, and that is taking us fairly and squarely on an upward trajectory which we believe will get us closer to the OECD average, which is about 0.45 per cent. We are completely committed to our commitment in that regard.

Senator BOB BROWN—But, in looking at that OECD average, we are looking at a failure by countries right across the board, the Netherlands being an outstanding exception, to meet past commitments to help the poverty-stricken people around the planet and to therefore

improve the security and wellbeing of everybody in the global commons. I wonder if the government has developed a time line beyond one year. We have the one-year nine per cent increase you were talking about there, but what we are looking at is a more than 100 per cent increase by 2015. Is there a year-by-year target going through to 2015 which is taking into account growth in GDP in Australia? How is the government—presuming it stays in office—going to achieve that target through to 2015?

Senator Stephens—I do not have the specific details beyond the budget papers, but I do have in my briefing notes the commitment here by the government in terms of reaching the ODA ratio of 0.5 per cent by 2015-16.

Mr Dawson—If I might help, I indicated before that the government, in the budget papers, has set out its commitments in terms of the ODA-GNI ratio for the next three years. In other words: 0.32 in 2008-09, 0.35 in 2009-10, 0.37 in 2010-11 and 0.38 in 2011-12. So there are clear increased steps set out in the budget papers.

Senator BOB BROWN—But in the following three years, there will need to be even greater increases, won't there, to get to even 0.5 per cent, let alone 0.7 per cent?

Mr Dawson—Obviously the ratio will need to continue to rise to achieve an outcome of 0.5 by 2015-16.

Senator BOB BROWN—I wanted to ask about the report released yesterday regarding logging in Papua New Guinea. This is the report from Phil Shearman, from the University of Papua New Guinea, and Julian Ash, from the Australian National University, which showed that the accessible forests of Papua New Guinea are disappearing by 1.5 per cent per annum and over 80 per cent may be gone by the year 2020. Much of this logging is illegal and therefore detrimental, one could argue—and I will not go into that—to the prospects for the long-term prosperity and alleviation of poverty in Papua New Guinea. Has AusAID looked at this matter of logging, both legal and illegal, in Papua New Guinea and the impact on any poverty alleviation program and social wellbeing in Papua New Guinea?

Mr Dawson—The issue of logging and depletion of natural forest in Papua New Guinea is an issue that the government of Australia has been concerned about for many years and has had programs at different stages that have been designed to support better forest management in Papua New Guinea. At the end of the day, this is a matter for the government of Papua New Guinea to undertake that improved management and to exercise appropriate controls over logging activity in its country.

Senator BOB BROWN—Are Australian corporations involved in either supplying equipment or in direct investment in this stunning deforestation of Papua New Guinea?

Mr Dawson—I have no information on that with me.

Senator BOB BROWN—Would you look at that and take that question on notice?

Mr Dawson—Certainly, Senator. Can you specify the information that you want because it is perhaps not an area that is directly within our—

Senator BOB BROWN—I will ask later in the day as well but I am wondering if Australia is involved in supplying equipment to the logging industry in Papua New Guinea or whether Australian corporations are involved in deforestation in Papua New Guinea?

Mr Dawson—We will do the best we can to get that information.

Senator BOB BROWN—I will ask some further questions on that in a moment. Does AusAID extend to looking at the biodiversity resources in Papua New Guinea and what that means for the future wellbeing of the people of Papua New Guinea both economically and in other terms?

Mr Dawson—We have done some work around biodiversity in previous years, Senator, but I need to take that on notice as well.

Senator BOB BROWN—Can you remember what the outcome of that work was?

Mr Dawson—It was to do with protection of certain individual species as a window into broader environmental protection procedures in Papua New Guinea.

Senator BOB BROWN—And what was the assessed outcome? Is it a good thing?

Mr Dawson—Protection of biodiversity is obviously a good thing, Senator.

Senator BOB BROWN—It is not obvious to everybody. That is the problem, isn't it? Otherwise we would not be seeing this massive deforestation in Papua New Guinea.

Mr Dawson—That is correct.

Senator BOB BROWN—Has AusAID looked at tourism as an alternative to the loss of biodiversity in Papua New Guinea?

Mr Dawson—As far as I am aware, we have not done any specific work around tourism in recent years, but I stand to be corrected by my colleagues.

Senator BOB BROWN—Okay. I wanted to ask about—

CHAIR—We might take a break at this time, Senator Brown, and move to Senator Allison. We have limited time in this area and I have got indications from Senator Nettle, Senator Boswell and Senator Payne.

Senator BOB BROWN—Can I ask one more question before we go on?

CHAIR—One more question is fine.

Senator BOB BROWN—Do you assess the advantages of guest workers from Papua New Guinea in Australia, and is there such a program?

Mr Dawson—There is no program of guest workers that I am aware of between Papua New Guinea and Australia.

Senator BOB BROWN—Thank you.

Senator ALLISON—Can you provide details of the percentage of the aid budget which is for health? Has there been any change in this budget from previous budgets?

Mr Dawson—In the estimated breakdown of total Australian official development assistance in the 2007-08 financial year, the proportion going to health is estimated to be 13 per cent. It is estimated to be the same proportion in 2008-09 but, because the level of ODA overall is rising, the projected amount of ODA going to the health sector is also rising.

Senator ALLISON—What percentage of that 13 per cent is for sexual and reproductive health?

Mr Dawson—I think that information is in a table in the ministerial statement, which I will draw your attention to if I can find it. It is on page 15. It shows a projected proportion going to reproductive health care of six per cent and 30 per cent going to sexually transmitted infection and HIV.

Senator ALLISON—Does that six per cent represent any increase on the previous budget?

Mr Dawson—If you bear with me, Senator, I will give you some information about projections by sectoral areas, if I can find it. In terms of reproductive health care, I think the amount that we were projecting in 2007-08 was nine per cent of the health sector official development assistance.

Mr Proctor—The funding figures in front of me say that for 2007-08 we are looking at 4.8 per cent of ODA going to sexual and reproductive health related activities—that is an estimate of course. The estimate for 2008-09 is five per cent.

Senator ALLISON—Five per cent.

Mr Proctor—Yes. In an overall rising budget, of course, as Mr Dawson has pointed out.

Senator ALLISON—Okay. So what was the nine per cent figure, Mr Dawson?

Mr Dawson—That was specifically reproductive health care.

Senator ALLISON—That is what I am asking. I am sorry; I do not understand what the figures you have just given are, Mr Proctor.

Mr Proctor—We are talking about two different figures. I think Mr Dawson is talking about the percentage within the overall health expenditure, whereas I am talking about the percentage of the total aid spending.

Senator ALLISON—I see. How do those figures compare with the commitment made at the Cairo convention in 1994?

Mr Proctor—I would have to remind myself what that commitment was, but I can tell you it is—

Senator ALLISON—Quite a lot higher than you have just suggested, I think.

Mr Proctor—Often these conventions aim for a 10 per cent figure. I suspect that was the one in Cairo, but I would have to check for you.

Senator ALLISON—Would you do that?

Mr Proctor—Yes.

Senator ALLISON—Can I ask you about Timor, specifically—can you give me those percentages for Timor? First of all, what out of our total aid budget for Timor is for health?

Mr Proctor—I will seek to do that—I know there are a number of health commitments underway, but I think program management might be better able to talk about the program.

Senator ALLISON—I have actually got a break down here which says it is \$8 million for 2006-12. I am just wondering if it is possible to quickly calculate what percentage that is?

Mr Moore—We are active in the health sector in East Timor, and we have provided considerable—

Senator ALLISON—Eight million dollars over five years?

Mr Moore—I cannot give you specific figures on reproductive health, but I am happy to get those for you.

Senator ALLISON—I have some details here, and there is nothing in reproductive health according to the outline of our aid activities in Timor. We have got cataract surgery, we have got anaesthetists, we have got ophthalmology, urology, cardiology, plastics and orthopaedics.

Mr Proctor—I do not have a starting date—I do apologise—but there is a four year health sector support program which would include expenditure in 2007-08 of \$3.5 million. That includes programs aligned with issues of infant and maternal mortality and preventable diseases. There is also some NGO funding—

Senator ALLISON—So why does this not appear in the *Aid activities in East Timor* document on the website?

Mr Proctor—I am reading from a separate table here, titled *AusAID's current reproductive health funding*. It is a separate table that we have in our briefing.

Senator ALLISON—Is it possible to table the table?

Mr Proctor—I am sure it is. Can I use it until we have finished our discussion?

Senator ALLISON—Yes. So, we have got a \$3.5 million four year program, and that is for maternal and child health?

Mr Proctor—It is a broader health sector strategic plan.

Senator ALLISON—It is to make a plan, or it is a plan?

Mr Proctor—It is their strategic plan. This supports strengthening the government's health system, part of which will be related to maternal health and the other issues you are raising. I am also aware there is at least one NGO—Marie Stopes International—active with reproductive health in East Timor.

Senator ALLISON—How much federal funding goes into that program?

Mr Proctor—I would have to find that out for you.

Senator ALLISON—Is it taken from this \$3.5 million?

Mr Proctor—That funding is primarily involved with funding the Ministry of Health. There is possible funding for NGOs, so it may have come from within that.

Senator ALLISON—So, the Ministry of Health gets less than \$1 million a year over four years. It sounds like the salary of one or two people. Would that be accurate?

Mr Proctor—That support program is \$3.5 million in this year—I will check with my colleagues.

Senator ALLISON—I see.

Mr Proctor—Twenty-three million dollars over four years is the figure.

Senator ALLISON—That table gives us a break down of that \$3.5 million, does it?

Mr Proctor—No, it tells us what I have just read out to you—that it relates to expenditure on a medium-term framework for health. It is aligned with MDGs related to infant mortality, maternal mortality and other illnesses.

Senator ALLISON—But is it delivering programs and services or is it bureaucracy, developing plans and suchlike?

Mr Proctor—I would have to look for advice on the detail of it.

Senator ALLISON—You do not have anybody else here who can—

Mr Proctor—It assists reproductive health and related matters.

Senator ALLISON—Excellent.

Ms Da Rin—The information I have for you is that we are spending \$23 million over four years to help the government of East Timor implement its national health plan by improving basic health and hospital services.

Senator ALLISON—So it is about hospital services?

Ms Da Rin—Not only hospital services, but also working within the department to strengthen its capacity to deliver services.

Senator ALLISON—When you say ‘working within the department’, what does that actually mean? Where does the money end up?

Mr Moore—I think the whole intent of the program is to make sure that service delivery improves immediately and also that we leave a lasting capacity within the East Timor system for better service delivery. Anecdotally, I can tell you that I was at a health clinic in Dili a couple of months ago. Assistance was being provided through this program to train midwives, to provide a greater level of assurance in the provision of basic equipment, and to get knowledge out to the community so that pregnant women are more aware of complications in pregnancy and have the ability to seek services when those complications present.

Senator ALLISON—So why do I not see this in the budget documentation?

Mr Moore—I can only surmise that, because this is a whole-sector program which works across the entire health sector in East Timor, strengthening reproductive health services is one important aspect of it but there are others, too. We will certainly look again at whether it would be useful to provide more information.

Senator ALLISON—We provide information about safe water and sanitation practices. It is almost as if we cannot bear to say the words. Anyway, I will move on. How are decisions made in terms of priorities for Timor—and I should include PNG in this—with regard to the kind of programs we provide? This document talks a lot about rural development and about community development, there is a small amount of money there for education in scholarships, there is humanitarian aid and so forth. How is it determined what amounts of money will be spent on what?

Mr Dawson—Across all programs, this is a dialogue with our partner governments. Most governments will have a national development strategy that will highlight some areas of work for priority rather than others. Our intention is always to work to support that national development strategy. Those strategies generally cover most significant areas of development

need and constraints to better economic and social development outcomes. So it is usually possible, within that, to have a dialogue around areas where Australia can make a contribution. That is part of the discussion that we have in establishing our individual country strategies: looking at the country's national development plan; looking at what other donor agencies are able to bring to that; looking at areas where Australia may have experience or comparative advantage and itself be able to assist. All of those are factors that go into a determination of which areas we may put as a higher priority than others in a particular country.

Senator ALLISON—I think that is true to say that PNG and Timor have the highest rates of maternal mortality in the world. There might be a couple of African countries which are worse. Does that enter into our considerations for aid?

Mr Maynard—Absolutely.

Senator ALLISON—Why this is not reflected as a percentage of the amount of funds which go to Timor?

Mr Maynard—I do not want to talk about funds for Timor generally but—

Senator ALLISON—I think it is important that we do. These are shocking statistics and they are at our border. Why can we not have a conversation about why we have this appalling rate of maternal mortality and child mortality? Budget after budget we get amounts of money for police and for all sorts of other things which suggests there is no priority for this. Ms Sword Gusmao has pleaded with Australia to increase funding for reproductive health. Why has it not been delivered?

Mr Moore—As Mr Dawson said, there is inevitably a range of competing priorities.

Senator ALLISON—I want to know how the competition works. How is it that women are regarded with such little importance in this debate?

Mr Moore—I do not think that is accurate. Maternal and child health care is at the core of our work in the health—

Senator ALLISON—Why are the statistics still so appalling?

Mr Moore—We are working with East Timor to strengthen its entire health system with the goal of cutting maternal and child mortality. That is the principle—

Senator ALLISON—What is the target?

Mr Moore—The targets are the MDG targets to cut maternal mortality and under-five mortality in half.

Senator ALLISON—Do you have a document which shows the progressive achievement of cutting child and maternal mortality in half?

Mr Moore—Obviously we use the statistics that are produced for East Timor nationally and they are a key benchmark for others and for ourselves.

Senator ALLISON—You are using existing figures but I am asking about projected figures. Have we got a target? Is it an annual target? Will \$23 million cover what is needed to be done to achieve it? Surely these are reasonable questions to ask.

Ms Da Rin—One of the challenges in East Timor is that their collection of health statistics and health data is very poor. That is one of the things that we are helping to strengthen so that we can better target services.

Senator ALLISON—Are you suggesting the figures that have been published are inaccurate?

Ms Da Rin—I am saying that not of all the data that we would want to have available, to inform good policy and service delivery, is available. Another challenge is that people are not necessarily seeking out health services as frequently as we would wish. We are now funding a health-seeking behaviour study in conjunction with academics in Australia in the University of New South Wales, I think it is, who are going to provide some more information about why that is so.

Senator ALLISON—The last study I saw showed that only one per cent of men in Timor have used condoms. Do you agree with that? Is it the latest study or are we doing another one to discover what the percentage is?

Ms Da Rin—I do not have that information.

Senator ALLISON—Can I ask about population issues generally? It is my understanding that at current birth rates Timor will be looking at doubling its population over the next decade or two. Does the department agree with that projection?

Mr Moore—Perhaps I will start and, if we move to broader issues, Mr Proctor will come in. We are certainly aware that East Timor has one of the highest rates of population growth in the world. They have very low levels of contraceptive prevalence. The space, particularly for outside agencies working in this field, is hopefully growing. It has been very constrained to date. We were active at the donor conference earlier this year and a few partners, including Australia, did make the point that we needed to be able to work on this more than has been permissible in the past. The Prime Minister also showed leadership on this issue. So we are actually hopeful that we will be able to redress this more over time. It is on our radar.

Senator ALLISON—It is on your radar?

Mr Moore—Yes, it is.

Senator ALLISON—But it is not in the budget?

Mr Moore—As the government indicates that it is willing to have external partners work in this field, we have the opportunity to do so and we are looking for that opportunity.

Senator ALLISON—With regard to the involvement of Marie Stopes International, is any funding made available to their maternal services in remote areas? I think they are training women—probably only women—in midwifery and they have a program of giving bikes, I think, to get into remote areas. Is any federal funding going into the program?

Mr Proctor—Some of what you mentioned sounds a bit familiar, but I do not have the details here. AusAID is spending \$156,588 this year for Marie Stopes's activities in East Timor through the NGO Co-operation Program. That is the figure you asked for earlier.

Senator ALLISON—If Marie Stopes can be there providing this service, I do not quite understand what the barriers are to it being more broadly available.

Mr Proctor—I can only posit to you that East Timor is a strong Catholic country and I am sure there are issues to do with the acceptability of pursuing a broad based contraceptive access program.

Senator ALLISON—That is part of the remarks of the first lady.

Mr Proctor—I have not discussed it with them myself.

CHAIR—This might be a convenient place to take a break, Senator Allison, and turn to Senator Boswell.

Senator ALLISON—If I may just ask about emergency birthing kits. I understand they are extremely cheap. What efforts have been made to increase their availability, particularly in remote areas of Timor and New Guinea?

Mr Dawson—I think we would need to take that on notice and get back to you, Senator.

Senator ALLISON—Thanks.

Senator BOSWELL—Has Australia ever funded abortions in overseas aid programs?

Mr Dawson—No.

Senator BOSWELL—Has a proposal been put to the minister that Australia abolish the AusAID funding planning guidelines?

Mr Proctor—There was an all-party committee that recommended the abolition of the restriction of abortion within those guidelines—and it had two other slightly related recommendations. As the minister has indicated, that is under consideration by government and it is in that condition right now.

Senator BOSWELL—Can you confirm that a meeting was scheduled at 8.30 am on Wednesday on 14 May 2008 in room M127 with Mr Smith, the Prime Minister and a delegation of the Parliamentary Group on Population and Development which was led by chair Senator Moore to discuss the current family planning guidelines? Do you know whether that meeting took place?

Senator ALLISON—I can confirm that it took place.

Senator BOSWELL—I was not asking you.

CHAIR—What meeting were you asking the officials to confirm?

Senator BOSWELL—A population meeting took place in room M127 led by Senator Moore. Senator Stephens might be able to confirm it.

Senator Stephens—Unfortunately, I cannot confirm that. I did not attend and I am not aware of it. However, Senator Allison has confirmed that she did attend and it did occur.

Senator BOSWELL—Was anyone from the department at that meeting?

Mr Proctor—No.

Senator BOSWELL—Were any follow-up tasks given to that department?

Mr Proctor—I am not aware of anything we have been tasked with that comes from that meeting.

Senator BOSWELL—So you have confirmed that there is a committee on foot. Would this have an effect on Australia being able to fund overseas abortion as part of aid? I am talking about these meetings. If these meetings' proposals were endorsed by the government, would this have an effect on Australia being able to fund overseas abortion as a part of its aid?

Senator Stephens—Because no-one at the table was actually at the meeting, I do not think that we are really able to answer that question. I just want to clarify for you that the Parliamentary Group on Population and Development had a report last year, which was presented to the government, which relates to those issues on sexual and reproductive health in the Australian aid program. The government is considering the recommendations of that report at the moment, so I do not think that it is actually appropriate for us at the moment to go much beyond that, I am sorry.

Senator BOSWELL—Can I ask the department: what work has been done on this; has it studied the proposal; and has it been asked to provide advice to the minister?

Mr Proctor—We obviously have advised on the implications of the recommendations of the all-party group.

Senator BOSWELL—So you have offered advice on the recommendation of the all-party group?

Mr Proctor—On the implications of accepting the various recommendations. I would remind you that one was about opening up the prospect of supporting abortion related activities, the second one was about the drugs that can be provided for family planning purposes within the aid program and finally there was a third recommendation on the volume of assistance to reproductive health. So obviously we have provided advice on the implications of those recommendations.

Senator BOSWELL—Would this require, if it went ahead, a change of an act of parliament? Does it require legislation to make this work?

Mr Proctor—I believe not. This was not set up under legislation, the family planning guidelines and checklists that exist at the moment.

Senator BOSWELL—If some of our overseas aid funding was diverted to funding abortions, what AusAID programs could miss out on funding as a result?

Mr Dawson—That is an entirely hypothetical question. We cannot answer that.

Senator BOSWELL—Would AusAID abortions overseas cost someone else their clean water, food, maternal or child health services? I mean, we have so much AusAID going out—let me put it this way—and if we were to fund abortion, would that come off our expenditure that we are already funding or would there be more money allocated?

Mr Dawson—It is a hypothetical question. I cannot answer it.

Senator BOSWELL—If a non-government organisation were delivering maternal health care, would it be required to facilitate abortion services under this proposal—say Caritas or something like that?

Senator Stephens—Again, that is a hypothetical question. We are going down this path having no clear direction from government that this is even under active consideration.

CHAIR—We are engaging in a hypothetical area, but it is topical. Why don't you ask the officials what the current policy in this area is and whether government has tasked the relevant agency to give consideration to change?

Senator BOSWELL—I know the current policy in the area. I am well aware of the current policy and it is not to fund overseas abortions. I am concerned whether the government is about to change policy.

CHAIR—Why don't you ask that question then?

Senator BOSWELL—I will ask the question. There is a committee on foot, it has been acknowledged and it is under consideration as Senator Stephens replied to us.

Senator Stephens—The best advice I can give you is that the government is considering the recommendations of the all-party committee and the Labor caucus has established a committee to consider the matter. I do not understand that there is any time frame involved and I cannot give you any other information other than that the caucus committee has been established.

Senator BOSWELL—I will ask the officers: have there been a lot of calls from overseas countries for Australia to fund abortions? Have overseas countries come to us and said, 'We are so desperate for help for abortions in our country we want you to stop some other help you are giving us and fund abortions instead'? Has there been a demand for abortions on our AusAID programs?

Mr Proctor—Senator, I do not think there is an easy answer to that.

Senator BOSWELL—I am not suggesting there is. Has anyone come to us and said, 'We want AusAID to fund abortions'? If so, what countries?

Mr Dawson—We are not aware of any particular request to fund abortions.

Senator BOSWELL—There is no demand for abortion; it is just someone in the population control parliamentary committee who is pushing this?

Mr Dawson—I said that we are not aware of any requests that have been made to us to fund abortion related activities.

Senator BOSWELL—Have you had any consultation, held by your department and the minister, with non-government organisations currently involved in delivery of maternal and child welfare AusAID projects over the move to fund abortions as part of Australia's AusAID commitment?

Mr Proctor—I did have a meeting some months ago with the Australian Reproductive Health Alliance which provides, apart from anything else, a secretariat to this all-party committee of parliament. They raised the recommendations of the committee and essentially the indication I gave was exactly as I have given here today, that this is under consideration by government.

Senator BOSWELL—Have you talked to Caritas or any of the other aid deliverers in these Pacific nations about this being under consideration?

Mr Proctor—Not in a specific meeting. We obviously talk with Caritas and the other NGOs quite often but on a broad range of subjects.

Senator BOSWELL—Have you mentioned to them that this is under consideration?

Mr Proctor—They are well aware it is under consideration. The head of Caritas did mention that to me just before Christmas but in a passing conversation.

Senator BOSWELL—Was he pleased with it or not? Did he agree with it or did he tell you that he would not be allowed to promote this in any way?

Mr Proctor—The conversation revolved actually around availability of contraceptives rather than abortion, so I cannot help you with that.

Senator BOSWELL—You did not mention the abortion question to him?

Mr Proctor—It was in the context of the three recommendations of the committee as I mentioned before. We were actually talking about public perception of whether church based services would be willing or not to provide all forms of contraception.

Senator BOSWELL—What was his view on that?

Mr Proctor—Clearly he was suggesting that it could be problematic in some cases. That was the limit of the conversation. There was no more detail than that.

Senator BOSWELL—I will ask Senator Stephens, who may not be able to answer, but I want to put it on record. When will the government reach its final conclusion on whether we are or are not going to fund abortions? Are we going to change our AusAID program to fund abortions or are we definitely not going to fund abortions? There would be a great many people and churches interested in where the government goes on this.

Senator Stephens—Senator Boswell, I can understand your particular interest in this. I have indicated before that I am not aware of a time frame. I will take the question on notice and if I can get some clarity about the time frame I will get that to you.

Senator BOSWELL—Thank you very much.

Senator NETTLE—Page 139 of the portfolio budget statement refers to work that AusAID is doing in relation to palm oil in Papua New Guinea, and I wondered if somebody could give me some more information about that project?

Mr Dawson—That is in the ACIAR portfolio budget statement, so that question would be better directed to ACIAR.

Senator NETTLE—When do they appear?

Mr Dawson—I do not know.

Senator NETTLE—They are not in the AusAID section?

Mr Dawson—The portfolio budget statement includes statements from all of the agencies within the portfolio. Page 139 that you refer to is in the ACIAR budget statement.

Senator NETTLE—But they do not appear in estimates with AusAID?

Mr Dawson—No, they are a separate organisation.

Senator NETTLE—Perhaps I will ask a question in a more general sense. Is AusAID aware of concerns in relation to the expansion of palm oil in the region more generally—but in Papua New Guinea in this particular instance—where native forests are destroyed for the

production of palm oil? Why is AusAID funding going into expansion of palm oil projects in Papua New Guinea?

Mr Dawson—I can only repeat that this is something you have picked up from the ACIAR budget statement. You would need to ask them about the origin of their program.

Senator NETTLE—I think it is actually an international issue, that native forests are being destroyed all around the world for the production of palm oil plantations, particularly in our region. So, in a general sense in terms of helping the sustainability and environmental issues in our region, I would have thought that it would have been an issue that AusAID was aware of.

Mr Dawson—We are obviously aware of the issue, and the issue is of extreme importance. No-one is suggesting, however, that we are funding the destruction of native forest for palm oil plantations. I have not looked at the particular reference that you have made to the ACIAR program, and I would not know myself what that refers to. You would need to take that up with them.

CHAIR—Senator Nettle, just to assist you from the chair's perspective, the questions you raise are indeed germane, are important, but they are properly asked of the Australian Centre for International Agricultural Research. That agency was not called, so it might be a bit of a warning to us all in the future about that particular agency. But this agency does not have any responsibility in this particular portfolio area, so it is unable to take questions, as I understand it.

Mr Dawson—That is correct.

Senator NETTLE—Can I just check—it is overseas development assistance which runs through AusAID money, isn't it?

Mr Dawson—AusAID has its own appropriations, which are for official development assistance. There is a range of official development assistance delivered by and appropriated through other government agencies, and ACIAR is one of those.

Senator NETTLE—AusAID delivers the funding to them or do they get overseas development assistance that they then direct themselves? I am just trying to understand the process—whether it is through you or not.

Mr Dawson—They are appropriated themselves.

Senator NETTLE—They are given overseas development assistance funding that they then choose how to spend; it does not go through AusAID—is that correct?

Mr Dawson—That is correct.

Senator NETTLE—Is AusAID doing any work on the impact of the expansion of the palm oil industry in our region, and in Papua New Guinea in particular?

Mr Davies—Our engagement in this issue primarily relates to our interest in reducing forest carbon emissions from deforestation and forest degradation, particularly in Indonesia and Papua New Guinea. As you rightly point out, the conversion of forest land for oil palm is a significant contributor to deforestation in the region, and so we are certainly well aware of the issue and we are monitoring its impact.

I would have to say though that, in terms of combating that particular driver of deforestation, the economic incentives are very, very difficult to overcome. Oil palm production is extremely profitable. So when you are looking at mobilising particularly private sector finance for forest carbon through potential future markets for forest carbon emission reductions, you are probably not looking at competing with palm oil. You are probably looking at competing with less profitable forms of production. We are of course in dialogue with governments in the region, particularly Indonesia and PNG, about their policy frameworks for reducing emissions from deforestation. In general, governments are looking at changing policies so as to encourage the planting of oil palm on already degraded lands. One of the biggest problems at the moment is that primary forest is being converted when in fact there are degraded lands available for plantations.

Senator NETTLE—You said that is an issue that AusAID is monitoring. Is AusAID doing anything beyond monitoring the expansion of palm oil as an issue?

Mr Davies—Under the International Forest Carbon Initiative, we are working with governments in the region, particularly the two governments that I mentioned, on a range of relevant interventions. First we are working on the development of policy frameworks, including frameworks around land use and land use planning. We are working with them on carbon accounting and monitoring, all of which is ultimately leading to assistance with the construction of demonstration activities that will show how financing linked to the reduction of emissions can in some cases compete with those other economic incentives and can prevent people converting land for agricultural purposes, logging and a range of other things. But, as I said, I think competing with the incentives for conversion to oil palm production is a particularly difficult enterprise. I think that is well recognised around the world.

Senator NETTLE—Is there a problem if we have got one part of our overseas development aid talking about the problems in terms of the expansion of palm oil plantations, and another part of our overseas development assistance going towards encouraging the expansion of palm oil?

Mr Davies—First of all, I am not sure exactly what is involved in the ACIAR activity that you referred to at the beginning. As Mr Dawson said, you would need to ask ACIAR about that. Secondly, I make the point that it depends how the palm oil is produced. The most promising avenue for dealing with this particular threat to primary forest is to encourage governments to establish policies which encourage plantations on already degraded lands.

Senator NETTLE—Does the government have a policy of discouraging palm oil development?

Mr Davies—That would not be a matter for AusAID, but I am not aware that the government has such a policy.

Senator NETTLE—Are there Australian companies investing in palm oil expansion in Papua New Guinea?

Mr Davies—I could not tell you that, Senator. You might be able to obtain that information from the Department of Agriculture, Fisheries and Forestry.

Senator NETTLE—Is there any assistance provided through AusAID to companies investing in palm oil expansion in Papua New Guinea?

Mr Davies—I think I can safely say there is not.

Mr Dawson—Senator, I should just note that, in connection with the reference that you picked up on page 139 of the ACIAR portfolio budget statements, there is no reference there to expanding areas under palm oil cultivation. This refers to increasing smallholder productivity in the sector. Obviously, since it involves the Australian Centre for International Agricultural Research, the activity is a research activity.

Senator NETTLE—My understanding is that all palm oil in Papua New Guinea—I could be wrong about this—is grown through the national estate smallholder scheme. So because this is focused on the constraints on increasing their productivity and income, it is a fair question to see whether it is about an expansion of palm oil plantations.

Mr Dawson—That is an issue that you could take up with ACIAR. I am just pointing out that ACIAR funds primarily research activities.

Senator NETTLE—Okay. Has AusAID reviewed the report Senator Brown was asking about which was released yesterday and talks about 80 per cent of Papua New Guinea's forests being gone in 13 years?

Mr Davies—We have not had a chance to carefully analyse that report. We have simply seen media reporting on it.

Senator NETTLE—Are you surprised by how big the figure is in that report?

Mr Davies—I think there has been some commentary already suggesting that perhaps it is too high a figure. It is well known that there are significant data constraints in monitoring rates of deforestation in Papua New Guinea and other countries in the region. The Food and Agriculture Organisation of the United Nations had previously estimated a rate of deforestation of around 0.4 per cent per annum in Papua New Guinea. I believe this report estimates a significantly higher rate, but we are not in a position to comment on the accuracy of either figure at this stage.

Senator NETTLE—Will AusAID be reviewing that report?

Mr Davies—Yes, we will.

Senator NETTLE—Could you perhaps take on notice to provide the committee with the AusAID assessment in relation to that report?

Mr Davies—Sure.

Senator NETTLE—I want to turn to the guest worker pilot program that the Department of Immigration and Citizenship is involved in. Is AusAID involved in that program with the Department of Immigration and Citizenship?

Mr Dawson—We have been involved, as an organisation, working with other agencies to provide advice to government on this issue.

Senator NETTLE—Is AusAID aware of, and have they looked at, the Swinburne Institute for Social Research report on this issue?

Mr Dawson—We have been aware of the report, yes.

Senator NETTLE—Has AusAID done any assessment of it and, in particular, the recommendation that AusAID be involved in the development of such a program to ensure that it can also meet development outcomes in the countries where guest workers are coming from?

Mr Dawson—We are involved in the development of advice to government on this issue.

Senator NETTLE—Has AusAID developed ways in which such a program could meet the development needs of the countries where guest workers are coming from?

Mr Dawson—I think there are a number of issues that go to the development effectiveness of any such program. A lot of work has been done on this by other international organisations—the World Bank in particular. We have been in close touch with the bank on the lessons learned from similar exercises in other countries. One area of work that we are particularly interested in, I suppose, is improving the efficiency of processes of remittances from guest workers to their home countries. It is an area where there is potential to improve the costs of remittances within the Australian region, and it is an area that we are doing some work on.

Senator NETTLE—AusAID has provided advice to government on those areas?

Mr Dawson—That is correct.

Senator PAYNE—I have a question on guest workers, so that we do not extend that discussion much further. Has AusAID set aside any funding to proceed with the guest workers scheme or any funding in relation to the guest workers scheme?

Mr Dawson—No.

Senator NETTLE—I want to ask about a Reuters media report on the World Bank approving \$232 million for a Philippines road project that had previously been put on hold because of allegations of bid rigging. I understand AusAID is also involved in funding that project. Is AusAID satisfied that the corruption and bid-rigging allegations that previously stopped the project have been adequately addressed?

Mr Moore—I am certainly aware of the program you mentioned and I think all parties are very keen to make sure that the fundamental problems are addressed. We will not be proceeding until and unless we are persuaded of that. I believe there were issues to do with procurement of the supplies that would be used for road-building purposes.

Senator NETTLE—This announcement was about the World Bank making a decision to proceed. So AusAID has not currently made a decision to proceed?

Mr Moore—I would have to check the status of the discussions, which obviously would include all of the bodies, and principally the bank and the government of the Philippines. I will need to get an update for you.

Senator NETTLE—Could you do that. I am also interested in what AusAID has done and is planning to do in order to satisfy itself in relation to the corruption and bid rigging.

Mr Moore—We can certainly elaborate and provide you information on the way in which we try to reduce and manage fiduciary risk.

Senator NETTLE—Can I ask that in a past and a future context as well in terms of what you have done and what is being done. You seemed to indicate AusAID had not made a decision to necessarily go into it. I do not want to ask just about what has been done but also about what is being done.

Mr Moore—We will do both.

Senator NETTLE—Can I put one more question on notice, which is about what proportion of AusAID's budget goes into road-building projects. I presume you cannot answer that one now but I would be keen to put that one on notice.

Mr Dawson—I am not sure that we would have that exact information either. But on page 23 of the minister's budget statement, in the section on economic growth, there is a breakdown of infrastructure expenditure or projected expenditure in the infrastructure sector. Transport infrastructure is by far and away the largest element of infrastructure expenditure and it would be certainly true that a very large proportion of that is related to road rehabilitation and road maintenance. It is certainly the case through the large concessional loan program in Indonesia and through significant funding through transport sector programs in Papua New Guinea, but it is also the case in other countries as well. The reason for that is that good, serviceable roads that local populations can rely on are an essential ingredient in the development process. They allow people to engage in economic activity and to access health and education services. So road transport has always been seen as a very significant contributor to improved development outcomes.

Senator NETTLE—Thanks. I understand that. If you could just—

CHAIR—Thank you, Mr Dawson, and thank you, Senator Nettle. We have been considerably patient. You had one question five minutes ago. That was a question on notice. Senator McEwen.

Senator NETTLE—They have not agreed to take it; that is the problem. Mr Dawson, if you can provide any more information about the road-building component of that transport, that would be appreciated.

Mr Dawson—We will try to do something.

Senator McEWEN—I just wanted to ask a couple of questions about two programs mentioned in the budget paper *Australia's international development assistance program* on page 38. An additional \$50 million over seven years has been allocated to address HIV-AIDS in Papua New Guinea, and there is a proposal that 14 STI clinics will be built in this year and another 18 will be built in 2009. I am just interested in which areas of Papua New Guinea they will be concentrated in, if they are concentrated in an area, or are they spread widely?

Mr Dawson—I think they are spread throughout the country.

Senator McEWEN—What NGOs are involved in establishing those clinics and providing the ongoing training to the staff there?

Mr Proctor—Bear with me; I will seek to find that. If I cannot do that quickly, we will have to take it on notice. Can I just say, as I am looking in Papua New Guinea, in that program and more broadly there are quite a range of players, not least the business coalition,

which is outside the funding that you are talking about. A lot of health delivery is actually done through faith based organisations as well.

Mr Dawson—I can recall visiting one of these clinics, which was in the Catholic-run hospital in Vunapope in East New Britain.

Mr Proctor—I am afraid those NGOs are not listed in our notes in the briefing here, but we can certainly easily get that for you and reply on notice.

Senator McEWEN—I would appreciate that. Thirty-two clinics in two years seems to be a big ask. What contingency is made to ensure that they are going to be able to be staffed adequately?

Mr Proctor—In the broader program of assistance to the PNG health system there is a significant component on training; I would have to ask for advice on specific training for this activity. Before answering that, can I tell you that we have another activity that involves PNG churches more generally. To give you an idea of the types of NGOs that are involved, there is Caritas; ADRA—the Adventist group; the Salvation Army, and at least two others that I am not familiar with. So there is quite a range of faith based groups there already. In terms of addressing AIDS in PNG more broadly, it is an issue of treatment and prevention. A lot of effort is going into training and awareness on the prevention side—but I think we owe you a better answer than that, so I could come back on notice.

Senator McEWEN—One of the things we know about the provision of information and education about HIV-AIDS and STIs in Papua New Guinea is a reluctance on the part of the authorities, if you like, to acknowledge the problem. Have we moved forward at all in that regard?

Mr Proctor—I think it is true that it would be helpful if there was a broader statement on this from various community leaders. PNG does suffer, of all the countries in our immediate region, the highest prevalence—about 1.6 per cent HIV in the community. It is a concern that, unchecked, it will undoubtedly increase and—apart from the suffering of individuals—be a major drain on their health system.

Unlike some of the other countries in East Asia, this is not driven by injecting drug users or men having sex with men particularly—as you are probably aware. Rather, it is broad based heterosexual transmission. That makes it rather harder, because it is often more rurally based than some of the other problems in other countries. As I said, the business coalition—BAHA, as it is known—has done an outstanding job in raising awareness through businesses. It even runs its own helpline for citizens wanting advice. In our program—and I do not want to overrun my PNG colleagues—we have worked very much with the PNG system to try and improve awareness and treatment. I will see if someone has more detail than that.

Ms Callan—I can give you a little bit of information on the question you asked earlier about the distribution of the STI clinics in the country. Certainly there are a number of clinics across the country. I can tell you that there are three clinics to be established, for example, in Western Province.

The other question I can give you some information on is the plan to build the 38 clinics. Six clinics were already constructed in 2006-07. The plan is for 14 clinics to be built this year,

and 18 in 2009. We know that plan is currently not proceeding at that pace, and that the pace will need to slow down. These clinics will essentially roll out over a longer period of time than we had envisaged originally.

Senator McEWEN—Is there any quick answer as to why it is taking longer than we thought?

Ms Callan—The main difficulty is the capacity of the PNG government to manage the tendering and the contracting of those programs to a standard that Australia, who is funding these clinics, would consider acceptable. So we are working with them to help them manage that tendering and contracting process and also the quality assurance in the construction of the clinics.

Senator McEWEN—Thank you. If I could, I would like to ask a couple of questions about another program on page 45 of the same document, the Asia Regional Trafficking in Persons Project. I understand that the countries that are most focused on with regard to human trafficking are Thailand, Cambodia, Laos, Burma, Vietnam and south-west China. I am interested in the situation in Burma with the cyclone. Is there any thought, indication or attention being paid to the fact that trafficking may increase as a result of what has happened in Burma?

Mr Moore—We are very aware that that is a possibility. It is known from other complex emergency situations that predators can take advantage of that situation, particularly when children are orphaned. As you know, access to Burma is greatly constrained, but there are people on the ground, both at embassies and working as part of non-government organisations and the UN system. I think that there is a high level of awareness of the potential and there is monitoring of the situation. I have seen some sporadic reports that there may be activity by traffickers, but I have not seen more detailed reporting at this stage—unless one of my colleagues can add to that.

Senator McEWEN—Of the \$21 million that has been allocated over five years, is there likely to be some reallocation within that to put more money towards the situation in Burma?

Mr Moore—We pride our programs on being flexible and responsive and this is one where we have had some success in working with governments to sensitise them to the issues. At the beginning of the process people did not want to confront these issues. Now we have a much higher level of buy-in from law enforcement agencies and from border authorities, and we have the ability to work with them and our ASEAN partners to respond to the situation in Burma. So although I cannot tell you emphatically that it is already being determined, I am confident that that will occur.

Senator FORSHAW—I will follow on with Burma. Could you firstly tell us which Australian NGOs or aid agencies are distributing or are involved in getting aid through to people in the areas affected?

Ms Walker—The government has announced, as part of its \$25 million package of assistance in response to Cyclone Nargis, a package of \$5 million for Australian NGOs that are working in Burma or that have the capacity through their partnership arrangements to work there. We have already allocated \$1 million of that \$5 million package and we are

expecting to receive proposals from a range of NGOs today for the remaining \$4 million package. I can give you the names of the NGOs who received funding—

Senator FORSHAW—Yes, if you would not mind.

Ms Walker—from the \$1 million package. It does not, of course, include all of those NGOs operating in Burma. We provided CARE Australia with \$400,000 to provide water and sanitation supplies, food and other essential items; World Vision, to provide shelter and basic medical supplies, water purifiers and the like; Austcare, again to provide basic necessities, shelter food, clean water, basic health care—

Senator PAYNE—Could you delineate the amounts, as you did in the first place with CARE?

Ms Walker—Certainly. CARE Australia, \$400,000; World Vision, \$300,000; Austcare, \$100,000; Save the Children, again focusing on provision of relief and basic survival requirements, \$100,000; Marie Stopes International, for provision of reproductive health services, \$50,000; and Caritas \$50,000 for provision of food, water and other basic requirements. That is the \$1 million already allocated.

Senator FORSHAW—Is there a list of the agencies that you are seeking information or requests from for the remainder of that \$5 million? How is this system implemented in terms of finding out which agencies are able to get aid through and wish to access these funds?

Ms Walker—We have in place what we call ‘periodic funding agreements’ with a range of Australian NGOs whom we have assessed are capable of mounting a credible and effective response in a disaster situation, wherever it may occur. We go to those NGOs when a disaster occurs and ask them whether they are able to submit a proposal that we could then consider for funding. In the case of Burma, we approached NGOs who are part of that periodic funding agreement arrangement. Some of them are in fact already working in Burma, so they were starting off on a good base. We also accepted applications or proposals from NGOs who currently do not have programs in Burma but have access through their local partnership arrangements.

Senator FORSHAW—That is with, for instance, other international organisations, is it? As I understand it there are agencies operating within Burma that are part of a broader international aid body.

Ms Walker—That is correct. For example, Marie Stopes International and Save the Children are not part of the periodic funding agreement arrangements, but Marie Stopes have around 500 national staff in country, so they already have a very good base of reproductive health activities operating, and Save the Children similarly have a very large number of local staff. We talk to ACFID, the peak NGO body, about their assessment of the broad NGO capacity, and in most cases—and we did in the case of Burma—we have discussions with ACFID and other representatives of the NGOs to discuss how we might frame the response, go forward with proposals and so on.

Senator FORSHAW—You have given me a list of names. You said that makes up \$1 million of the \$5 million. Are you able to tell me which other agencies have been approached or are expressing interest, or is that maybe not appropriate?

Ms Walker—The applications closed today, 3 June, so I do not have the list of proposals that we have received for the \$4 million, but I could certainly provide that to you.

Senator FORSHAW—That would be appreciated; thank you. You have referred to the \$5 million of the \$25 million. I understand the \$25 million is our contribution to a broader fund or appeal that has been called for by the UN—\$300 million or something. Just explain that to me again. I was at a briefing a couple of weeks ago through another committee and I am just trying to understand all this.

Ms Walker—I can give you the detail of the \$25 million package. There was \$12½ million allocated to the United Nations flash appeal—

Senator FORSHAW—Yes, that is the one I was thinking of.

Ms Walker—for UN agencies working in Burma. We do have the details, and we can find them for you, of the total value of the flash appeal. Australia at \$12½ million is a significant donor to that appeal.

Senator FORSHAW—Yes. I have a figure in my mind of between \$200 million and \$300 million.

Ms Walker—It is in fact \$211 million.

Senator FORSHAW—I was sort of close!

Ms Walker—We do have information, however, that the United Nations will be issuing a revised flash appeal in the coming weeks as they have been able now to make some substantive assessments of the situation on the ground. In terms of the remaining \$12½ million of the \$25 million package and the \$5 million to Australian NGOs and their partners, \$3 million is presently unallocated but we expect that to be linked to the provision of health assistance. We are presently in discussions with some of our ASEAN partners who have medical teams already on the ground in Burma. We know that there is a need for public health specialists, particularly in the area of communicable diseases, and also epidemiologists. If possible, we will seek to provide that Australian health assistance as part of other partner efforts. So we have reserved \$3 million for that purpose. We have also provided a range of supplies through the RAAF airlift. Around \$200,000 worth of supplies have already been provided. The other component is \$3 million to the IFRC for shelter.

Senator FORSHAW—I have not done all of the maths. Twelve and a half million for the flash appeal.

Ms Walker—Yes.

Senator FORSHAW—You talked about the \$5 million, of which \$1 million has been allocated, and the remaining \$4 million you have applications for.

Ms Walker—Three million for the IFRC.

Senator FORSHAW—Three million allocated, potentially going to health areas and \$200,000 for the RAAF. It is close to \$25 million.

Ms Walker—Yes. It is included within what we are calling operational costs of around \$1.5 million. That includes the relief supplies and it includes other logistics and deployment of our AusAID rapid response team.

Senator FORSHAW—Thank you for that. As I understand it, all the reports are that the Irrawaddy region that has been most severely affected. Are you able to say what resources the agencies that we are funding, particularly the Australian ones, actually have on the ground or how many people they are able to get access to in that affected area?

Ms Walker—It is a very mixed picture indeed. Our understanding is that representatives of the UN agencies and of international NGOs, largely using their local staff, have been able to access those affected areas in the delta. But they would clearly like to have much greater access than they have been able to gain so far. I think we are still talking about a relief operation which is hampered by this question of access. You have to be able to build the staging posts in a disaster situation like we are dealing with in order to deliver supplies. You cannot simply move in and out of the delta from Rangoon or from other parts of the country according to these more difficult travel arrangements that have been imposed by the Burmese authorities. Clearly, we are getting reports that aid is reaching those most affected but, as I said, it is not enough and we would like to see much greater access provided to agencies.

Senator FORSHAW—In terms of the monitoring, what does the humanitarian community rely on to give it the information back about just what aid is getting through and how many people are being assisted? I appreciate that there may be all sorts of ways to obtain that, including some that we may not want to discuss—particularly journalists or others. In terms of the humanitarian community, what do you rely on to give you that feedback? I read a report recently by Malteser International, which is part of the Order of Malta organisation, dated 21 May, which said:

The humanitarian community indicates that 500,000 people currently receive some form of international assistance. This is substantially less than the 2.4 million estimated to be affected of whom more than half (1.4 million) in severely affected areas are requiring prioritised assistance.

That is the statement, and we read lots of reports like that. What hard data, if any, are you able to access and rely on?

Ms Walker—The hard data that the humanitarian community is able to rely on is that based on representatives of their agencies who have been able to reach these affected areas. The humanitarian community is organised into a series of cluster groups for particular aspects of the emergency—for example, health, water and sanitation, food and so on. There is a strong effort at coordination, both in Rangoon and Bangkok, and increasingly that coordination will shift to Rangoon. There are very regular meetings. The UN is playing a strong coordinating role. An ASEAN mechanism has now been set up to assist coordination. So I think the flow of information about the numbers of people in need, what the needs are and who is being accessed is now much better than it was in the early weeks of the emergency. Clearly we are also waiting for the outcome of the United Nations disaster assessment team. We now have that linked with another ASEAN assessment team. When we have the material from those detailed assessments, as I mentioned earlier, there will be a revised United Nations appeal which will set out, in considerable detail, the extent of need and the numbers of people affected.

Senator FORSHAW—Thanks for that, because obviously one of the major concerns is that if you do not have proper information then you can be all over the place, even if you are

able to get aid through. Do those figures that I mentioned sound about right? This is dated 21 May.

Ms Walker—Senator, those figures did seem to me to be in the ballpark. It is a shifting environment, as you would appreciate. But I should mention that AusAID has had up to three staff in Rangoon. We have a humanitarian assistance coordinator posted in Rangoon, and we have boosted our presence with two trained staff members who are themselves in the business of gathering information.

Senator FORSHAW—Good. Thank you for that and thank you for the briefings that we have received. I know we will be receiving some more through another committee later in the week from AusAID and DFAT. We appreciate that.

Senator PATTERSON—I have a couple of questions about the overseas aid program. I should declare a conflict of interest, which is in my register: I am a director of Interplast Australia & New Zealand. The NGOs that receive funding through the AusAID NGO Cooperation Program, the ANCP, are required to expend their funding allocation on approved projects within a 12-month period. Who is the person to whom a question about ANCP should be directed?

Ms Walker—You can direct the question to me.

Senator PATTERSON—Thank you, Ms Walker. One of the problems with this program seems to be where money is allocated in a particular year. I will give you an example from Interplast in Burma, with the events that have occurred there recently. The roof was blown off the hospital where they were going to do the surgery, so they could not go in. AusAID's advice was, 'Oh well, find another program that you have undertaken in the year, use that money for that program and then take the money from that program and use it in the following year.' That is okay if you have universal donors who just donate to the organisation but, because of the link between Rotary and Interplast, many of these are linked programs, so the money has been matched and spent. You cannot use the donor's money twice, because it has already been spent on a program in, say, Laos or Nepal. You cannot fiddle that money around and say, 'We will pretend we didn't spend it. We will spend that money that was given by the donors and we will use AusAID's money later.'

I am wondering if there is a mechanism—and maybe this is a policy issue, Senator Stephens—to cater for organisations that are working overseas where you do have an interruption, because there is a coup if you are in Fiji or because there is a tsunami in Thailand, such that you cannot get in, is there any way in which 10 per cent of the funding, or a portion of it, could be used in the following year rather than trying to fiddle the books. I as a director did not feel happy that the advice was to change the funding around and make it fit. As I said, if you had donors who were donating to the whole pool and not matched funding it would be easier to do that.

Senator Stephens—Senator Patterson, can I say that the circumstances that you describe are a little bit outside the norm of the AusAID program. I think the minister would be very interested to receive some information about the work of your organisation and see how it could be accommodated in terms of some kind of flexibility.

Senator PATTERSON—Senator Stephens, that is not satisfactory because AusAID know the problem and understand it. But if I had still been the parliamentary secretary, I would not have been happy to receive the advice. I am less happy to receive it as a director because I feel it is not square and fair to try to fiddle the books. My co-directors also did not feel that was necessarily right. It seems as if AusAID needs to put to the minister a way of being able to transfer that money into the following year to make the books work properly rather than fiddle them.

Senator Stephens—I absolutely agree. If we are in the business of trying to improve transparency in government in these countries, then we would not be trying to encourage NGOs working there to be doing anything untoward—

Senator PATTERSON—It is not untoward and it is legitimate if you did not have your donors matching particular projects. You could easily say, ‘We’ll use AusAID money this year and we’ll use that donor money for the Burma project next year.’ We cannot do that as easily. There must be other organisations where people donate on a matched basis for a program. They feel like they own it; that is what motivates them to donate the money. Ms Walker, do you think there is any way in which we could have a solution to this that works for the organisations which we are trying to support?

Ms Walker—I hope there is. Clearly, the issue you raise is a policy concern. We are looking at the flexibility that we could provide to NGOs through the avenue of multiyear funding, which I think would address in large part the issue that you have raised. But if there are particular circumstances in relation to the Interplas program in Burma, we would like to understand those in a little more detail, and I would undertake to have a look at those.

Senator PATTERSON—I do not want to just bring up that one issue. There will be other examples where you are on the cusp of the end of the financial year—

Ms Walker—There is a policy issue involved that you have raised—

Senator PATTERSON—I understand that.

Ms Walker—and we are in the process of dealing with that. The option that we are looking closely at is moving to the flexibility offered by multiyear funding commitments through the ANCP.

Senator PATTERSON—The other thing is that it always helps to go out into the real world because you find how things work on the other side. I want to raise a point about accreditation. One of the things one looks at when one donates to an organisation is how much is spent on administration. People will look and say, ‘If you have too much of your donated funds committed to administration, I most probably won’t donate.’ That is how donors look at it and that is how mostly the government looks at it. But what I was concerned about was the inordinate amount of time that accreditation took for a very small organisation. It seems as though small organisations seem to be exposed to the same accreditation process as organisations like World Vision and Red Cross are subjected to. The documentation took a huge amount of staff time—in fact, I would not like donors to know how much staff time it took—as well as a lot of directors’ time. A lot of emphasis was away from the programs and on to accreditation. It seems to me that consideration ought to be given to two different forms of accreditation: one for a smaller organisation and one for a larger one. The process was

arduous. I understand accountability and the importance of good governance, but it seemed to me to have three or four AusAID people in an office in Interplas at the college of surgeons for a couple of days was overkill. I was concerned as a member of the Senate about the time that was expected to be given to accreditation.

If there is some way you can get a balance so that the process is upfront and square and we know that government funding is being used appropriately—accreditation is important for a lot of the donor countries as well—but such that you do not burden people with an administrative load that takes work away from a program for a significant period of time.

Mr Tinning—We have two different stages: a base stage and a full stage of accreditation. But the feedback you were giving is very similar to what we have heard from other agencies in terms of the burden that the accreditation process places on small agencies. That is something that we are actively considering at the moment in terms of looking at simplifying that process.

Senator PATTERSON—It may be that they need administrative assistance for a period of time because it was very arduous. As I said, when you are on the other side of a process you sometimes see it in a different light. If you can reduce that, it would be of great assistance to smaller organisations. A lot of staff are giving time over and above what they are paid for. It should not go to administrative things that could be sharpened and honed. Thank you very much.

Senator PAYNE—Chair, may I ask Ms Walker one question on Burma before we close for the lunchbreak?

CHAIR—Yes, Senator Payne.

Senator PAYNE—Ms Walker, when you were discussing with Senator Forshaw the various aspects of the contributions in the context of the cyclone, I was not sure whether Senator Forshaw asked you—and if he did I apologise for repeating it—whether there was any consideration being given to further assistance to Burma in the context of the cyclone at this point in time by AusAID.

Ms Walker—At this time we are not contemplating another contribution. We are waiting for the release of the revised UN flash appeal, in which we expect to have considerably more information about the state of needs, particularly about areas which we may be able to support in an early recovery transition phase. The assistance in the \$25 million package is flowing through to agencies but is only just being programmed and expended. We have, as I mentioned, an unallocated amount which we hope to allocate very quickly but we held that back because we had some sense that there may be an impending health emergency that we could then respond to. In fact, I think it is more likely that we will be using part of that assistance for Australian medical expertise, either with ASEAN partners or as a stand-alone team. There are issues about longer term reconstruction and recovery, which are probably more properly dealt with by my colleague Mr Moore.

Mr Moore—I would supplement what Ms Walker said by saying that, obviously on the long-term side, the government is giving thought to how we can assist in reconstruction, particularly helping people re-establish livelihoods in the agricultural areas devastated by the cyclone. We will be looking to adjust our existing programs and to re-look at priorities. It is a

little bit difficult in this environment, not least because the principal players who play the leading role in major reconstruction efforts—the multilateral development banks—will not be there. We will be seeking to make sure that the long-term assistance that we provide, like the short-term assistance, reaches the grassroots and, as I say, there will be a particular emphasis on improving and supporting livelihoods.

Senator PAYNE—Thanks, Chair.

CHAIR—The committee stands adjourned for lunch and will resume work at 1.35 pm.

Proceedings suspended from 12.35 pm to 1.34 pm

CHAIR—The committee will come to order and we will continue our examination of budget estimates in AusAID.

Senator PAYNE—I was trying to work through in an order this morning but the order went a little west, east, north and south, so let me just start with another issue. Mr Dawson, you may be aware that yesterday in foreign affairs and trade estimates I was discussing with Mr Richard Rowe the report of the Auditor-General in Papua New Guinea released at the beginning of May, I think it was, reporting on the disappearance of \$400 million, or 1 billion kina, from the Department of Finance in Papua New Guinea over the past seven years and indicating, as I understand it, that there is an ongoing commission of inquiry into that disappearance. Mr Rowe responded at the time as he was able. Then he went away and came back, as I had requested, very kindly with a response to my more specific questions, which I understood to be a combined response of the department and AusAID in relation to that matter.

However, there were two quite specific questions in the material which I asked Mr Rowe to take on notice which I do not believe are covered by the material that he placed on the record yesterday afternoon. One was in relation to this particular experience—and here I am in the invidious position of paraphrasing myself because I do not think the record is available for my reference. My question was: what specific initiatives does the government believe are necessary in terms of transparency and accountability in relation to this event? What is missing in all of the programs that were reported back to me by Mr Rowe yesterday afternoon that still allowed this to occur? Secondly, he responded to the question ‘Are Australian funds at risk?’ in writing and placed that on the record. But what I wanted to know was how can we be sure that, in that \$400 million or 1 billion kina, no Australian funds were subject to that ‘disappearance’—specifically Australian funds?

Mr Dawson—I do not think that we have any detailed accounting of the identity or of the location of the funds that were identified by the PNG authorities. I would stand to be corrected on that, but at least I am not aware of that. Therefore, it is impossible to identify which agencies were specifically involved and the funding source. But I think we have been very careful in our programs in Papua New Guinea and other countries to manage fiduciary risk as comprehensively as we possibly can. Part of that solution in the past was to act almost exclusively through trusted agents—through contractors with whom we had a commercial relationship, through trusted and competent non-government organisations, and through trusted and competent international organisations. We still do a lot of that, but we are increasingly consciously trying to strengthen country partner systems, and that means

working with those systems or at least working in close proximity to those systems. That inevitably brings with it some additional fiduciary risk. We are trying to manage that, for example, by making sure that we have independent people verifying procurement, by continuing to work with our international partners, by using our right to conduct audits regularly, and by including in our agreements the opportunity to stop or to suspend funding if we have reason to suspect that there is a problem of accountability.

This is a problem or a challenge in all of the countries that we work in where we are trying to use country partner systems more seriously. We are trying to do that because it is only by strengthening country systems of financial management and country systems of procurement that we will get more sustainable approaches to development challenges. Countries themselves need to be using their own financial systems and their own procurement systems to effectively deliver services. We are in a process of increasingly trying to strengthen those systems in a practical way by working with them.

You asked what specific initiatives are missing in the case of Papua New Guinea that could allow this to happen. I do not think there is any sort of silver bullet to the challenge of corruption. It needs to be addressed on a range of fronts, and we are trying to do exactly that. We are trying to do it through working with financial management systems, through working with oversight institutions, and through the procedures that relate to our own program and to direct assistance to strengthen the capacity of individual agencies. There is always a risk of fiduciary malfeasance. But one of the positives is that these things come to light, that there are strong independent oversight institutions that are able to draw attention to them, and that governments are able to take action against it.

Senator PAYNE—Thanks, Mr Dawson. Can you advise the committee what specific questions either AusAID or the Australian government asked of the Papua New Guinea government in relation to this matter when the Auditor-General's report was released?

Mr Dawson—I would have to take that on notice unless my colleagues know specifically—we will take that on notice.

Senator PAYNE—Are you aware of whether any specific questions were asked of the Papua New Guinea government by AusAID or the Australian government when this report was released by the Papua New Guinea Auditor-General, a report which I would suggest is courageous in the circumstances of the environment in which the Papua New Guinea Auditor-General is required to work?

Mr Dawson—I am not aware specifically of any questions that were raised with the government of Papua New Guinea about this report, but I will check that and check with our mission in country to see if there has been any specific dialogue over this report.

Senator PAYNE—So the agency that broadly speaking oversees Australia's aid contribution to Papua New Guinea, which over the seven years that this \$400 million went missing has amounted to approximately \$2.3 billion, cannot advise the Senate estimates committee whether any follow-up was made of the Papua New Guinea Auditor-General's report in relation to a missing \$400 million from the Department of Finance.

Mr Dawson—The follow-up is as I have described it. It is a multifaceted follow-up through a range of individual activities that are designed to improve transparency and accountability.

Senator PAYNE—Mr Dawson, I am blessed with all of that information from Mr Rowe and your agency yesterday. The follow-up to which I refer is a very specific issue of follow-up of a very specific Auditor-General's report of a very specific amount of \$400 million missing from the Department of Finance in Papua New Guinea over a seven-year period, an Auditor-General's report which has resulted in an ongoing commission of inquiry. Has the Australian government made any inquiries whatsoever of the government of Papua New Guinea?

Mr Dawson—I am not aware of any specific inquiries in relation to this report but, as I said, we will check and make absolutely sure and return with that information.

Ms Callan—Could I just clarify that at this stage these are allegations; they are not proven at this stage. We do know that there are discussions involving Australian department of finance deployees in the relevant agencies in Papua New Guinea over these issues. It is important to recognise that at this stage they are allegations, they are not proven and they are being looked into in the Department of Finance in PNG. So we do know that, and that kind of reporting has come back to us through the Australian government deployees in PNG.

Senator PAYNE—Ms Callan, are you suggesting that the Papua New Guinean Auditor-General is making allegations? That is not usually the style of an auditor-general in my experience, but I am happy to be corrected. You are suggesting to me that the Auditor-General of Papua New Guinea is in fact making allegations rather than producing a report of an inquiry of his into the operation of the Department of Finance. Is that what you are suggesting?

Ms Callan—What I am aware of, Senator Payne, is that there has been a commission of inquiry in the finance department since late 2006 to investigate this alleged disappearance of funds. That investigation is ongoing, and I can only assume at this stage that that investigation has been reflected in the Auditor-General's report.

Senator PAYNE—Is that an investigation by the Department of Finance into missing funds from the Department of Finance, Ms Callan? How does that work?

Ms Callan—It was a commission of inquiry set up by the Prime Minister of Papua New Guinea.

Senator PAYNE—Thank you for clarifying that. So your contention to the committee, as I understand it, is that because, as you characterise it, the Auditor-General's report is but an allegation into missing funds there is no need for the Australian government to make any inquiry of the Papua New Guinea government in that regard. Is that your contention to the committee?

Ms Callan—No, that is not my contention. My contention is that the PNG Public Accounts Committee is looking into this matter. There is a commission of inquiry in the finance department. As far as I am aware, we have not made inquiries into how those processes are working at the moment.

Senator PAYNE—Mr Dawson, I must say I find that profoundly disappointing. In March of this year on the occasion of the Prime Minister's visit to Papua New Guinea, at various points increased development assistance was announced by the Prime Minister and his ministers in a range of very important areas: to roads, to meeting the MDGs, to the fight against HIV and to the pivotal area of encouraging sport, which I am a strong personal supporter of. But that is more Australian money being contributed into this very important neighbour where we have a standing report of the Auditor-General of that nation advising of a very significant disappearance of funds. If the advice to the committee is that Australia has made no inquiry, as Ms Callan appears to have just indicated to me, as a result of that Auditor-General's report, then I think that is extremely concerning and very disappointing.

Mr Dawson—Senator, I think we need to wait for the conclusion of the inquiry which has been re-instated by the PNG government.

Senator PAYNE—I am sorry, Mr Dawson, why does Australia need to wait for the conclusion of the inquiry to simply ask a question?

Mr Dawson—Because I think it is important that we know what the conclusions of the inquiry are before we begin to have a discussion with the government of Papua New Guinea.

Senator PAYNE—What status does that mean we give the Auditor-General's report, which as well as advising that \$400 million had gone missing from the government's finance department over the past seven years apparently also advised that accounting and reporting systems in all government departments have collapsed. What status do we give to the Auditor-General's report of Papua New Guinea which advised of both of those facts—not, I would suggest, allegations? What status do we give to that report? How does it preclude us, as a significant contributing nation to the support of Papua New Guinea, from simply asking a question about the nature and direction of Australian funds and whether conceivably any of those could have been involved, and how it could have happened. How does that stop us asking that question?

Mr Dawson—It does not stop us asking the question.

Senator PAYNE—But we have not asked the question.

Mr Dawson—We have not asked the question—as far as I am aware. As I said, we will check with our post exactly what dialogue there has been on this issue.

Senator PAYNE—I would appreciate that advice. In the response that Mr Rowe provided me with yesterday on this matter which outlined a number of initiatives which include internal audits in the Department of Finance in relation to trusts, cash management and expenditure, how would we characterise the success of that initiative at this point—going well?

Mr Dawson—The initiative to—?

Senator PAYNE—The initiative of our contribution to internal audits in the department of finance in relation to trusts, cash management and expenditure. Is it going well? Has it been successful?

Mr Dawson—It is an ongoing process worked through by officers from the Australian department of finance who are working in that agency, advising PNG senior officials and PNG government ministers.

Senator PAYNE—Have any of those officers reported back to AusAID or to other Australian agencies—perhaps their head agencies—since the Auditor-General's report, on the matter of the Auditor-General's report?

Mr Dawson—I am sorry, I missed the beginning of the question.

Senator PAYNE—Have any of those embedded officials reported back to AusAID or their head agencies in relation to the matter of the Auditor-General's report since that time?

Mr Dawson—They are advisers, and they work with the government of PNG and PNG government officials.

Senator PAYNE—So they do not have a reporting role?

Mr Dawson—There is a regular touching of base with the deployees through the Australian mission in Port Moresby.

Senator PAYNE—In their regular touching of base, has there been any communication on this matter at all, of which you or any of your officers are aware?

Mr Dawson—This work extends over a period of time, since the Enhanced Cooperation Program was established possibly three or more years ago.

Senator PAYNE—I am familiar with that.

Mr Proctor—Could I offer an answer does not relate to the last bit of your question. In terms of success with trust accounts, trust accounts in PNG have been a major avenue for using public funds outside the normal budget expenditure control process. Through the Enhanced Cooperation Program, Finance and Administration employees have been working on these. They have helped PNG achieve a reduction in the number of trust accounts they operate, and therefore the chances of a diversion. The numbers are pretty astounding. More than 450 trust accounts were revoked by the PNG Minister for Finance, representing 70 per cent of all government trust funds. It is estimated this has prevented significant diversion of Kina annually, as a result.

Senator PAYNE—Yes. That was one of the items in Mr Rowe's response. Thank you, Mr Proctor. In more general terms in the area of governance, there is some emphasis in the budget's ministerial statement on improved governance. In looking at the graph on page 7 of the statement, can you explain to me what appears to be a diminution in the funding for governance between the 2007-08 year and the 2008-09 year of—I guess, based on the graph—around \$10 million?

Mr Dawson—The projected Official Development Assistance in the broad governance sector falls slightly between the 2007-08 financial year and the 2008-09 financial year.

Senator PAYNE—Why is that?

Mr Dawson—That relates to the completion of some programs during that period of time. For example, in the last financial year's budget, there was a specific one-year initiative on anti-corruption, which concluded after the 2007-08 financial year.

Senator PAYNE—Where was that anti-corruption measure targeted, Mr Dawson?

Mr Dawson—It was across a range of countries: Indonesia, the Philippines, Papua New Guinea, Solomon Islands, Vanuatu and East Timor. I think they are the main ones.

Senator PAYNE—There are also references on page 32 and page 33. The reference on page 32 states:

A panel of eminent Pacific leaders will advise on Pacific leadership and governance issues.

Then, separately from that, the reference on page 33 states:

A new Governance and Anti-Corruption Experts Group will provide access to enhanced expertise in anti-corruption issues.

Can somebody tell me more about both of those?

Mr Dawson—Mr Proctor might start on the anticorruption experts group.

Mr Proctor—He will when he finds the briefing!

Senator PAYNE—If you can tell me what the two groups are about—the panel and the experts group. How they are chosen, for starters.

Mr Proctor—Part of this is a tender process, so we need to be clear what that is.

Ms Chartres—In relation to the panel of experts on governance and anticorruption, we are in the process of finalising tender documentation for that. That is about providing the aid program with access to a range of expertise domestically within Australia, in the region and internationally. They will provide us with advice and guidance for the programs we are delivering in partner countries, and to guide us on new ways of approaching governance and improving the anticorruption approach. We will be putting out some tender documentation in the next couple of months to locate a range of people who can provide us with expertise that we will then contract on an as-needs basis.

Senator PAYNE—What is the target group—academics, or people with law enforcement experience? Where were you thinking of drawing these people from?

Ms Chartres—We will go out broadly. No doubt we will get people from academic institutions and people who have experience in this area of work from international financial institutions.

Senator PAYNE—I have forgotten the date upon which answers to questions on notice are due.

CHAIR—On 31 July.

Senator PAYNE—Thank you very much. Will the tender documents be issued by 31 July?

Ms Chartres—We would expect them to be, yes.

Senator PAYNE—Is the information around the tender able to be provided to the committee in response to an estimates question, which has to be made public?

Ms Chartres—I am sure we could provide some more detailed information about criteria.

Senator PAYNE—Could you take that on notice please?

Ms Chartres—Yes.

Senator PAYNE—That was the experts group. What about the panel on leadership and governance?

Ms Walker—I can answer that question. The panel relates to the Pacific Leadership Program, and an important aspect of that program is our partnership with the Pacific Islands Forum Secretariat. Together with the secretariat we have put together a range of eminent Pacific islanders covering a broad spectrum of society. Some are former politicians, some are involved with women's organisations, some are involved with youth organisations, the private sector and academia, and some are serving civil servants. We are in the process of finalising membership of the panel, and it is expected to have its first meeting this month. I think by 31 July we could certainly give you a list of the names of the people who are on that panel.

Senator PAYNE—Thank you—and, if it has had its first meeting, could you also advise of that?

Ms Walker—It has not had its first meeting.

Senator PAYNE—If it then has had its first meeting, could you also advise the committee of that?

Ms Walker—Yes.

Senator PAYNE—Thank you. In that part of the statement there is a reference to the use of performance-linked development assistance in this area, and an indication that Australia will provide performance-linked assistance in up to 10 countries. Have those countries yet been identified? If they have, which are they? And if they have not, what is the process for identification or inclusion of countries in that aspect of the process?

Mr Dawson—They are all countries that we are currently working on with performance-based aid arrangements. I will try to remember them all if I possibly can: Indonesia is certainly one; the Philippines is another; Vietnam is another; also Papua New Guinea, Vanuatu, Tonga, Samoa—I am not sure how many that gets me to.

Senator PAYNE—Seven. It says 'up to 10', so that is well on the way. Thank you.

Mr Dawson—I think there were a couple of other countries where we were exploring possible arrangements but have not yet got to as advanced a stage as we had with those seven.

Senator PAYNE—In terms of the performance links, what are the arrangements there?

Mr Dawson—They differ from country to country.

Senator PAYNE—Can you provide information about that on notice, perhaps?

Mr Dawson—Certainly.

Senator PAYNE—Thank you. I want to move to the area of microcredit, or microfinance as it is known. Can someone indicate to me what the Commonwealth's contribution to microcredit arrangements will be in the 2008-09 financial year?

Mr Davies—I have not got the exact figure for 2008-09. In general we have been spending an average of \$10 million per annum on microcredit programs. But I can take that question on notice and get back to you.

Senator PAYNE—Has there been an increase since the last financial year?

Mr Davies—I could not tell you; I will have to get back to you with the number.

Senator PAYNE—And that information about funding of microcredit in this budget is not here because you did not expect to be asked questions about it or—

Mr Davies—I did not expect to be asked a very specific question about 2008-09 contributions. I would expect the level of funding to be—

Senator PAYNE—I could try 2011-12 but I thought I would have more success with 2008-09. Can you at least indicate to me whether the government has plans to advance its support for microcredit, or is it more of a static arrangement?

Mr Davies—Certainly some representations have been made, particularly to the parliamentary secretary, in relation to levels of funding for microfinance. The response has been that he has asked AusAID to examine opportunities to increase investments in this area as part of a broader process of expanding access to financial services for the poor.

Senator PAYNE—I can find only one specific reference to microfinance in the papers, which is in the country program area on page 43 in relation to the Philippines. I would be pleased if you could provide me with advice of any other references, because I have reasonably assiduously canvassed the papers. You would be aware that there is to be a conference—in fact, a summit: an Asia-Pacific Region Microcredit Summit—in July this year in Bali. By whom will the Australian government be represented?

Mr Davies—That has not been decided yet, but we will be represented.

Senator PAYNE—Is the parliamentary secretary considering attending himself?

Mr Davies—He has indicated that the level of our representation will be determined closer to the time.

Senator PAYNE—Could you respond to the committee, on notice, on who will be representing Australia and what level of representation that will provide. It had occurred to me that, given the parliamentary secretary's call—in his previous incarnation as the shadow minister for international development assistance—for an increase in funding of microcredit to 1.25 per cent of the aid budget, it might be something he was considering doing himself, but I will await your advice on that. In general terms, can you advise the committee of whether AusAID regards microfinance or microcredit as an important component of the aid program in this region?

Mr Davies—I think there is a general consensus that there is a place for funding for microcredit operations as part of a broader approach to enhancing access to financial services. Microfinance programs by themselves tend to run up against certain limitations unless they are in a favourable regulatory environment.

Senator PAYNE—Is AusAID aware of what I would describe as significant, and in some cases increasing, levels of support for microcredit as an option for development assistance in the Australian community?

Mr Davies—You are asking about levels of public support?

Senator PAYNE—Whether you are aware of increasing public support in the Australian community for the use of microcredit as a development assistance option.

Mr Davies—I am not aware of any surveys which indicate trends in that regard.

Senator PAYNE—What about enthusiastic letters to the parliamentary secretary? That would be a few of those.

Mr Davies—Certainly there are letters from time to time, but it is very difficult to draw conclusions about overall levels of support.

Senator PAYNE—I must forward more than from the constituency that writes to me enthusiastically about the issue. Thank you very much.

If I could move on to some country specific questions. Ms Walker, you recall at the previous hearing that we discussed at some length the \$45 million pledge to the Palestinian territories which the Australian government had made. I think at the time we were having that discussion the *Hansard* would indicate that the World Bank trust fund was in a nascent state, it is fair to say. The TIM was about to expire and we were to move from there. What is the status of the trust fund now and how much of Australia's \$45 million has already been delivered to the assistance of the Palestinian Authority and NGOs in that area?

Ms Walker—Thank you, Senator. I can confirm that Australia's contribution of \$20 million to the World Bank trust fund to support the Palestinian reform and development plan has been paid. The agreement was concluded with the World Bank towards the end of April. We are among five or six donors at this point to that trust fund. The total value of the trust fund at the end of April was around \$83.9 million. The World Bank has yet to disburse funds from that program, but we believe that it is imminent. The fund was established in March. A range of donors have contributed to the fund. It stands at \$83.9 million. Disbursements are to be made on a quarterly basis subject to performance, and we expect the first disbursement to be made imminently.

Senator PAYNE—So the total trust fund currently stands at \$83.9 million?

Ms Walker—Yes.

Senator PAYNE—And \$20 million of that is Australia's contribution?

Ms Walker—Yes.

Senator PAYNE—Who makes up the other almost \$64 million?

Ms Walker—Norway has contributed US\$44.3 million; the United Kingdom £20 million; Finland, €2.5 million; and France has also contributed but we have been unable to find the level of their funding. The World Bank has also allocated \$40 million to the fund, and we understand that Italy and South Africa are also considering a contribution. This is not the only trust fund, as we discussed earlier in the year, that is contributing to the implementation of the reform and development plan. The European Union also has its own mechanism.

Senator PAYNE—And then there are a number of countries making significant contributions who are not prepared to make them through the trust fund. I cannot thank you enough for providing that to me in three different currencies.

Ms Walker—I am sorry, but that is the way it was provided to me. I could give that to you in a different format.

Senator PAYNE—Is it still the case that the contributions to the fund are to be provided to the Palestinian Authority without any guidance on direction?

Ms Walker—Guidance and direction is in fact included in the plan. The World Bank would reach agreement with the Palestinian Authority about the disbursement of funds for purposes that are agreed between them.

Senator PAYNE—But Australia does not have an engagement in that process?

Ms Walker—We do not have a direct engagement in that process.

Senator PAYNE—We discussed on the last occasion the unearmarked, if you like—for want of a much better turn of phrase—remaining funds of the Australian contribution which are being distributed through UNRWR and—

Ms Walker—Yes, UNRWR and UNMAS.

Senator PAYNE—Concerning contributions to the European Union trust fund—you may not know this and you may have to respond to me later—how are they directed? Are they directed through the priorities in the Palestinian Authority's plan or can they be earmarked by the European Union for direction as they see fit?

Ms Walker—The trust fund has been set up to support implementation of the plan—

Senator PAYNE—The European Union one is the same?

Ms Walker—Yes. My understanding is that the funds would be directed to sectors contained in the plan—for example, support for health services, support for education services and the like. It is possible, again as I understand it—and I am happy to check this—for the European Union trust fund's contributors to earmark the sectors that it wishes to support.

Senator PAYNE—I hear what you say about the status of the national reform and development plan and you have just indicated to me, for example, the sectors that may be included as areas to which those funds are applied. I have had raised with me concerns about application of funds in the education sector in the Palestinian territories in light of reports—some of which are taken seriously and some of which are not, and I do not pass comment or judgement on those specifically—about the capacity for extremist curricula to exist in some schools in the Palestinian territories and in some texts provided to schoolchildren in the Palestinian territories. Those concerns have been raised with me seriously in terms of the application of Australian funds, particularly given Australia's very careful stance in relation to extreme fundamentalism and similar issues in the broad of the international strategic and security discussion. Is the agency aware of reports of those sorts of concerns, and are you able to provide the committee with confirmation that we can know that Australian funding is not being used in that context?

Ms Walker—Those concerns have not been raised directly with me or with other members of AusAID.

Senator PAYNE—Have you heard of reports?

Ms Walker—I have not myself heard of those reports.

Senator PAYNE—You have not heard of any reports of concerns about extremist teachings in the Palestinian territories?

Ms Walker—No. I can say that our funds have not been used for the purpose yet, because the funds have not been disbursed. I am certainly happy to take up those issues with the World Bank.

Senator PAYNE—And you will respond to the committee on notice?

Ms Walker—Yes.

Senator PAYNE—Thank you very much. Can I move on to some of our commitments in relation to Africa. Senator Macdonald may also have an interest in this. There is, in the budget papers, as part of the allocation to Africa, a reference to supporting the reintegration of Zimbabwe into the international community. There is a reference to providing humanitarian assistance to support those most in need in Zimbabwe, to supporting civil society groups and so on. Can AusAID advise what the status of our capacity to provide that support currently is in the environment in Zimbabwe? How are we seeing that playing out? Then it also indicates that assistance will be provided as part of coordinated international donor efforts. Can you provide the committee with information about that?

Ms Walker—The estimated support for Zimbabwe for 2007-08 through the Australian Fund for Zimbabwe is around \$12 million. The majority of this expenditure is directed towards humanitarian relief, with a large proportion through the World Food Program. We also provide support for civil society through an international NGO. The activities of civil society organisations in Zimbabwe are directed towards election monitoring, election observation, civic education and promoting democratic governance. Within the increased allocation for Africa in the 2008-09 budget of \$116.4 million, we expect to provide assistance to Zimbabwe. We expect that, in the event of a transition to a new government, humanitarian assistance would be needed for some time to come, but we are also in active dialogue with a range of donor partners, looking at the prospects for the kind of assistance that would be needed to help Zimbabwe stabilise its economy and begin the process of recovery and reconstruction. Clearly, there are international agencies engaged in this work—principally the World Bank. As I said, we are in a like-minded group of donors also actively looking at these issues. The sort of funding required to even begin to address Zimbabwe's economic recovery needs—for example, the need to pay off its arrears to the World Bank Group—is very substantial indeed. We would need to advise government on the elements of an expanded package of assistance if, in fact, there is a transition and we are able to begin work with a credible government.

Senator PAYNE—Ms Walker, I think you mentioned civil society groups which we support through an international NGO, did you say? Which one?

Mr Tinning—Pact is the name of the international NGO that has a very strong presence on the ground in Zimbabwe and works well with the agencies on the ground.

Senator PAYNE—Ms Walker, I think you said in your response that they were engaged in election observing? Were representatives of Pact participants in the previous elections as observers?

Mr Tinning—The NGOs which Pact provides funding support for were among the election observers.

Senator PAYNE—Do they make reports on that election observation process?

Mr Tinning—Yes.

Senator PAYNE—Are those reports provided to AusAID up the line?

Mr Tinning—Yes. We receive general reports from Pact through our post in Harare.

Senator PAYNE—You receive those reports through the post in Harare?

Mr Tinning—It is general reporting. It is not the full detail of ward-by-ward results, but we get broad reports on their activities.

Senator PAYNE—Given the difficulty of international engagement in the election observer process—although ‘difficulty’ is rather an understatement—is it possible to provide the committee with further information in relation to those observer reports in any way?

Ms Walker—Do you mean in relation to the previous election?

Senator PAYNE—The previous election and the upcoming run-off.

Mr Tinning—We can certainly provide some of the broad reporting that the Pact gives.

Senator PAYNE—That would be of interest to the committee. Australia, through the Commonwealth in many cases, has a long and proud history—and Senator Macdonald has been part of that—of sending observers to previous elections in Zimbabwe. With no capacity to do that currently, I am sure that it would be of interest to members of the committee.

Mr Tinning—I should mention that we do not try to publicise the details of the specific NGOs that are supported by Pact, for obvious reasons—

Senator PAYNE—I understand that. If you could provide the information appropriately presented, that would be helpful—bearing in mind that, if it is provided through the estimates process, it has to be provided as a public document. But I am sure that you can cast your answer appropriately to give the committee some idea.

Mr Tinning—We will certainly do that.

Senator PAYNE—Thank you very much. Can I go to a question on HIV. Mr Proctor, in the budget there is an indication of an increase in expenditure on HIV to approximately \$130 million in 2008-09—which I think is important. I want to seek advice from you on two things. There is also a reference to the review of Australia’s HIV strategy to be undertaken in 2008-09, which refers to the development of a new international HIV strategy. Can you tell me what role you, as the ambassador, will have or what function will be assumed by AusAID in that process?

Mr Proctor—We are running that process.

Senator PAYNE—You are running with it.

Mr Proctor—We are pursuing the creation of an updated policy. That is strongly being dealt with by our HIV-AIDs adviser. We have commenced a process of consultation, firstly, through our own posts and branches and then through public consultations, which, in the last two weeks, we have held with interested parties in Melbourne and Sydney. We are planning to have two consultations overseas—possibly one in Fiji and one in Bangkok—with

international partners and countries. The aim is to finalise a revised strategy for submission to government later this calendar year.

Senator PAYNE—Can you tell the committee who the interested parties were who participated in the Melbourne and Sydney consultations.

Mr Proctor—Quite a varied group. Obviously, we consulted with Melbourne institutes like the Burnet Institute and the Nossal Institute for Global Health, a number of mainstream non-government aid organisations, including World Vision and Marie Stopes International. In Sydney, we consulted with a number of the specific AIDS NGO groups, ACON and others, and the injecting drug users group, AIVL. In New South Wales, particularly in Sydney, we consulted with a lot of academics from the institutes and the universities—both virology and social institutes on AIDS—as well as the Albion Street Centre. So it was very wide group of people, and there was very active and positive discussion, I must say.

Senator PAYNE—You mentioned some international consultation in that process. I think you mentioned Bangkok, and I am not sure if there was somewhere else.

Mr Proctor—We are planning to have a meeting in the Pacific, probably in Fiji, as the most central point to have such a discussion.

Senator PAYNE—What is the plan for the sorts of representative organisations or individuals that you intend to have at those meetings?

Mr Proctor—Certainly organisations representing people living with HIV-AIDS—

Senator PAYNE—Were they represented in Melbourne and Sydney? Probably not so much, given that that was the domestic consultation.

Mr Proctor—Definitely in Sydney.

Senator PAYNE—So it was NAPWA, the National Association of People with AIDS?

Mr Proctor—NAPWA certainly was there. There were quite a range of people in that situation. In terms of overseas and some of those regional organisations that we assist through the consortium funding through the AIDS program, we will be looking to talk of course with UNAIDS in the various countries that I mentioned as well as, of course, other bilateral partners and other UN agencies—particularly, say, UNODC in Thailand—and of course the governments concerned.

Senator PAYNE—In my observation some of the major programs that were announced in this budget are, broadly speaking, continuations in areas where we are already working. Is that an accurate observation?

Mr Proctor—Some of them are, yes.

Senator PAYNE—In terms of projects where we had already been heavily involved, and with regard to the development of a new strategy and the international HIV strategy that would be incorporated in that, has there been or is there planned to be any review or evaluation of the effectiveness of those previous programs to assist in that contemplation of the international HIV strategy?

Mr Proctor—There are a number of pieces of research underway. It is not quite the same thing as a review. There has been some review of the program in PNG, though, which will

feed into our considerations. Forgive me for going sideways for a moment, Senator, but there are a lot of other things going on as well in the AIDS environment. We have, of course, reviews underway of UNAIDS—although I think I incorrectly told you that it would be finished this year. There is also a five-yearly review of the Global Fund impact, so there are learnings from our programs but there are certainly some very big processes going on.

You will have, I am sure, seen the report of the Independent Commission on AIDS in Asia which was delivered in April. It is informing our thinking too because, for instance, it has highlighted major threats of expansion in East Asia in the female partners of men using sex workers, and particularly in urban areas there is a major growth in AIDS amongst men who have sex with men. So, all of those things are part of the consideration of the new strategy.

Senator PAYNE—Thank you. The chair has asked me to have a break.

CHAIR—I believe Senator Brown has some questions.

Senator BOB BROWN—I wish to refer to Monash University's APEC Study Centre and I particularly make reference to Mr Alan Oxley, who is the chairman, saying that he has managed a number of aid programs for the Australian government and its aid agency, AusAID. What were those programs?

Mr Moore—I do not have a detailed list in front of me but through the HIV/AIDS Asia Regional Program we have been working for many years to assist ASEAN countries, and also APEC developing countries, to make the most of opportunities in the international environment. We have been helping them to meet international commitments so that they can participate in globalisation and manage the consequences, and Mr Oxley obviously has particular expertise in regard to trade related assistance. It would be in that particular area that we would have used his services.

Senator BOB BROWN—Could you outline the aid programs in which he has been involved and what he was paid for those consultancies?

Mr Moore—I am sure we can prepare a list of consultancies that he has been associated with. I do not believe that we have that to hand but perhaps my colleague Ms Borthwick can add to my advice.

Ms Borthwick—I do not have a list of all the information you might require, but we do have a list of the APEC support projects that we have. There is the APEC Support Fund. We have one on improving APEC's capacity—Building Effectiveness and Cooperation with Multilateral Organisations. We have provided support to the APEC secretariat's Project Management Unit. The Public Service Linkages Program has an allocation for APEC related projects. There is the WTO trust fund book on trade and poverty; and the Trade Analysis and Reform Project—possibly that is one that Mr Oxley may have been involved with, but I will have to check up on that. And there are some other regional programs, including the East Asia Bureau of Economic Research, the south-east Asia research initiative and several other programs of that kind in support of capacity building in trade related areas.

Senator BOB BROWN—What is the relationship between APEC and those roles and the Australian APEC Study Centre at Monash University?

Ms Borthwick—I would have to check on that for you. They may provide some services.

Mr Moore—I am sorry, Senator, could you repeat that?

Senator BOB BROWN—What is the relationship between APEC and the roles that we have just heard about and the Australian APEC Study Centre at Monash University, which Mr Oxley chairs?

Mr Moore—I think we would have to get further advice to clarify that relationship.

Senator BOB BROWN—Would you, please.

Mr Moore—Yes, certainly.

Senator BOB BROWN—What role for AusAID, if any, has Mr Oxley had in China and/or Mongolia?

Mr Moore—I think we would probably need to take that one on notice.

Ms Borthwick—Our program in Mongolia is almost entirely scholarships. China, I would have to take on notice—I am not sure if he has any involvement in the China program.

Senator BOB BROWN—I would be very pleased if you would check that for me. And I wonder whether you would be good enough to give me and the committee an outline of the program in Mongolia—the commitment to it and what is coming out of that program.

Ms Borthwick—The key sector of our Mongolia program is strengthening human resource capacity within government agencies and commercial sectors including through Australian scholarships and the Australian Youth Ambassadors for Development.

Senator BOB BROWN—What does ‘resource capacity’ mean?

Ms Borthwick—Providing the scholarships to people who will then go back and work in Mongolia.

Senator BOB BROWN—It is making people more resourceful, is that right?

Mr Moore—I think that is a good way of putting it. As Ms Borthwick said at the beginning, it is largely scholarships provided to Mongolian citizens to come and study in Australia, with an obligation to go back and contribute to policy development in Mongolia.

Senator BOB BROWN—Just going back to Mr Oxley’s various consultancies and arrangements with AusAID: could you indicate each occasion where that has happened, what form of tendering system was involved and, if one was not, how the selection process was undertaken to engage Mr Oxley for AusAID?

Mr Moore—Yes.

Senator BOB BROWN—Thank you very much.

Senator PAYNE—The unit that was called the Fragile States Unit I think is now called the Fragile States and Peace-building Unit—is that right?

Mr Dawson—Yes.

Senator PAYNE—How does the change in nomenclature change the nature of the work of the unit, if it does?

Mr Proctor—We have just had a small amount of movement in the organisation chart. The area is primarily about fragile states and governance. Some of the resources looking at peace-

building have been relocated to be closer to the emergency and humanitarian side of the agency, but my colleague would be delighted to tell you all about the fragile states aspect in particular, if you wish. The two are obviously interrelated, and it has been a bit of a movement over the years as to which side the peace-building role should be placed on. It is part of governance, undoubtedly, but it is also part of post-emergency and civil discord response. I am not sure if I am answering your question very well.

Senator PAYNE—I am not sure you are lessening my confusion. If I understood that correctly, part of the peace-building activities of AusAID is attached to the fragile states unit and part of it is attached to the governance area, separately. Is that right?

Mr Proctor—That is right, but the peace-building adviser has actually moved across to the humanitarian and emergency side. The building up of fragile states remains with what we more broadly call governance, in my division. The humanitarian emergency side is in Ms Walker's division.

Senator PAYNE—You might need to give me your organisational map so I can see how that works.

Mr Proctor—I could do that.

Senator PAYNE—Thank you. May I ask some questions about the annual review of development effectiveness, which I was very pleased to see and pleased to read. As an initiative in the process I think it is a very valuable publication. What plans are in place for consideration of the recommendations of the first review, to start with?

Mr Dawson—Those recommendations are informing our program development across the board. For example, the work on fragile states issues is something which obviously involves a large amount of our staff since more than 50 per cent of our program is in countries that would be categorised as fragile. I suppose it leads us to a lot more analysis of the causes of state fragility and the approaches to it. It is certainly leading us to adopt a much longer time frame in the development of our activities, recognising that the pace of change is likely to be slow and it is important to stay engaged even where progress may be difficult. This goes to, I suppose, the question about technical assistance, which is another issue raised in the report. It goes to the importance of a more effective balance between technical assistance activities and service delivery activities, including at the local and subnational levels. I think the issues of state fragility are also taking us down the path of thinking much more about what we can do to support good local-level leadership and demand for more effective and responsible governance in our work with a range of non-government actors, including community groups, the media and business groups.

I think in broad the findings of the annual review have been extraordinarily helpful to us in focusing our thoughts about where we are making good progress, where we are perhaps making less effective progress and what we need to do to improve the effectiveness of development programs.

Senator PAYNE—In terms of the response process and the evaluation of the review recommendations, is there any capacity for stakeholders to make input into that?

Mr Dawson—Yes, through our normal process of stakeholder engagement, which obviously covers a range of meetings in different fora with a vast number of groups who have an interest in the aid program and have some expertise or experience to bring to bear.

Senator PAYNE—This is the first annual review. Is it intended by AusAID to maintain the review process—the ODE?

Mr Dawson—That is the intention.

Senator PAYNE—When was the report actually released? Was it in April?

Mr Versegi—It was tabled on 20 March this year.

Senator PAYNE—I thought it was kind of like hiding your light under a bushel. It was a good report and an interesting step in the evaluation of development assistance. It was tabled the day before Good Friday, which did not give it a great deal of ventilation in the short term. For what it is worth, I would observe that that is not necessarily helpful in the process. Perhaps you did not want stakeholders to look at it—I do not know. But for those of us who are keen, we were not necessarily aware of it the day before Good Friday.

The review talks about the component of the aid program, which is multisectoral. Can you give us some more advice—and probably on notice, I expect—of the programs and the projects that are included in multisectoral investments in the AusAID context and where their broad geographic base or focus is? I assume that would have to be provided on notice.

Mr Dawson—Could you direct us to any particular part of the report that you are referring to?

Senator PAYNE—Can I come back to you with a page reference, Mr Dawson? I have the report in front of me but I have just lost my page reference. If you take it on notice, I will come back with the page reference.

Mr Versegi—I think it is page 13.

Senator PAYNE—Thank you, Mr Versegi. I knew someone could help me. It is in that pie chart. Could I ask some questions about the developments in the area of—

Mr Dawson—I was not sure what the question was in relation to multisectoral—

Senator PAYNE—It is about the geographic focus of that multisectoral activity and where that is predominantly focused and the programs and the projects that you include in that 25 per cent.

Mr Dawson—I think that goes back to the same set of data that is used in the ministerial statement and the sectoral distribution graph on page 7.

Senator PAYNE—You do have lots of graphs; that is true.

Mr Dawson—This is an expenditure that cannot readily be categorised by one of the other sectors that is identified there. One element in that is international debt relief, and obviously that sort of follows countries in debt distress. There is other assistance in terms of core contributions to multilateral agencies and also through non-government organisations. So it is basically a category that covers areas that are not readily comprised by education, governance, health, infrastructure et cetera. It has no obvious geographic focus to it.

Senator PAYNE—Are there specific programs and projects that you could list for me?

Mr Dawson—They are in the categories that I was referring to before. The other area that is covered by multisectoral assistance is the management and administration costs of programs and advisory services that go to the program as a whole.

Senator PAYNE—I know we were talking about the Pacific Partnerships for Development earlier, but there was a question I meant to ask at the time. I am acutely aware of the time frame and I know that the chair wants me to wrap up, but can you explain to me, in terms of the development of Pacific partnerships, where an engagement like RAMSI fits in the context of a Pacific partnership potential or otherwise with, say, the Solomon Islands in that specific case, and how that works across government and for AusAID?

Mr Dawson—RAMSI is a regional commitment and a regional effort in the Solomon Islands obviously involving contributions from a large number of countries from the Pacific. It is to be distinguished from our government's programs that are conducted on a bilateral basis of government of Australia to government of Solomon Islands.

Senator PAYNE—If a Pacific Partnerships for Development relationship were to be established with the Solomon Islands, how would that interact with the operation of RAMSI that already exists, particularly that component of RAMSI which is Australian delivered and aid focused?

Mr Dawson—In a stricter structural sense, they would sit side-by-side because the arrangements are obviously between RAMSI and the government of the Solomon Islands, and Australia and the government of the Solomon Islands. But we would be ensuring, as we already do between our bilateral program and RAMSI, that there is very good coordination and harmonisation of those programs so there is no overlap or duplication between them and that they are dealing with complementary areas of work, and areas of work which are more properly within one domain or the other.

Senator PAYNE—Chair, I have a range of questions on debt relief, climate change adaptation, the access to clean water and sanitation program, the avoidable blindness in our region program and the strengthening global food security program which, if I may indicate, I will place on notice to your enormous relief and to the enormous relief of the officers. I thank the officers very much for their assistance with today's proceedings.

Senator HOGG—I will not take long, again, in view of the time. I normally ask, as the officers at the table know, for a break-up of ODA by government department and agency. I understand that is available again?

Mr Dawson—That is right, Senator.

Senator HOGG—So if that could be tabled, I would appreciate it. The other brief questions that I want to ask go to the Centre for Democratic Institutions. Do you answer questions on behalf of that organisation or in relation to that organisation?

Mr Proctor—We do, Senator; we fund the CDI.

Senator HOGG—I want to get some idea of the funding—what is happening with the funding, the staffing, what purpose is the funding used for, reporting and accounting of the

funding, and where do they appear in the annual report? I will go back through them but I am giving you a brief overview in case someone wants to handle all aspects.

Mr Proctor—The CDI is located at the ANU. It has a small number of staff. It works particularly with parliamentarians in developing countries and it has an overseeing board which includes members of various political parties and others. Perhaps, if I take your specific question?

Senator HOGG—The question on the funding: what is the annual funding, recurrent funding? Is it over a three-year period or does it change from year to year?

Mr Proctor—It is \$1.3 million per annum.

Senator HOGG—Over what period of time is that for—is that each year for three years or five years, or does it receive an increase on an annual basis or a decrease?

Mr Proctor—I would do not think it necessarily receives an increase. By memory, it is three-year.

Senator HOGG—I thought that it worked on a three-year contract. Have you got any idea of the staffing?

Mr Proctor—I think we may have to come back to you on that.

Senator HOGG—The purpose that the money is used for?

Mr Proctor—As I said, it is for assisting the development of democratic institutions in developing countries in our region. So, for instance, it has a number of programs for members of parliament to develop their skills and their roles. It has targeted on occasion, I can recall, East Timor and the skills of people entering parliament there. Maybe some of my geographic colleagues may have some other examples, but that is the type of work that it does. It deals with an area that AusAID, as a bureaucracy, would not be particularly good at, which is working on the political processes of governance in countries and helping improve the function of parliaments.

Senator HOGG—All right. Given the type of engagement, is there any reporting or accounting for the funding that is expended by CDI to AusAID?

Mr Proctor—Within our annual report for last year, on page 111, there is a listing of key achievements and democracy building. The first dot point related to CDI. Very briefly:

- encouraging stronger democratic institutions in our region (specifically Melanesia, Indonesia and East Timor)... short-term training in parliamentary processes and political party strengthening, building regional political governance networks and applied research on democratic systems and institutions. Over 300 parliamentarians, parliamentary officials and political party officers from the region attended training courses during that year.

I am sure the CDI does report to us more fulsomely. From memory, I think they also produce their own report, for publicity purposes at least.

Senator HOGG—Is that tabled in the parliament?

Mr Proctor—Not to my knowledge.

Senator HOGG—I am not critical of the organisation—I think it is one of the most worthwhile organisations I have seen for a while—I am just fearful that it is hidden in the

corner and no-one knows what it does. I know there are people from this parliament, either from the Senate or the House of Representatives, who do participate in its programs and find them extremely worthwhile. It is playing a significant role, from what I can see, in our local region. I will chase up a copy of their annual report, if they have one, and look it up there.

CHAIR—That concludes our discussion on both outcome 1 and outcome 2 for AusAID. I thank all of the officers for coming along, and particularly those who had to reorganise their diaries to come this morning; your assistance is appreciated. We will now turn to output 1.1.7—Bilateral, regional and multilateral trade negotiations and output 1.1.8—Trade development/policy coordination and Asia-Pacific Economic Cooperation.

Mr Chester—If it is possible, Chair, could we correct an answer that was given yesterday in relation to a question that Senator Nettle had asked?

CHAIR—Do you have a prepared comment to make?

Mr Chester—Yes.

CHAIR—Why don't you go ahead now.

Mr Chester—I do not have it; I will ask Mr Woolcott come and do that.

Mr Woolcott—I would just like to clarify my remarks yesterday in response to a question by Senator Nettle concerning the two named individuals on the Burma financial sanctions list who are present in Australia. As I said yesterday, the issues of nationality and residence were not relevant to the criteria under which the individuals were listed. Information on the two named individuals was held in different contexts in the department prior to their listing. We will take further questions on this matter on notice.

[2.56 pm]

CHAIR—We will now turn to output 1.1.7, Bilateral, regional and multilateral trade negotiations, and 1.1.8, Trade development/policy coordination and Asia-Pacific Economic Cooperation. I will ask Senator Ellison to open up the batting.

Senator ELLISON—The questions I have for this sector relate to the Mortimer review. Is this an appropriate time to raise that?

Mr Chester—Yes it is. I will ask Mr Brown to come to the table.

Senator ELLISON—Thank you.

Mr Chester—I apologise for the delay; Mr Brown is here—

Senator ELLISON—We can go on to something else. Perhaps we can talk about efficiencies and how that affects staffing.

Mr Chester—Certainly.

Senator ELLISON—When this was last looked at in the previous estimates it was early days and the government had just announced the dividends in some areas that were required. Now there has been the effluxion of time; I wonder if you could you outline, in the area of trade, how those efficiency dividends will affect staffing?

Mr Chester—As you say we covered some of these issues in the additional estimates process in February. At that stage the department had implemented a number of savings

measures in relation to the implementation of a number of election commitments. One of those election commitments revolved around the reversal of funding for the China FTA negotiations. What the department did to meet that savings requirement was to look at other areas of the department where resources could be reduced, given that the work on the FTA was continuing. There were some positions that related to the FTA that were affected. A position at our embassy in Beijing was withdrawn and a locally engaged staff position in Beijing has been withdrawn. As I said, the work has continued on the China FTA negotiations, and offset savings were found elsewhere in the department. Do you want me to go through those again? We covered some of those yesterday.

Senator ELLISON—In relation to the costs that are being absorbed by the department, can you outline where that is occurring? I understand that the negotiation of the Chinese Free Trade Agreement was a cost which was being absorbed; is that correct?

Mr Chester—That is correct. As I said, there are a number of measures where we were required to find savings, and \$57.25 million worth of savings over four years were announced in January. As we discussed yesterday and at the previous estimates hearings, that revolved around the reduction of some 20 positions overseas, including the position in Beijing that was involved in China FTA negotiations; a partial recruitment freeze for this financial year; and some other savings in our administrative budgets, such as a slight curtailing of travel and representation allowances.

Senator ELLISON—What actions did the department take in order to mitigate these cuts, as far as department of finance and Treasury were concerned? Was there any action taken by the department to mitigate these cuts?

Mr Chester—This question was asked yesterday and—

Senator ELLISON—I am sorry; I did not realise that.

Mr Chester—as I said yesterday, as a result of concerns about the quantum of the impact of the \$57.25 million cuts plus the one-off two per cent efficiency dividend, the government agreed to a rephrasing of some of the cuts that we were facing. That rephrasing was done during the additional estimates process. As a further ongoing recognition of some of the difficulties the department was facing, the government agreed in the budget process to supplement the department for the amount of \$12 million for this financial year and to undertake a so-called root and branch review of the department's activities.

Senator ELLISON—How will work on the free trade agreements be affected by these changes?

Mr Chester—They will not. As I have said, we have looked at finding those savings elsewhere so that they do not impact on the FTA negotiations. For example, with the China FTA, the negotiating team is essentially the same size for the forthcoming round as it was for the round of negotiations late last year.

Senator ELLISON—I understand that, at the previous estimates committee, departmental officials stated that the senior agricultural negotiator position had not been abolished and replaced with a more junior position. Is that still the case?

Mr Chester—That is still the case. The position is vacant. The previous occupant has been promoted to head the division that deals with multilateral trade issues and is still involved in agricultural issues, as is the head of the agricultural branch. The position has not been abolished but there is not a current occupant of the position.

Senator ELLISON—Generally speaking, what priority, if any, do bilateral agreements receive in relation to the department's approach to dealing with these agreements? In the portfolio budget statements it states on page 3 or thereabouts that multilateral agreements are a priority. Where are bilaterals placed in that?

Mr Chester—I might ask one of my trade colleagues to come and address this issue. I will ask Mr Tighe to start off on this.

Senator ELLISON—Thank you.

Mr Tighe—As you correctly pointed out, Senator, we have several arms to our overall trade policy, one of which is the multilateral negotiations. We complement those with negotiations at a regional or plurilateral level as well as a bilateral level. As you are probably aware, we have a number of bilateral free trade agreements—for example, with New Zealand, the United States, Singapore and Thailand. We are currently negotiating bilateral agreements with China, Japan, Malaysia and Chile. We are negotiating plurilaterally with the Gulf Cooperation Council and with ASEAN along with New Zealand, so all arms of our trade policy are integrated in that way. The bilateral FTAs that we seek to negotiate are complementary. We seek to engage in bilateral negotiations that add to the outcomes that we can get from the World Trade Organisation either because we can negotiate them more fulsomely with a more limited number of partners than we can in the WTO or because we can do them more quickly.

Senator ELLISON—On 8 February 2007 the Minister for Trade, Mr Crean, said:

Bilateral trade deals are a very poor second cousin to multilateral or regional agreements. Bilateral agreements can lead to trade diversion rather than trade creation ...

Is that a policy that is being pursued by the department in relation to these bilateral agreements, that they have second place?

Mr Tighe—I would not say they have second place but, when we enter into a bilateral negotiation, we seek to negotiate an agreement which is comprehensive and which can deliver for us outcomes that are in addition to the outcomes that we would get out of the World Trade Organisation or out of multilateral negotiations that have gone before that. I do not think that it is a zero sum game. You can do both in a perfectly complementary way at the same time.

Senator ELLISON—As I understand it, a bilateral can actually be used to enhance the benefits that you get out of a multilateral agreement. For instance, you mentioned enhancing the benefits you get out of Doha or some other regional agreement. You can then use a bilateral agreement to enhance those benefits which are of a more general nature.

Mr Tighe—That is correct.

Senator ELLISON—I do not have any further questions, but I understand Senator Trood has some on the bilateral trade agreements.

Mr Chester—Mr Brown is here if you want to pick up on the Mortimer review now, or we can do it later.

Senator ELLISON—I just think that while we are on bilaterals, let us carry on and then we will revert to Mortimer after that.

Senator TROOD—Can I talk to you about the China bilateral, Mr Tighe?

Mr Tighe—You can talk to Mr Wells about it if you wish, Senator.

Senator TROOD—I heard what you said, Mr Chester—perhaps I should address these remarks to you to begin with—about the fact that this cut in funding was not going to affect the progress of the negotiations. I notice that, when the Prime Minister was in Beijing earlier in the year, he said that there had been a bilateral agreement to unfreeze the progress of the bilateral. So that suggests to me that, whether or not they were frozen, there was now to be another round or progress being made in relation to the negotiations. How does that square with the fact that something in the vicinity of \$6.4 million is being cut out of all funding in relation to the China free trade agreement. I think the proportion relating to DFAT is \$4.1 million.

Mr Chester—I think that is right. I do not have the figures with me, but it is something of that order, Senator.

Senator TROOD—Excuse me for misunderstanding this, but there seems to be an inconsistency between so-called unfreezing the negotiations and ripping \$4.4 million out of the progress towards funding—not so much unfreezing as putting them back into cold storage, I would have thought. Perhaps, Mr Wells, you could explain this to me?

Mr Chester—If I could just explain on the money side: as I said earlier, the negotiations continue, the resources devoted to the negotiations have stayed the same and the savings that the department has been required to find have been found elsewhere—for example, through the reduction of those positions overseas, through the recruitment freeze and other savings that were announced in January.

Senator TROOD—Was that \$4 million a generous funding commitment to these negotiations or was that not specifically related to these negotiations?

Mr Chester—The funding was provided by the previous government to fund the China FTA negotiations.

Senator TROOD—So that is gone, but you are confident that we can continue these negotiations with the existing resources?

Mr Chester—I am very confident, because we are doing it.

Senator TROOD—Perhaps you can explain to me what the \$4 million was going to be used for?

Mr Chester—It was being used to cover some of the costs of the negotiations: staff costs, travel costs, the costs for having various rounds of the negotiations. But, as I said, those costs are now being met elsewhere in the department's budget through other savings measures.

Senator TROOD—Now that the negotiations have apparently been unfrozen, does that meant that the previously expected tempo of negotiations—that is to say the conferences, the

meetings, the negotiations, the personnel that have been devoted to it—will continue? Can you assure us that an equivalent amount to the \$4 million which was going to be used for those purposes will be found, to continue the negotiations in the way which would have been the case previously?

Mr Chester—I will ask Mr Wells to talk about the detail of the forthcoming negotiations and the specific resources that are going to be applied.

Senator TROOD—Four million dollars in the context of the Department of Defence budget would be trivial, but \$4 million in the context of your budget is a significant amount of money. Perhaps Mr Wells can address this for me. I would like to be assured that, now that the negotiations are back on track, they will continue to be prosecuted with the same kind of enthusiasm that was originally intended.

Mr Chester—I am sure Mr Wells will assure you of that.

Mr Wells—As Mr Chester has assured you, the department will be devoting the same amount of negotiating resources to the resumed China FTA negotiations as was the case at the last negotiating round, in October last year. You did mention some of the other elements that were involved in the China FTA work program at an earlier stage. You mentioned conferences. Perhaps it would help if I explained that, in the earlier stages of the negotiations—they have been running for three years—a considerable amount of resources was spent on what you could describe as preliminary advocacy activity: large-scale conferences with China, covering various sectors, and small seminars covering an even wider range of sectors.

All of these activities were useful and were necessary in order to explain more clearly to Chinese stakeholders the issues involved and to reassure those stakeholders that the results of an FTA would not have a negative impact on China. The department spent a considerable amount of time and resources on those conferences, seminars and other activities, but it is our assessment that, particularly now that the Prime Minister has unfrozen the negotiations, we are at the stage now where the emphasis should be on the actual negotiations of the commitments rather than on this rather expensive advocacy work, of which we did a considerable amount in the first two to 2½ years of the negotiations. So the allocation of resources to the negotiations at the moment is quite appropriate and will be sufficient for us to obtain the best outcomes that we can from China.

Senator TROOD—I approve of the strategy. It seems to me sound and, where there are anxieties about the impact of any kind of agreement, including trade, then it is a useful activity to try to prepare the ground and allay those concerns. But this \$4 million that relates to DFAT is, I assume, projected funding. It is funding in relation to negotiations going forward, so whatever money you may have spent already in preparing the ground, conference work et cetera—and I expect you are right; it is very expensive—this funding was placed in the budget for the purposes of proceeding with the negotiations. What you seem to be saying is that this is a rather less expensive process than the kind of conference work that went on in the beginning. I am prepared to accept that, as you suggest, but where are you going to get the \$4 million from the department to prosecute the negotiations?

Mr Wells—At the moment we are funded to cover the 16 positions in the department that are devoted to the China and the Japan FTA negotiations. My understanding is that, in fact, we are funded also for the next financial year for those positions.

Mr Chester—That is correct.

Mr Wells—I do not want to say when we expect the negotiations to finish but, given that they have been going on for three years already, the department is very hopeful that over the next 18 months we would begin to make real progress.

Senator TROOD—They are difficult negotiations. I understand that there are considerable sensitivities on both sides and I am very much aware that on the Australian side there are sensitivities amongst Australian business and various industry sectors. I do not have any doubt about the complications that are involved. In fact, that underscores from my perspective the fact that you may well need this kind of level of funding to work your way through the issues. What I am anxious about is that you will have the resources that are needed to make sure that the agreement can proceed in a diligent way, and in a way which of course reflects our trade interests.

Mr Wells—I can only repeat that we are now at the stage where the focus will be on the detailed, difficult and time-consuming negotiations, and the resources that you need for that are negotiators, are people. There are 16 funded positions for those negotiations and, on the basis of our past experience, we are confident that level of resources should be sufficient to carry us through this re-engagement of negotiations with the Chinese.

Senator TROOD—Let us assume that there will be no stinting on the resources that are available, and you can do what is necessary to be done to conclude the agreement. Perhaps you could outline for me the next couple of steps that you envisage taking place to reach an agreement?

Mr Wells—We will be resuming negotiations with the Chinese in the week of 16 June. Following the Prime Minister's visit to China, the trade minister, Mr Crean, held a meeting with his counterpart, the Chinese commerce minister, and they mapped out a rough program for the next stage of the negotiations. I can mention some of the elements of that, if you are interested.

Senator TROOD—I would be grateful to you, thank you.

Mr Wells—The Chinese have undertaken to provide a revised tariff offer at the next round in June. We are still awaiting final confirmation that China will be able to do that. So far, the signals are good. That would be an important landmark in the negotiations, because—as you are probably aware—tariff negotiations have been on hold for about 18 months following a poor quality Chinese tariff offer. The provision of a revised tariff offer could, depending on the quality of that offer, represent some progress in the negotiations.

The other element that I should mention is that Mr Crean and the Chinese commerce minister agreed that at the next round—this followed on from a proposal made by the Prime Minister to the Chinese premier—both sides would seek to negotiate some early outcomes in sectors of interest to each side. The thinking behind it is that some early outcomes would serve to build confidence on the part of both governments, and that we will be able to finalise

these negotiations—bearing in mind what you have quite rightly said, that these negotiations are complex and difficult.

Those, we hope, will be the two major elements of the next round of negotiations in June. Mr Crean has proposed to the Chinese side that if the June round makes reasonable progress that we intensify the pace of negotiations for the rest of this year and try to hold several more negotiating rounds in this calendar year.

Senator TROOD—Have the Chinese accepted that proposition?

Mr Wells—The Chinese have agreed that we will need to see what sort of progress we make in the June round but they say in principle that if we do make some progress then we will look at scheduling another two rounds after the June round.

Senator TROOD—Where will the June negotiations take place—are they here or in Beijing?

Mr Wells—In Beijing, Senator.

Senator TROOD—Are you continuing your contacts with Australian industry and business as you prepare for this round of negotiations?

Mr Wells—Yes, we will be consulting Australian business, particularly after the June round, because then we will have something new to say to them. As you will appreciate, the negotiations have been frozen since October last year, so there has not been a great deal we could say to business. In the area of services, particularly in the services sector, where we will be trying to negotiate early outcomes, we have been consulting business in the lead-up to the June round.

Senator TROOD—Your plan is still to have a comprehensive agreement, not one that in light of the difficulties you are inclined to narrow the number of sectors that have been incorporated into the agreement?

Mr Wells—The government is aiming to achieve a high-quality, comprehensive agreement with China.

Senator TROOD—Good. Thank you.

Senator ELLISON—Could I ask about the previous estimates where evidence was given. Mr Spencer said:

For the Japan FTA, the department was not provided with additional resourcing. The cuts to the budget for the Japan FTA focus on other agencies, and again the message to those agencies was not to cease participating in the negotiations but to absorb the costs of negotiations within their overall budget.

What can you tell us about that? Can you give us an update on that? That was in estimates in February this year. Can you please update the situation there for us?

Mr Chester—That is correct. The funding for the Japan FTA that was provided in previous years was provided to other agencies to fund their participation in the negotiations. The Department of Foreign Affairs and Trade did not seek additional funding to cover our lead role in those negotiations. We were in a position to absorb our costs and to reorganise so that the same negotiating team, the same group of people, in the department that were doing the

China FTA would do the Japan FTA. I will ask Mr Wells if he has got any advice on the participation of other agencies as a result of that.

Senator ELLISON—And the progress made since last estimates.

Mr Wells—On the question of participation of other agencies, as you will appreciate, it is up to other agencies to decide when it is appropriate for them to participate in a particular negotiating round. This will depend on the issues that are covered in that round. The agenda is not fixed; it can vary from round to round. But, having said that, we certainly have not noticed any diminution in the interest of other agencies or their participation in the Japan FTA rounds.

Senator ELLISON—Two questions there, the first part being: their interest might be all very well, but what progress has been made that the department is aware of? The department being the lead agency would have a role no doubt in moving this forward, would it not?

Mr Wells—Indeed, it does. Japan is Australia's largest export market by far. To obtain a comprehensive, high-quality free trade agreement with Japan would be a considerable achievement that would benefit a range of Australian exporters, so it is very much a departmental priority. You asked what progress we have made: I think since last estimates, we have held—sorry, when was last estimates?

Mr Chester—February.

Mr Wells—Since last estimates, we have held two negotiating rounds with Japan. The first round saw the commencement of our market access negotiations in goods. During this round, each side tabled its tariff offer and tabled the requests that it made to the other side on tariffs. The tariff offer tabled by Japan was, from Australia's point of view, notably deficient in the area of agriculture. This did not come as a surprise to us. The Japanese had said, in advance of the negotiations, that they would be excluding from their tariff offer a range of commodities of interest to us. They did that—in fact, they even went beyond that—so it was a disappointing offer.

We pursued some of those issues at the most recent round, which was in April. But I think it will take us quite some time to move Japan on this issue. As you will appreciate, it is a very difficult and very sensitive issue for Japan, but we have made it clear to Japan that the exclusion of the products that Japan is seeking to exclude is not an option for Australia.

The other point I will mention is that at the last Japan round we also began our market access negotiations on services and investment. Each side tabled the offer it was making to the other on services and investment. That is an important area for us. We do hope to obtain some very useful outcomes on services from Japan.

Senator ELLISON—Has there been a change in focus over the last three months to be more to China and less to Japan?

Mr Wells—In terms of the FTA negotiations, no, not at all, Senator.

Senator ELLISON—The other questions I have relate to the South Korean FTA. I think Senator Trood might have had a question on some aspect of that.

CHAIR—Before we go, have we finished Japan and China?

Senator TROOD—I just want to ask Mr Wells a follow-up question on Japan. In light of the challenges involved in negotiations with Japan, Mr Wells, had you thought of a change in strategy along the lines of the ones that you are pursuing with regard to China—that is to say, to try and seek an early breakthrough—or is the quantum of the trade relationship between the two countries one that perhaps precludes that or makes it undesirable as a way to proceed?

Mr Wells—I think you are right, Senator; it does preclude us. Although it is never wise to minimise the difficulties in any aspect of a trade negotiation, I think it is true to say that, in the case of Japan, given the similarity and the levels of economic development and the fact that we are both relatively open economies, there is not very much difference between us on any issue except for agriculture. The difference between us on agriculture is, as you know, very great and, realistically, to bridge that difference will require a political decision on the part of Japan. All we can do, on the Australian side, is to make it very clear to Japan, no matter how long it takes, that Australia will not accept the sorts of outcomes on agriculture that Japan is proposing at the moment. At the end of the day, the Japanese government will have to decide how far it can move politically in order to obtain an FTA with Australia. I think that will take a considerable amount of time. We will have to be patient and we will have to be firm.

Proceedings suspended from 3.30 pm to 3.49 pm

CHAIR—The committee will come to order. We are continuing output 1.1.7.

Senator TROOD—I understand that we are not as yet negotiating a free trade arrangement with South Korea. We are in exploratory negotiations. Mr Fletcher, I wonder whether you would just spend a few moments telling us the progress that has been made in those discussions, please.

Mr Fletcher—On 22 April there was a joint non-government study into the feasibility of an FTA with the ROK, which was released. That was not an official study, but it was undertaken with the blessing of both governments. Where we are now is that we are following up at an official level in Seoul with the government of South Korea to see whether they are prepared to begin formal negotiations. Frankly, the context there is that they have concluded an FTA with the United States but that has not yet been ratified. There is some domestic debate about the advisability of that FTA with the United States and, until that is resolved, it is probably not likely that we will see the South Korean government formally say, ‘Yes, we want to do one with Australia.’ We believe it is only a matter of time until the FTA with the United States is ratified, so in the meantime we are proceeding both in Australia and with the Koreans to talk as if we will get to that point of starting negotiations. We want to do one. We would like to get to that point, but we are not there yet.

Senator TROOD—I see. Is the view that you have put in relation to the Korean attitude shared across Korean politics, or is that a narrow, partisan view, as it were?

Mr Fletcher—Sorry, I am not aware of precisely, in terms of political parties, where it is coming from, but certainly the agricultural sector is very nervous about FTAs with any major agricultural producer, such as the United States or Australia.

Senator TROOD—I did actually want to ask you about the US free trade agreement. I understand it has not been ratified. How much time do you think it is going to be before that occurs?

Mr Fletcher—I cannot speculate on that. Sorry.

Senator TROOD—It caught my eye in the newspaper this morning that some Koreans are rather exercised about the prospect of US beef imports, as you may have seen. According to this newspaper article I saw this morning, there were riots in Korea yesterday with regard to increased beef imports or resumed US beef imports, as I understand the situation. Clearly, that is a hot topic in Korea, to say the least.

Mr Fletcher—The concern may be more about food safety than about beef itself.

Senator TROOD—I see.

Mr Fletcher—Due to BSE problems, US beef exports were suspended for a time, and in fact Australian beef exports have grown quite substantially in the meantime. Beef exports from the US resumed, but then there were some problems and they were suspended again.

Senator TROOD—Yes.

Mr Fletcher—The debate may well be related to food safety rather than to beef itself.

Senator TROOD—It all becomes part of the mix, it would seem, in the politics of the moment, but can you tell me whether or not you have done an assessment of the impact of the US-Korea Free Trade Agreement on Australia's beef exports to South Korea? There is clearly an expectation that US beef imports to Korea will grow considerably as a result of that FTA once it is put in place—I think I am right in saying that—and there is clearly a possibility that our market there is going to be quite severely affected. Have you done an assessment of that?

Mr Fletcher—That is correct. The US FTA with the ROK would reduce over 15 years the current tariff of 40 per cent which applies to US beef. That would clearly have a big impact on our own market. We now have about 80 per cent of the Korean beef market as a result of the suspension of US beef sales, and that is one factor that means that we are quite keen to negotiate an FTA ourselves. That said, Australian beef has been quite successful in the market there and the market has grown overall. Obviously we will lose market share if US beef is tariff free, but we might not lose it all.

Senator TROOD—Are there any other sectors of Australian exports to Korea that might be similarly affected as a result of the US free trade agreement with Korea?

Mr Fletcher—I might have to take that on notice. I have only been briefed about beef. It is the 'main beef', so to speak.

Senator TROOD—Okay. It was the right call, Mr Fletcher, obviously. That is all I have on this. Thank you.

Senator ELLISON—Just carrying on from that line of questioning, can I ask whether departmental officials have met with their colleagues in the department of agriculture to discuss the situation and, in particular, the possible effect on our beef exports apropos the USA-Korea FTA?

Mr Fletcher—I am sure those discussions have taken place, but I do not have personal knowledge of them. I am only newly arrived in this position.

Senator ELLISON—Do you know if the minister, Mr Crean, has met with his colleague the minister for agriculture to discuss the situation?

Mr Fletcher—I will have to take that on notice.

Senator ELLISON—Has the department consulted or had any approaches from the NFF regarding the situation?

Mr Fletcher—Yes, the department has undertaken a range of consultations with Australian industry, including the NFF and Meat and Livestock Australia—or it has been in contact with the main stakeholders in the trading relationship with Korea to seek their views on a possible FTA and also to brief them on the study.

Senator ELLISON—Have they made submissions to the department in relation to the situation?

Mr Fletcher—Submissions have been invited. Submissions were received from a number of peak bodies including the NFF.

Senator ELLISON—So you are yet to receive them?

Mr Fletcher—No, they have been received.

Senator ELLISON—They have been?

Mr Fletcher—Consultations were held in February and June last year and then a round table was held in Canberra subsequently, and submissions were received—I do not know exactly when—including from the NFF.

Senator ELLISON—Has the minister been made aware of the submissions?

Mr Fletcher—I am not certain when the submissions were received and which minister would have received them.

Senator ELLISON—Could you take that on notice, please?

Mr Fletcher—Yes, I can.

Senator ELLISON—Thanks. And will the submissions be made public?

Mr Fletcher—I do not know.

Senator ELLISON—You can take that on notice as well, thanks, and whether they can be provided to the committee. If they can be made public, that would be good. Has the department been instructed to accelerate consideration of this feasibility study? You mentioned the meeting that took place, or the first step in the process, if you like, looking at the feasibility of it all. Has the department been instructed to accelerate consideration of that?

Mr Fletcher—I do not think ‘accelerate’ is the right term. We are talking to the Korean government about the next steps.

Senator ELLISON—Is that standard process?

Mr Fletcher—Yes.

Senator ELLISON—Do you know if the ministers met with any industry groups such as the NFF or the MLA to discuss this?

Mr Fletcher—I will take that on notice.

Senator ELLISON—Thank you. I would be grateful if you could provide that to the committee. That is all I have on the South Korea FTA.

CHAIR—Thank you, Senator Ellison. Are there further questions on output 1.1.7?

Senator ELLISON—Yes, thank you. I have a couple of questions on the Doha Round and might deal with that now and go to Mortimer after that if we can. Is that an appropriate way to go?

CHAIR—Yes, the Doha Round is fine.

Senator ELLISON—What work outside of Doha is the department undertaking on the agricultural and industry sectors? We have a burgeoning service sector. What is the department doing outside of the Doha Round to increase the export of these?

Mr Yeend—Obviously, agriculture is a key element of the negotiations under Doha. The first thing I would say is that the main priority in terms of getting an outcome that is a good outcome for Australian agriculture is to focus our efforts on getting a successful conclusion to the Doha Round. That is where we see the main priority for the government at the moment. Obviously, we pursue improved agricultural access through a number of means, including through the bilateral negotiations as well as free trade agreements with various trading partners. Those are the areas which are the main focus of departmental work in terms of trying to get a strong outcome for Australian agriculture.

Senator ELLISON—Is it the position of the negotiating team that the priority is to remove export subsidies or to seek greater market access—or both?

Mr Yeend—The priorities are in three key areas: to get improvements in market access, to get major reductions in farm subsidies and to seek the elimination of export subsidies. The Doha negotiations are focused on those three key areas. We have been making significant progress; in particular, we have already a commitment from the major users of export subsidies, subject to a conclusion to the Doha negotiations, to seek the full elimination of export subsidies. The texts that are currently under discussion in the negotiations also present the opportunity for quite significant cuts of both farm subsidies and market access barriers.

Senator ELLISON—Is there any priority attached to those three areas of negotiation that you are talking about?

Mr Yeend—We would say that they are all priority areas. It is certainly recognised that, of those three areas, the area that requires the most significant attention is still in the market access pillar—as we call it—of those three issues. This reflects that, despite progress that is being made and has been made in recent months in narrowing down the number of outstanding issues in the market access pillar, there is still a range of issues where further clarity is required, both to do with developed country market access and, importantly, developing country market access, to give us the kind of certainty we need to be able to see what the result of the negotiations will be. To answer your question, all three areas are all important but Australia—indeed the whole WTO membership—in recent months in the agriculture negotiations has focused its attention very much on the market access element of the negotiations.

Senator ELLISON—It seems that there is some progress with the Doha round. Would you agree?

Mr Yeend—Yes. Certainly this year there has been a real intensification of work on Doha, particularly in the areas of agriculture and also non-agricultural market access, as we call it, which are basically manufacturers of industrial products, and also in other areas of the negotiations—there are a number of other related areas. This intensified work has resulted in some good progress on agriculture, particularly in the area of so-called sensitive products, which up until now has been one of the key sticking points in the negotiations which relates to the level of market access that we would particularly be able to negotiate into key developed country markets. In the latest agriculture text that has come out, issued by the chair of the negotiations, there has been a narrowing of positions in some of these areas, which is encouraging. But, as I said before, there are still other areas where there is work to be done. That work is currently being pursued intensively in Geneva, with agriculture negotiators having been in Geneva for much of this year trying to move all these issues along.

Senator ELLISON—Notwithstanding that sense of optimism—if I can put it that way—with the progress, the intensification, is the department working on a fallback position beyond Doha should progress not prove to be fruitful, in that we do not get anywhere? Is there a fallback position being worked on?

Mr Yeend—The priority and all our attention at the moment is focused on getting a successful outcome to the Doha negotiations. As I said, they are at a key point at the moment. Everyone is working towards trying to get breakthroughs in these key areas in the next month or so. That certainly is where the bulk of the attention has been in the work that is going on on Doha. There have not been any major pieces of work or the like on what might happen post Doha. The focus has very much been on the Doha negotiations and getting an outcome as quickly as possible.

Senator ELLISON—So there is no need seen to cover any other bases in the event that Doha might not prove successful? There is not a risk seen, if I can put it that way? Having regard to what you have told the committee, there does not appear to be any risk sufficient to warrant the department to look at other alternatives?

Mr Yeend—At the moment our view is that the focus needs to be on getting a successful outcome to the Doha negotiations. Given the progress that has been made in recent months, that is where the focus is. Obviously, Doha is the key priority, but there are other elements to our trade policy both at the regional and at the bilateral level that are also being pursued and that also provide the opportunity for improvements to our market access into other countries. But, at the moment, the focus on Doha is very much looking at getting a successful outcome to the negotiations.

Senator ELLISON—This leads a bit into what I will be asking about the Mortimer review of trade policy. Looking at Doha and the apparent resurrection it seems to have achieved—when you think that the Prime Minister said back in 2006 that the Doha round was as ‘dead as a dodo’—it would appear that, indeed, there has been some resurgence of optimism. Now that it has been resurrected, it seems to be up and running, from what you are saying. Is that a big change in the way—

Mr Yeend—The negotiations, as you are probably aware, have had many ups and downs since they were launched in 2001. There have been a number of major breakdowns in the process along the way, including one about this time last year. But, since that time, WTO members have committed to intensifying work, particularly in the areas that I have mentioned, with a view to again trying to secure a breakthrough in the negotiations, recognising that we are now at a key point in the process, coming up to the middle of the year, where we need to get some outcomes on the key issues on agriculture and non-agricultural market access, hopefully to be able to agree on the negotiating modalities that would allow us to finish the negotiations now. The government is working very hard with that objective in mind because it is a key trade policy priority, and we get very strong industry support for trying to get a Doha outcome. I think the government is optimistic. We are pushing for these kinds of breakthroughs that will hopefully see ministers gather in Geneva in the next month or so to make some decisions on these key areas. That is certainly what we are working towards. But the only thing I would say is that it is, and continues to be, a very difficult negotiation; there are a lot of issues in play. Certainly, while Australia is very committed to trying to get an outcome, I think we are realistic about working with that objective in mind but mindful that there are a number of other factors that could influence the overall outcome and the speed at which progress is made.

Senator Stephens—Having said that, can I say that the minister is very focused on concluding Doha as soon as possible, and believes that we are closer than we have ever been to doing that.

CHAIR—Thank you. That is very useful advice. If there are no further questions on Doha, we might move on to Mortimer.

Senator ELLISON—Can I just ask a question on AWB—this might be relevant point for that. Has the government gained any concession from the WTO members as a result of removing the single desk? It is not yet entirely removed, but I think it is safe to say it will be. Is anybody able to assist us on that?

Mr Chester—I will ask Mr Yeend to assist.

Mr Yeend—That is one of the issues that are still the subject of the negotiations. There have been these longstanding requests from some of the other players in the negotiations, particularly the United States and the EU, to seek the elimination of the export monopoly powers of countries such as Australia and Canada, where we have those kind of arrangements in place in the area of wheat marketing. The current text that is under discussion in Geneva still has that issue in square brackets, and it would be subject to the final outcome whether or not, as part of an overall outcome, that gives Australia benefits in a range of areas. We would need to consider the overall deal before taking any final decisions in that area.

Senator ELLISON—I appreciate that, but assuming the single desk days are over—and the government has a bill which the coalition is going to support in the Senate and in the Reps—then, looking at this future regime of much less regulation in relation to the export of wheat, it is fair, isn't it, that we get some sort of concession for that because of the stance that others have taken about our single desk, objecting to it? Now we are doing away with it, we

should get some benefit from that, one would hope and one would think. Are we approaching this to ensure that we get some advantage out of what we have done?

Mr Yeend—Yes. Our position for a long time has been to oppose the export monopoly powers. But, as I say, should we move to a position where we were to consider taking that step, a key thing in taking that decision would be the concessions that we have received from other countries. That is certainly a point that we have been making quite clearly in the negotiations.

Senator ELLISON—Thank you. I also have a couple of short questions on FTAs.

Mr Chester—Which FTAs?

Senator ELLISON—Is the government assessing options in relation to FTAs with Vietnam and the Philippines; what is the progress of the feasibility study with India; and what is the progress with the GCC?

Mr Chester—We have officials that can answer those.

CHAIR—We will go through them one by one: the Philippines first.

Mr Woolcott—No, we are not considering an FTA with the Philippines at this point in time.

Mr Wells—If I could explain, we are, as you are aware, engaged in a plurilateral negotiation together with New Zealand with the members of ASEAN—including the Philippines and Vietnam. The government is seeking to bring those negotiations to a conclusion in August. That negotiation, if all goes well, should provide us with improved opportunities to trade with those countries, and the other members of ASEAN.

CHAIR—That is a new word. I have not heard it. What is ‘plurilateral’, Mr Wells?

Mr Wells—My apologies, Senator. Trade negotiators jargon is an occupational hazard. It is just something between a bilateral negotiation of the sort that Australia would conduct with China and a multilateral negotiation of the sort that Mr Yeend was describing when he talked about the Doha Round. Our negotiations with ASEAN and with the Gulf Cooperation Council are negotiations with groups of countries that have already formed free trade agreements or customs unions. We call those plurilateral—just to confuse senators!

CHAIR—You have certainly achieved that purpose.

Senator ELLISON—Yes, you have succeeded. You mentioned the Philippines. What about Vietnam?

Mr Woolcott—The same applies to Vietnam. It is not under active consideration at this point in time.

Senator ELLISON—What is the progress of the feasibility study with India?

Ms Stokes—I touched on this yesterday in talking about the relationship with India. I can perhaps add a little bit more information. We had the terms of reference agreed earlier this year and we have had two rounds of officials-level study group meetings. They took place in India in April and in Melbourne just recently in May. At our joint ministerial commission meeting involving Mr Crean and his counterpart, Mr Nath, which was held in May in

Melbourne, both ministers agreed that all efforts be made to finish the study before the end of 2008. We have had consultations with business in most state and territory capitals. So far we have received 30 written submissions. We have commissioned some economic modelling. That, in essence, is where we are with the study.

Senator ELLISON—Has the export of uranium come up in that at all?

Ms Stokes—I am not aware that it has come up in direct connection with the study.

Senator ELLISON—The Indian minister for science and technology visited Australia recently and I just wondered if the department discussed with officials who travelled with him the question of the export of uranium to India.

Ms Stokes—I will need to take that on notice. Mr Sibal primarily had meetings with other portfolios or with ministers in another connection not directly related to DFAT. It would not surprise me if the uranium issue had come up in the course of some of those discussions, so I will need to check.

Senator ELLISON—Could you take that on notice and also whether there have been any further discussions since his visit.

Ms Stokes—On uranium?

Senator ELLISON—It may be that there might have been some discussions whilst he was here and as a result of those discussions further contact made since his visit in February.

Ms Stokes—On what question?

Senator ELLISON—The export of uranium to India.

Ms Stokes—I will take that on notice.

Senator ELLISON—Thank you. I had a couple of questions on the export of automotive industry parts. Is that a relevant point to ask here? I was going to ask what is being done to expand markets for Australian automotive exports. Would that be more an Austrade question?

CHAIR—Either that or 1.1.8, I would have thought.

Senator ELLISON—Okay, I will leave it there and we can go to Mortimer.

CHAIR—Before we go to Mortimer, do you have a FTA question, Senator Trood?

Senator TROOD—I just have a question about the Chile FTA. The Chile FTA has been announced and the negotiations have been concluded. Is that correct?

Ms Greville—Yes. The negotiations were concluded last Tuesday, 27 May, between the Minister for Trade and his Chilean counterpart, Minister Alejandro Foxley.

Senator TROOD—Has the text of the agreement been released yet?

Ms Greville—No. The text is currently undergoing what is known in trade jargon as a legal scrub, but it is anticipated that it will be tabled in both houses in the middle of June.

Senator TROOD—I see. Perhaps you can tell me—since we do not have the advantage of being able to look at the text—how horticulture is treated within the text.

Ms Greville—There is no reference to horticulture specifically in the text, but the issue for the horticulture industry—probably on both sides—is what tariff treatment those products

have received. Chile will reduce all its horticulture tariffs to zero on the agreement's entry into force. All horticulture tariffs for Chilean exports to Australia, with the exception of two, will be reduced to zero on entry into force. Those two, which are currently five per cent tariffs applying to fresh and dried grapes, will be reduced in equal annual instalments over six years so that they achieve a zero tariff in year 6 of the agreement.

Senator TROOD—The horticulture industry seems to be exercised about the nature of this agreement—do you understand the reasons for their concerns?

Ms Greville—We have had frequent and intensive consultations with the horticulture industry over all our FTAs but certainly in the context of the Chile FTA. The horticulture industry has made it very clear that this is not an FTA which they are particularly in favour of, because they do not see Chile as an export market of any importance to them. So they have been very clear—

Senator TROOD—That is a seasonal matter, isn't it—in part?

Ms Greville—Yes and no. The horticulture industry is saying that, unlike some other trading partners with whom we are negotiating or have negotiated who have a counter-seasonal horticulture industry, Chile is in the southern hemisphere, so it is not counterseasonal—that is part of it. But also, the horticulture industry considers that Chile is a lower cost horticulture producer and a vigorous horticulture exporter and, on that basis, they may at some stage suffer some import competition.

Senator TROOD—I do not think there is so much trouble about competition, but perhaps they may be troubled by the size and the possibility of inferior product being allowed in under these arrangements.

Ms Greville—I cannot speak for the horticulture industry—and perhaps should not even try to—but we have also had discussions with the horticulture industry about the treatment of quarantine in any FTA and the Chile FTA as part of that, and that there is no possibility in any of the FTAs that Australia has negotiated or is negotiating that quarantine standards will be changed. We have a robust quarantine system that is designed to protect Australian agricultural industry from inferior products, pests and diseases, and that will not be impacted in any way by the Chile FTA.

Senator TROOD—Is it your expectation and perhaps your assurance to the committee that those strict quarantine standards will be maintained in relation to any kinds of horticultural imports from Chile?

Ms Greville—The quarantine regime is not the responsibility of the Department of Foreign Affairs and Trade, as I am sure you know, but—as lead negotiator on this FTA—I can certainly assure you that nothing in this FTA will impact on Australia's quarantine regime and the likelihood of pests or diseases entering Australia.

Senator TROOD—I understand that—you will understand that I felt the need to ask and, if I can get an assurance from you about that, then so much the better for the horticultural industry. Thank you.

CHAIR—I have a couple of questions on the Chile FTA. Mr Crean put out a press statement yesterday or the day before noting the importance of the Chile FTA as a model for

the future. His comments also quite strongly addressed the issue of the comprehensiveness of the Chile FTA. Could you add a bit of flesh to the bones about the issue of it being a model for others, and what is the significance of the comprehensiveness of the FTA?

Ms Greville—The Minister for Trade, as you said, issued a press release when he concluded the negotiations, and I think he made a statement in the House as well, where he welcomed the conclusion of the negotiations for this FTA and described it as extremely comprehensive. ‘Comprehensiveness’ in the trade policy sense is generally used to describe the coverage and the scope of the agreement. All sectors are covered; nothing is excluded.

CHAIR—So it is a pure FTA in that sense?

Ms Greville—There probably isn’t any such thing as a totally pure FTA in my limited experience, but it is certainly a very comprehensive and liberalising FTA. In terms of it being a model, I cannot speak for the minister but, from my perspective, it is an example of a very comprehensive and liberalising FTA that is useful to have on the table in the context of the activity around in APEC, regionally and globally, towards free trade agreements. It comes back to the emphasis that the government puts on the notion of FTAs being useful to underpin and reinforce the liberalisation that is their highest priority in the global round. So the better the FTA, the more it demonstrates what can be achieved bilaterally and the greater capacity it has to underpin and reinforce the multilateral negotiations in the WTO.

CHAIR—In that sense, in terms of both comments, the Chile FTA is a key plank in the government’s policy of developing further, stronger and deeper FTAs at whatever level.

Ms Greville—What the minister said in his press release and in his statement was that, because it is extremely comprehensive and very liberalising, it is a good example of how FTAs should be in order to reinforce and develop what is possible in the global round.

CHAIR—Are there any further questions on FTAs? I have some questions about the AUSMIN talks. I understand that agreement has been reached with the United States that in future trade will be raised every 12 months in AUSMIN talks.

Mr Chester—Yes, we can do that now.

CHAIR—From advice at the table, we will do Mortimer first. I will give that to Senator Ellison and then we will come back to AUSMIN.

Senator ELLISON—When the department was last before estimates on 21 February this year, I believe the Mortimer review was announced on that day.

Mr Chester—I think that is right.

Senator ELLISON—What action has taken place since then—firstly, in relation to the consultation, if any, by Mr Mortimer and those assisting him?

Mr Chester—I will ask Mr Brown to respond to these questions.

Mr Brown—Since the review was launched on 21 February, the review chairman, Mr Mortimer, issued an issues paper on 4 April, which is available on the review web site, inviting submissions that were due by 2 May. To date, as of yesterday, the review has received approximately 135 submissions. Over the period since early April, Mr Mortimer and the other member of the panel, Dr John Edwards, have been involved in a range of consultations with a

variety of stakeholders that has taken them to nearly all state capitals. Those consultations are continuing and will go through until the end of this month.

Senator ELLISON—Were their visits advertised?

Mr Brown—The visits were not advertised publicly. Meetings were arranged with individual companies and with groups of companies by the secretariat of the review.

Senator ELLISON—Did the secretariat choose the companies that were to meet with Dr Edwards and Mr Mortimer, or was the choice theirs?

Mr Brown—The choice of Mr Mortimer or—

Senator ELLISON—You say that the committee arranged these meetings. Who made the choice in relation to who would meet with Mr Mortimer and Dr Edwards?

Mr Brown—Individual companies made submissions and indicated their interest in meeting with Mr Mortimer and Dr Edwards, in which case meetings were arranged with those companies. Where companies did not make a submission or did not indicate an interest, the secretariat or Mr Mortimer and Dr Edwards indicated companies with which they would like to meet.

In addition, officials from Austrade and the department made suggestions for companies that could be included in the consultations process. Officers from the Department of Resources, Energy and Tourism and the Department of Agriculture, Fisheries and Forestry are also on the secretariat. Those agencies were involved in selecting stakeholders who could be of interest to the review. Some of those stakeholders were certainly included in the consultation process to this date.

Senator ELLISON—What is the reporting date for the review?

Mr Brown—It is 31 August.

Senator ELLISON—Will the submissions that have been received be made public?

Mr Brown—We anticipate posting the submissions, or the non-confidential submissions, on the review website by early next week.

Senator ELLISON—How are the non-confidential submissions determined? Is that simply at the request of the submitter?

Mr Brown—It is at the request of the submitter. If they wish to have their submissions treated as confidential then we have indicated that, if that is the case, we would respect that and not post their submissions on the website.

Senator ELLISON—Will the names of those who attended the meetings as part of those visits around the country be published?

Mr Brown—The expectation is that, when the review lodges its report with the minister, there will be details in that document of all the stakeholders who were consulted as part of the review.

Senator ELLISON—This might be more difficult because they would have been at meetings and said various things, but will there be a summary of their views taken in relation

to the trade policy review which Mr Mortimer is conducting, or will it simply be a list of whom they met with?

Mr Brown—Yes. We will list all the companies and organisations that have been consulted either in person or in the virtual world, but we do not propose to include summaries of the stakeholder meetings as the understanding for such consultations was that they would be confidential.

Senator ELLISON—When will that list be published?

Mr Brown—With the report.

Senator ELLISON—Can I request a list be made available to the committee of all the meetings that were nonconfidential. I appreciate people who said, ‘I want this meeting to be in confidence.’ I appreciate that submissions which are nonconfidential are being put on the website; that is fine. When will that be done?

Mr Brown—By early next week.

Senator ELLISON—There is no need to request that. But I would be grateful if a list could be provided to the committee of those who attended meetings with Mr Mortimer and Dr Edwards and who are not in the confidential category.

Mr Brown—As I mentioned earlier, the intention of Mr Mortimer and Dr Edwards is to continue with their stakeholder consultation through until the end of this month, and some may even move into July. Once the formal meetings have been concluded, I would be happy to provide the committee with a list of the stakeholders that have been included in those meetings.

Senator ELLISON—That is fine. In relation to what the review is doing, page 17 of the portfolio budget statements states:

The review will examine Australia’s export policies and programs, including investment promotion; consider the merits of the Export Market Development Grants scheme; and incorporate the results of a separate research project on Australia’s approach to Free Trade Agreements.

If we can just look at that research on Australia’s approach to free trade agreements, at the last estimates there was evidence given on some modelling of the benefits or otherwise from free trade agreements. Will that modelling be subject to the research?

Mr Brown—As Mr Crean noted in his media release launching the review, an FTA reference panel has been established that will in effect advise Mr Mortimer and Dr Edwards on a range of FTA related issues. The issues that they will be specifically focusing on include an assessment of the most recently concluded free trade agreements with the United States, Singapore and Thailand. They will also be making suggestions to Mr Mortimer on the possible benchmarks or criteria that Australian governments might apply to FTAs in the future. The work of the FTA reference group will wind up towards the early part of July, and its main conclusion will then be passed to Mr Mortimer for him to decide how that material will be incorporated in the final report.

Senator ELLISON—On the research that is mentioned there: apart from the modelling that has been done, what else will be included in that? The research has been quite an issue of discussion. What sort of other research will it be looking at?

Mr Brown—As I mentioned, the primary area is an assessment of the net benefits of the most recently concluded FTAs. There are a number of other work streams as well, including a comparison of Australia's FTAs with those that have been concluded by other countries.

Senator ELLISON—The review is being conducted by Mr Mortimer and Dr Edwards and, you say, serviced by a secretariat. Where is that secretariat drawn from? Where does it come from?

Mr Brown—It is staffed by officers from the Department of Foreign Affairs And Trade and Austrade and, as I mentioned earlier, we have two officers on secondment from the Department of Resources, Energy and Tourism and the Department of Agriculture, Fisheries and Forestry.

Senator ELLISON—How has this been costed? And is the cost being absorbed by the department?

Mr Brown—The secretariat costs are being jointly shared between the department and Austrade.

Senator ELLISON—And that is being absorbed by both Austrade and the department then, is it?

Mr Brown—That is right.

Senator ELLISON—And there has been no allocation of funding for this review?

Mr Brown—No additional funding. That is correct.

Senator ELLISON—How many people are involved in servicing the review?

Mr Brown—The secretariat has a total staff allocation of nine.

Senator ELLISON—Nine full-time?

Mr Brown—Yes.

Senator ELLISON—Have they been drawn from any other areas of the department—areas dealing with free trade or overseas posts or anything like that?

Mr Brown—The officers from a departmental side have been drawn from a range of different parts of the department.

Senator ELLISON—Can you identify those areas of the department?

Mr Brown—They have been drawn from those areas of the department which, as you would expect, have a focus on trade issues. So we have one officer who has been drawn from the Office of Trade Negotiations, one drawn from the regional trade area and one drawn from the climate change and environmental area.

Senator ELLISON—That was not the senior agricultural negotiator position, which is vacant?

Mr Brown—It was not that person, no; it was a separate individual. As for the officers from the Department of Resources, Energy and Tourism and the Department of Agriculture, Fisheries and Forestry, they have been drawn from relevant trade related areas. As to the

officers from Austrade, I would prefer to allow the Austrade representatives to answer that question.

Senator ELLISON—I will ask them. That is fine. How are things progressing with the review then? At a satisfactory pace for a 31 August report?

Mr Brown—Certainly.

Senator ELLISON—Good. So 135 submissions were received. It does not seem a great deal from across the country for a review such as this. It is a big review of trade. How was the review advertised?

Mr Brown—When Mr Mortimer released his issues paper on 4 April, there was a series of substantial advertisements in all the major national dailies, and there was also a press release by the Minister for Trade, as well as considerable information on the review website. That is very much in line with the approach taken by most of the other government mandated reviews, for example on quarantine and biosecurity.

Senator ELLISON—Once Mr Mortimer has reported, is there anything planned as to what happens after that? Or will it simply go to the minister for his consideration?

Mr Brown—That is beyond my remit. I am not sure of the answer to that question.

Senator ELLISON—The minister has not said anything about that, has he?

Mr Brown—Again, it is beyond my remit.

Senator ELLISON—That is all I have on the Mortimer review, Chair.

CHAIR—Thank you. Are there any further questions on Mortimer? No? Are there further questions on 1.1.7? I have some questions on the AUSMIN talks. Is that here or in the next section?

Mr Chester—Mr De Cure can help you with that.

CHAIR—My understanding is that we have reached agreement with the United States that in future there will be annual trade talks included in the AUSMIN round. Firstly, is that correct and, secondly, if it is correct, why has the government pressed for that?

Mr De Cure—Yes, there was a meeting, in fact, overnight in New York involving Mr Crean, the Minister for Trade, and the US Trade Representative, Susan Schwab. Just to provide a better context there, when the FTA was negotiated there was provision in that agreement for an annual meeting involving those two ministers and senior officials, which was called the Australia-US Free Trade Agreement Joint Committee. That had a mandate: firstly, to monitor and manage implementation of the free trade agreement; and, secondly, to pursue what was called a built-in agenda—in other words, ongoing work to enhance the FTA and the economic relationship, and also to provide an opportunity for dialogue on other issues. There have been two meetings of that held prior to last night, one in Australia and one in the United States. As I said, the third meeting was held last night.

Mr Crean and Ambassador Schwab had agreed that there was value in enhancing the nature of that dialogue in view of the breadth and depth of the bilateral trade relationship between Australia and the United States and, because of the sophistication of that relationship, there was some value in enhancing it not just to deal with those issues that related directly to the

free trade agreement but also to look at broader issues that were of interest to both countries in the trade policy agenda. The discussions last night covered issues like the WTO negotiations and how they might work together to ensure a successful outcome. They talked about APEC and how to improve APEC as a regional institution, and other issues related to regional architecture, free trade agreements and bilateral trade policy and the like. So it was essentially that broader discussion. So yesterday they talked about those issues. They talked about many of the issues that were on the inbuilt agenda for AUSFTA and reviewed progress on some of those, particularly in areas like professional services and improving access to our markets for professional services, but also provided an opportunity to send some messages to the United States on issues like the US Farm Bill, for instance, which recently passed through congress, and our continued interest and access to a range of products.

CHAIR—Thank you. I think that concludes our questions on 1.1.7. There are no questions for 1.1.8, trade development/policy coordination and Asia-Pacific Economic Cooperation, so that concludes our examination of the Foreign Affairs and Trade portfolio.

[4.45 pm]

Austrade

CHAIR—Welcome. The committee will now examine the proposed budget expenditure for Austrade. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for an answer. I remind senators to provide their written questions on notice to the secretariat by close of business Wednesday, 11 June. The committee has resolved that Thursday, 31 July 2008 is the return date of answers to questions taken on notice at these hearings. Please note that, under standing order 26, the committee must take all evidence in public session, and this includes answers to questions on notice.

Witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. The giving of false or misleading evidence to the committee may also constitute a contempt of the Senate.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations of financial positions of the department and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees, unless the parliament has expressly provided otherwise. An officer of a department, of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. He or she shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness shall state the ground on which the objection is taken and the committee will determine whether it

will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

Are there any questions for Austrade in outcome 1?

Senator ELLISON—I will ask this question first up, because Senator Cormann asked that I do so; he cannot make it to this estimates committee. At last estimates he asked a question of Austrade that related to the export of sandalwood oil from Western Australia. What progress has been made in facilitating the export of sandalwood oil from Western Australia into India? Is there anything further to report? I think there might have been a question on notice taken as well.

Mr Yuile—I think, Senator, you would have the answer that we gave to the question on notice in regard to sandalwood, where we indicated that, since 2001, Austrade has assisted five Western Australian sandalwood companies to achieve export outcomes, with export sales directed to India totalling some \$2.7 million. I did anticipate that the senator might have been here and might have asked us if there had been any more. I do not have any information on specific Western Australian companies that might be in the market right at this point. What I can tell you is that, in terms of the Indian import statistics, they show sandalwood imports for 2006-07 of \$107,000, and Australian sandalwood oil imports for 2006-07 of \$240,000. I do not have a breakdown of the suppliers of that, either product or oil, into India.

Senator ELLISON—If there is any update that you can give the committee, I would be grateful. Thank you for that. Moving on to some other matters: I will deal with the Mortimer review, about which we were asking questions of the department. Austrade, I understand, is providing some personnel to the Mortimer review—is that right?

Mr Yuile—That is correct.

Senator ELLISON—How many officers are being provided?

Mr Yuile—We have three officers working full-time and one officer working part-time on the work of the inquiry.

Senator ELLISON—Is that cost being absorbed by Austrade?

Mr Yuile—Yes it is.

Senator ELLISON—Any idea of a figure for the cost of the Mortimer review to Austrade?

Mr Yuile—I understand that, at the moment, the estimate for us is about \$180,000 in terms of staffing.

Senator ELLISON—Thank you. In relation to the efficiency dividends and the cuts that have been mentioned, how do those affect Austrade?

Mr Yuile—I will invite my colleague Hazel Bennett to speak, but I will say that we, as an organisation, did not receive the two per cent additional efficiency dividend. We were asked to absorb the transfer of the investment promotion function from the Department of Innovation, Industry, Science and Research, so we did not take that additional savings measure. But we do have the ordinary efficiency dividend and the savings which the government has sought from us. Perhaps Ms Bennett might want to say more.

Senator ELLISON—Perhaps we could take it on the basis of those two discrete areas: the normal efficiency dividends and then Invest Australia and the effect that that is having on Austrade.

Ms Bennett—In terms of the impact of the budget on Austrade, in the 2008-09 budget there was a savings measure called ‘Responsible Economic Management—Global Integration—export facilitators to the United States market’, which reduced the funding by \$3 million, specifically referring to the previous government’s money going into the US for support of the Australia-US FTA. Secondly, as you have alluded to, we had a transfer—it was not a budget measure, but at the same time as the budget there was a transfer—of both the Global Opportunities Program and the investment promotion function from the Department of Innovation, Industry, Science and Research. That came with \$10 million of funding. Thirdly, there was the natural cessation of previous government funding for a four-year scheme for new opportunities, new exporters, which was a measure of approximately \$1.4 million per annum that came to the end of its four-year term. Austrade estimate that we need to achieve savings of approximately \$5 million to absorb our general costs and salary increases in the year 2008-09. In all, therefore, whilst we have received additional money, we estimate we have total savings required of \$11.7 million in this current year.

Senator ELLISON—Where will that come from in Austrade? How will those savings of \$11.7 million be achieved?

Ms Bennett—They will come from a variety of areas. Firstly, we have been investing in technology over the last few years and that investment does put us in a good position to continue to drive efficiency and effectiveness improvements such as the following. We have videoconferencing facilities that go into over a hundred of our locations. That has enabled us to reduce and continue to reduce travel expenditure. We have the ability to continue to change the mix of staff in our overseas offices. We run a variety of models overseas, from single person locally engaged staff, to small offices of locally engaged staff, to more major offices of 10 to 15 people, including A based. One of our responses to the savings would be to again look at the mix of those in order to achieve savings. We can also look—and we are looking—at the reprioritisation of some of programs and determining where our priority lies in any particular market or industry sector. We are targeting a \$2 million saving in travel and by prioritising our marketing and promotions expenditure and general procurement savings across Austrade. Finally, we are strategically managing positions as they become vacant and have been doing so for the past six months or so.

Senator ELLISON—I might just start with that last measure first. ‘Managing positions as they become vacant’—is that a nice way of saying that you are not going to put anybody else on in that spot?

Ms Bennett—We look at what the position is. Some of them, clearly, are critical to what we are trying to do and therefore we do put people back in. Again, knowing the measures that might have come, we have obviously been very expedient in trying to determine whether that is a continuing priority area or not.

Senator ELLISON—Have you determined where those positions are that will not be filled again?

Ms Bennett—I will ask Marcia Kimball to take these questions.

Mr Yuile—Senator, I think you used the words ‘won’t be filled again’. It is a question of sequencing your recruitment management, and that is what departments and, indeed, businesses do regularly. We might consider in this year that we would either leave a position vacant or only recruit halfway through or something like that. It would not necessarily mean that the position is vacant forever.

Senator ELLISON—Let us look at it for the year 2008-09. That is a good start and perhaps gives you some sort of definition to the question. Looking at it within that time frame, have you determined where those positions are that will not be filled as they become vacant. If you have done that, can you tell us where they are?

Ms Kimball—As Ms Bennett outlined, we have been anticipating some of the budget constraints, so we have been actively managing to reduce the impact on our staff and have held some positions vacant. We have currently identified 38 that are vacant across the organisation. Some we have filled over and above that, but these are really spread right across the organisation.

Senator ELLISON—Are there any overseas?

Ms Kimball—Yes, there are a number overseas in our four overseas regions.

Senator ELLISON—Can you tell us where they are and what sorts of jobs they are doing?

Ms Kimball—Headcount wise, we are expecting the impact to be, overall, about 33 positions across our global network to manage our savings.

Senator ELLISON—How many people does Austrade have overseas?

Ms Kimball—Overseas, currently, we have 595 staff.

Senator ELLISON—In how many countries?

Ms Kimball—Sixty-two.

Mr Yuile—Of those 595, there are some 520 who are locally engaged or overseas employees.

Senator ELLISON—I should have clarified this. Are we talking about positions which are Australian based positions or inclusive of locally engaged people?

Ms Kimball—Inclusive of locally engaged people.

Senator ELLISON—Can you please give me a breakdown of locally engaged versus Australian?

Ms Kimball—That are vacant? Or of the 33?

Senator ELLISON—You mentioned 33.

Ms Kimball—Position wise, there are about five A based in the 33.

Senator ELLISON—So there are 28 local. Can you give us a general description of the sorts of tasks that these people are doing.

Ms Kimball—The five A based positions would predominantly be junior trade commissioner positions across the globe. The overseas engaged staff would be our business development managers in various locations.

Senator ELLISON—Speaking of locations, where are they? Have you got a list of them?

Ms Kimball—It is difficult to give you the list at the moment because there are staff in some of those positions who are not aware. We are just finalising that.

Senator ELLISON—I appreciate the sensitivities. On that basis, could you take it on notice and give us the list?

Ms Kimball—In the future, yes.

Senator ELLISON—Thank you. In relation to Invest Australia being moved from the department of industry—what is the effect there? I understand you to be saying that these cuts, if you like, are a result of budget measures, but the transfer of Invest Australia to Austrade was something independent of the budget but done at the same time. What is the upshot of that move?

Ms Kimball—It is going to result in a net reduction of 17 for our average staffing levels for Austrade for 2008-09.

Senator ELLISON—A net reduction of 17 staff.

Ms Bennett—That is a combination of receiving the Invest Australia and Global Opportunities functions with staffing and the net savings that Austrade has to make to contribute to its other savings targets. So the 17 is the net of the two movements.

Senator ELLISON—But those 17 are in addition to the other ones you have mentioned earlier, aren't they?

Ms Bennett—No. On the savings side—the \$11.7 million of savings that Austrade needs to make—if you could draw it on a separate side of the page, that is approximately 70 staff, of which, as Ms Kimball has said, around 38 to 40 are currently vacant. And we have approximately 30 staff positions to separate. On the other side of the ledger, 53 staff are coming in with Invest Australia and Global Opportunities to do those functions in Austrade.

Senator ELLISON—Invest Australia and Global Opportunities—how many staff, in total, were involved in those areas before the transfer? Do you know?

Mr Yuile—That is a little unclear—I think at one stage there were about 135 staff in the former Invest Australia.

Senator ELLISON—So these tasks are being transferred to Austrade and you are picking up 53 staff—

Mr Yuile—Actually I think there are 53 positions allocated for the tasks we are getting, but 50 ASL are actually coming across.

Senator ELLISON—So you are getting 53 tasks or areas of responsibility being transferred to Austrade, and that area of responsibility was previously looked after by 135 full-time equivalent positions.

Mr Yuile—At one stage, certainly. I do not know whether that is where it ended up, but that is certainly one of the earlier numbers.

Senator ELLISON—So that means more is being asked of Austrade for less, as I understand it, because you are being asked to take over these functions with 53 instead of 135 FTE. That is quite a big reduction to be absorbed by Austrade, isn't it?

CHAIR—I am not so sure that Mr Yuile said the higher figure of 100-plus were immediately employed by the two agencies coming into Austrade. Is that your understanding?

Mr Yuile—Certainly the Invest Australia group had a number of 135. That included offshore as well as onshore staff. The Global Opportunities area was a branch and was building up. In fact, Global Opportunities is a sort of program that, in a sense, has not yet really been put into practice, so to speak, because it was developed as a grants program by the former government. Following the election, the government indicated that it was going to run a different model, and so the staffing numbers were slightly different. Then, the former department renamed its division 'Global Opportunities Division', so you had an amalgamation of both Investment and Global Opportunities staff together. We are being asked to take on those two functions with fewer staff—that is true.

Government also sees it as a terrific opportunity—and indeed we do—in terms of bringing together the investment and the trade functions so that you have an integrated trade and investment organisation. Obviously, over time, besides the investment commissioners who join us from offshore, who were previously employed by the department of innovation, we would see that our broader network of both trade commissioners and local staff will be taking on both investment and trade functions. So, over time, we would see that the actual reach would improve as a result of bringing it into Austrade.

Senator ELLISON—In relation to Global Opportunities, are the staffing positions involved there in addition to Invest Australia or part of Invest Australia's figure?

Mr Yuile—The number you had—the 50 that are coming from the department of innovation—included 10 people working on Global Opportunities work and 40 involved in investment promotion activity. But I think one of the things that the government is seeking is a greater synergy between the work both onshore and offshore of staff who have, say, an industry focus, so they will be working on trade opportunities but also investment opportunities. That is the distinction: 40 on the investment side and 10 on the Global Opportunities side.

Senator ELLISON—The previous total figure was 135 for Invest Australia, and what was the previous figure for Global Opportunities?

Mr Yuile—I do not have a firm number on that.

Senator ELLISON—Would you take that on notice.

Mr Yuile—I will try and see what I can find out. The thing was that the two functions started to conflate, and so I do not think it was as clear cut as being able to—

Senator ELLISON—I am the first one to appreciate that you make efficiencies, but this is in the realm of over 50 per cent. In fact, it is a hell of a lot more than that, looking at the figures. Generally, when you are looking at reduction in staff numbers, it is a bit here and a bit

there, but this is a wholesale cut. I respect what you say about the synergies and everything else, but are they equal to 85-plus people, which on the percentages is much more than 50 per cent of the total? This is now in addition to the other cuts which we were talking about earlier—the \$11.7 million cuts which related to 70 positions. How is Austrade going to deal with this? How is it going to affect your operations, because you have the two areas where you have cuts—

Mr Yuile—Sorry, there might be a little confusion. In terms of the transfer of Global Opportunities and investment, as Ms Bennett said, there is a transfer of \$10 million into the budget, so there is a transfer of some resources for those functions; it is not a—

Senator ELLISON—Will that go to make up the \$11.7 million?

Mr Yuile—No, I think Ms Bennett was separating the two.

Ms Bennett—The \$10 million essentially funds the 51 resources on Invest Australia and Global Opportunities. The \$11.7 million is still our savings that we have to make. We believe that, as you have indicated, it will cost more, if you like, to run an Invest Australia, an investment attraction function, so we are essentially having to make some internal savings in order to be able to do that. We have to make savings, as I said, to meet our own cost increases next year, and we have had money taken from other programs.

Senator ELLISON—I was not suggesting that the 50 would be absorbed. What I was saying was that, if you brought Global Opportunities and Invest Australia into Austrade with the original total of staff, then you would have a very different story.

Ms Bennett—You would.

Senator ELLISON—And that has not happened. What has happened is that you have had a very big cut indeed to the size of the staff. I understand the argument that you are all under the same roof and you will get savings and synergies and everything else. What I am saying is that they have to be pretty big savings to justify a cut of 85 out of 135, because you are still being expected to do the same job and, as well as that, you have got cuts elsewhere. Austrade is very much a service delivery outfit, as I see it, with a pretty can-do attitude. It delivers a lot of benefit to people. I do not see it as being an area where your officials could be described as simply pushing paper around; you are facilitating business, export opportunities, giving a service to the private sector to make money for Australia. When you reduce staffing in that way, a lot of people might rejoice at a cut in the Public Service, but, where those particular officials are performing that sort of task, where you are getting a return for your dollar in a tangible way, what is the effect on Austrade in delivering on those very laudable priorities which you have in the portfolio budget statement? How does it affect that?

Ms Bennett—In parallel with this, Austrade embarked on some research approximately 18 months ago, which was about working with the Australian community to again understand the type of services that they needed and the way in which they wanted to receive them. So, in parallel with, essentially, needing to face the savings and work out how we can meet the savings, we have been working to redefine and refresh some of our service offering to meet the needs of the exporter and international business community. That, for example, means that we are developing new information modules to go on the internet. Companies have expressed

a desire to be able to do some of their own information gathering, some of their own learning, through the internet, the web, in our modules et cetera.

Austrade also works very closely with allies and with others in the delivery of service. We have the TradeStart model onshore, 51 officers either with state and territory governments or with other industry associations. That kind of leverage will continue. Where we work with others, we give them collateral and they help us to maintain our footprint and our reach with the export and international business community. Also we will look carefully, as we always do—but clearly it does focus us—at which locations or which particular services perhaps have not been as well used by the exporter community, and those are the ones where clearly we can pull back with little impact on the outcome that the Australian companies or the Australian economy feels. So we are trying a number of directions in order to try and reprioritise what we do, in order to meet the savings whilst also minimising the impact on the community that we serve.

Senator ELLISON—In assessing those areas where you can pull back, how have you gone about that? Have you done some modelling? Have you done some exercise to determine that? Or are you still in the process of doing that?

Ms Bennett—It is really an ongoing process, but we have obviously done it at a point in time to make some decisions which, as Ms Kimball said, are still being carried out. Every year, as part of our planning, we look at the locations where we are. We look at the numbers of the Australian business community who come through each of those locations and the returns they get. We are obviously able to have our own insights on the markets as to whether these are good, prosperous potential markets for Australian exporters and international business or not, or where in the relativities different locations sit. That is an exercise we do every year to make sure that we are putting our people at the most efficient and effective place.

Senator ELLISON—This does relate, I think, to the previous question I asked about the 33 positions overseas. Could you take on notice the question of where these further positions will be drawn back and provide that to the committee. We have already got that previous question, which we do not want to talk about right now if the staff have not been notified, but certainly, if we could have that on notice, that would be very good, and also—because we are talking about two different things here, with Invest Australia and Global Opportunities and then your efficiencies—in relation to any areas that will have to be the subject of some efficiency in the work that Invest Australia was doing and Global Opportunities was doing. We have talked about the synergies, the ‘under the one roof’ argument, if you like. Obviously there has to be some change, because if there was no change you would really be in deep strife, because they were doing it with 135-plus people. You are going to have some changes, you say.

Mr Yuile—I think the question about the staffing will sort of come together in terms of where we will be making changes offshore, and we have already indicated that we will give you that information. I think Ms Bennett has indicated the disposition of our resources. When we look at trade and investment flows, we look at the economic developments in the markets concerned, the industry priorities and the ease of engagement in those markets. They are the things we do regularly and there is, in a sense, a constant review of our resource disposition.

In terms of Global Opportunities and Investment Australia, as I mentioned earlier, Global Opportunities is a program yet to really be engaged, so we have not got anything to compare it with. As I said earlier, it has changed from its original conception back in May of last year to where we are today, but certainly with a bit of time under our belt we will be talking with the minister further about the kinds of principles and priorities and the way he wants to drive that particular program, which is about major global supply chain and major investment and trade opportunities. That is where the focus of that program will be.

In terms of the investment promotion function, as we indicated, we will be bringing 40 staff from the Department of Innovation, Industry, Science and Research into Austrade. I can tell you now that, whilst trying to maintain our broad footprint of those investment commissioners, there will not be as many as there were. We are looking at 22 offshore staff around the network. So that is one impact. I think the other impact will be that we will have fewer resources for some of the promotional and sponsorship activity and we will be working with those staff who join us to look at new and different ways to be promoting Australia and Australian investment opportunities. I guess the key reductions will be in terms of overseas staff and some of the promotional and sponsorship activity.

Ms Bennett—There were some responsibilities that were not transferred to Austrade. In the transfer of the former Invest Australia, the strategic investment coordination function was devolved to other government departments. The project facilitation function was transferred to infrastructure, and industry adjustment funds management was retained by IISR.

Senator ELLISON—What about EMDG? Is the administration of the EMDG scheme affected in any way by all of this?

Mr Yuile—No, it is not affected by these particular measures because the administration for the EMDG scheme is taken as a proportion of the administered appropriation. It is affected by movements in the administered appropriation but it is not affected by these particular budget measures.

Senator ELLISON—Before we get on to that, I guess the bottom line is: can you guarantee that the service provided to Australian exporters will not be diminished as a result of these cuts?

Mr Yuile—What I can certainly assure you of is that the organisation will be doing everything it can within the resources we have to deliver an effective service to Australian business, both in trade and investment. We will also be working with our state and territory colleagues who are particularly interested in the investment promotion function.

Senator ELLISON—I will finish there. I have some questions on the EMDG scheme but I am not sure what other senators might have.

CHAIR—I have one or two questions on the topic currently under discussion. So I might ask those and then hand back to you to go to the EMDG. Mr Yuile, this has been a fairly lengthy discussion about Invest Australia and Global Opportunity. I have somewhat gained the impression that it has been a bit about incorporation, slashing of body numbers and reduction of services. My understanding is that the incorporation of those two new agencies in trade is regarded by the government as a significant step and that they have a vision for the two agencies in the trade area. You might explain to us what the rationale is for taking them

out of industry and bringing them into trade, and what advantages or disadvantages the department comprehends in terms of outcomes.

Mr Yuile—I think I mentioned earlier that the government sees it as an important step in integrating the trade and investment functions and providing a more comprehensive Austrade, if I can put it that way. It was thus at an earlier stage, so it is in a sense returning to that circumstance. I think the government certainly sees advantages in having staff both onshore and offshore working together on those trade and investment functions and delivering a more seamless service. I think Senator Carr said as much in his budget press release at the time in terms of the transfer from the innovation department.

Minister Crean has certainly indicated that he sees this as a critical part of the work of Austrade and indeed of the department into the future. The changed narrative, if I can put it that way, of Australia's trade is an interesting one when you look at the movement particularly in terms of outward investment and the fact that Australian companies are now, as Ms Bennett said earlier, much more involved not just in transactions in terms of exports but also in terms of joint venturing, franchising, licensing and getting involved in global processes. In that sense, bringing the investment function and the global opportunities functions into Austrade enables us and gives us the tools to be able to provide assistance and services to business offshore in a more comprehensive way.

The work of the global opportunities area—that is, major infrastructure or other projects and pulling clusters of firms together to enable a pull-through effect for Australian small- and medium-sized enterprises—is something which Austrade has done in the past, and clearly the government has a forward agenda for us to do that into the future. We had some 30-odd projects identified with the department of innovation when we were talking about global opportunities, ranging from major mining through to infrastructure and sporting events, such as the London Olympics and the like. I think the new programs and the new mandate that the government is giving us gives us an opportunity to drive for some of those.

CHAIR—Thank you, Mr Yuile. That was a useful addition to the discussion.

Senator ELLISON—What time line are you looking at for the transfer of these functions?

Mr Yuile—On 1 July. Sorry, Senator; I should have said that right at the beginning. The effective date of transfer is 1 July.

Senator ELLISON—At the last estimates you said that you were working through the issues of the transfer over from the department of innovation. I take it that has now all been resolved and you have worked out how that is to occur and what tasks are to be performed, and it is just a question of the logistical transfer occurring by 1 July. Is that right?

Mr Yuile—That is correct.

Senator ELLISON—On that basis, are there any functions that will not be transferred over? There were some mentioned that would stay.

Mr Yuile—The department of infrastructure will take the major project facilitation function. There are some grants programs and industry assistance programs that were run through Invest Australia which will stay with the industry department. The promotion and attraction function comes to Austrade.

Senator ELLISON—That is all I have on that one, Chair. EMDG was the next area.

CHAIR—All right. I think we will turn to EMDG.

Senator ELLISON—Looking at the administration of the EMDG scheme and the funding for the scheme over the four years from 2007-08 through to 2011-12, do you have the 2011-12 figures there as well? From my figures, I think we have about \$156 million. It will make it easier if I get the table. On page 73, ‘Total resources for outcome 1’, I am referring to ‘Export Market Development Grants’, which is nearly half way down the page. It has administered items appropriation for 2007-08 of just under \$157 million, then it goes down in 2008-09 to roughly \$150 million. Is that right?

Mr Yuile—That is correct.

Senator ELLISON—Do you have the figure for 2009-10?

Mr Yuile—I think that is one of the measures mentioned on page 71, where it mentions that there is additional funding for the EMDG scheme of \$50 million in 2009-10. That will take you to \$200.4 million.

Senator ELLISON—And then after that it drops back to \$150 million again, doesn’t it? Is that right?

Mr Yuile—I will invite Mr Chesterfield to respond.

Mr Chesterfield—Yes, the only change to the forward appropriations is the \$50 million in 2009-10.

Senator ELLISON—Let us have a look at how that fares in relation to the very keen interest in this scheme. As regards demand on the scheme, interest has been fairly strong, as I see it. How much of a shortfall are you predicting for this financial year?

Mr Chesterfield—This year we are expecting a shortfall of somewhere between about \$25 million and \$30 million, but we still have about 345 claims, at the last count, unassessed for this financial year. We will have until 17 June, which is the close-off date for the processing of claims, which is the time at which we do the final distribution of claims.

Senator ELLISON—That relates to 2007-08?

Mr Chesterfield—Correct.

Senator ELLISON—If all of these claims were to be met, what would the deficit then be? Are you saying that \$25 million to \$30 million takes into account these claims which are outstanding for this financial year?

Mr Chesterfield—That is the deficit, yes.

Senator ELLISON—Sorry, I thought it might have been an addition. So that is \$25 million to \$30 million. Do you have any idea what the demand is likely to be in those out years?

Mr Chesterfield—That is a very difficult thing to estimate. We have increasing numbers of claims generally in EMDG, although in previous years claim numbers have dropped by up to about 10 per cent or 11 per cent. In 2003-04, for example, they dropped by 10.8 per cent. In

other years they have gone up and down—by 11.4 per cent this year and in previous years 4.9 per cent.

Senator ELLISON—Has Austrade done any work on where demand might be going? Is there a trend? It can go up and down, but can you work out a trend in relation to interest in EMDG, tying it to the economy and the growth in exporters in certain areas?

Mr Chesterfield—In the statement we have projected an 8.3 per cent increase, which takes it to about 4,600 claims. But, in terms of budgets, we have not projected that except through advice to our minister.

Senator ELLISON—If you are down this year and you are going to have a growth for next year, it looks as though that extra \$50 million is going to be fairly used up with the—

Mr Chesterfield—The \$50 million is for the 2009-10 financial year.

Senator ELLISON—The \$50 million will not give you a surplus, will it? On projected growth, and the way that it has been going, you would not expect it to be giving you any change?

Mr Chesterfield—That is the advice that we have been providing to our minister. It is very difficult to estimate what the claim numbers and growth in scheme demand might be—in fact, it might drop. There are factors, as you would be aware, such as the very low second-tranche payout factor this year—somewhere between 10 and 20 per cent—reducing the overall value of grants, which we expect would potentially reduce the number of claims and the value of claims in the next financial year. There is the cost compliance issue that exporters have in meeting the requirements of the scheme and the cost-benefit decision they make about whether to apply. There are the higher costs and uncertainties of operating in the international environment at the moment, rapid increases in international fuel prices and transport costs. There is also the high Australian dollar at the moment that is impacting, perhaps both ways on some exporters.

Mr Yuile—It is very hard to be a hostage to fortune, Senator, I think is the bottom line, because there are a range of factors that affect a business's decision. That is really the summary of the situation.

Senator ELLISON—What about the relaxation of the guidelines? There has been some sort of change in relation to the guidelines for grants, is that right?

Mr Yuile—Yes. There has been new legislation introduced to change the current provisions.

Senator ELLISON—That would make it easier to get a grant, I take it.

Mr Chesterfield—The legislation that was passed in the House of Representatives last week and is going to the Senate—

Senator ELLISON—I put that wrongly, actually—it is not to make it easier; obviously, there would be due rigour and everything else.

Mr Yuile—Changes to the eligibility.

Senator ELLISON—Changes to the eligibility broadens the scope of it. It casts the net a bit wider so that you will get, in all likelihood, a greater demand as a result of that. That is what you would expect wouldn't you?

Mr Chesterfield—Yes, you would expect some greater demand.

Senator ELLISON—That is in addition to the eight per cent growth that you were talking about as being hostage to fortune which I understand. But, at the same time, the pool from which you are inviting applicants is growing or has been expanded, so that you are going to get a growth in both areas.

Mr Yuile—Which is the reason that the government applied the \$50 million into the 2009-10 financial year. Expenditure that is undertaken in the coming financial year 2008-09 will then be claimed in the 2009-10 year. That is the reason for that \$50 million. That is the reason as the government explained in its election outlines.

CHAIR—The net of this, Mr Yuile, is that the scope has been broadened, demand is anticipated to increase and additional funding of \$50 million has been provided in the 2009-10 year, which we think will cover those changes. Is that the net of the discussion?

Mr Yuile—Apart from that we would not want to be telling you exactly what that demand and the outcome will be, but that was certainly the intention that was expressed by the government when it made that decision.

Senator ELLISON—But that was an election commitment, wasn't it—the \$50 million?

Mr Yuile—That is right.

Senator ELLISON—A one-off?

Mr Yuile—That is correct.

Senator ELLISON—Do you know how the \$50 million was arrived at? Or did the minister simply say to you: 'It's an election commitment; put in an extra \$50 million'?

Mr Yuile—I am not privy to that. It was a part of the election policy statement of the time.

Senator ELLISON—Has the department costed the \$50 million and how adequate it will be to meet this increased demand?

Mr Yuile—As Mr Chesterfield has said, we have certainly given the minister advice in relation to trends and projections, but subject to the kinds of uncertainties that we have also mentioned about some of those projections.

Senator ELLISON—The shortfall of \$25 million to \$30 million was in the 2007-08 financial year, wasn't it?

Mr Chesterfield—Correct.

Senator ELLISON—This extra money is for 2009-10, so we have still got 2008-09 to talk about. In 2008-09, what is your estimate there in relation to shortfalls? Let me take it step by step perhaps. It is a bit unfair to say, 'Just put a figure on the shortfall.' Certainly we have got growth and we have got the expansion of these guidelines. The government has seen fit to put an extra \$50 million one-off into 2009-10, but nothing extra for 2007-08, where we know there is a shortfall, and 2008-09, where one would think that, because it is the year linking this

financial year to 2009-10, you would need extra money in that year as well. On that basis, your one-off \$50 million would not seem to be able to meet the shortfall of this year, next year and the demands of 2009-10. You are still going to end up with a deficit.

Mr Chesterfield—There is an averaging mechanism that works as a second tranche payment. There is a first payment, which is \$70,000 this financial year. The minister is yet to set what the first payment will be next year, but there is an averaging mechanism that works for the second tranche payment. So, when I was describing earlier the close-off date of 17 June this year, that will mean that all claimants will have got up to \$70,000 for their first tranche payment. After 17 June, we will run our database and computer program to work out the remaining funds and then allocate those funds to people who have an entitlement beyond the \$70,000 amount.

Senator ELLISON—But it is averaged down as a result of that, isn't it?

Mr Chesterfield—That is correct.

Senator ELLISON—Where you have got the shortfall, you average down and the person ends up with less money than they otherwise would have.

CHAIR—On this shortfall question in the 2007-08 year, why was there such a significant shortfall in that year? I think the figure you are using, Mr Chesterfield, is \$20 million to \$25 million, isn't it?

Mr Chesterfield—Correct.

CHAIR—Why was there such a shortfall?

Mr Chesterfield—We believe this is a result of both natural growth and the changes that the previous government made to the legislation in 2006.

CHAIR—What were those changes that the previous government made to the legislation in broad terms?

Mr Yuile—They went to things like per diem increases for eligible activity offshore, which I think was a significant one.

Ms Gamin—The main changes that caused the demand were the increase of the claimable amount for overseas visit allowance. That increased from \$200 to \$300 a day for up to 21 days. There was also the removal of the export earnings criteria, which was previously subject to a performance test. There were also some categories which were widened in terms of principal status for intellectual property owners. Some of our Australian origin rules were also streamlined so that more applicants could enter into the scheme where they could show that they derived a significant net benefit for goods which were made offshore.

CHAIR—That is a fairly useful set of broadening measures that were made in the 2006-07 year by the previous government. That has resulted in that demand that we are talking about and which Senator Ellison has correctly identified and Mr Chesterfield has costed at \$20 million to \$25 million. Were those changes in scope or entitlements, if I can describe them that way, in the 2006-07 financial year by the previous government accompanied at that time by an increase in funding or appropriations under this scheme to cover off that increased demand or scope?

Mr Chesterfield—No, Senator.

CHAIR—They were not.

Senator IAN MACDONALD—Do you have any idea what the percentage of the payable grant would be under the 2007-08 year? You say there is a \$25 million deficit, and I assume that means a deficit on what there would have been if everyone received the full amount of their grant.

Mr Chesterfield—That is a difficult question to answer because of the split payment system. People get up to \$70,000 as their first payment in this financial year, and then we estimate they get between 10c and 20c of the second tranche, or balance payment. It varies, depending on how much entitlement they have up to the \$150,000 maximum grant.

Senator IAN MACDONALD—You do not do in your costings an estimate of what that is likely to be?

Mr Chesterfield—It varies for each individual company.

Senator IAN MACDONALD—So not every company will get the same cents in the dollar?

Mr Chesterfield—They will all get the same cents in the dollar—which will be somewhere between 10c and 20c—but it depends on how much over the \$70,000 they have got as to what overall percentage of their grant entitlement they will get.

Senator IAN MACDONALD—I see. So the \$70,000 is a fixed sum of money, and the percentage—

Mr Chesterfield—The average grant is somewhere around \$50,000, and therefore a very large proportion of the claimants are getting their full entitlement in the first payment.

Senator IAN MACDONALD—Someone has probably asked this before, but do you have the numbers of those who will be fully paid in the 2007-08 year—that is, those whose applications are less than \$70,000?

Mr Yuile—Up to \$70,000.

Senator IAN MACDONALD—Up to \$70,000.

Mr Chesterfield—We are just doing a rough calculation for you.

Senator Stephens—While the rough calculations are going on, I have got some figures here in my briefing notes that identify the fact that the change in the eligibility conditions last year actually had the effect of increasing grant claims by 26.8 per cent, which complicates their calculation even further and indicates the level of demand.

CHAIR—So the changes to the law in 2006-07 resulted in significant increased demand, and we know from Mr Chesterfield that, in that financial year, it was not accompanied by supplementary funding, which has now resulted in a deficit in this area in this financial year of up to \$25 million.

Senator IAN MACDONALD—A deficit?

CHAIR—A shortfall.

Ms Bennett—A shortfall.

Mr Chesterfield—A shortfall for full payment.

Senator IAN MACDONALD—A shortfall if everyone were to get their 100 per cent, yes.

Mr Yuile—That is correct, Senator.

CHAIR—That is correct.

Senator IAN MACDONALD—But the scheme has always been on the basis that—

Mr Yuile—It is a capped scheme.

Senator IAN MACDONALD—it would be rare for everybody to get 100 per cent.

Mr Chesterfield—Yes, the scheme was capped in around 1996-97—I might stand corrected, in which case I will provide further advice, but I believe it was that long ago.

Mr Yuile—In recent years it has varied—in some years there is a full payout, and in other years there is not.

Senator ELLISON—But, of course, if the coalition had been elected, the budget just gone would have remedied all this, you see: there is the rub—

Senator IAN MACDONALD—Out of the \$22.7 billion surplus!

Senator ELLISON—Exactly, Senator Macdonald, so there you are, you see!

CHAIR—You can assert that, but all we know is that your last budget has resulted in a shortfall of \$25 million.

Senator Hogg interjecting—

Mr Yuile—You may well think so, Senator; I could not possibly comment on that!

CHAIR—Senator Ellison, do you have further questions?

Senator ELLISON—Yes, I do. You have encouraged me further! It is capped, and there is a maximum grant of \$150,000, is there not?

Mr Chesterfield—Correct.

Senator ELLISON—The more of a deficit you get, the more of a downward pressure on the total amount that people get at the end of the day—that is how it works with that second tranche, isn't it? Sure, if your first grant is under the \$70,000, then you get everything, you are happy, you go away, and that is it. But, if your grant is more than \$70,000, then you are waiting for your second tranche payment, and that has to be averaged down where there is a deficit.

Mr Yuile—And that initial payment can be varied from year to year.

Senator ELLISON—In relation to the \$50 million, though, I am still trying to get at how the \$50 million will cope with the forward estimates because it is a one-off. Was there any modelling done to support this or was it simply—

Mr Yuile—It was an election commitment. I am not quite sure what—

Senator ELLISON—So just for that year.

Mr Yuile—In that year. And as you have already asked in relation to the Mortimer inquiry, one of the elements of that inquiry is the Export Market Development Grants Scheme. The minister indicated in his press release that he was bringing forward the legislated review for the EMDG Scheme to bring it into the Mortimer review. Then the outcomes of that Mortimer review will clearly be taken by the minister and considered. Undoubtedly, elements of that review—not undoubtedly: they will, because it is provided for in the terms of reference—will examine the EMDG Scheme, demand issues and questions of the future. These will be the things which Mr Mortimer and Dr Edwards will be commenting on.

Senator ELLISON—I have asked the department about who Mr Mortimer and Dr Edwards have taken submissions from and where they have gone. In relation to looking at the EMDG Scheme, is that being looked at within the totality of the review or is there a subset of the review which is devoted to the EMDG Scheme per se?

Mr Yuile—It is certainly part of the integrated review. It is part of the terms of reference. As I understand it, the secretary is getting some assistance from experts, for example economists and econometritions, looking at modelling and looking at demands on the scheme and the outcomes of the scheme and so on. That will in turn be supplemented by submissions and representations from business. That will be the basis, as I understand it, of the review's consideration and report.

Senator ELLISON—And the review will be looking at this question of forward funding?

Mr Yuile—I imagine so. It is a regular issue that is raised by members and senators as well as by the business community. So, without wanting to pre-empt or suggest what they will be reporting on, I imagine that the question of the funding and future arrangements will be part of their considerations.

Senator Stephens—I can provide a little bit more information. The review actually will include specific recommendations about the continuation of the EMDG pursuant to section 106A of the 1997 act.

Mr Yuile—That is the legislated review that I mentioned.

Senator ELLISON—I appreciate that. But what we have been talking about here is forward funding to be provided for in the budget so that you have adequate funding for what is a worthwhile scheme. And here we have forward funding in one year only but not in others. I am looking at how the Mortimer review will look at that aspect of funding. Other aspects of the scheme have their own discrete issues. But it is that forward funding in calculating how many applications you will get, where the growth is, where exports are going and the sorts of applications you are getting. That is what departments and agencies do: advise government for the future on the way they provide money. Anyway, you have said that that is provided by Mortimer. That is fine. Mr Chairman, I do not have any further questions on the EMDG.

CHAIR—Are there any further questions on the EMDG?

Senator IAN MACDONALD—Did your calculator work? What figure did you come up with?

Mr Chesterfield—Yes. As we estimate it, around 3,300 claimants will get their full entitlement.

Senator IAN MACDONALD—Out of a total of three thousand—

Mr Chesterfield—There were 4,247 claimants this year.

Senator IAN MACDONALD—Out of 4,247 claimants, 3,300 will get full payment.

Mr Chesterfield—Correct.

Senator IAN MACDONALD—As a percentage, what is that? Three-sevenths—

Mr Chesterfield—I have my man on the calculator here.

Senator IAN MACDONALD—Thank you. You have come far better prepared than I.

Mr Chesterfield—78 per cent.

Senator IAN MACDONALD—How does that compare with previous years? If you do not have it with you, just what—

Mr Chesterfield—For the last three years it was 100 per cent. Before that it dropped to 75, 32 and 75 per cent.

Senator IAN MACDONALD—Thirty-two?

Mr Chesterfield—They are the payout factors; sorry. So in the last three years everyone got paid 100 per cent.

Senator IAN MACDONALD—And in the year before that—the 75 figure?

Mr Chesterfield—Sorry. That was the second tranche payout factor. We do not have that figure, so we would have to work that out for you.

Senator IAN MACDONALD—I heard what you said to Senator Ellison, and you cannot of course anticipate who is going to claim next year—and I appreciate your saying this was an election policy—but, certainly since November last year when it was clear the government had changed, the department must have been doing some calculations as to what this might actually mean in real terms with the expansion of the parameters and the expansion of the money. Have you done work on that?

Mr Chesterfield—Yes.

Senator IAN MACDONALD—And you were saying before that you provided advice to the minister in relation to that.

Mr Chesterfield—Yes. That is correct.

Senator IAN MACDONALD—And on the basis of that being advice to the minister you would not be able to tell us what the advice was.

Mr Chesterfield—Yes. You would have to ask the minister that.

Mr Yuile—That was asked at the last estimates. The answer was that Austrade has undertaken modelling to assess the impact of the government's proposed changes. This modelling formed part of Austrade's policy advice to the Minister for Trade and is confidential.

Senator IAN MACDONALD—I will not pursue trying to finding out, but can you tell me: when you advised the minister, did he smile or frown?

Mr Chesterfield—I was not there.

Mr Yuile—I think he was very happy to be minister!

Senator IAN MACDONALD—Perhaps you could take it on notice: did he smile or frown? Is it a financial year or a calendar year for these grants?

Mr Yuile—It is a financial year, but it is an ex post. So what we are doing this year is calculating eligible expenditure against expenditure undertaken last financial year and paid this year. That is the way it works. It is one year behind.

Senator IAN MACDONALD—So when will you have a clearer view as to what those figures might be?

Mr Yuile—For the payments this year?

Senator IAN MACDONALD—No; for next year.

Mr Chesterfield—The first time we would be—

Senator IAN MACDONALD—The one in which the \$50 million extra has been provided.

Mr Yuile—That is for expenditure undertaken next year and claimed for in 2009-10.

Senator IAN MACDONALD—So it is a long way away.

Mr Yuile—Yes.

Senator IAN MACDONALD—So claims under the new rules will not be paid until 2009-10?

Mr Yuile—That is correct.

Senator IAN MACDONALD—We have got plenty of time—

Mr Yuile—The new rules apply to expenditure which takes place in the coming financial year, 2008-09, and is claimed for in 2009-10.

Senator IAN MACDONALD—Yes. The immediate reaction of some tourism operators up my way, when they heard of both the expansion and the additional money, was that they thought they would be worse off—but you cannot comment on that.

Mr Yuile—I cannot, but I know that the question of regional tourism operators was one of the dimensions which the minister mentioned as those he was looking to address in the changes to the eligibility of the scheme.

Senator IAN MACDONALD—Minister, can you indicate to us how the Labor Party came to that figure for its election commitment? Did you take advice? Did someone do calculations? Or was it just: ‘That sounds like a nice figure; let’s go with it?’

Senator Stephens—I am sorry; I cannot help you with that discussion. I was not part of the policy formulation, although I do know that, in the lead-up to the election, in our preparations for the election, this issue was being discussed within our party. We were aware of the change in the eligibility criteria and what that might do in terms of the blow-out. So I can only assume that within the current minister’s office he was doing some calculations himself.

Senator IAN MACDONALD—I will not hold my breath waiting for an answer, but perhaps you could take it on notice if the minister could indicate to us the calculations that were put together at the time the policy was proposed.

Senator Stephens—Certainly. I will take that on notice. If we can provide you with some information, we certainly will.

Senator IAN MACDONALD—That is all I have.

Senator ELLISON—Are you still working as hard this year as you were last year?

Mr Yuile—We have been ever-vigilant public servants.

Senator ELLISON—I have always known Austrade to be a very hardworking outfit.

CHAIR—That concludes outcome 1. Are there any questions on outcome 2?

Senator IAN MACDONALD—Yes. I came in a little earlier and found that the committee had been so efficient you had dealt last night with the areas that I thought you were dealing with this morning—but I have found another way to ask the same question. I am surprised to see under the heading of ‘Australian Trade Commission’ that there is a section marked ‘consular, passport and immigration services’. Does that really mean consular, passport and immigration services under the Australian Trade Commission?

Mr Yuile—Yes, we deliver those services on behalf of the government in a number of places, including major locations such as Auckland, San Francisco and Dubai.

Senator IAN MACDONALD—Places where there is not an embassy in the town?

Mr Yuile—Yes.

Senator IAN MACDONALD—That is exactly what I wanted to ask you about, having recently come back from Bucharest. The Romanian officials there were very concerned that they only had an honorary consular service. They were indicating to me that passport applications and visas had to be referred to Belgrade—to the embassy there, which deals with Romania. They were, naturally, pressing me while they had me in their sights to see what they could do about getting an embassy there rather than an honorary consulate, which is what I wanted to ask about last night.

Mr Yuile—You will have to ask the Department of Foreign Affairs and Trade.

Senator IAN MACDONALD—Perhaps you could help me—on notice, I guess—by indicating to me the number of passport applications which are processed through Bucharest. If there are none, because they do not have the right facility, how many were processed from Romania through Belgrade?

Mr Yuile—I would not have that information. As you say—I am sure you are right—the services are delivered from Belgrade. We could obviously transmit the question—

CHAIR—Are you asking for that question to be passed from the agency to the department?

Senator IAN MACDONALD—Yes, please; if it is not Austrade’s. In this item under Austrade—which, as I say, I found curious—what aspect does Austrade handle?

Mr Yuile—I might invite Mr Chesterfield to answer that. Apart from other things, aside from his current role, he was our senior trade commissioner and consul-general in Auckland and ran the functions.

Mr Chesterfield—The functions that we run are run under a memorandum of understanding with the Department of Foreign Affairs and Trade. Largely they involve both passport services, delivered in the same manner as the Department of Foreign Affairs and Trade themselves deliver them, and consular services to Australians overseas.

Senator IAN MACDONALD—Where there is not a full consulate?

Mr Chesterfield—No. Where there is not a DFAT managed consulate.

Senator IAN MACDONALD—My understanding is that Austrade does have an office in Bucharest, but the consulate is only an honorary consulate.

Ms Bennett—That is correct.

Mr Yuile—We have locally engaged staff who service—

Ms Bennett—There are two locally engaged—

Mr Chesterfield—According to the information I have, we have consular services available in Bucharest but not passport services.

Senator IAN MACDONALD—Not passport services?

Mr Chesterfield—No.

Senator IAN MACDONALD—So you are going to take it on notice—or the minister is—for the department, but you would not then have records of passport applications that are referred through Austrade in Bucharest to Belgrade?

Mr Chesterfield—No.

Mr Yuile—They would be held in Belgrade, I think, Senator.

Senator IAN MACDONALD—Does the Austrade office in Istanbul do consular and passport work too?

Ms Bennett—Yes.

Senator IAN MACDONALD—You do?

Ms Bennett—Yes, Senator.

Senator IAN MACDONALD—But there is a DFAT consulate there as well?

Mr Yuile—No. There is an Austrade A-based officer there and local staff.

Senator IAN MACDONALD—Again, the same question in relation to Istanbul: the figures of applications for passports—you would not have those?

Ms Bennett—We would not have them with us, Senator.

Senator IAN MACDONALD—But you do have them? Can I get those on notice? Perhaps, that is all I have, Chairman, except, having said that, it leads me to be able to say publicly what magnificent staff you have in Istanbul. They are very good—very effective, I understand. Not just good, but very effective in their Austrade work. And, again, in Los

Angeles I could not help but be impressed by the work of the trade commissioner in Austrade, in that part, those being a couple of places that I have had some dealings with recently. So, congratulations. I believe Austrade in Bucharest does a good job, too, although I did not have an opportunity to get there.

Mr Harcourt—As an Australian of Romanian descent, I am very pleased that you like Romania.

Senator IAN MACDONALD—It is a great town.

Mr Yuile—I thank you for those comments. We will pass them back, because we usually get brickbats but a bouquet is great.

CHAIR—Thank you Senator Macdonald. Are there any further questions on outcome 2? There being none, thank you very much, Mr Yuile and all your officials, for your assistance in the last couple of hours. I thank the minister for her attendance and declare the meeting closed.

Committee adjourned at 6.02 pm