



Australian Government

Australian Government response to the Foreign Affairs,
Defence and Trade References Committee report:
Delivery and effectiveness of Australia's bilateral aid
program in Papua New Guinea

November 2016

Australian Government response to the Foreign Affairs, Defence and Trade's Report on the delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea 2016

The Australian Government welcomes the Committee's report¹ and thanks the Committee members for their contribution.

Papua New Guinea (PNG) remains a high priority for the Australian Government. Australia's aid program in PNG is Australia's largest single aid investment globally. The Australian Government places a high priority on working in partnership with PNG in the planning and delivery of aid. In March 2016, PNG and Australia signed the *PNG-Australia Aid Partnership Arrangement 2016-2017*² (Aid Partnership) which reflects agreed priorities for the delivery of effective and efficient aid. The Aid Partnership recognises that reducing poverty and pursuing sustainable economic growth in PNG is in both countries' national interests.

The Australian aid program is implemented in accordance with the Aid Partnership. This sets out mutually agreed priorities and commitments for PNG and Australia to work towards improved development outcomes for all Papua New Guineans. The Aid Partnership aligns with PNG's strategy document, *Vision 2050*³, and will be revisited ahead of the 25th PNG-Australia Ministerial Forum in 2017 to ensure that mutually agreed priority areas continue to be the focus of Australia's support, and align with PNG's development priorities. Specific commitments are also outlined by the *Joint Understanding between Australia and Papua New Guinea on further bilateral cooperation on health, education and law and order* (2013)⁴.

The 2014 PNG Aid Assessment, *A new direction for Australian aid in PNG: refocusing Australian aid to help unlock PNG's economic potential*⁵ (Aid Assessment), considered ways in which Australia's aid program could more closely align with both governments' priorities and better assess mutual performance. This includes options to better address key constraints to economic growth and equitable development in PNG. The recommendations of the Aid Assessment were agreed by the Australian and PNG Governments in 2014 and represent a strategic shift in Australia's approach to aid in PNG. Consistent with the directions set out in *Australian aid: promoting prosperity, reducing poverty, enhancing stability*⁶ (Australia's Aid Policy), the outcomes of the Aid Assessment are guiding where and how Australian aid is spent in PNG, in alignment with *Vision 2050*.

¹http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Aid_in_PNG

² <http://dfat.gov.au/about-us/publications/Pages/papua-new-guinea-australia-aid-partnership-arrangement-2016-2017.aspx>

³ http://www.treasury.gov.pg/html/publications/files/pub_files/2011/2011.png.vision.2050.pdf

⁴ <http://dfat.gov.au/geo/papua-new-guinea/Pages/joint-understanding-between-australia-and-papua-new-guinea-on-further-bilateral-cooperation-on-health-education-and-law-and.aspx>

⁵ <http://dfat.gov.au/geo/papua-new-guinea/development-assistance/Pages/a-new-direction-for-australian-aid-in-png-refocusing-australian-aid-to-help-unlock-pngs-economic-potential.aspx>

⁶ <http://dfat.gov.au/about-us/publications/Pages/australian-aid-promoting-prosperity-reducing-poverty-enhancing-stability.aspx>

The Australian Government welcomes the Committee's recommendations and notes issues raised through many of the recommendations were addressed in the Department of Foreign Affairs and Trade's (DFAT) submission⁷ and in the appearance before the Committee by the Department's senior officials in November 2015. For further information on the PNG aid program, agreed objectives and performance benchmarks, the Aid Program Performance Report⁸ is accessible on the DFAT website.

⁷http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Aid_in_PNG/Submissions

⁸ <http://dfat.gov.au/about-us/publications/Pages/aid-program-performance-reports.aspx>

Committee Recommendations

Recommendation 1

3.78 The committee recommends that the Australian Government reverse funding cuts made to the Papua New Guinea aid budget as part of a broader commitment to progressively increase Australia's official development assistance to 0.5 per cent of gross national income (GNI) by 2024-25.

The Australian Government notes this recommendation. Australia will provide an estimated total of \$3.828 billion in official development assistance (ODA) in 2016-17 but will not commit to a prescriptive, time-bound aid target as a percentage of GNI until the domestic economy is back on sustainable footing and Australia is fiscally strong enough to support this aspiration. The Australian Government remains committed to working with the PNG Government to ensure that appropriate funding flows to the most effective programs and will continue to focus on priorities outlined in Australia's Aid Policy and the Aid Partnership.

Total ODA to the Pacific including PNG has not been reduced despite reductions elsewhere in the ODA program. This reflects the Australian Government's continuing commitment to the Pacific region and to development in PNG. ODA to PNG in 2015-16 was a budget estimate outcome of \$549.8 million and in 2016-17 is a budget estimate of \$558.5 million.

Recommendation 2

3.79 The committee recommends that the Australian Government reassess the priorities of the aid program in the context of the PNG Government's recent budgetary cuts to education, health and infrastructure.

The Australian Government notes this recommendation. Australia and PNG regularly review the aid program through consultations at ministerial and official levels. Most recently, Australia and PNG jointly agreed the aid program priorities in the Aid Partnership, signed on 3 March 2016. The priorities identified through the Aid Partnership are health, education, law and justice, transport and governance.

Recommendation 3

3.83 The committee recommends that the objectives of the Australian aid program to Papua New Guinea explicitly include inclusive and equitable outcomes in development.

The Australian Government notes this recommendation. The Aid Partnership establishes "sustained and inclusive economic growth" and "reducing poverty" as overarching agreed priorities for development cooperation. The Aid Partnership, together with Australia's *Aid Investment Plan Papua New Guinea 2015-16 to 2017-18*⁹, are among the strategic frameworks for the delivery of Australia's aid to PNG. Through these frameworks, and in line with the recommendations of the Aid Assessment and the objectives of the Economic Cooperation Treaty, Australia's aid objectives are to promote effective governance, economic growth and human development. A focus on diversifying the economic base provides opportunities for broad participation in the economy. Through each of these three interlinked objectives

⁹ <http://dfat.gov.au/about-us/publications/Pages/aid-investment-plan-aip-papua-new-guinea-2015-16-to-2017-18.aspx>

the Australian Government seeks to ensure assistance supports sustainable economic growth and equitable development outcomes.

Recommendation 4

3.84 The committee recommends that the key policy documents of the Australian aid program to Papua New Guinea articulate how development objectives align with the Sustainable Development Goals.

The Australian Government notes this recommendation. As with the Millennium Development Goals, Australia has been closely involved in the development of the Sustainable Development Goals (SDGs). DFAT is actively examining its policies, programs and reporting systems to determine what changes to make to better align with, and capitalise on, opportunities emerging from the 2030 Agenda for Sustainable Development (which include the SDGs and the Addis Ababa Action Agenda on Financing for Development).

Recommendation 5

3.85 The committee recommends that the Australian aid program to Papua New Guinea include increased support for non-government organisations, civil society and churches delivering assistance to rural and remote communities.

The Australian Government notes this recommendation. Australia will continue to work with non-governmental organisations (NGOs), civil society and churches to deliver assistance to rural and remote communities. The choice of partner for any particular activity will reflect the area of identified priority and a judgement as to which partner can best deliver the service required.

Recommendation 6

3.88 The committee recommends that the Australian Government conduct an assessment of the impact of the closure of the Manus Island Regional Processing Centre on development activities.

The Australian Government notes this recommendation. The Australian aid program is regularly assessed in conjunction with the PNG Government to ensure it is delivering results and is appropriately targeted. Any future development activities in Manus Province will be delivered in accordance with the PNG Government's development priorities as articulated in the Aid Partnership dialogue and the PNG Aid Investment Plan.

Recommendation 7

3.90 The committee recommends that the Australian Government examine an expanded program to link institutions in Australia and Papua New Guinea for the purpose of capacity building.

The Australian Government agrees with this recommendation. Australia continues to increase linkages between Australian and Papua New Guinean institutions to build capacity through a range of programs, including the Pacific Leadership and Governance Precinct. The Precinct commits approximately \$91.6 million over five years to help meet PNG's priority of developing a new generation of ethical public servants by delivering short- and long-term executive level courses. Through Australian and PNG public service inter-agency twinning arrangements, the

Australian Government is maintaining linkages between government entities. For example, there is ongoing cooperation between: the Australian Electoral Commission and the PNG Electoral Commission; the Australia Bureau of Statistics and the PNG National Statistics Office; the Australian Public Service Commission and the PNG Institute of Public Administration; the Australian Tax Office and the PNG Internal Revenue Office; and the National Gallery of Australia, the Australian War Memorial and the National Museum of Australia and the PNG National Museum and Art Gallery. Building institutional partnerships to increase capacity development is a priority across the program, and the Australian Government will continue to identify further opportunities to do so.

Recommendation 8

3.92 The committee recommends the Australian Government assess how cross-border initiatives with Papua New Guinea and Indonesia could contribute to the objectives of Australia's aid program.

The Australian Government notes this recommendation. The priorities of Australia's aid programs in Indonesia and PNG are directed according to Australia's cooperative partnerships with each country. Where Indonesia and PNG agree on cross-border initiatives that align with Australia's shared development priorities, Australia is willing to assess and discuss how the aid program could contribute to those initiatives.

Recommendation 9

4.74 The committee recommends that the Australian Government's Governance Facility include a social accountability program to support local communities in Papua New Guinea demand better services.

The Australian Government agrees with this recommendation, noting action is already underway through the recently established PNG Governance Facility (PGF). The PGF's design will support communities, civil society and church groups to achieve development outcomes and improved transparency and accountability of service delivery in select geographical regions. Australia and PNG have agreed that support delivered through the PGF will include a focus on social accountability programs.

Recommendation 10

4.79 The committee recommends that the Australian Government increase:

- its support for measures to prevent the spread of tuberculosis in the Western Province of Papua New Guinea; and*
- funding for the development of new treatments for tuberculosis suitable for development countries.*

The Australian Government agrees addressing tuberculosis (TB) in PNG should be a priority for the aid program. Australia continues to cooperate with the PNG Government to ensure all committed funds are delivered in support of joint work to address TB. Australia is also encouraging others to become more involved, including the World Health Organization (WHO) and the World Bank. Australia continues to encourage the PNG Government to prioritise and coordinate full and adequate funding for the TB response through both appropriate use of its own resources, and seeking additional sources of support.

The Australian Government recognises the need for new products to support TB response efforts, in particular, combatting the development of drug resistant TB (DR-TB) strains and subsequent circulation of these strains in the community. The National Health and Medical Research Centre (NHMRC) supports a wide spectrum of TB response efforts – from basic science, clinical medicine, health services and public health research. NHMRC funded over \$32.6m in TB research over 2006-15.

The Australian Government is providing \$30 million over three years (2014-15 to 2016-17) to support Product Development Partnerships, which are innovative public-private partnerships co-investing in the development of new drugs and diagnostic tests suitable for low resource health settings. This includes \$10 million to the TB Alliance to develop new TB treatment, and \$10 million to the Foundation for Innovative New Diagnostics to develop diagnostic tools for diseases including TB.

Recommendation 11

4.81 The committee recommends the Australian Government prioritise a new program to reduce childhood malnutrition and stunting in Papua New Guinea and track childhood malnutrition and stunting as a human development performance benchmark of the Australian aid program.

The Australian Government notes this recommendation. Priorities in the Australian aid program in PNG are agreed with the PNG Government. Australia supports cost-effective interventions to address nutrition across the aid program. These include investments in health, agriculture, education, and water, sanitation and hygiene. As part of these, Australian ODA funds programs with a specific focus on nutrition, such as support for breastfeeding, therapeutic feeding and nutrition policies and regulations. Future programming for nutrition will be determined in line with annual budgets and resourcing.

Recommendation 12

4.83 The committee recommends that the Australian Government increase the support for the training of primary school educators in Papua New Guinea.

The Australian Government notes this recommendation. Through the Aid Partnership, Australian aid is aligned with PNG and Australian priorities to ensure the aid program focuses on ‘enhancing human development’, with improved education as a priority. Australia’s aid program is providing infrastructure to support teachers in PNG – both at teacher training institutions and teacher houses in schools. In 2015-16, the Australian aid program supported 40 elementary teacher trainers to graduate with a Bachelor of Early Childhood from the Queensland University of Technology and 81 elementary and primary teachers to join PNG’s basic education sector through Australia Awards PNG scholarships.

The PNG Government is continuing with education reform to address access issues, quality of teaching, and financing and management of institutions. The Australian Government is currently developing a five year sector investment plan which will guide Australia’s future support to PNG to implement reforms in the education sector. Noting that Australian aid provides eight per cent of PNG’s national education budget, this sector plan will look to leverage other donors to work in education, identify where Australian aid can make the most difference, and take into account

sustainability of investments in education reform. Assessing lessons learned from the current investments in teacher education will factor into future sector planning.

Recommendation 13

4.85 The committee recommends that the Australian Government investigate options to coordinate and support aid programs focused on cultural change in gender inequality and gender based violence.

The Australian Government agrees with this recommendation. The Australian Government already delivers assistance through the regional Pacific Women Shaping Pacific Development program which focusses on increasing women's voice in decision-making, leadership and peace-building; women's economic empowerment; and ending violence against women and girls. As part of this program, the Australian Government works closely with PNG's Department for Community Development and Religion to coordinate assistance including through regular gender forums with development partners. The Australian Government is highly cognisant of the need, and benefit, of working with partners to lead an effectively coordinated response, both within and outside of gender equality programs in PNG. For example, the PNG-Australia Policing Partnership (PNG-APP) supports specialist police within Family and Sexual Violence Units, and the Royal Papua New Guinea Constabulary in the development of equal opportunity policies.

Recommendation 14

5.51 The committee recommends that the Australian Government, in supporting economic growth and public sector partnerships in Papua New Guinea through the aid program, ensures and demonstrates that:

- *there is an appropriate focus on micro-businesses, small to medium enterprises and the agricultural sector; and*
- *locally affected communities are consulted and involved in the development of programs.*

The Australian Government agrees with this recommendation. The private sector is at the heart of the aid program and aims to enhance economic growth, create jobs and reduce poverty. By 2017, Australia will be directing 30 per cent of the aid program in PNG to fund initiatives focused on private sector and aid for trade initiatives. The Australian Government continues to engage with micro businesses and small-medium enterprises (SMEs). For example, Australia is working with microfinance institutions to provide financial literacy that has reached over 90,000 people, resulting in over K26 million (approximately \$11 million) in loans to micro and small enterprises to grow their business. All of the Australian Government's private sector investments will involve consultation with relevant stakeholders to ensure relevance of programs through design and implementation.

Recommendation 15

5.53 The committee recommends that the Australian Government support:

- an increasing number of Papua New Guineans accessing the Seasonal Workers Program;*
- the request of the Papua New Guinea Government to expand the Seasonal Workers Program to other relevant sectors;*
- an investigation of remittance costs between Papua New Guinea from Australia.*

The Australian Government notes this recommendation. The Australian Government is committed to supporting PNG increase its participation in the Seasonal Worker Programme (SWP). DFAT established the Labour Mobility Assistance Program (\$5.8 million over two years) in July 2015 to improve development outcomes for participating countries. On 18 June 2015, the Australian Government announced an expansion of the SWP to the broader agriculture industry and accommodation sector in specific locations on an ongoing basis. The expansion also removed the cap on the number of participating workers and involves a trial of the programme in the tourism industry in Northern Australia. The Australian Government will consider the demand for seasonal labour in other relevant sectors on an ongoing basis.

The Australian Government is already investigating remittance costs to PNG. This includes consideration of recommendations of a study on technological and innovative solutions to facilitate remittances from Australia to countries in our region, including PNG. The Australian Government has encouraged Australian banks operating in the Pacific to lower remittance costs. In the case of PNG, Westpac announced on 18 May 2016 that it has cut fees for in-branch transactions to \$10 and provided a preferential exchange rate for both in-branch and internet transactions.

Australian Government representatives currently participate in a range of international fora which address issues in the remittance sector, including the Financial Action Task Force (FATF), the Global Partnership for Financial Inclusion and the G20 Development Working Group. These forums are focused on increasing market competition, innovation and enhancing transparency to address costs in our remittance corridors.

Recommendation 16

5.56 The committee recommends that the Australian Government:

- target increasing infrastructure aid funding on transport and road infrastructure in Papua New Guinea; and*
- support efforts to develop public private partnerships to invest in transport and road infrastructure.*

The Australian Government notes this recommendation. The Australian Government will continue to provide support to PNG's transport sector through the PNG-Australia Transport Sector Support Program, which is now in its second phase and valued at up to \$400 million. Business has an important role to play in PNG's transport sector. While PNG enacted enabling legislation for public-private partnerships (PPP) in 2014, viable opportunities are constrained due to pressure on PNG's economy and a challenging operating environment. The Australian aid program is working alongside the Asian Development Bank and International Finance Corporation to support PNG in the development of its regulatory framework and a PPP project pipeline.

Recommendation 17

6.37 The committee recommends the Australian Government target illegal activities undertaken in Australia which are linked to corruption in Papua New Guinea.

The Australian Government agrees with this recommendation. The Australian Government is taking action to ensure that Australia is not a safe haven for the proceeds of crime, including corruption, from PNG. Australian agencies including Attorney-General's Department (AGD), Australian Federal Police (AFP) and Australian Transaction Reports and Analysis Centre (AUSTRAC) collaborate to protect the Australian financial system against illicit financial flows from overseas and work cooperatively with PNG authorities to recover proceeds of crime and combat corruption.

Under the current PNG Combating Corruption program, AGD and AUSTRAC have undertaken a number of visits to PNG to provide peer-to-peer mentoring and training to their PNG counterparts, conducted three interagency training workshops for officials from seven PNG government agencies, and provided regular advice and support to PNG counterparts. With Australian Government support, PNG has passed a suite of anti-money laundering, counter-terrorist financing and proceeds of crime laws, and in June 2016, PNG was removed from the Financial Action Taskforce's ongoing global anti-money laundering/counter-terrorist financing compliance process (the 'grey list'). AGD and AUSTRAC are now assisting PNG to effectively implement reforms to its anti-money laundering, counter-terrorist financing and proceeds of crime laws and build PNG's institutional capacity to detect and respond to money laundering matters.

Recommendation 18

6.40 The committee recommends that the Australian Government:

- continue to support research activities which promote the effectiveness of the aid program to Papua New Guinea; and*
- ensure that this research is considered in decisions made regarding the aid program to Papua New Guinea.*

The Australian Government agrees with this recommendation and will continue to support research activities relating to the aid program. The Australian Government funds practical development research in PNG to help identify solutions to complex issues and better target programs. For example, the PNG Governance Facility is establishing a governance knowledge and research platform to inform and support the development of public policy, through research, analysis and the creation and dissemination of knowledge and evidence.

Through the \$320 million regional Pacific Women Shaping Pacific Development program, Australia is funding research into the relationship between women's economic empowerment and violence against women in PNG and Solomon Islands. The research is examining how to empower women economically and improve their livelihood security without compromising their safety. Results from the research will be used to inform a wide range of activities in PNG and throughout the region, including financial inclusion and private sector programs, and initiatives which aim to end violence against women and girls.

Dissenting report by Coalition Senators – recommendations

Recommendation 1

1.30 That the Australian Government continues to recognise and support the important role played by the churches, NGOs, and other civil society organisations working in PNG.

Recommendation 2

1.31 That the Australian Government continues to encourage the building of new partnerships between these organisations and the PNG Government and seeks to build local capacity to tackle development challenges.

The Australian Government agrees with these recommendations. Australia will continue to encourage partnerships between churches, NGOs, other civil society organisations, the private sector and the PNG Government to address development challenges.

Recommendation 3

1.32 That the Government continues to fund cooperative efforts such as the partnership between Youth with a Mission (YWAM) medical ships organisation, the Australian Government and PNG Government entities in the effective delivery of health care and medical training services in remote and isolated regions of PNG.

The Australian Government agrees with this recommendation. The Australian Government will continue to pursue efficient and effective ways to fund development activities in PNG. This includes cooperative efforts where Australian funding is able to leverage improved outcomes through funding from other donors and financiers, including the PNG Government. Decisions to provide funding to partners, including YWAM, will be made based on review of their performance and achievement of agreed objectives.

Additional comments by Australian Greens

Recommendation 1

1.30 That Australia progressively increases its aid funding to reach a target of 0.7 per cent GNI by 2024-25.

The Australian Government notes this recommendation. Australia will provide an estimated total of \$3.828 billion in ODA in 2016-17 but will not commit to a prescriptive, time-bound aid target as a percentage of GNI until the domestic economy is back on sustainable footing and Australia is fiscally strong enough to support this aspiration. The Australian Government remains committed to working with the PNG Government to ensure that appropriate funding flows to the most effective programs and will continue to focus on priorities outlined in Australia's Aid Policy and the Aid Partnership.

Recommendation 2

1.31 That Australia's aid program realigns itself to the Sustainable Development Goals as its priority framework.

The Australian Government notes this recommendation. As with the Millennium Development Goals, Australia has been closely involved in the development of the Sustainable Development Goals (SDGs). Australia is actively examining its policies, programs and reporting systems to determine what changes to make to better align with, and capitalise on, opportunities emerging from the 2030 Agenda for Sustainable Development (which includes the SDGs and the Addis Ababa Action Agenda on Financing for Development).

Recommendation 3

1.32 That the Australian Government increases its aid funding to Papua New Guinea, prioritising access to health, education and basic services.

The Australian Government notes this recommendation. Total ODA to the Pacific including PNG has not been reduced. This reflects the continuing commitment Australia has to development in PNG and recognises the specific challenges it faces. Australia's aid program focuses on improving the health and education systems as agreed with the PNG Government. Australia will continue to support investments that improve health and education outcomes in PNG. Future programming amounts will be determined in line with annual budgets and resourcing and as mutually agreed with the PNG Government.

Recommendation 4

1.33 That Australia's funded aid projects in PNG are informed by advice from experienced and respected NGO aid organisations, but largely driven by local communities.

The Australian Government notes this recommendation. The Australian Government and the PNG Government draw on the expertise of NGOs and local communities in the design and implementation of aid programs. The Australian Government works closely with both local and international NGOs through the Australian NGO Cooperation Program and youth programs in urban and rural PNG. The Australian and PNG governments are also working with church partners through the Church

Partnership Program, which reaches remote communities. Through these programs, local communities are consulted, with information fed back into planning and design processes. The choice of partner for any particular activity will reflect the area of identified priority and an assessment of which partner is best able to deliver development outcomes.

Recommendation 5

1.34 That the Australian government makes transparent the details of where it is spending its aid funding in PNG, the intended outcomes, and measured progress against those outcomes.

The Australian Government agrees with this recommendation. Australia is committed to high standards of aid program transparency and accountability. Information on the PNG aid program is published on the DFAT website, including policies, plans, results, evaluations and research.

The Aid Program Performance Report reports on agreed objectives under the Aid Partnership, and identifies and rates the progress of the program against benchmarks and the management responses to risks.

Australia is a member of the voluntary International Aid Transparency Initiative. Since March 2014, Australia has published aid information on a quarterly basis to the Initiative's aid registry, in accordance with the Initiative's Common Standard. Australia provides information on all its aid investments to the registry as well as additional comprehensive information on the DFAT website.

