

The Senate

Foreign Affairs, Defence and Trade
References Committee

Delivery and effectiveness of Australia's
bilateral aid program in Papua New Guinea

May 2016

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Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Phone: + 61 2 6277 3535

Fax: + 61 2 6277 5818

Email: fadt.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate_fadt

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Senator David Fawcett	LP, SA
Senator Scott Ludlam	AG, WA
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Senator Lee Rhiannon, AG, NSW substituted for Senator Scott Ludlam

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Mr David Sullivan, Committee Secretary
Mr Owen Griffiths, Principal Research Officer
Ms Casey Mazzarella, Senior Research Officer
Ms Kimberley Balaga, Research Officer
Ms Shannon Ross, Administrative Officer

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Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ACFID	Australian Council for International Development
ADF	Australian Defence Force
AFP	Australian Federal Police
ANCP	AusAID NGO Cooperation Program
ANU	Australia National University
ARB	Autonomous Region of Bougainville
ASPI	Australian Strategic Policy Institute
AusAID	Australian Agency for International Development
CAN	Church Agencies Network
CPI	Consumer Price Index
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
GNI	Gross National Income
HDI	Human Development Index
IFC	International Finance Corporation
IWDA	International Women's Development Agency
MDGs	Millennium Development Goals
MTDP	Medium Term Development Plan
NGO	Non-Government Organisation
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
RPNGC	Royal Papua New Guinea Constabulary
SDGs	Sustainable Development Goals
SME	small and medium enterprises
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme

WASH
WHO

Water, Sanitation and Hygiene
World Health Organisation

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 by 2024-25.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.**

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.

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.**

Executive summary

Australia's most important development relationship is with Papua New Guinea (PNG). Last year, PNG celebrated 40 years of independence. In Australia, this has contributed to a period of reflection regarding the nature and future of Australia's relationship with PNG, including the effectiveness and delivery of Australia's aid program. This discussion has included the release of Sean Dorney's Lowy Institute Paper, *The Embarrassed Colonist*, contributions to the ANU Development Policy Centre's blog and commentary within PNG. This conversation has benefited the committee's understanding of the Australian aid program to PNG and highlighted the importance of getting the key policy settings correct.

Last year was also the deadline for the Millennium Development Goals (MDGs) through which the international community set a number of key development targets to be reached by 2015. Unfortunately, PNG did not meet any of the MDGs and some key development indicators appear to be stagnant or slipping. Economic growth in the last decade has not translated into improvements for the most impoverished people in PNG. Substantial effort will be required if PNG is to make progress toward the next set of internationally agreed development targets, the Sustainable Development Goals.

In general, Australians have a limited understanding and knowledge of their nearest neighbour and its people. However, during the inquiry, the committee has been impressed by contributions of the many Australians involved delivering Australia's aid program to PNG. It is clear there is a 'tribe' of dedicated public servants, passionate aid workers, volunteers, church leaders, business managers and others committed to the success of development outcomes for the people of PNG.¹ For example, the committee met with volunteers from the YWAM medical ships which provide health care and training services to remote and isolated areas of PNG. Two of its vessels are currently undertaking outreach activities in the Madang Province of PNG.²

The Australian aid program has delivered approximately \$5 billion in development funding to PNG over the past decade. Over time Australia's aid program has shrunk as a proportion of PNG's economy and it is likely to shrink further over the coming decades as PNG continues to grow. Australia's aid budget has also been reduced in recent years, including the funding for PNG. The PNG Government's capacity to encourage development has been impacted by falling revenue and lower economic growth. This situation has raised a number of questions and issues regarding the best way for Australia to continue to assist development in PNG.

1 A term used by Ian Kemish, 'PNG is changing and we need to keep up', Debate: The Embarrassed Colonialist, *Lowy Interpreter*, 23 February 2016.

2 YWAM Medical Ships, 'YWAM's Medical Ships half way through successful outreach', *Media release*, 19 April 2016.

The delivery and effectiveness of Australia's aid program will have a significant impact on the future of the people of PNG. It is time for Australia to renew its commitment to development in PNG through the aid program. Increasing and improving Australia's support to development in PNG is not only the right thing to do, but it is also in Australia's long-term national interest.

Chapter 1

Introduction

Referral of inquiry

1.1 On 4 December 2014, the Senate referred matters relating to the delivery and effectiveness of Australia's aid program in Papua New Guinea (PNG) to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 26 November 2015.¹ The Senate subsequently extended to reporting date for the inquiry to 12 May 2016.²

1.2 The terms of reference for the inquiry are as follows:

The delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea (PNG), with particular reference to:

- (a) the political, economic and social objectives of Australia's aid;
- (b) the role of multilateral and regional organisations, non-government organisations, Australian civil society and other donors;
- (c) scope for increasing private sector involvement in sustainable economic growth and reducing poverty;
- (d) scope for expanding private sector partnerships in leveraging private sector investment and domestic finance;
- (e) improving PNG's progress towards internationally-recognised development goals;
- (f) supporting inclusive development by investing in good governance, health and education, law and justice and women's empowerment;
- (g) establishing realistic performance benchmarks to assess aid outcomes against set targets and to improve accountability; and
- (h) the extent to which development outcomes in PNG can be improved by learning from successful aid programs in other countries.

Conduct of the inquiry

1.3 The committee advertised its inquiry on its website, and in *The Australian*, calling for submissions to be lodged by 27 March 2015. The committee subsequently extended the closing date for the receipt of submissions to 24 April 2015. The committee also wrote directly to a range of people and organisations in Australia and PNG likely to have an interest in the matters covered by the terms of reference, drawing their attention to the inquiry and inviting them to make written submissions.

1 *Journals of the Senate*, 4 December 2014, p. 1987.

2 *Journals of the Senate*, 23 November 2015, p. 3419; *Journals of the Senate*, 22 February 2016, p. 3749.

1.4 The committee has received 51 submissions to the inquiry. These submissions are listed at [Appendix 1](#) and all submissions were made available on the committee's website at: www.aph.gov.au/senate_fadt.

1.5 Public hearings for the inquiry were held at Parliament House in Canberra on 21 September 2015, 22 September 2015 and 27 November 2015. Responses to questions on notice from those public hearing and other additional information received are listed at [Appendix 2](#). Witnesses who appeared at the public hearings are listed at [Appendix 3](#).

Structure of report

1.6 The report is structured into six chapters to reflect the terms of reference and the evidence received:

- Chapter 2 provides a background and an overview of Australia's PNG aid program;
- Chapter 3 examines the objectives and delivery of the Australian aid program in PNG;
- Chapter 4 considers a number of key areas where PNG's progress to development goals can be improved;
- Chapter 5 considers the appropriate role of the private sector engagement and private sector partnerships in Australia's PNG aid program; and
- Chapter 6 looks at benchmarks and accountability issues, as well as development research in PNG and what can be learnt from other foreign aid programs.

Acknowledgements

1.7 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing at the public hearing to give evidence.

Note on references

1.8 References to the committee *Hansard* are to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript

Chapter 2

Background

Introduction

2.1 The Independent State of Papua New Guinea (PNG) is a Pacific country that includes the eastern portion of the island of New Guinea. With over 800 distinct languages, PNG is one of the most culturally diverse countries in the world. Most of its approximately 7.5 million people live in rural and coastal areas.

2.2 PNG is rich in natural resources. The economy is concentrated in the agricultural, forestry and fishing sector, which engages most workers; and the resources sector which accounts for the majority of export earnings and Gross Domestic Product (GDP). Despite these natural resources, PNG remains a developing country. GDP per capita in PNG was US\$2331.6 in 2015 (compared to US\$61,979.9 in Australia in 2014). PNG currently ranks 158th out of 188 countries on the United Nations Human Development Index (HDI). PNG was ranked 128th of 173 countries in 1994.¹

2.3 The Department of Foreign Affairs and Trade (DFAT) Performance Report for PNG in 2014-15 provided an overview of the development challenges facing PNG:

Over three million people – or 40 per cent of the population – remain poor and/or face hardship:

- Malnutrition rates are high (45 per cent of children stunted and 14 per cent wasting).
- Around 80 per cent of the population reside in traditional rural and remote coastal communities and secure their livelihoods from subsistence farming, fishing and small-scale cash cropping.
- Life expectancy is only 62 years (compared with 60 years in 2005) and infant mortality is 47.3 per 1,000 live births (compared with 51.5 per 1,000 in 2005).
- Women and girls suffer unacceptably high death rates related to pregnancy and childbirth, and the majority experience sexual and family violence.
- It is estimated that around 15 per cent of the population has some form of disability.²

1 UNDP, *Human Development Report 1994*, p. 94.

2 Department of Foreign Affairs and Trade, *Aid Program Performance Report 2014-15 – Papua New Guinea*, November 2015, p. 4.

2.4 Despite its development challenges, PNG is recognised to have maintained a stable democratic system with regular elections, an independent judiciary and a free media.³ A constitutional monarchy, PNG has three levels of government - national, provincial and local. Members of the National Parliament are elected from 89 single-member electorates and 22 regional electorates. The regional electorates correspond to PNG's 20 provinces, plus the Autonomous Region of Bougainville and the National Capital District. Members from regional electorates also serve as provincial governors. Each province has its own provincial assembly and administration.

2.5 The PNG Government's aims for development are long term and ambitious. The National Strategic Taskforce's *Vision 2050* indicated PNG's aim to improve its ranking in the United Nations HDI to among the top 50 by 2050 'through the creation of opportunities for personal and national advancement, as a result of economic growth, smart innovative ideas, quality services and a fair and equitable distribution of benefits'.⁴

Australian aid

2.6 PNG was administered as an Australian territory from 1945 to 1975 when political independence was granted. Australia has provided aid assistance to PNG since its independence. Supporting a stable and developing PNG has been perceived as a priority by successive Australian governments. Initially, nearly all aid was provided as budget support directly to the PNG government. However, during the 1990s this budget support was replaced by program aid. The 1997 Simons Review into the Australian aid program noted that the reason for the shift was that 'budget support was not well used' and that 'programmed Australian aid can be more effective in the restoration of services and the building of capacity'.⁵

2.7 Most Australian aid to PNG is delivered through DFAT (following the integration of AusAID), however a large number of other government agencies also provide types of assistance to PNG. As the PNG economy has grown, its dependency on overseas aid has reduced.⁶ DFAT will manage an estimated \$477.3 million in bilateral funding to PNG in 2015-16. Total Australian Official Development Assistance (ODA) in 2015-16 will be an estimated \$553.6 million. The 2016-17 Budget included an estimated \$477.3 million in bilateral aid to PNG and an estimated \$558 million total ODA for PNG.⁷

3 For example, Mr Mat Kimberley, DFAT, *Committee Hansard*, 27 November 2015, p. 20.

4 *Papua New Guinea Vision 2050*, p. 74.

5 *Review of the PNG-Australian Development Cooperation Treaty (1999)*, 19 April 2010, p. 15.

6 *Submission 42*, p. 13.

7 DFAT, *Australian Aid Budget Summary 2016-17*, May 2016, p. 11. In 2015-16 and 2016-17, PNG's allocation includes \$49.4 million per annum under the Joint Understanding between Australian and PNG on Further Bilateral Cooperation on Health, Educations and Law and Order (Joint Understanding).

2.8 In 2015-16 and 2016-17, PNG's allocation includes \$49.4 million per annum under the *Joint Understanding between Australian and PNG on Further Bilateral Cooperation on Health, Educations and Law and Order* (Joint Understanding) signed in 2013. Under the Joint Understanding, Australia committed \$420 million of assistance to PNG over 4 years.

2.9 This makes PNG the largest recipient of Australian aid. Australia is also the dominant aid donor to PNG providing 68 per cent of the ODA which PNG receives. In 2015, Australian aid flows were estimated to represent 7 per cent of PNG's total official expenditure and this is expected to track towards 5 per cent by 2020.⁸ Australia's aid program in PNG has covered a broad range of sectors including:

- health;
- education;
- law and justice;
- transport infrastructure; and
- gender equality and women's empowerment.

2.10 The outcomes from the Australian aid program in PNG have been mixed. For example, the DFAT performance report for 2013-14 observed:

Good progress was made towards outcomes in health and HIV, and transport infrastructure investments achieved their targets for road rehabilitation. Modest gains were made from education and law and justice investments. The challenging political and security environment in PNG limited the achievement of outcomes for Australian-supported activities in the governance sector while deep-rooted socio-economic issues affected progress on programs designed to advance gender equality and women's empowerment.⁹

2.11 A DFAT assessment of Australian aid noted that six out of seven program objectives in PNG in 2013-14 were classified as 'at risk'. It stated:

The financial benefits from PNG's mining and petroleum assets have not yet translated into improved living standards for the majority of its citizens. Despite 14 years of consecutive growth, PNG has one of the lowest levels of GDP per capita in the region.¹⁰

Recent policies changes

2.12 At the PNG–Australia Ministerial Forum in December 2013, Ministers agreed that Australia would undertake an assessment of its aid investment in PNG. This

8 DFAT, *Submission 26*, p. 5. Mr Mat Kimberley, DFAT, *Committee Hansard*, 27 November 2015, p. 18.

9 DFAT, *Aid Program Performance Report 2013-14, Papua New Guinea*, September 2015, p. 2.

10 DFAT, *Performance of Australian Aid 2013-14*, February 2015, p. 23.

assessment was intended to better align Australia's aid with both governments' priorities and position the aid program to address key constraints to sustainable economic growth and equitable development in PNG. This assessment, titled *A new direction for Australian aid in PNG: refocusing Australian aid to help unlock PNG's economic potential*, made nine recommendations:

1. Align the aid program with shared political and economic objectives of Australia and Papua New Guinea.
2. Reprioritise 30 per cent of the current aid program, over the coming three years, to fund initiatives focused on private sector-led growth and aid for trade.
3. Maintain priority investments in improving health, education, infrastructure and law and justice systems.
4. Increase effective partnerships with the private sector.
5. Expand our support for good governance.
6. Maintain a strong program of support for building the capacity of PNG's police.
7. Expand support to women's empowerment.
8. Increase aid investments in Bougainville as a greater proportion of the bilateral PNG program.
9. Establish clearer, realistic performance benchmarks to assess both our and PNG's performance against set targets, and to drive mutual accountability for agreed actions.

2.13 The 2015-16 budget included reductions for Australia's overseas aid program, however aid funding to PNG was relatively unaffected. Bilateral aid funding to PNG went from \$502.1 million in 2014-15 to \$477.3 million, a decline of approximately 5 per cent.

2.14 In September 2015, DFAT released the *Aid Investment Plan – Papua New Guinea 2015-16 to 2017-18* which set out a new strategic framework for bilateral aid to PNG. The new *PNG-Australia Aid Partnership Arrangement 2016-17* was signed on 3 March 2016 to 'facilitate closer cooperation and promote more effective governance, better enable economic growth and enhance human development'.

Parliamentary inquiries

2.15 In 2003, the Senate Foreign Affairs, Defence and Trade References Committee tabled its report *A Pacific engaged: Australia's relations with Papua New Guinea and the island states of the southwest Pacific*. In November 2009, the committee tabled volume 1 of its report *Economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific*. Both of these reports addressed aspects of Australia's aid program in PNG.

2.16 In March 2014, the Senate Foreign Affairs, Defence and Trade References Committee tabled its report on *Australia's overseas aid and development assistance program*. The committee made a number of recommendations including that the Australian Government should keep Australia's ODA/Gross National Income (GNI) ratio above 0.33, that funding cuts made to Pacific nations in the 2014-15 budget should be reversed and that the Medical Research Strategy should be expanded.¹¹

2.17 The Joint Standing Committee on Foreign Affairs, Defence and Trade — Foreign Affairs and Aid Sub-Committee tabled its report *Partnering for the greater good* in June 2015. The report made a number of recommendations on facilitating private sector involvement in promoting economic growth and reducing poverty in the Indo-Pacific region.

Recent assistance

2.18 An El Niño weather pattern has created severe drought and localised frost conditions in PNG during 2015-16. This has had a major impact on water supply in many parts of PNG, with negative impacts on school operations, women's labour and villagers' health. Subsistence food supply, which many people are dependent on, has also been affected. A recent study identified 27 rural local level government areas where 'food supply from all sources (subsistence, purchased or donated) is very scarce or extremely scarce'.¹²

2.19 On 7 November 2015, the Australian Foreign Minister announced a package of assistance to assist 'communities and governments across the Pacific to prepare for and respond to the effects of El Niño'. This included \$5 million for PNG to:

- improve food security for around 500,000 people by providing seed stock for drought resistant crops;
- determine water and sanitation needs across at least six provinces in partnership with non-government organisations (NGOs);
- support vulnerable groups including children, women and the elderly through church health services;
- support the National Disaster Centre, NGOs and local churches to improve logistics and coordination efforts; and
- provide high quality mapping of the impact of the drought on water, vegetation and crops with the support of Geoscience Australia.¹³

11 Senate Foreign Affairs, Defence and Trade References Committee, *Australia's overseas aid and development assistance program*, March 2014, pp 93-99.

12 RM Bourke et al, 'Estimated impact of drought and frost on food supply in rural PNG in 2015', Development Policy Centre, *Policy Brief 11*, January 2016, p. 4.

13 The Hon Julie Bishop MP, Foreign Minister, 'Supporting Drought Efforts Across the Pacific', *Media Release*, 7 November 2015.

Budget and economic difficulties

2.20 The drop in global commodity prices and lower expected revenue, has led to 'a deliberate intervention by the [PNG] Government to cut down on expenditures and to support continued economic growth with expenditures prioritised towards the Medium Term Development Plan (MTDP) enablers particularly infrastructure due to its more immediate impact on future economic growth'.¹⁴

2.21 Concerns have been raised that these cuts to public expenditure could negatively impact development outcomes in PNG. DFAT noted that the PNG Mid-Year Economic and Fiscal Outlook (MYEFO) reported the impact of declining commodity prices on PNG's budget. Sharply reduced government revenues have placed PNG's fiscal position under pressure. DFAT expected that savings are likely to be made by reducing government expenditure on services, potentially putting pressure on already fragile sectors such as health and education.¹⁵

2.22 This appears to have occurred. Mr Paul Flanagan's recent analysis has highlighted deep cuts to core development sectors:

The 2015 [Final Budget Outcome] reveals that overall domestic expenditure reductions in 2015 amounted to 14.3%. However, the cuts in particular sectors are particularly worrying. The largest cuts were to health – an extraordinary within year cut of 37.1%. Infrastructure was cut by 36.0%, and Education by 30.3%. This pattern of cuts is the opposite of what the government claims are its priorities and the areas that would be protected. These are frightening figures for service delivery in PNG, as well as investment in human resources.¹⁶

2.23 Lower economic growth has also been predicted for the PNG economy. The PNG Government has forecast the economy will grow at 4.3 per cent in 2016. The Asian Development Bank, World Bank and the International Monetary Fund have also released projections which indicate the 'most likely scenario for PNG economic prospects in the short-term will be one of restrained growth'.¹⁷

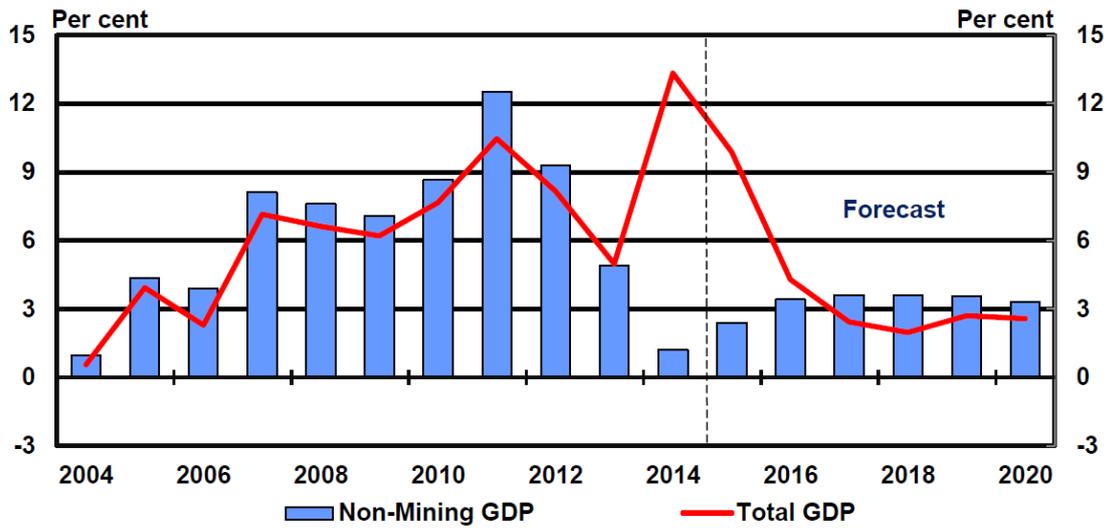
14 PNG Government, *Final Budget Outcome 2015*, p. 4.

15 *Submission 26, supplementary submission 1*, p. 1.

16 Paul Flanagan, 'PNG's frightening Final Budget Outcome', *Devpolicy Blog*, 4 April 2016, available at: <http://devpolicy.org/pngs-frightening-final-budget-outcome-20160404/> (accessed 21 April 2016).

17 Jonathan Pryke, 'Papua New Guinea's new economic reality', *Lowy Interpreter*, 20 April 2016, available at <http://www.lowyinterpreter.org/post/2016/04/20/Papua-New-Guineas-new-economic-reality.aspx> (accessed 21 April 2016).

Figure 1. PNG economic growth 2004-2020¹⁸



18 PNG Government, *2016 National Budget, Volume 1: Economic Development Policies*, p. 12.

Chapter 3

Objectives and delivery issues

Introduction

3.1 This chapter will consider the objectives of Australian aid to PNG and key issues raised regarding the delivery of the aid program. It will also consider specific areas in relation to the Australian aid program:

- aid to Autonomous Region of Bougainville (ARB);
- the Manus Island Regional Processing Centre; and
- cross-border issues.

Objectives

3.2 The Australian aid program's purpose is to 'promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'. The 2015-16 budget papers stated:

DFAT will continue to implement the Government's development policy *Australian aid: promoting prosperity, reducing poverty, enhancing stability...*The program is focused on supporting private sector development and strengthening human development...Australia will continue to support its developing country partners, but will adopt an approach that acknowledges the different development trajectories of the Pacific and growing Asia.¹

3.3 In the context of PNG, the DFAT's *Aid Investment Plan* provides that from 2015-16 to 2017-18, Australia's aid program in PNG will encompass 'the following three strategic, and interlinked, objectives which are in line with PNG's priorities and where Australia can add value':

1. Promoting effective governance
2. Enabling economic growth
3. Enhancing human development

As a cross-cutting issue, all programs will effectively integrate gender equality.²

3.4 The recent PNG-Australia Aid Partnership Agreement reaffirmed that Australian aid is aligned with the priorities of the PNG government. The Alotau Accord which, in 2012, outlined the priorities of the current O'Neill PNG government

1 *Foreign Affairs and Trade, Portfolio Budget Statements 2015-16*, p. 18.

2 DFAT, *Aid Investment Plan: PNG 2015-16 to 2017-18*, 2015, p. 3.

included priority impact projects in: education; health; corruption; infrastructure; LNG projects; law and order; public sector reforms and private public partnerships.³ The PNG Government Medium Term Development Plan 2 (MTDP) 2016-17 included sixteen critical policy and program areas including 'education, health, infrastructure, law & justice and land & housing'.⁴

Inclusive growth

3.5 A key concern expressed during the inquiry was that the Australian Government's additional emphasis on private sector growth and aid for trade in the PNG aid program would impact on health, education and infrastructure services support to the people in the most need in PNG. For example, ChildFund Australia argued:

While economic growth is a necessary condition for poverty reduction, on its own it is not sufficient. Poverty reduction and protection of human rights require a broader, human development approach. Australia's bilateral aid program to [PNG] must clearly prioritise human development, specifically poverty reduction...Economic growth without attention to inclusion and equity will fail to reach the poorest. The experience of PNG over the last decade confirms that significant increases in GDP do not necessarily result in a generalised improvement to living standards.⁵

3.6 The Australian Council for International Development (ACFID) also characterised PNG as a 'powerful example of a country where headline economic growth has not translated into poverty reduction and improved wellbeing for the majority of its citizens'. In the context of Australia's aid program being reprioritised toward infrastructure, aid for trade and private sector-led growth, AFCID argued:

Australia's aid program must continue to play a vital role in addressing the root causes of poverty and instability in PNG by building the foundations for inclusive economic growth through investments in good governance, health and education, law and justice and women's empowerment and gender equality. Official Development Assistance (ODA), above any other forms of capital, is particularly suited to investments in these areas.⁶

3.7 World Vision noted that PNG lags against all development indicators despite the increasing natural resource income driving growth in Papua New Guinea's gross national income. It considered this 'demonstrates the limitations of GNI as a tool for assessing prosperity and wellbeing'. It stated:

This is also indicative of persisting inequalities within PNG, with the poorest often being women, individuals with disabilities, and those in

3 'The Alotau Accord – 2012 Summary of O'Neill Government Priorities', July 2012.

4 PNG Government, *Medium Term Development Plan 2 2016-2017*, p. 47.

5 *Submission 16*, p. 1.

6 *Submission 22*, p. 8.

remote areas. These represent groups largely unable to access the benefits of resource sector growth, and who suffer from the absence of proportionate improvements to provincial service delivery.⁷

3.8 World Vision argued for 'embedding targeted objectives which measure outcomes at sub-national levels; ensure the participation of marginalised groups including women, individuals with disabilities and those in remote areas; and prioritise human development'.⁸

3.9 ACFID noted that there are vast disparities in wellbeing, access to services and to markets between rural and urban residents in PNG.

People living in remote areas have poor access to essential services, limited educational and employment opportunities and consistently rank lower in terms of human development than other parts of the country...Growing inequality between communities is a constraint to inclusive and sustained economic development in PNG...To maximise the impact of Australian aid to PNG, aid investments must reach remote areas and isolated communities. ACFID recommends that the Australian aid program target these areas in order to address the particular challenges facing remote communities.⁹

3.10 CARE Australia also noted that 'key studies conducted over a 30 year period show that there is a strong geographic component to extreme poverty in PNG; it is possible to identify certain, largely remote, locations where the poorest of the poor live'.¹⁰ A consistent theme in the joint submission from *PNG Attitude* was that Australian aid should prioritise assistance to rural areas of PNG. It stated that the 'people of Papua New Guinea clearly understand the need for aid that helps the underprivileged rural majority'.¹¹ It noted that a perception exists in PNG that 'except certain specific locations, Australian aid offers minimal tangible benefit to the majority of PNG's rural people, 80% of the population'.¹²

3.11 Support for the basics of human development, such as education and health service, was perceived as underpinning the success of any inclusive economic growth in PNG. The Lowy Institute stated:

While Australian aid policy has a renewed focus on private sector development, it is important that Australia continues to provide significant support for education and health in Papua New Guinea. Lack of capacity and shortcomings in the provision of education and health services in Papua New Guinea make external support critical for Papua New Guinea to

7 *Submission 32*, p. 3.

8 *Submission 32*, p. 4.

9 *Submission 22*, p. 11.

10 *Submission 28*, p. 2.

11 *Submission 1*, p. 4.

12 *Submission 1*, p. 2.

develop a future workforce capable of meeting the country's needs and driving further progress.¹³

3.12 The Burnet Institute recommended that the 'Australian aid program in PNG should have as a primary objective improving the quality of life of the population, particularly the poor and vulnerable'. It considered at least 50 per cent of the aid budget 'should be allocated to human development (including health, education and women's empowerment'. The Burnet Institute argued that while improvements in 'fair trade, strategic investments in economic growth industries and strengthened financial governance may lead to improved macro-economic indicators, they will not necessarily improve the quality of life of the very poor'.¹⁴

Strategic

3.13 Strategic objectives were seen as implicit in the Australian aid program in PNG. There was a broad consensus that a 'stable and prosperous PNG is clearly in Australia's national interest'.¹⁵ Mr Flanagan observed that, at this strategic level, there were few differences between the priorities of PNG and Australia:

Both countries want PNG to develop. Both countries want PNG to remain a constitutional democracy with regular fair elections. Both countries give priority in government expenditure to areas such as education, health, infrastructure, law and order and supporting the economic sector. Both seek inclusive, peaceful and sustainable development.¹⁶

3.14 Aid to PNG was perceived as an important tool for Australia to promote stability in its region. The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) highlighted Australia's 'unique and powerful position in its own region' with 22 of its 24 nearest neighbours being developing countries including PNG. It noted some of these regional neighbours were 'particularly fragile and vulnerable'.¹⁷

3.15 In this context, Save the Children argued that '[a]id is a complimentary and cost-effective instrument to support our soft power and security in our region'. It described Australia's aid program as an 'important tool to promote regional stability'.¹⁸ The Lowy Institute noted that PNG is the 'Oceania region's second most populous country' (after Australia). It stated Australia 'wants and needs the population of Papua

13 *Submission 14*, p. 2.

14 *Submission 10*, p. 2.

15 DFAT, *Submission 26*, p. 1.

16 *Submission 43*, p. 3.

17 OECD DAC, *Submission 6*, p. 2.

18 *Submission 41*, pp, 6, 25.

New Guinea to be secure, well educated, healthy and prosperous and our aid program is and should continue to be focused on contributing to this objective.¹⁹

3.16 Security aspects of the aid program were also raised. The Defence White Paper 2016 includes that '[g]eographical proximity means the security, stability and cohesion of Papua New Guinea contributes to a secure, resilient Australia with secure northern approaches'.²⁰ Dr Karl Claxton and Mr Peter Jennings from the Australian Strategic Policy Institute (ASPI) commented:

Australia is served by a stable, confident, active and prosperous PNG, given its proximity and location across our direct approaches; historical and personal bonds; consular responsibilities; our trade and investment links; and expectations we'd assist if Port Moresby requested our help.²¹

3.17 However, Dr Claxton and Mr Jennings cautioned that as PNG population 'climbs toward 15 million in 2030 and up to 30 million by 2050' questions have been raised regarding whether a crisis in PNG could overwhelm the capacity of Australia to respond. They argued that 'anti-poverty and security-enhancing measures needn't be incompatible but rather overlap significantly in places like PNG'.

Funding

3.18 Australia has been providing aid to PNG since 1975, but at levels that, adjusting for inflation, have fallen over time. Though there has been a recent recovery, from 1975 to 2008, there has been an average annual rate of reduction of 3 per cent. The gradual decline in Australian aid to PNG volumes has been policy endorsed by both governments in an effort to reduce PNG dependency on Australian aid.²²

3.19 However, concerns were raised during the inquiry that the levels of funding for the Australian aid program were undermining its key objectives. For example, Save the Children considered '[i]t is simply not possible for Australia to meaningfully contribute to PNG's development challenges with a reduced aid budget'. It called on the Australian Government to restore the Australian aid budget to \$5 billion a year, indexed to CPI, and commit to increasing aid to 0.5 percent of GNI 'so that aid can contribute to sustainable development in PNG and also neighbouring trading partners across the Pacific and Asia'.

3.20 While many conceded efficiencies could be found in the delivery of the Australian aid program, the overall level of funding was identified as a key factor in the success of development outcomes. For example, Dr Claxton and Mr Jennings from ASPI observed that '[w]hile there's obviously merit in improving the quality of our

19 *Submission 14*, p. 2.

20 Department of Defence, *Defence White Paper 2016*, p. 127.

21 *Submission 17*, p. 2.

22 *Review of the PNG-Australia Development Cooperation Treaty*, April 2010, p. 2.

assistance, the quantum is also important for signalling the importance of the bilateral relationship as well as what can be achieved on the ground'.²³

3.21 ACFID emphasised 'that deep and repeated cuts to Australia's aid program undermine Australia's ability to address the root causes of poverty and instability in PNG, and to adequately tackle regional challenges, and are not in PNG or Australia's interests'.²⁴ It recommended that Australia restore funding to the aid program including over the forward estimates and ensure the aid budget grows in line with CPI. It also considered Australia should announce 'a credible timetable to allocate 0.5 per cent of GNI to Australia's aid program'.²⁵

Government assistance

3.22 The gradual reduction in the proportion of Australian aid funding relative to the PNG economy was perceived as driving a focus on 'government assistance' – supporting the PNG Government to be more effective in spending its own funding on development activities. For example, Mr David from DFAT argued that while the funding of the PNG aid program appeared large to some commentators, relative to the problem, it is small. He stated:

...PNG spends less than \$100 per person for health, of which our spend per year is about \$10 of that total. That is compared to, say, \$5,000 to \$6,000 in Australia. The issue is: how do we get the very scarce resources that exist in PNG and influence those to take these key interventions like childhood vaccination or BCG vaccination for TB to every child under five for every generation of children coming through? The point is that we have very limited resources in a very poor governance environment and we have to think about the balance of how to invest to fill gaps; but also, ultimately, to get those big shifts in mortality reductions, we have very little choice but to work with government to try to influence how they allocate their resources.²⁶

3.23 This position was supported by Mr Flanagan who considered that the central focus of the Australian bilateral aid program should be on helping the PNG Government spend its own resources more effectively. He stated:

Governance assistance helps build the environment that allows the private sector to grow. This goes beyond support for vital areas such as law and order. It extends to supporting macro-economic stability (fiscal, monetary and external), creating market frameworks that support inclusive businesses and trade, providing essential economic infrastructure and fostering entrepreneurial leadership.

23 *Submission 17*, pp 3-4.

24 *Submission 22*, p. 4.

25 *Submission 22*, pp 4-5.

26 *Committee Hansard*, 27 November 2015, p. 30.

Sustainable development goals

3.24 Australia was one of the 189 countries who committed to achieve the Millennium Development Goals (MDGs)—a set of development targets with the overall objective of reducing poverty and increasing living standards worldwide by 2015. In 2008, PNG and Australia signed a Partnership for Development Agreement. The agreement sought 'more rapid progress towards poverty reductions and other [MDGs] by 2015'. PNG did not achieve any of the MDGs in 2015.

3.25 On 25 September 2015, the member states of the United Nations agreed to the 2030 Agenda for Sustainable Development which includes 17 sustainable development goals (SDGs) and a large number of targets associated with those goals. Australia actively participated in international discussions to design the SDGs.²⁷

3.26 Some submitters, such as the Burnet Institute and the Reef and Rainforest Research Centre, considered that Australia's aid program to PNG should be closely aligned with the priorities identified in the SDGs.²⁸ For example, Australian Doctors International suggested this alignment should be prioritised towards the health and education needs of those living in rural and remote PNG.²⁹ Save the Children emphasised that the previous MDGs had been 'a game changer' in terms of focusing the world's attention on development results:

Going forward, for consistency with aid investment internationally, Australia's aid to PNG should be aligned with the Sustainable Development Goals. This is also consistent with PNG's own development agenda...³⁰

Delivery issues

Role of NGOs

3.27 DFAT outlined that in 2014-15, 13 accredited Australian NGOs implemented 33 projects in PNG, with a combined budget of over \$7 million funded through the DFAT managed Australian NGO Cooperation Program (ANCP). Under the ANCP, Australian NGOs implement projects in PNG across a range of sectors including maternal and child health; water, sanitation and hygiene (WASH); education; governance; gender equality; and disaster risk reduction.³¹ Another Australia aid NGO program is the Church Partnership Program (CPP) - a partnership between seven PNG churches and their seven counterpart Australian faith-based organisations. DFAT

27 DFAT, 'Global development: The 2030 Agenda for Sustainable Development', available at <http://dfat.gov.au/aid/topics/development-issues/global-development-agenda/Pages/global-development-agenda.aspx> (accessed 3 May 2016).

28 *Submission 10*, p. 3; *Submission 38*, p. 2.

29 *Submission 20*, p. 2.

30 *Submission 41*, p. 9.

31 *Submission 26*, p. 50.

noted the CPP is 'focused on strengthening partnership and coordination between the seven churches, building their capacity to deliver services, increasing their support for gender equality approaches and the empowerment of women, and increasing Church engagement with the PNG Government to encourage good governance'.³²

3.28 NGOs were seen as valuable partners in the PNG aid program. ACFID noted there were over 40 ACFID members are currently working in PNG, in partnership with local organisations, to reduce poverty and promote development and stability, with the assistance of the Australian Government, the Australian public and private sector, and other donors. ACFID argued for a balanced approach to delivery of the Australian aid program. It believed 'that civil society and NGOs – both in Australia and PNG – have important strengths that the Government should leverage in the delivery of its PNG bilateral aid program':

Different delivery partners bring unique strengths and expertise to the provision of aid programs. The aid program must achieve a balance between supporting government, the private sector, multilateral institutions and civil society, so as to maximise the strengths of each sector and reflect its ability to achieve results and deliver sustainable development outcomes.³³

3.29 The capacity of NGOs to reach the poorest and most difficult to access members of the PNG community was highlighted. For example, World Vision described the ANCP as 'an effective means of reaching the poorest and most vulnerable with initiatives embedded in a long-term presence in their communities'.³⁴ Save the Children stated that 'NGOs often work with the most vulnerable populations in the hardest to reach places'. It gave the example of its malaria prevention project which 'operates in remote parts of East Sepik Province, where many households within the project's catchment are unable to access health facilities during the wet seasons'.³⁵ These are neglected areas where functioning government services may not yet be in place due to a range of factors including remoteness, conflict and corruption. It noted that there are no market incentives for commercial investment as there is often little profit in going to these places.³⁶

3.30 The Church Agencies Network (CAN) highlighted the importance of church organisations in the delivery of aid to PNG, describing them as 'critical for regional sustainable progress'. It noted that faith-based organisations, away from key administrative centres, 'often have more influence and certainly more "presence" than state institutions and officials'. The PNG Government has recognised the role of

32 *Submission 26*, p. 50.

33 *Submission 22*, p. 18.

34 *Submission 32*, pp 5-6.

35 *Submission 41*, p. 19.

36 *Submission 41*, p. 20.

churches in providing vital services such as 'minimising law and order issues and providing health and education services to the rural majority of the population'.³⁷

3.31 CAN highlighted that churches 'make a huge contribution to education in PNG, with approximately 50% of both elementary schools and primary schools administered by churches'. It also noted the work of church-run program addressing adult literacy.³⁸ Churches are also the biggest partner in delivering health services with the PNG Government.³⁹

3.32 ACIAR described them as the 'backbone of PNG communities':

In particular, faith-based organisations, provide not only traditional religious services, but also run about half of both elementary and primary schools. They also provide health services for about two-thirds of primary education and provide health care in rural areas. These organisations have long histories in, and strong and established links with, communities.⁴⁰

3.33 Mr O'Callaghan from CAN noted that from a 'PNG citizen's point of view churches have a demonstrated track record of delivering outcomes in education, health care and social services and also in response to environmental disasters or natural disasters'. He stated:

[C]hurches are really the only institutions in PNG which have a full reach and delivery capacity into every village in the country...[W]orking together and alongside our Papua New Guinean church partners over the last decade, seven churches from Australia have been successful in such areas as gender based violence, child protection, peace building, literacy, disaster preparedness and response, and also improved management of church run schools and health centres. It is worth bearing in mind that the collaboration with the Australian government is at the level of about 0.01 per cent of the bilateral aid between Australia and Papua New Guinea [through the Church Partnership Program].⁴¹

3.34 CARE Australia noted that, despite the important role of NGOs in supporting development in PNG, '[t]here is currently no policy statement on the role of NGOs in the Australian aid program to PNG'. It considered that a NGO policy statement could provide a clear strategy for DFAT and NGOs in the PNG aid program and help both parties understand their respective strengths.⁴²

37 *Submission 23*, p. 2.

38 *Submission 23*, p. 3.

39 *Submission 23*, p. 2.

40 *Submission 8*, p. 9.

41 *Committee Hansard*, 21 September 2015, p. 17.

42 *Submission 28*, p. 8.

Advisers

3.35 The committee received conflicting evidence regarding the value of advisers and technical assistance to the Australian aid program. Dr Howes noted that 'more than half of Australia's aid to PNG takes the form of technical assistance'. He reminded the committee that the 2010 *Review of the PNG-Australia Development Cooperation Treaty* (which he co-authored) had concluded that technical assistance 'has had little impact'. His view was that, at the current time, 'the Australian aid program is still overly tilted towards technical assistance':

A reduction in the total aid spend on personnel would raise the bar for advisory effectiveness, which seems to remain very low. (As there is no cost sharing with government, there is always massive excess demand for advisers)...[I]t should be noted that technical assistance is very expensive to deliver in PNG because of the security umbrella DFAT is required to aid-funded personnel provide due to PNG's high rates of crime.⁴³

3.36 CARE Australia also noted that 'Australian aid program's approaches have largely relied on technical assistance, by placing advisers and Australian Government officials in PNG Government agencies in long-term positions'. It stated:

Technical assistance can effectively contribute to development outcomes, especially when advisers play a facilitative role and where there is strong local ownership and leadership. Sometimes, however, there is an over-reliance on technical assistance at the expense of other more promising approaches. A number of commentators have highlighted that expectations of what technical assistance can achieve are unrealistic, given that change is complex, slow and gradual and requires conducive leadership, incentives and political economy. Some have concerns that technical assistance sometimes promotes technical solutions that are not appropriate to the context. As a review of DFAT's Strongim Gavman Program found, there are also risks that technical assistance can undermine local capacity when advisers take a more capacity-substitution role.⁴⁴

3.37 In contrast, Coffey International defended the value of technical advisers in the Australian aid program, noting a study from November 2014 found that 'counterparts, stakeholders and senior managers in the PNG Government commonly expressed views about, and reported instances of, the success of the (adviser) placements'. It recommended:

While it is important to adopt a range of practical and flexible aid modalities in PNG, technical assistance and advisory support is important for sustaining and improving the core functions of government. The Australian government should continue to fund such assistance as a complement to other support options.⁴⁵

43 *Submission 42*, p. 36.

44 *Submission 28*, pp 5-6.

45 *Submission 24*, p. 3.

3.38 However, Coffey observed that in performing their roles in PNG '[a]dvisers may require assistance to be "politically conscious" especially in environments of corruption and poor decision-making around spending public funds'. It had found that 'overt activity or reporting by advisers may jeopardise their position or compromise the trust of their PNG counterparts...'.⁴⁶

3.39 A large number of advisers from Australian Government agencies work in PNG as part of the Strongim Gavman Program (SGP).⁴⁷ DFAT noted:

[T]he PNG Prime Minister announced plans to remove all foreign advisers by 31 December 2015. After that date, Prime Minister O'Neill indicated that all advisers would be recruited and employed directly by the Government of PNG...Australia currently has a total of 217 advisers deployed in PNG funded directly out of the aid budget, made up of 34 Strongim Gavman Program advisers, 110 contracted advisers and 73 Australian Federal Police personnel.

In preparation for these discussions DFAT is actively considering options for moving advisers to in-line roles, including through consultations with staff who have worked on previous aid adviser reviews and with academics, think tanks and other agencies. There may be positive development benefits to shifting to inline advisory support in some contexts, and Australia will be discussing these in detail with the Government of PNG.⁴⁸

3.40 Mr Kimberley from DFAT told the committee:

We agree that it is important that PNG agencies have a greater role in managing advisory resources. We do, however, have concerns about the transition time frames that have been proposed. We have suggested to PNG that the transition period needs to be longer—something more like 1 July 2016.⁴⁹

3.41 On 6 January 2016, it was reported that 15 adviser positions in the PNG departments of finance, transport, treasury and justice ended on 31 December 2015. However, DFAT stated that 18 other Australian public servants remained in their advisory positions and new liaison officer roles were being established.⁵⁰

46 *Submission 24*, p. 4.

47 DFAT, response to question on notice from hearing on 27 November 2015.

48 *Submission 26, supplementary submission 2*, p. 1.

49 *Committee Hansard*, 27 November 2015, pp 19, 28.

50 'PNG removes foreign advisers with 15 Australian Government aid positions targeted', *ABC News*, 6 January 2016, available at: <http://www.abc.net.au/news/2016-01-06/png-removes-foreign-advisers/7070344> (accessed 11 February 2016).

Institutional linkages

3.42 The capacity of 'twinning' institutional linkages to empower local development activities was highlighted by the joint submission from *PNG Attitude*. It proposed:

Twinning programs between equivalent public and private sector organisations in Australia and PNG would match entities in a long-term relationship for the most part conducted online.

From time to time, employees would be attached for up to six months to the twinned organisation to gain exposure of working in a different culture with different work processes, work ethics and organisational philosophies.⁵¹

3.43 It quoted a PNG national:

We have had Australian development practitioners work with us in PNG. Their role is to provide support to our internal policy development process, strategic plans, targets etc. They merely facilitate. We decide whether to accept their advice or not. We set the agenda and have the final say as to what is good for us.⁵²

3.44 Mr Flanagan also argued for increased institutional linkages between Australian and PNG as 'they mirror the long-term challenges facing PNG' and provide a basis for strong partnership approaches 'building on our shared ties, history and common interests'. He stated:

Long-term institutional linkages mirror the long-term challenges facing PNG. They provide a basis for a strong partnership approach, building on our shared ties, history and common interests. The commitment must be long-term...Institutional linkages activities can apply across the public, private, educational and community sectors.⁵³

Long term and predictable commitments

3.45 The benefits of predictable and long-term commitments to aid programs are well-recognised. In 2013, the OECD DAC recommended that 'Australia increase the medium-term predictability of its aid for all its partner countries'.⁵⁴ The importance of long-term and predictable support was also identified in relation to aid to PNG. Short-term projects, frequent policy changes and unexpected cuts to funding were all perceived as undermining effective development.

3.46 For example, the Church Agencies Network noted that 'multi-year commitments result in higher impact programs with sustainable results'. It

51 *Submission 1*, p. 4.

52 *Submission 1*, p. 4.

53 *Submission 43*, p. 9.

54 *Submission 6*, p. 5.

recommended the Australian Government 'makes long-term commitments to enhancing Church and State partnerships in health and education, reduction of gender-based violence, and improvements in child protection'.⁵⁵ ACFID also emphasised 'the great and ongoing need for development assistance, and the importance of a stable and predictable aid budget to support PNG's development, both now and in future years'.⁵⁶ World Vision argued that stability and predictability of funding to NGOs was necessary to ensure gains made by NGOs are not lost, and 'that transformational change to underlying social conditions can continue in the long-term'.⁵⁷

3.47 Longer term contracts with delivery partners were also as a reform to improve efficiency. Ms Newton-Howes from CARE Australia stated:

We would like to see long-term commitments, not year by year contracting; simple contracts. We respect DFAT's right to evaluate us. The evaluation of one major project is not a simple piece of work. Ultimately, the contracts should be simple. They should focus on key indicators and not be year-by-year contracts, which we suffer from enormously; they should be three- to five-year contracts so that we can demonstrate, build on, and achieve the results.⁵⁸

3.48 Dr Howes from the Development Policy Centre noted that, while views differ on whether the Australian aid program should be responsible for the delivery of basic services, '...we can all agree that if Australia takes on these responsibilities, it should hold on to them for some time'. He argued for more continuity in the PNG aid program:

There are many good things that Australian aid could do. There are many needs in PNG currently unmet. What is more important is that the aid program should learn what works and stick with what it is doing well. Initiatives that succeed should be continued with. This is equally relevant to both the bureaucratic managers and political masters of the aid program. More discipline is needed, especially when initiatives come to an end. If they are positively evaluated, they should be continued, indeed expanded, over a timespan of a decade or decades.⁵⁹

3.49 ACIAR noted that in agricultural areas, 'aid delivered through short-term task-based consultancies has proved largely ineffective':

The intractable nature of many agricultural challenges, as well as the need for patient investment in capacity building, requires sustained long-term research partnerships and trust. It also requires the engagement of a range of partners with different but complementary organisational and individual

55 *Submission 23*, p. 5.

56 *Submission 22*, p. 7.

57 *Submission 32*, pp 5-6.

58 *Committee Hansard*, 22 September 2015, p. 8.

59 *Submission 42*, pp 24-25.

strengths and skills, to create an environment where collaborative work will continue long after a project concludes.⁶⁰

3.50 A specific concern raised was that the reprioritising of 30 per cent of aid to PNG over the next three years to private sector led growth initiatives through phased reductions in basic service delivery. For example, Professor Brassil from Family Planning NSW argued a 'three-year transition is too short a time frame when you work in PNG'.⁶¹ Family Planning NSW supported the transition of responsibility 'for basic service delivery to the government of PNG at a rate that is sustainable and achievable'. It warned that '[a]ny sudden diminution in Australian aid programs that support that capacity building would undermine a successful transition'.⁶² Save the Children also did not support the Australian aid program 'transitioning away from service delivery'. While it agreed there should be a long-term exit-strategy, 'a transition period of three years is simply too short – it will have a dire impact on the most vulnerable people'.⁶³

Other donors

3.51 While Australia is the dominant donor of overseas aid to PNG (74.2 per cent in 2013), other donors such as China, New Zealand, the United States and Japan also provide assistance. Significant multilateral aid is also provided through organisations such as the Asian Development Bank and the Global Fund. While net ODA to PNG has steadily fallen since 1975, it has recently rebounded with the share of multilateral aid increasing.

3.52 A significant recent change has been increasing development assistance by China to PNG. Research by the Lowy Institute's Dr Philippa Brant has shown that China's aid to Papua New Guinea has become more significant in recent years. Over the period 2006 to 2014, cumulative Chinese aid to Papua New Guinea has totalled US\$440.3 million, making China the second largest bilateral donor in PNG. To put this in perspective, Australian aid over the same period (on a cumulative basis) totalled approximately US\$3 billion.⁶⁴

3.53 In 2013 Australia and China signed a Memorandum of Understanding on Development Cooperation to facilitate collaboration on development issues in the Asia-Pacific region. On 15 November 2015, the Foreign Minister announced a trilateral three year initiative between Australia, China, and PNG to focus 'on strengthening PNG's health systems by improving the capacity of key PNG medical institutions to correctly diagnose and treat malaria'. Australia will contribute

60 *Submission 8*, p. 10.

61 *Committee Hansard*, 21 September 2015, p. 22.

62 *Submission 18*, p. 6.

63 *Submission 41*, p. 10.

64 *Submission 14*, p. 1.

\$4 million to this initiative while 'China will provide technical expertise as well as an in-kind contribution'.⁶⁵

Specific areas

Bougainville

3.54 DFAT outlined that Autonomous Region of Bougainville (ARB) faces a range of constraints to economic growth and human development. However, it noted there are unique factors affecting Australia's aid program to the ARB 'as a result of the nine year (1989 to 1998) civil conflict in the region'.⁶⁶ DFAT stated:

The majority of our assistance to Bougainville is delivered through PNG national programs in the sectors of health, education, law and justice, and transport infrastructure. Australia also funds region-specific initiatives in governance and peace building to help the [Autonomous Bougainville Government] respond to the particular challenges posed by Bougainville's post-conflict and autonomous status.⁶⁷

3.55 *A new direction for Australian Aid in PNG* raised the prospect of additional funding for a separate Bougainville-specific suite of activities as a new area of Australian aid investment in PNG to support economic growth. This would be designed 'to support governance, economic development, the peace process and preparations for the referendum'.⁶⁸ DFAT's *Aid Investment Plan* outlines that Australia, in consultation with the PNG Government and the Autonomous Bougainville Government (ABG), would increase its assistance to Bougainville to support stability by 'strengthening governance and service delivery, promoting social cohesion and economic growth, and empowering women and youth'. It indicated that assistance to Bougainville would be 4 per cent of the Australian bilateral program expenditure in 2015-16.⁶⁹

3.56 Between 2015 and 2020, the ARB is scheduled to hold a referendum on independence under the Bougainville Peace Agreement. The importance of increased support to Bougainville in the lead up to the referendum was emphasised in the inquiry. The National Research Institute considered that 'given the past history of conflict and the destruction arising, the Autonomous Region of Bougainville needs special and close attention of both the governments of Australia and PNG'. It considered:

65 The Hon Julie Bishop MP, Foreign Minister, 'Australia, China and PNG Working Together to Tackle Malaria', *Media release*, 8 November 2015.

66 *Submission 26*, p. 37.

67 *Submission 26*, p. 37.

68 DFAT, *A new direction for Australian aid in PNG*, 2014, p. 6.

69 DFAT, *Aid Investment Plan – PNG 2015-16 to 2017-18*, 2015, pp 8-9.

Growth of private enterprise in Bougainville has the potential to contribute to sustainable development whilst under-girding peace. Harnessing the entrepreneurs for the above has to be part of a deliberate strategy of socio-economic development for Bougainville.⁷⁰

3.57 Dr Claxton and Mr Jennings from ASPI argued that 'our aid investment in preserving peace on Bougainville was, until recently, slightly above the Autonomous Region's share compared to other provinces on a per-capita basis but far below what mutual security interests warranted'.⁷¹ In previous a ASPI report on Bougainville, they had recommended:

Australian development assistance spent on Bougainville should temporarily be tripled ahead of the referendum to \$100 million per year by providing up to \$40 million in budget supplementation and approximately doubling the \$35 million currently spent on sectoral support and the activities of contracted advisers...An expanded aid program delivered now will create a substantial long-term cost saving if it helps us avoid a large-scale Defence-led intervention some years in the future.⁷²

3.58 Australian Volunteers International (AVI) felt 'it is important for AVID to increase its presence in Bougainville to support the ARB and civil society during this time'. In particular, it emphasised the importance of continued support to women organisations in the ARB:

Women in ARB played a vital role in the peace process initiatives during the decade long conflict and in post-conflict reconciliation processes. Established in 2006, the Bougainville Women's Federation (BWF) has quickly become recognised as a leading organisation representing the women of ARB, promoting leadership and encouraging greater representation in decision-making in government and non-government institutions.⁷³

3.59 The Church Agencies Network noted the work of churches to support the 'lost generation' in Bougainville, 'young people who have lost one or both parents and who did not have access to education during the Bougainville civil war'. It argued that '[d]ue to the complex post-conflict environment in Bougainville positive improvements for this young generation will only come through long-term contextualised engagement'.⁷⁴

3.60 The Bougainville Freedom Movement highlighted that the area was still recovering from the 'prolonged and brutal war'.

70 *Submission 5*, p. 14.

71 *Submission 17*, p. 4.

72 Karl Claxton and Peter Jennings, 'A stitch in time: preserving peace on Bougainville', *APSI Special Report*, November 2013, p. 9.

73 *Submission 13*, p. 7.

74 *Submission 23*, p. 5.

An estimated 15,000 to 20,000 people of Bougainville lost their lives. The survivors had to endure years of conflict during which basic supplies including medicines were withheld, schools were closed and a generation grew up with no education and no experience of civil society.⁷⁵

Bougainville Freedom Movement strongly advocates that Australian aid should be directed to the people of Papua New Guinea and Bougainville in forms that are of direct assistance to the people, have the support of local people and are environmentally sustainable. Assistance is required in so many areas to build hospitals and schools, build infrastructure for development in accordance with the traditions and wishes of the people.

3.61 The difficult political sensitivities concerning this region were illustrated during the inquiry. A newly established diplomatic post in Buka was intended to provide 'greater focus for Australia's development assistance to Bougainville'.⁷⁶ However, the announcement by the Australian Government of this new post was not received positively by the PNG Government.⁷⁷

Manus Regional Processing Centre

3.62 Concerns regarding the relationship between the Australian aid program and Australia's broader relationship with PNG were raised. In particular, the Manus Island Regional Processing Centre was identified as an important recent influence. For example, Dr Standish pointed out this was an area where 'aid is getting caught up in political issues that are very significant to Australia'. He stated:

[T]ensions are affecting the Australian aid programs arising from the burden of the regional processing centre on Manus Island. It is said that cooperation and planning of programs has been damaged, as have contacts with the Australian government at the highest level in Port Moresby.⁷⁸

3.63 The existence of the Regional Processing Centre on Manus Island was perceived as a key reason that PNG had been spared the worst of recent cuts of the aid budget. For example, Mr Pryke from the Lowy Institute stated:

We cut the aid program by 20 per cent last year, and Papua New Guinea was only cut by five per cent. I think that that is a reflection of the relationship we have over Manus Island.⁷⁹

3.64 Dr Howes argued that 'Australia has lost leverage over the PNG aid program because of the Manus regional agreement relating to asylum seekers'. He cautioned:

75 *Submission 34*, p. 3.

76 *Foreign Affairs and Trade, Portfolio Budget Statements 2015-16*, p. 19.

77 Address by the Hon Peter O'Neill MP, Prime Minister of PNG, 14 May 2015, <http://auspng.lowyinstitute.org/publications/address-hon-peter-oneill-cmg-mp-prime-minister-papua-new-guinea> (accessed 4 May 2016).

78 *Committee Hansard*, 27 November 2015, p. 2.

79 *Committee Hansard*, 22 September 2015, p. 34.

Australian leverage in relation to the aid program is important not because Australia knows best or should throw its weight around. But there is the risk that Australia will not say "no" when it should, and will end up taking responsibility in areas beyond its capability.⁸⁰

3.65 DFAT outlined the broad range of assistance being provided to Manus Province including 'support to education, health, transport infrastructure, climate change and disaster risk management'. It also listed a number of aid projects to be undertaken '[o]ver the next few years'.⁸¹ However, ACFID questioned the increased Australian aid to Manus Island. It stated that '[g]iven the scale of poverty across PNG, directing funding to one region on the basis of Australia's domestic political considerations rather than considerations of need, is a poor use of a limited aid budget'.⁸²

3.66 Similarly ChildFund Australia stated that 'aid objectives should not be confused or muddled by tying Australian support to refugee resettlement programs'.⁸³ Save the Children also considered the 'use of Manus Island to outsource Australia's humanitarian refugee processing obligations runs counter to the principles and core objectives of Australia's aid and development program'.⁸⁴

3.67 The Australia-PNG Ministerial Forum Communique in March 2016 noted ongoing discussions regarding the extension of the Regional Resettlement Arrangement until 2017. However, a recent ruling Supreme Court of PNG on the status of detainees at the Manus Regional Processing Centre has created uncertainty regarding the future of the centre and Australia's regional processing arrangements with PNG.⁸⁵

Cross-border issues

3.68 Effective management of transboundary issues was highlighted as significant to development issues and mitigating risks for PNG. Issues included communicable diseases, people movements, biosecurity issues, illegal fishing and traffic in

80 *Submission 42*, p. 29.

81 *Submission 26*, p. 38. See also DFAT, *Economic and Development Benefits to PNG of the Regional Resettlement Arrangement, as at 8 September 2015*, pp 1-2.

82 *Submission 22*, p. 11.

83 *Submission 16*, p. 8.

84 *Submission 41*, p. 8.

85 Eric Tlozek and Stephanie Anderson, 'PNG's Supreme Court rules detention of asylum seekers on Manus Island is illegal', *ABC News*, 27 April 2016, available at <http://www.abc.net.au/news/2016-04-26/png-court-rules-asylum-seeker-detention-manus-island-illegal/7360078> (accessed 27 April 2016); Stephanie Anderson, 'Manus Island detention centre to be shut, Papua New Guinea Prime Minister Peter O'Neill says', *ABC News*, 28 April 2016, available at <http://www.abc.net.au/news/2016-04-27/png-pm-oneill-to-shut-manus-island-detention-centre/7364414> (accessed 28 April 2016).

endangered species. For example, Dr Nunn from ACIAR noted the risk that *Taenia solium*, a tapeworm that can be transmitted from pigs to humans and causes cysts on the brain, could migrate over the border to PNG from the west.⁸⁶

3.69 The concerns regarding the potential for drug resistant tuberculosis to spread from the Western Province of PNG to northern Queensland were repeatedly raised. The Medicine for Malaria Venture highlighted that PNG's shared borders with Indonesia and the Solomon Islands would be a critical challenge in the development of Australia aid. Shared borders created additional malaria control and elimination challenges due to cross border transmission. In particular, MMV noted the potential dangers of the regional spread of emerging artemisinin and multi-drug resistant *Plasmodium falciparum* parasites, and the insecticide resistant mosquitos.⁸⁷

3.70 Dr Butler from the CSIRO described the Torres Strait; Western Province, PNG; and Papua Province, Indonesia as 'probably one of the most complicated social or political areas of the world':

One of the big questions that is emerging is the rapid growth of both the population and the economy in Papua Province is placing enormous pressure on the communities on the New Guinean side of the border and therefore, by association, with Australia as well. At the moment the Torres Strait Treaty, being a bilateral treaty, does not really cope with a lot of those pressures that are coming from just a few kilometres away, literally, across the border.⁸⁸

3.71 The CSIRO stated:

Although Indonesia and PNG are connected by land, Australia has not succeeded in integrating Australia-PNG-Indonesia trilateral initiatives. This is of critical importance to Australia's northern border of the Torres Strait, where current arrangements under the PNG-Australia Torres Strait Treaty can only manage environmental, fisheries, health, biosecurity and border security issues relating to these two countries. However, the PNG-Indonesia border also adjoins the Torres Strait, and the rapid development of Indonesia's Papua Province is driving new pressures on the border region, such as illegal trade, people movements, biosecurity and environmental impacts. Consequently, a tri-partite approach to managing the Torres Strait-Western Province-Papua Province border may be necessary, supported by collaborative research and development to analyse trans-boundary issues and solutions.⁸⁹

3.72 The Torres Strait Treaty between PNG and Australia, signed in 1978, governs the sovereignty over the islands in the Torres Strait and establishes maritime

86 *Committee Hansard*, 21 September 2015, p. 9.

87 *Submission 19*, p. 8.

88 *Committee Hansard*, 21 September 2015, p. 8.

89 *Submission 47*, p. 10.

boundaries, and seabed and fisheries jurisdiction lines. The Gizra Tribe, located in the Western Province of PNG, argued that developmental issues for economic sustainability could be addressed through the Torres Strait Treaty. They held the belief that through the review of the Treaty 'bilateral aid to Western Province can be easily channelled through these arrangements without any interference from corrupt bureaucrats in Port Moresby'. The Gizra Tribe requested this matter be the subject of a separate parliamentary inquiry.⁹⁰

ACFID's view that such a large and rapid shift in itself presents serious risks to the wellbeing of vulnerable groups in PNG. This is particularly the case given current issues with governance and institutions in PNG and the low levels of government service provision.

ACFID emphasises that any transition that does occur must be appropriately staged in a manner that accounts for the current lack of government capacity, and be supported with strong and sustained investment in local capacity building and systems strengthening. Appropriate safeguards must also be put in place to ensure this transition does not pose a risk to the most vulnerable in the short or longer term.⁹¹

Committee view and recommendations

3.73 Development assistance to PNG cannot be considered in isolation from the rest of Australia's aid program. The committee has previously identified a lack of strategic clarity in the Australia Government's approach to foreign aid. This is perhaps best illustrated by the recent changes to the funding to Australia's overseas aid programs. Despite earlier bipartisan commitments to the goal of increasing Australia's overseas aid to 0.5 per cent of GNI, Australia's foreign aid budget has been the subject of substantial reductions. The 2015 OECD DAC assessment of overseas aid identified Australia as a country with one of the 'largest decreases recorded'. Australia's ODA/GNI ratio was 0.27 per cent in 2015, down from 0.31 per cent in 2014.⁹²

3.74 The committee has previously recommended that funding levels of Australian aid be broadly maintained and urged that a bipartisan approach be adopted to agree to a pathway to achieve an ODA/GNI target of 0.5 per cent by 2024-25.⁹³ Other countries, notably the UK, have demonstrated it is possible to weather difficult economic times but still maintain and increase the levels of support for overseas assistance programs. The UK has achieved an ODA/GNI ratio of 0.67 per cent in 2015.⁹⁴ Other countries have also managed to reach or exceed the internationally

90 *Submission 3*, p. 2.

91 *Submission 22*, p. 10.

92 OECD DAC, *Development aid in 2015 continues to grow despite costs for in-donor refugees*, 13 April 2016, pp 2, 6.

93 Senate Foreign Affairs, Defence and Trade References Committee, *Australia's overseas aid and development assistance program*, March 2014, pp 94-95.

94 UK Department for International Development, *Provisional UK ODA as a proportion of GNI 2015*, p. 4 (depending on methodology used).

recognised target of 0.7 per cent ODA/GNI ratio. In contrast, Australia's ODA/GNI ratio could reach a historic low point of 0.22 per cent in 2016-17.⁹⁵

3.75 Australia can afford to give more, and it is clearly in Australia's interest to give more to the least developed countries in our region. A number of Pacific countries, and particularly PNG, are likely to require a level of development assistance from Australia for the foreseeable future. In this context, a long-term perspective for Australia's foreign aid is required. Investing in assistance to PNG to support its path to development in the next ten years, will benefit Australia in the future decades.

3.76 The committee acknowledges that the aid program to PNG (and the Pacific) have been protected to some extent from some of the funding cuts to the rest of Australia's overseas aid budget. This acknowledge of the importance of development assistance in PNG is welcome. However, in the coming years the constraints on additional funding (while the population of PNG continues to grow) will be a brake on potential development. As some others countries in Asia progressively achieve success in their development and, in some cases become donor countries themselves, Australia should recommit to maintaining and increasing its overall level of assistance in developing countries, such as PNG, which still require assistance.

3.77 Projections of lower than expected economic growth and substantial cuts to PNG's national budget in the areas of education and health are concerning. This is likely to have a broad range of consequences. If publicly funded services are reduced or cut, this will increase the demand on other services including those funded by Australia through the aid program. In the short term, the Australian aid program's current approach to 'further develop PNG's own capacity to deliver services to its population using its own resources' may be substantially undermined.⁹⁶ The Australian Government should engage with PNG officials to understand the consequences of these recent budgetary decisions and determine if the Australian aid program should be reoriented to reflect these changed circumstances.

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 by 2024-25.

95 Stephen Howes and Johnathan Pryke, 'Biggest aid cuts ever produce our least generous aid budget ever', DevPolicy Blog, 15 December 2014, available at: <http://devpolicy.org/biggest-aid-cuts-ever-produce-our-least-generous-aid-budget-ever-20141215-2/>.

96 DFAT, *Aid Investment Plan: Papua New Guinea 2015-16 to 2017-18*, p. 3.

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.

3.80 The importance of inclusive and equitable development should be explicitly recognised in the core objectives of Australia's aid program to PNG. This addition would acknowledge that recent years of economic growth in PNG have not led to equitable development outcomes. Programs supported by the Australian aid funding to support economic growth should be clearly articulated and directed to benefit the 3 million people in PNG who live in poverty. In the view of the committee, this commitment to the objective of equitable development outcomes should be cast as an objective similar to gender equality.

3.81 Australia has been an active participant in the development of the sustainable development goals (SDGs) which were announced last year. The committee notes that the *Aid Investment Plan* and the *Papua New Guinea-Australia Aid Partnership Arrangement 2016-2017* do not include mention of the SDGs. Future policy documents in relation to the Australian aid program to PNG should include an articulation of how Australia's aid program to PNG aligns with these broader internationally agreed development targets.

3.82 The committee was surprised by the fact that only four per cent of the Australian bilateral aid program to PNG is delivered by NGOs (compared to 58 per cent by commercial suppliers). The committee accepted the consistent evidence that NGOs often have the better reach into the most disadvantaged and isolated communities in PNG. The relatively small base of funding allocated to churches through the PNG Church Partnership Program also appears starkly at odds with the range of education and health services provided by church organisations and the cultural influence of churches in the lives of the ordinary people in PNG. The committee notes that the *A Lost Decade* report recommended that '[g]iven the superior performance of church-run schools and health clinics, existing partnerships with church education and health service providers should be expanded'.⁹⁷ In the view of the committee, a balanced Australia aid program should include increased support for the work of NGO partners in PNG.

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.

97 Stephen Howes et al, *A Lost Decade: Service Delivery and Reforms in PNG 2002-2012*, October 2014, p. xiii.

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.

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.

3.86 Some submitters have linked levels of funding in the Australian aid program directed to PNG with agreement and cooperation on regional processing issues. The committee notes that if this agreement ends, it would be unfair for the people of PNG to be consequently allocated a lower level of development assistance from Australia. Such an outcome would not be compatible with the alignment of Australia's national interest and foreign aid policies.

3.87 The PNG Prime Minister has indicated that the closure of the Regional Processing Centre at Manus will have a 'detrimental effect on the local Manus economy' and this will have to be 'carefully managed'.⁹⁸ In the view of the committee, the Australian Government should examine the consequences of the closure of the Regional Processing Centre on the local people of Manus Island. It should use this assessment to determine whether the priorities of the Australian aid program should be changed to mitigate any negative consequences. There may be opportunities in the closure of the centre which should also be explored. In particular, the *Regional resettlement arrangement between Australia and Papua New Guinea* included that 'Regional Processing Centres will be developed so that they can be utilised flexibly for the benefit of local communities or for wider national purposes'.

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.

3.89 The committee is persuaded that there is scope for an increased focus on institutional linkages between Australia and PNG. The committee has familiarity with these programs from the existing Pacific Parliamentary Partnership Project which 'twins' Australian parliaments with Pacific parliaments for the purposes of capacity-building activities. In this program, the Queensland Parliament has the privilege of being 'twinned' with the PNG Parliament. Long term institutional links with Australian institutions can provide a broad range of benefits to their counterparts in PNG. These include promoting people-to-people links and the transfer of training,

98 PNG Office of the Prime Minister, 'PM O'Neill: Manus Regional Processing Centre will close', *Media Release*, 27 April 2016.

skills and knowledge. The Australian Government should examine an expanded program of institutional linkages which could extend beyond public sector to other Australian institutions.

Recommendation 7

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

3.91 Cross-border issues also appear to be an area where additional work can be undertaken to support the delivery and effectiveness of aid in PNG. As a foreign aid donor to both PNG and Indonesia, Australia is in a solid position to propose initiatives to address the various shared cross-border issues raised in the inquiry. These include the spread of communicable diseases, economic pressures, illegal trade, people movements, biosecurity and environmental impacts.

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.

3.93 While it is falling as a portion of the PNG economy, Australian aid continues to be the dominant contributor of ODA to PNG. This is an unusual situation. The evidence received during the inquiry suggested that the international community considers development assistance to PNG as a 'special responsibility' for Australia.⁹⁹ However, in the view of the committee, combatting poverty and promoting human development are global ambitions. Nor is it sensible to think that Australia's aid program will always have the most effective solutions to PNG's development challenges.

3.94 In the view of the committee, there are further opportunities to partner with other emerging donors, other countries and multilateral organisations to increase the impact of Australia's aid funding and benefit from the expertise of others in relation to development assistance. For example, the UN World Food Programme does not have a presence or programs in the Pacific, including in PNG.¹⁰⁰ Given the context of PNG rates of childhood malnutrition and stunting, this appears an opportunity to draw in additional assistance from multilateral organisations to support efforts in this critical area. The committee supports the Australian Government's commitment to 'continue to work closely with multilateral partners to encourage their increased and effective presence in [PNG]'.¹⁰¹

99 OECD DAC, *Submission 6*, p. 2.

100 World Food Programme, *Submission 2*, p. 1.

101 *PNG-Australian Aid Partnership Arrangement 2016-17*, p. 6.

Chapter 4

Improving progress

Introduction

4.1 This chapter will consider development issues in specific sectors of the aid program to PNG. In particular, it will focus on the five key areas listed in term of reference (f): governance; health and education; law and justice; and gender equality.

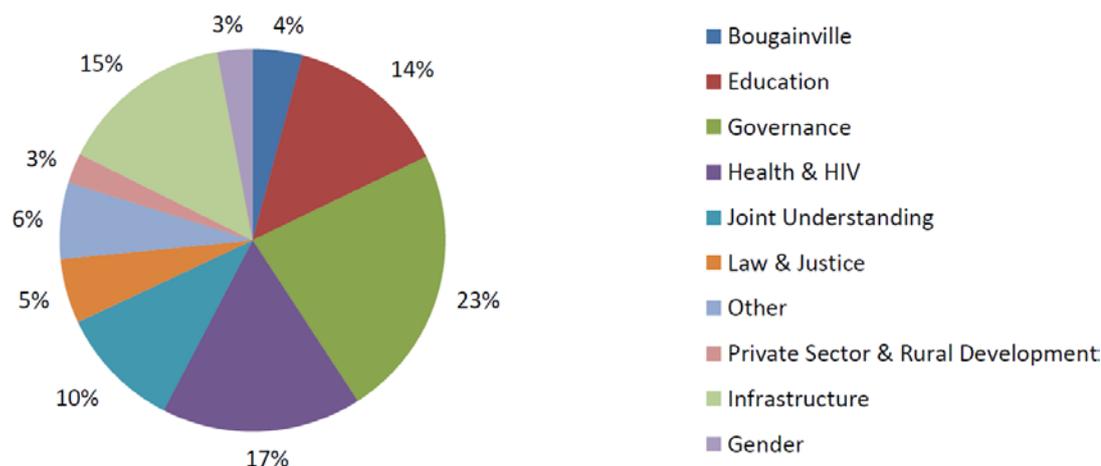
4.2 Some considered the Australian aid program to PNG had been increasingly consolidated. Mr Kimberley from DFAT described how the sectoral focus of Australia's PNG aid program has 'changed considerably' over the past 40 years:

[W]e have gone from supporting a very wide range of very worthy projects in many different sectors to focusing on support where we feel we can make the most difference. This has meant making hard decisions about where we focus our aid and, in close collaboration with the PNG government, we have chosen to focus on health, education, transport infrastructure and law and justice. Support for governance and gender equality cut across all of our programs.¹

4.3 The *Aid Investment Plan* outlined the expected areas of bilateral program expenditure in 2015-16 (extracted below).

Figure 2. Sectors of bilateral program expenditure²

Expected bilateral program expenditure 2015-16



1 *Committee Hansard*, 27 November 2015, p. 19.

2 DFAT, *Aid Investment Plan: PNG 2015-16 to 2017-18*, p. 9.

4.4 However, Dr Howes from the Development Policy Centre held the view that Australia's aid to PNG continues to have a wide sectoral spread. He noted that the 2010 *Review of the PNG-Australia Development Cooperation Treaty* had concluded that 'over time, as the aid program has become a smaller part of the PNG economy, it has been spread so thinly that its impact has become hard to discern'. This fragmentation was 'not only across but within sectors'.³

Governance

4.5 During 2014-15, Australia's support for strengthened governance in PNG totalled approximately \$112 million. This support was delivered through a number of programs which focused on 'macroeconomic stability; professionalisation of the PNG public service; improved public financial management; decentralised public administration; democratic elections; even greater private sector development; and service delivery through churches and civil society'.⁴

4.6 Governance is the largest area of the Australian aid program and was the most frequently mentioned issue during the inquiry. For example, CARE Australia told the committee:

Poor governance underpins most development problems in PNG and governance indicators show governance has been declining. Weak governance and institutions are a key constraint on sustainable and inclusive economic growth. Service delivery is undermined by funding issues, corruption and a lack of transparency, accountability and oversight.⁵

4.7 However, it appeared that there has been limited improvement in governance issues in PNG. For example, Mr Flanagan pointed to research which concluded that the data suggested there 'has been little if any improvement in PNG governance over the last 15 years'. This included that the World Bank's Worldwide Governance Indicators show all six categories of governance are currently worse than they were in 1996.⁶

4.8 The PNG Government's District Services Improvement Program (DSIP) was often used as an example of poor governance frameworks which could undermine development efforts. Dr Standish told the committee this program allocated 'roughly A\$9 million' to each MP each year:

That is about \$900 million a year for the entire parliament. MPs, however, cannot design projects, mostly, or use these funds in sustainable services. They do not have the staff capacity in most of the districts, according to recent research...Meanwhile, crucial access roads are not maintained,

3 *Submission 42*, p. 20, 26.

4 DFAT, *Aid Program Performance Report 2014-15: PNG*, November 2015, p. 13

5 *Submission 28*, p. 2.

6 *Submission 43*, pp 5-6.

schools and health services are run-down. There is next to no evaluation of these funds...These arrangements severely weaken the very services which aid programs seek to influence.⁷

4.9 The PNG Auditor-General found a number of problems with DISP including 'a pervasive breakdown in the DSIP governance framework' and 'ineffective spending of DSIP grants including potential misuse of DSIP funds'.⁸

4.10 DFAT described 'good governance as 'fundamental to PNG's stability and growth'. It noted that, while Australia had sought to assist the PNG Government improve the effectiveness of its state institutions over many years, 'this effort must be strengthened'.⁹ Mr Kimberley from DFAT argued that it was important to recognise that 'the reform of institutions and the focus of government work takes a very long time':

According to the quality of governance measure it takes states with low capacity a very long time to evolve to the lowest OECD levels—on average, 100 years. The 40 years that PNG has had are simply not enough and we must be prepared to support them in the long term.¹⁰

4.11 A recent Australian aid supported initiative to promote governance is the Pacific Leadership and Governance Precinct in Port Moresby. This project is intended to strengthen the capacity of the PNG public sector leadership.¹¹ This was launched by the Foreign Minister on 6 November 2015.¹² This PNG-led Australian supported initiative is intended to encourage the development of expertise and drive cultural change through 'delivering a wide range of executive-level public sector ethic and leadership courses; certificates, diplomas and undergraduate programs in public administration management; in-service training; and applied research'.¹³ The University of PNG's School of Business and Public Policy and the PNG Institute of Public Administration 'will provide education and training to improve public policy development and its implementation, promote national development and strengthen a culture of integrity in the PNG public service'. The Precinct is intended to 'promote values-based decision making among leaders, engendering a culture of accountability and integrity, and encouraging the highest standards of professional conduct'.¹⁴

7 *Committee Hansard*, 27 November 2015, p. 3.

8 PNG Auditor-General Office of PNG, *District Services Improvement Program*, Report 3, February 2014, p. 12.

9 *Submission 26*, p. 6.

10 *Committee Hansard*, 27 November 2015, p. 18.

11 *Foreign Affairs and Trade, Portfolio Budget Statements 2015-16*, p. 15.

12 The Hon Julie Bishop MP, Foreign Minister, 'Papua New Guinea: Pacific Leadership and Governance Precinct launch', *Media release*, 6 November 2015.

13 Mr Mat Kimberley, DFAT, *Committee Hansard*, 27 November 2015, pp 19, 27.

14 DFAT, 'Pacific Leadership and Governance Precinct', tabled on 27 November 2015.

4.12 DFAT noted that the current Australian-funded governance programs in PNG will end in 2015-16 and that a suite of new programs were being developed.

New investments will respond to the Australian aid policy and the recommendations of the PNG aid assessment. These include stronger investments in public sector strengthening and the enabling environment for the private sector, and initiatives that build demand for ethical leadership and good governance. An enhanced focus will be given to investments that empower women and youth for public and private sector leadership positions.

The programs will be delivered under a new umbrella initiative – the PNG Governance Facility. The Facility will bring greater coherence and increased efficiencies to the way we deliver governance investments in PNG in the future. Australia will apply innovation and engage the private sector directly in the delivery of these programs wherever possible.¹⁵

4.13 Mr Flanagan from the Development Policy Centre considered that '[g]overnance assistance should be the primary pillar in our aid program with PNG – this is the means of helping PNG spend its own resources more effectively and to pursue policies that foster inclusive growth'. He noted that 'international experience suggests that support for good governance can be the most effective form of aid assistance'.¹⁶

4.14 The NGOs which contributed to the inquiry broadly supported more 'bottom-up' programs to support better governance in PNG. For example, Save the Children observed:

Australia does not have enough resources, influence or power to dramatically change the nature of governance in PNG. Sustainable governance changes will take time and cannot be imposed but have to be demanded by Papua New Guineans. Formal and informal institutions of governance need to be built and owned by Papua New Guineans themselves.¹⁷

4.15 Similarly World Vision stated:

While the Australian aid program has done good work in many aspects of governance strengthening, a significant amount of funding is focused on technical assistance programs aimed at improving public administration and service delivery by seconding Australian officials to partner government agencies to serve as advisers and trainers. While assessments of these programs have been generally positive, they are also identified as among the most costly aid investments. These programs have also traditionally emphasised a 'trickle-down' approach to governance, which assumes that improvements in service delivery will eventually be achieved 'through the

15 *Submission 26*, p. 30.

16 *Submission 43*, p. 4.

17 *Submission 41*, p. 17.

broad strategies of developing skills across the public sector, improving the management of public financial resources and facilitating information flows'. This approach has been criticised for relying on assumptions rather than evidence, and is incompatible with the urgency with which service delivery problems in PNG need to be addressed.¹⁸

4.16 CARE Australia noted that changes to sub-national governance arrangements over time have seen greater decentralisation of powers to the districts including through District Development Authorities.¹⁹ In this context, it argued there was an opportunity for the Australian aid program to increase its engagement 'with these local governance dynamics at the provincial level and below'. It noted that most of Australia's aid program has supported governance and service delivery at the national level with only a smaller portion allocated to local governance.

Overall, there is room to provide more support for strengthening the interaction between citizens and local government through building community demand and government responsiveness.²⁰

4.17 CARE Australia recommended 15 to 20 percent of DFAT's aid allocation for PNG be spent 'on local governance to enable better service delivery and development. This spending should be in addition to support for community resilience'.²¹ It noted that:

NGOs can play an important role is in building demand for good governance. The best way to achieve accountability in a sustained way is to build demand for governance...Local NGOs need support to interpret and advocate on public expenditure and service delivery.²²

4.18 World Vision also considered that '[e]fforts to foster social accountability are particularly well-placed to support sustainable improvements to governance in PNG, as they strengthen communities' understanding of their own roles in influencing local-level decision making; a critical task among communities who have become disengaged and distrustful of governments over time.²³

4.19 ACFID recommended investment in social accountability programs to increase public demand for good governance.²⁴ It stated:

Improving the capacity of PNG's government to deliver basic services is key to addressing the constraints to growth presented by PNG's poor health

18 *Submission 32*, p. 9.

19 *Submission 28*, p. 4.

20 *Submission 28*, p. 4.

21 *Submission 28*, p. 7.

22 *Submission 41*, p. 20.

23 *Submission 32*, p. 9.

24 *Submission 22*, p. 2

and education outcomes. However there is low demand from the community for good governance and service provision in PNG. Social accountability programs (such as community scorecards and local level advocacy programs) that work with the intended recipients of services and local level government to improve service delivery are an effective approach for ensuring that government funds invested in public services result in these services being delivered and improved.²⁵

4.20 One of the 'lessons learned' which DFAT identified in the governance sector was that '[t]op-down governance solutions in isolation have not delivered sustainable benefits for PNG citizens: assistance must operate in different governance domains (national, sub-national and community) to address the difficult task of establishing a clear line of sight between the citizen and various levels of government'.²⁶

Health

4.21 In 2014-15, Australia invested approximately \$100 million to improve health outcomes in PNG, through five initiatives: financing; procurement; capacity development and service delivery; multilateral partnerships; and in-country scholarships. However, it appears access to basic health services in PNG is getting worse. The *Lost Decade* report of primary health services between 2002 and 2012 found that the average health clinic in PNG saw 19 per cent fewer patients and 10 per cent lower drug availability. 41 per cent of clinics received no external funding or in-kind support and 22 per cent relied on user fees to cover operational costs. Only 20 per cent of health clinics had beds with mattresses.

4.22 While the importance of health services to human development was consistently advocated during the inquiry, there was less consistency in the areas for improvement. For example, the Burnet Institute emphasised that '[o]ne of the major constraints to poverty alleviation is poor health and, therefore, health development efforts need to be targeted explicitly to the very poor'. It noted that the Copenhagen Consensus Centre in 2013 had identified ten health interventions in the 16 most cost-effective solutions to major development challenges:

The top five value-for-money investments are fighting malnutrition; malaria medicines; expanded childhood immunisation coverage; deworming treatments for children; and expanded TB treatment. We believe that a focus by the Australian aid program on strengthening systems to efficiently deliver these highly ranked health interventions will have a major impact on the health and well-being of the people of PNG, and contribute to poverty reduction.²⁷

25 *Submission 22*, p. 15.

26 *Submission 26*, pp 55-56.

27 *Submission 10*, p. 11.

Health systems

4.23 Save the Children was concerned that investment in health would not be maintained under the PNG aid program in the future. It noted that the two MDGs where PNG is most off-track compared to its Pacific neighbours are maternal and child health.²⁸ Save the Children supported the Australian Government's investment in robust health systems in PNG.

[These] will benefit women and children who are high users during pregnancy, childbirth and the early years. Strong health systems also reduce the risk of inappropriate drug administration, incomplete treatment and poor drug quality, all of which serve to drive development of antimicrobial resistance, and enable early identification and response to disease outbreaks.²⁹

4.24 World Vision also argued that due to the critical and immediate threat to maternal and neonatal health strengthening of PNG's health systems must be a priority for Australian aid investments in infrastructure. It recommended this 'should include the provision of functioning and accessible delivery facilities and trained skilled birth attendants, support for the strengthening of PNG's health and birth registration systems, and interim investment in family- and community-level health care through a village health volunteer (or similar) model'.³⁰

Visual impairment

4.25 Refractive error is the most frequent cause of vision impairment in PNG (47 per cent).³¹ Vision2020 observed that 'vision impairment is both a cause and consequence of poverty'. It noted there were direct links 'between vision impairment and lack of access to opportunities (such as education, employment, and social inclusion) and to basic needs (such as health services, good nutrition, safe housing and clean water and sanitation)'. Vision2020 argued that interventions for eye health and vision care in developing countries represent excellent value for money with research suggesting that eye health and vision care programs can provide an economic return of \$4 for every \$1 invested.³²

Tuberculosis, malaria and HIV/AIDS

4.26 The Burnet Institute warned that the Australian aid program in PNG needed to be flexible enough to effectively respond to 'emerging health threats, such as multi-drug resistant tuberculosis, malaria and unanticipated epidemics'.³³ Despite the shift

28 *Submission 41*, p. 12.

29 *Submission 41*, p. 13.

30 *Submission 32*, p. 5.

31 *Submission 21*, p. 9.

32 *Submission 21*, p. 4.

33 *Submission 10*, p. 3.

away from recurrent financing for health operations in the Australian aid program, DFAT noted that where 'there remains an immediate public health threat, for example tuberculosis (TB) in Western Province and the National Capital District (NCD), and HIV in most-at-risk populations, Australia will continue with direct service delivery support'.³⁴

Tuberculosis

4.27 The threat of the spread of TB in the Western Province brought the committee's attention for a wide range of submitters. Professor Toole described an effective response to the TB problem in Western province as 'of utmost importance'.³⁵ The Gizra Tribe of the South Fly Electorate, Western Province stated:

Health is a major concern of the Western Province as a whole. Right now we are sitting on a time bomb with the increase in the number of TB cases and the deadly drug resistant TB which is spreading in an alarming rate especially on Daru Island which is also our Provincial capital.³⁶

4.28 Despite Australia's push for PNG to take ownership and deliver its services for its population, because of the geographic proximity of Western Province to Australia, DFAT takes a different approach. This includes directly funding a number of positions to ensure they are fully staffed.³⁷ Mr Kimberley from DFAT noted that one of the challenges was the response of the PNG Government to support the full implementation of TB programs:

We have \$60 million invested in tuberculosis in Papua New Guinea over 2011 to 2017. The PNG government had committed at cabinet level to release \$20 million to also support that. That funding remains unreleased.³⁸

4.29 Dr Moran from Policy Cures emphasised the need for new treatments for TB that were suitable for the conditions in PNG. She described the reasons why the current two-year treatment for multidrug resistant TB was inappropriate:

Patients have to be put in an isolation ward in hospital for many months because they have to have injections so it is not an all-oral treatment. Being put in hospital and in an isolation ward means they cannot work. If you are a woman, you cannot look after your family. Your family probably cannot come to see you because an isolation ward is probably somewhere remote.

[B]eing whisked off to some district hospital to be incarcerated in isolation to have injections is what they need to do to cure their TB but it completely does not work from the point of the patient, the economy and the family. The death rate in PNG from drug resistance is one in three. That two-year

34 *Submission 26*, p. 18.

35 *Committee Hansard*, 21 September 2015, p. 29.

36 *Submission 3*, p. 2.

37 *Committee Hansard*, 27 November 2015, p. 22.

38 *Committee Hansard*, 27 November 2015, p. 22.

treatment has an over 50 per cent failure rate so it is not that it is a great treatment. It is very expensive and it is also very toxic.³⁹

4.30 The treatment regime for extensively drug-resistant TB was considerably worse. It involved a more toxic cocktail of drugs, two-years in isolation and a treatment failure rate of 84 per cent. Dr Moran advocated for a modest increase in Australian aid funding that would support the development of two new TB drugs which would be more effective treatments and more appropriate to delivery in PNG:

The amount we would need to finish those drugs would be \$5 million a year...We have analysed what is out there and these are the front-runner drugs. What is needed is \$5 million a year for two years to finish the regimen for drug resistance and \$3 million to \$5 million a year for three years to finish the regiment for drug sensitive.

4.31 In relation to these drug trials, DFAT noted that the 'Australian Government is providing \$10 million over three years from June 2015 to the TB Alliance. The funded activities include the STAND and Nix-TB trials'.⁴⁰

Malaria

4.32 While there has been progress against malaria in other developing countries in the Pacific, PNG has not shared this success. Ms James from the Medicines for Malaria Venture noted that PNG experiences 98 per cent of the malaria burden in the Pacific. In PNG, there were 46 malaria deaths per 100,000 in 2010 compared with 24 in the Solomon Islands.⁴¹ She noted that Australia has adopted a regional leadership role in guiding and supporting malaria eradication initiatives in Asia and the Pacific, particularly through the Asia Pacific Leaders Malaria Alliance.

4.33 In 2013-2014 the previous Australian Government announced a \$10 million program support Product Development Partnerships, including \$2.5 million to support MMV's portfolio of drug development. In March 2015, the Minister for Foreign Affairs and Trade announced a further \$10 million over three years.⁴²

4.34 Ms James described the need for new antimalarial drugs as urgent as 'emerging strains of the parasite [are] now showing resistance against the best available drugs'.⁴³ She stated:

MMV would recommend a continued focus on malaria in the context of the post-MDG era and support to ensure malaria remains on the agenda for sustainable development. This is critical in the context of PNG, where

39 *Committee Hansard*, 21 September 2015, p. 29.

40 DFAT, response to question on notice from hearing on 27 November 2015.

41 *Submission 19*, p. 3.

42 *Submission 19*, p. 6.

43 *Committee Hansard*, 21 September 2015, p. 32.

Malaria remains endemic and the foundations for malaria control and pre-elimination strategies are still under development.⁴⁴

HIV/AIDS

4.35 The contribution to the response to HIV/AIDS in PNG was characterised as one of the successes of the Australian aid program. Mr Kimberley from DFAT noted that almost 20 years of Australian support against the spread of HIV has contributed to successfully arresting 'what could have been a catastrophic medical emergency on our border'.⁴⁵

4.36 However, other stressed the need for continuing action. ChildFund Australia noted that '[a]round 75 per cent of pregnant women living with HIV in PNG do not receive treatment to prevent mother-to-child transmission, compared to 25 per cent of women in Kenya'.⁴⁶ The Australian Federation of AIDS Organisations (AFAO) stated that, while DFAT had a clear policy framework for HIV-related work in PNG, recent actions have not been consistent with these policy statements. These actions include 'massive funding cuts' to local HIV organisations by 50 per cent 'which suggest an abandonment of DFAT's previous commitment to supporting the community response to HIV in PNG'. AFAO stated:

Leaders of Igat Hope, Kapul Champions and Friends Frangipani have expressed their deep disappointment regarding DFAT's recent funding decisions. Programs are being wound down, staff are being released and regional offices are being closed. The autonomy of the organisations representing the communities most affected by HIV will be lost, and the capacity of the organisations to effectively contribute to PNG's HIV response will be significantly diminished.⁴⁷

Nutrition and stunting

4.37 ACFID highlighted that the 'prevalence of stunting in children at 35.5 per cent in urban areas and 50 per cent in rural areas' were both 'well above the global average'. It urged support for PNG's National Nutrition Strategy.⁴⁸ It noted that improvement in nutrition would have a range of benefits. It stated:

Investments in nutrition improve health outcomes by reducing pressure on health care systems and by contributing to economic growth by enabling children to reach their cognitive potential and allowing more people to fully participate in education and the workforce.⁴⁹

44 *Committee Hansard*, 21 September 2015, p. 31.

45 *Committee Hansard*, 27 November 2015, p. 22.

46 *Submission 16*, p. 5.

47 *Submission 51*, p. 13.

48 *Submission 22*, p. 14.

49 *Submission 22*, p. 14.

4.38 The Burnet Institute considered that reducing the high rate of child undernutrition should be a major objective of the Australian health sector aid to PNG. It recommended this be achieved through 'multi-sectoral programming (health, agriculture, water and sanitation, and education)'.⁵⁰ It considered that nutrition had been 'a blind spot in the Australian aid program in PNG despite the prevalence of stunting'. However, the Burnet Institute welcomed attention to the issue in the Australian aid program including recent membership of the Scaling Up Nutrition Movement.⁵¹

4.39 World Vision highlighted the long term consequence of high rates of childhood stunting:

With stunting rates at around 47 per cent, this is not a mere health problem confined to childhood; stunting has serious implications for adult health, with malnourished children highly susceptible to non-communicable diseases such as heart disease, diabetes and obesity in adulthood. Stunting is also accompanied by implications for mental development, and is a significant factor limiting educational outcomes for youth in PNG.⁵²

4.40 Mr Mat Kimberley from DFAT described stunting rates in PNG as 'unacceptably high':

Childhood stunting generally occurs before the age of two. It is an outcome of maternal undernutrition and inadequate feeding in infancy and early childhood... It varies considerably throughout PNG—in the Highlands it is as much as 60 per cent and in the island regions it is lower, but it is still 38 per cent.

Analysis indicates that stunting is a result of the complex intersection between economic and behavioural issues. It is not just due to food availability and food security. Therefore, our work in PNG to support economic growth will not alone address stunting. In many low- and middle-income countries it has been demonstrated that economic growth contributes very little, actually, to the reduction of undernutrition. Targeted and coordinated policies and programs that deal with household poverty, agricultural productivity, health services, water and sanitation and education are all required to translate to success in this area.⁵³

Family planning and maternal health

4.41 World Vision identified a need for a greater commitment in relation to family planning in PNG and the broader Pacific region. Investment in advancing women's and girls' sexual and reproductive health rights is invaluable not only for delaying pregnancy and averting significant health risks, but also for enabling girls to continue

50 *Submission 10*, p. 3.

51 *Submission 10*, p. 12.

52 *Submission 32*, p. 5.

53 *Committee Hansard*, 27 November 2015, p. 19.

their education and women to access economic opportunities. It recommended the Australia Government explore 'culturally-appropriate means of empowering women to control their sexual and reproductive health, including through supporting facilities as well as community- and home-based delivery of information and services'.⁵⁴

4.42 ACFID noted that there was a 30 per cent unmet need for family planning adversely affecting women's choices and circumstances:

Increasing access to family planning is also crucial to enabling women's empowerment in PNG. It is estimated that every one dollar spent on family planning services generates a saving of four dollars in other health spending.⁵⁵

4.43 Professor Brassil from NSW Family Planning considered there has been almost no investment in family planning in PNG. She argued that in order to empower PNG women, they should be given 'the fundamentals to control their body and control their choices'.⁵⁶

4.44 The Burnet Institute drew the committee's attention to a *Lancet* paper focused on advancing social and economic development by investing in women's and children's health. It stated:

The core recommended interventions include prevention of unintended pregnancy and birth through contraception and reproductive health and effective care during pregnancy, birth and the postnatal period. Reducing unintended pregnancies and maternal mortality can greatly increase the quality of life for the women of PNG and improve their education and economic potential.⁵⁷

Education

4.45 In 2013-14, Australia invested nearly \$75 million in programs to support PNG's basic, secondary, technical and higher education. A broad range of suggestions were made in relation to the focus of the Australian aid program in relation to education – from early childhood education to post-graduate opportunities. The value of better education in poverty reduction was repeated emphasised. ChildFund Australia stated:

Education has an intergenerational impact, with educated women more likely to send their children to school and for longer periods of time with each successive generation. It has also been found that women and girls

54 *Submission 32*, p. 10.

55 *Submission 22*, pp 17-18.

56 *Committee Hansard*, 21 September 2015, p. 26.

57 *Submission 10*, p. 12.

who earn an income reinvest 90 per cent of it into their families. Education is a powerful tool in poverty reduction, particularly for women.⁵⁸

Early childhood

4.46 Save the Children agreed investments in vocational skills and literacy were important but argued for greater investment 'in early childhood education which delivers some of the best value for money'. It noted that interest in childhood education by the PNG Government meant that there was 'a window of opportunity for the Australian Government to capitalise on this momentum and establish a strong platform for early childhood development'.⁵⁹

Primary

4.47 Research on the performance of primary schools in PNG between 2002 and 2012 found that an average school had 59 per cent more children enrolled (144 per cent more girls), 22 per cent more teachers and 21 per cent more classrooms. The average school had more text books, better quality classrooms but larger class sizes. In 2012, the PNG Government introduced a Tuition Fee Free policy and net enrolment rate for basic education has reached 79 per cent. While this fell short of the MDG of universal access, it marked important progress against PNG national targets.⁶⁰

4.48 An identified problem was that the focus on quantity (in terms of access to primary education) has potentially led to shortfalls in quality.⁶¹ The *PNG Attitude* joint submission described many teachers at the primary level as 'barely literate themselves' and 'passing on their ignorance to generation after generation of students'.⁶² The World Bank described the quality of education as a 'concern'. It stated that '[a]ttention must turn to ensuring that the quality of education is keeping pace with the impressive growth in student numbers'.⁶³

4.49 ChildFund Australia noted:

While more children are now attending primary school, the government is struggling to meet capacity, with shortages in school infrastructure, staff, teacher quality and educational equipment. Today, the average adult in PNG has only experienced around four years of formal schooling.⁶⁴

58 *Submission 16*, p. 6.

59 *Submission 41*, p. 11.

60 *Submission 26*, p. 24.

61 For example, Save the Children, *Submission 41*, p. 10.

62 *Submission 1*, p. 3.

63 World Bank, *Submission 4*, pp 13-14.

64 *Submission 16*, p. 5.

4.50 The PNG National Research Institute observed:

About thirty percent of school aged children do not enter first grade of school, of those that do, more than half drop out before they leave the final grade of school. The quality of learning is so poor that of those that do complete primary schooling, as many as fifty percent are illiterate. The net result is that possibly less than fifty percent of school aged children have access to quality education and less than fifty percent literacy rate within the wider population.⁶⁵

Secondary/vocational

4.51 The importance of vocational education to improve movement to formal employment was also highlighted.⁶⁶ For example, the PNG Attitude submission recommended:

Australian aid funds should be spent to bring large numbers of Papua New Guinean students to Australia for secondary and tertiary education. More Papua New Guinean teachers and nurses can be trained in Australia, lifting the standards of those professions.⁶⁷

Tertiary

4.52 Mr Pryke from the Lowy Institute characterised the tertiary sectors as areas of neglect in the aid program and emphasised the importance of PNG 'being able to train the next generation of competent technocrats and mid-level people in the bureaucracy'.⁶⁸ The Lowy Institute argued that Australia's provision of scholarships for post-graduate and some under-graduate students through the Australia Awards scheme as 'extraordinarily valuable':

According to the DFAT website, Australian aid is currently supporting 328 postgraduate study awards in Australia and 505 study opportunities in Papua New Guinea...This scheme gives the brightest Papua New Guinean students opportunities to obtain a high quality Australian degree but just as importantly to build networks with Australians.

4.53 It suggested the Australian aid program could build on the success of the scholarship scheme by integrating a wider internship or work experience element into all scholarships and by extending such a program to young Papua New Guineans not eligible for scholarships but who could benefit from work experience opportunities.⁶⁹

65 *Submission 5*, p. 5.

66 For example, Mr O'Callaghan, Church Agencies Network, *Committee Hansard*, 21 September 2015, p. 21.

67 *Submission 1*, p. 3.

68 *Committee Hansard*, 22 September 2015, p. 33.

69 *Submission 14*, p. 3.

However, Dr Howes noted that scholarship students from PNG can struggle in Australia. He proposed a number reforms:

The PNG scholarship program should be overhauled to increase the quality of the intake. This could be done by reducing the government quota, running a series of standard tests which scholarship candidates have to undertake, and dropping the work experience requirement. Living allowances to those on leave from government should be adjusted to take into account the fact that they are on leave with pay. Reliance on short-courses should be minimized and restricted to specific technical areas or skills.⁷⁰

4.54 Dr Standish described the tertiary sector as 'severely under-resourced, and finds it difficult to retain qualified and experienced national and foreign staff'. He suggested:

PNG universities would be strengthened by a long-term program of attachment by Australia scholars who could help encourage and sustain the PNG national staffers. Furthermore, Australia's own skill set would also benefit greatly from more of our own people having increased experience working in this challenging environment.⁷¹

Emerging leaders

4.55 Others highlighted the importance of supporting the emerging leaders in PNG. In particular, the Lowy Institute conducts an Emerging Leader Dialogue program as part of its management of the Australia-Papua New Guinea Network:

The Dialogue brings together 20 emerging young leaders from a variety of sectors in both countries to share ideas and discuss priority national issues for both Papua New Guinea and Australia. The 2013 and 2014 Dialogues both featured highly talented young people who are very likely to go on to leadership positions in their professions, in government and possibly in political life. The majority of them have established their own community based organisations focused on delivering social goods.⁷²

4.56 The Lowy Institute argued that the 'Emerging Leaders Dialogue model demonstrates that there is significant value to be gained from individual people-to-people contacts between Australians and Papua New Guineans'. It considered the expansion of existing professional and government-to-government networks assisted by the Australian aid program could 'multiply the contributions that individuals can make to both government and small community development initiatives'.⁷³

70 *Submission 42*, p. 40.

71 *Submission 25*, p. 2.

72 *Submission 14*, p. 3.

73 *Submission 14*, p. 3.

Law and justice

4.57 The crime rate in PNG is considered among the highest in the world and is a key challenge to development. For example in Lae the homicide rate in 2010 was 66 per 100,000 persons (nine times the global average).⁷⁴ Many submitters emphasised that effective law and order mechanisms were essential to PNG's development and economic growth.⁷⁵

4.58 DFAT noted that \$23.6 million was spent on Law and Justice in the 2013-14 Australian aid program. Mr Mat Kimberley from DFAT outlined the broad number of initiatives in this area:

In the law and justice sector we helped finalise new infrastructure at the police centre in Lae, a new police station on Manus Island, 28 separate individual police projects supporting Bougainville, and securing the site and the design for the new magisterial services headquarters in Port Moresby. We trained 1,175 police, 19 per cent of whom were women; 2,906 other law and justice officials in various police management and training programs; and 560 new recruits, 83 of whom were female, graduated from the Bomana police training college—that increased from 299 the year before. We have supported 11,272 survivors of violence, through the 14 family and sexual violence units we have established across Papua New Guinea. The number of dispossessed and completed interim protection order applications increased to 849, up from 687. We also supported over 35,800 survivors of violence, mostly women, to receive support from those family and sexual violence units. We provided counselling and medical referrals and also prosecutorial support for the 11,000 survivors.⁷⁶

4.59 In particular, the PNG-Australia Law and Justice Partnership (PALJP) was a \$150 million program that operated from 2009 to June 2014. The Australian aid program continued this with the PALJP – Transition Program. The Victorian Bar told the committee that, as part of the PALJP, it has conducted advocacy skills workshops for PNG lawyers and officials including the national lawyers of the Papua New Guinea Public Prosecutor's Office, the Public Solicitor's Office and others. It has also received funding for a mentoring program for female participants of the Legal Training Institute of PNG.⁷⁷

4.60 The broad benefits for an effective legal profession as an enabler of sustainable economic growth and as a mechanism to reduce poverty in PNG were emphasised by the Law Council of Australia. It noted there could be scope to support developing appropriate legal training programs for practising lawyers through the

74 Sadaf Lakhani and Alys Willman, 'Trends in Crime and Violence in PNG', World Bank report, May 2014, p. 3.

75 For example, Victorian Bar, *Submission 12*, p.7.

76 Mr Mat Kimberley, DFAT, *Committee Hansard*, 27 November 2015, p. 21.

77 *Submission 12*, pp 4-5.

Pacific Leadership and Governance Precinct. The Law Council also drew the committee's attention to the PacLII website which provides access to electronic records of key legislation, cases and treaties from across the Pacific. While existing funding support for PacLII appeared to be ending, the Law Council believed it was 'essential to support this key service which is vital to the work of lawyers across the Pacific including PNG'.⁷⁸

4.61 As part of the Joint Understanding on Further Bilateral Cooperation on Health, Education and Law and Order in 2013, 50 Australian Federal Police officers were deployed to PNG. DFAT noted that Australia has substantially increased its support to the Royal Papua New Guinea Constabulary (RPNGC) with the deployment of 73 AFP staff – 60 in Port Moresby and 13 in Lae.

The reshaped AFP engagement in PNG is increasing the professionalism of the RPNGC. AFP officers are being deployed in core advisory and mentoring roles, and we are expanding training opportunities for RPNGC members in Australia.⁷⁹

Gender inequality

4.62 Gender equality in PNG is currently among the worst in the world. In its 2014 HDR report on PNG, the UN Development Programme particularly noted 'the very poor indicators relating to gender disparity and inequality, with women in Papua New Guinea having consistently lower education and health indicators, and being subject to high levels of gender-based violence'.⁸⁰ CARE Australia noted:

Women have high workloads and are largely responsible for PNG's annual food production but hold only half the number of formal sector jobs that men do. Women experience some of the highest maternal mortality rates in the world, women and girls have lower literacy rates than men and boys and are subjected to high levels of family and sexual violence. Women occupy very few formal leadership positions from the village level upwards.⁸¹

4.63 The International Women's Development Agency (IWDA) recommended that Australia's bilateral program specifically consider the needs, concerns, interests and priorities of women at every stage – in consulting stakeholders, developing strategy, designing and implementing programs, assessing impact and learning, and iterating improvement. The IWDA argued:

Persistent, profound, and widespread gender inequality, formal and informal discrimination, multiple systemic barriers to women's civil, political and economic participation and an epidemic of violence against women exists in Papua New Guinea. Unless Australia reflects the

78 *Submission 39*, p. 10.

79 *Submission 26*, pp 27-28.

80 UNDP, *2014 National Human Development Report: Papua New Guinea*, p. 3.

81 *Submission 28*, p. 2.

significance of this situation through a concerted effort to address it in our bilateral aid program, it is effectively accepting and potentially reinforcing ongoing human rights violations and structural impediments to PNG's social, political and economic development.⁸²

4.64 DFAT stated that '[g]ender equality and women's empowerment are vital to PNG's economic and human development'. It noted that the Australian Government has set a target requiring that at least 80 per cent of Australian aid investments, regardless of their objectives, will effectively address gender issues in their implementation.⁸³ Australia's aid program would continue to invest in:

- women's voice in decision-making, leadership, and peace-building;
- women's economic empowerment; and
- ending violence against women and girls.

4.65 However, ACFID noted that Performance of Australian Aid 2013-14 report found that investments across the Pacific performed below average on addressing gender, with 67 per cent of programs effectively addressing gender compared to a global average of 74 per cent – well below the target of 80 per cent across Australia's aid program.⁸⁴

4.66 Coffey advised that it could be difficult to develop a consistent approach in PNG 'because of tensions associated with ownership of gender and women's issues'. It noted that '[p]rograms often have to be delivered in an environment where responsibilities are contested by various agencies'. It noted this creates tensions and 'donors need to carefully deal with the politics around these responsibilities'.⁸⁵

4.67 Providing higher level skills opportunities for women was also perceived as important. For example, Advance Cairns suggested that Australian organisations which support the career of women, such as Women on Boards, who provide a range of programs preparing women for board roles in Australia, could be utilised as a vehicle for senior PNG women to forge relationships and develop skills for future board and other leadership roles.⁸⁶

Gender based violence

4.68 Gender based violence is a significant constraint to women's social, economic and civic participation and to development in PNG. The committee received evidence regarding a range of programs to reduce gender based violence in PNG and the need for more resources to support victims.

82 *Submission 29*, p. i.

83 *Submission 26*, p. 35.

84 *Submission 22*, pp 15-16.

85 *Submission 24*, p. 6.

86 *Submission 36*, p. 3.

4.69 ChildFund Australia noted that the typical barriers to preventing the abuse of women and children include the fact that family violence is usually a hidden crime, occurring in family homes and behind closed doors. In PNG, cultural norms mean that too often family violence is not seen as a crime but as a normal part of family life, and those tasked with law enforcement are reluctant to intervene in what is seen as a private matter. Traditional practices such as early marriage, dowry systems, beliefs in sorcery and a lack of education for girls exacerbate the problem.⁸⁷

4.70 ACFID recommended that the Australian aid program invest in programs targeting cultural attitudes towards family and gender based violence, which engage all sections of the community in behaviour and attitude change. Additionally, women's access to law and justice services should be strengthened, including through programs with a focus on support for female [police] officers.⁸⁸

4.71 The Church Agencies Network highlighted the effectiveness of churches in shifting cultural attitudes in PNG in relation to gender based violence and discrimination.⁸⁹ It noted that through the PNG Church Partnership Program (CPP), 'church leaders clearly recognise that they have been part of the problem, and therefore it is essential they are part of the solution':

CPP churches are now working together to develop a Theology of Gender Equality and a gender strategy that all participating churches in PNG can use as a tool to improve gender outcomes throughout the entire program. This strategy will provide a mechanism of working from the hierarchy to the grassroots of the seven PNG mainline churches, and will contribute to attitudinal change and a reduction in violence for women and children.⁹⁰

Child protection

4.72 Save the Children welcome the gender measures in the Australia aid program but argued there was minimal attention directed towards tackling the inter-related issue of child abuse. It advocated for Australian Government support of a Child Protection Policy for the PNG Government. The establishment of a 'specialised unit to assist aid partners to implement DFAT Child Protection Policy' and support to adequately fund and strengthen the PNG Department of Community Development were also recommended.⁹¹

87 *Submission 16*, p. 7.

88 *Submission 22*, p. 17.

89 Mr O'Callaghan, Church Agencies Network, *Committee Hansard*, 21 September 2015, p. 17.

90 *Submission 23*, p. 3.

91 *Submission 41*, p. 15.

Committee view and recommendations

4.73 Poor governance underpins many of the development problems in PNG. The committee is concerned that the governance indicators for PNG do not appear to be significantly improving over time. Given the large portion of the Australian aid program devoted to supporting better governance in PNG, the committee supports the proposals made for social accountability programs to bolster the capacity of local PNG communities to demand better services. For the committee, this was best illustrated in the findings of the *A Lost Decade* which highlighted the important role of local governance of schools to successful development outcomes.

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.

4.75 As indicated by the Burnet Institute and others, the health sector contains a large number of cost-effective areas of intervention. The committee will focus on several specific areas.

4.76 The committee was convinced by the evidence regarding the urgent need to develop new drugs to treat multi-drug resistant and extensively drug resistant TB. New drugs and treatments not only need to be effective, they need to be suitable for use in countries like PNG, which have limited health infrastructure. This appears to be an area where a relatively small investment could have a large impact particularly in PNG and other developing countries.

4.77 The Australian Government has committed significant resources to combat the suffering caused by tuberculosis (TB) in PNG. The Partnership Arrangement signed in March 2016 reaffirmed the commitment of both governments to increase efforts to address TB in PNG. Nonetheless, the committee considers the seriousness of this issue is still underestimated. This is a policy area where prevention is much better than a cure. The importance of effective measures to prevent TB have recently been emphasised by the establishment of the cross-party Australian TB Caucus chaired by the Hon Warren Entsch MP and Mr Matt Thistlethwaite MP.

4.78 Some progress has been made in building the capabilities of PNG in responding to TB. Nonetheless, recent reports of PNG government funding shortfalls to the Department of Health in relation to the spread of drug-resistant TB are concerning. Medical researchers, Dr Jennifer Furin and Dr Helen Cox, reporting on the outbreak of multi-drug resistant tuberculosis on Daru Island, have described it as 'alarming' and called for more resources to assist PNG to manage the crisis. This should continue to be an area for urgent attention for the Australian aid program. This is not a distant concern. In 2013, a PNG national, Ms Catherina Abraham, died of drug resistant tuberculosis in a Cairns hospital.

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.**

4.80 The committee was shocked by the continuing high rates of childhood malnutrition and stunting in PNG. This will have an ongoing impact on development outcomes in PNG for decades. This appears to be a persistent problem in need of an urgent response. The committee is not satisfied with the current response of the Australia aid program to this issue. DFAT has suggested a multi-sector approach, drawing on experience of the aid programs to Timor Leste and Indonesia, which could be progressed with ACIAR and the main food suppliers to PNG.⁹² The committee calls on the Australian Government to prioritise a new program to reduce childhood malnutrition and stunting and track its progress as an indicator of the overall success of the aid program to PNG.

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.

4.82 The accessibility of elementary education appears to have gradually improved in PNG, but concerns were raised regarding the quality of education. The Australian aid program is already involved in the training of teachers and this appears to be an obvious area where Australia can add value.

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.

4.84 The committee supports the emphasis placed on gender equality and women's empowerment in the Australian aid program. In particular, gender based violence inhibits the human development of PNG. The committee was impressed with the broad range of Australian aid programs attempting to effect cultural changes in communities on these issues. However, these programs did not appear to be coordinated or have mechanisms for sharing resources and materials. In the view of the committee, this could act to support and enhance the impact of these programs.

92 *Submission 26*, p. 59.

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.

Chapter 5

Private sector engagement

Introduction

5.1 This chapter will address two of the terms of reference:

- (c) the scope for increasing private sector involvement in sustainable economic growth and reducing poverty; and
- (d) the scope for expanding private sector partnerships in leveraging private sector investment and domestic finance.

5.2 A key recent change in the Australian aid program is the reprioritisation of 30 per cent of the current aid program, over three years, to fund initiatives focused on private sector-led growth and aid for trade. The performance benchmark for this initiative in 2015-16 is 28 per cent. The *PNG Aid Investment Plan* outlined a number of aid program activities to enable economic growth in PNG. These include:

- assisting the PNG Government establish a Sovereign Wealth Fund;
- fostering an environment conducive to private sector development;
- increasing aid investment in social and economic infrastructure to 50 per cent by 2017;
- ACIAR agricultural research to enhance livelihoods and increase productivity;
- an Incentive Fund and an Innovation Facility to encourage social entrepreneurship and business-led investment;
- aid for trade support for cross border trade issues to assist PNG access international markets; and
- support for the Kokoda Initiative partnership with the PNG government to sustainably develop and protect the Kokoda Track and the surrounding Owen Stanley Ranges.¹

5.3 In particular, the Private Sector Development Framework for Australia's aid program in PNG will spend \$60 million over four years to 'help reduce costs, reduce risk and increase the productivity of the PNG economy'. It is based on four 'pillars' or sets of related programs. These pillars are:

- Business enabling environment;
- Agriculture: rural development, markets and trade;
- Innovation and partnerships; and

1 DFAT, *Aid Investment Plan: Papua New Guinea 2015-16 to 2017-18*, p. 6.

- Financial inclusion.²

5.4 The Ministerial Joint Communique on 3 March 2016 the importance of activities under the agreed Papua New Guinea–Australia Private Sector Development Framework (PSDF) aligning with the Papua New Guinea Government's SME policy.³

5.5 The OECD DAC noted that 'Australia's development policy, like those of most other DAC members, places greater focus on economic growth and the role of the private sector in making growth happen'. Placing more emphasis on the private sector is also in line with the principles, commitments and actions of the *Busan Partnership for Effective Development Co-operation*.⁴

Private sector involvement

5.6 There were conflicting views on the increased emphasis on private sector involvement in sustainable economic growth and reducing poverty. Business for Millennium Development (B4MD) argued that at 'its core poverty is linked inexplicably to inadequate incomes' and 'only the private sector can provide the jobs and supply contracts (at scale) to lift incomes to a sustainable level'. It quoted a UK government policy document that 'on average four fifths of poverty reduction in recent decades can be attributed to growth in average incomes'.⁵

5.7 B4MD described the challenge of poverty in PNG as 'extensive':

40% of PNG's population live on \$1 a day or less or 2.8 [million] people. Lifting their incomes directly to \$1000 a year would require the generation of \$1.8 billion in additional wealth or over three times the value of the current Australian aid program in PNG. To see this challenge met requires the Australian aid program to act as a catalyst for others to co-invest. B4MD believe the missing actor is business, and that inclusive business is the framework under which businesses can work with the aid program to see this challenge met.

5.8 PNG is one of the most difficult countries in the world for businesses. PNG was ranked 145 out of 189 countries, in the World Bank *Doing Business* 2016 report.⁶ B4MD highlighted a number of areas where the Australian aid program could work to facilitate the private sector in PNG. These included mitigating barriers to prevent poor communities from engaging with the private sector, exploratory and validation

2 *Submission 26*, p. 34.

3 24th Australia-Papua New Guinea Ministerial Forum, *Joint Communique*, 3 March 2016, available at <http://dfat.gov.au/geo/papua-new-guinea/Pages/24th-australia-papua-new-guinea-ministerial-forum-joint-communique.aspx> (accessed 5 April 2016).

4 *Submission 6*, p. 4.

5 *Submission 11*, p. 2.

6 World Bank, *Doing Business 2016: Measuring Regulatory Quality and Efficiency*, 2016, p. 5.

missions to inspire companies to invest in PNG and creating an enabling environment in PNG for the private sector.⁷

5.9 The PNG National Research Institute also argued that '[a]id needs to support the development of a private sector that will create jobs and increase income levels'.⁸ Similarly, the joint submission from *PNG Attitude* stated:

While much aid is directed towards the activities of the public sector and for humanitarian purposes, little is utilised for the development of the private sector or for the establishment of institutions supporting entrepreneurship. There is no doubt that PNG small businessmen need substantial assistance with capital, advice and marketing.⁹

5.10 However, others were sceptical about increasing aid resources to private sector growth. For example, Mr Schaefer from Save the Children stated:

We are unconvinced that a compelling case has been made to reprioritise 30 per cent of the aid program to the private sector led growth and aid for trade. This is not because economic growth does not matter—quite the contrary—but because the return for economic growth over the longer term will be higher from investments in health, education and child protection.¹⁰

5.11 ACFID acknowledged that there was an urgent need for private sector investment and domestic finance in PNG. However, it emphasised that 'poor governance, health, education, law and order in PNG represent clear impediments to private sector investment and increase the cost of doing business'. It considered 'Australia's bilateral aid to PNG should focus on creating an enabling environment for private sector investment in PNG through investments in these sectors'.¹¹

5.12 Several organisations advocated that the Australia aid investments in the private sector and aid for trade should be directed to micro-economic growth. For example, ChildFund Australia emphasised that most PNG families are dependent on subsistence agriculture or micro enterprises, such as street vending and market stalls.

To increase household living standards it is vital that household agriculture and micro businesses are given the opportunity to grow, gain access to assets, achieve access to markets, and are provided with safe environments to operate, receive support and incentives. If attention is not given to the micro-economy in PNG, poverty reduction through economic growth will not be achieved...If Australian aid is to be prioritised to foster economic growth, it must focus on development of the micro-economy in PNG.¹²

7 *Submission 11*, p. 6.

8 *Submission 5*, p. 2.

9 *Submission 1*, p. 3.

10 *Committee Hansard*, 27 November 2015, p. 8.

11 *Submission 22*, p. 20.

12 *Submission 16*, p. 3.

5.13 Similarly ACFID considered that investments in private sector development and aid for trade must be pro-poor, focused on supporting and growing the local private sector, particularly micro and small enterprises where the bulk of the PNG population derive their livelihoods.

In focusing on opportunities for increasing private sector involvement in sustainable economic growth and reducing poverty in PNG, ACFID believes the Government should pay particular attention to promoting the growth of the local private sector, particularly the role of micro, small and medium enterprise (MSME) and to assist the transition from informal to formal economic activities.¹³

5.14 Jubilee argued that private sector investments should follow locally-articulated needs and be driven by the community. It considered '[i]t is critical that these enterprises ensure local ownership through locally-driven ownership models, employment, sustainable use of resources, environmental protection, and retention of benefit in the community'.¹⁴

Aid for trade

5.15 DFAT characterised 'aid for trade' as assisting developing countries improve their capacity to trade, driving economic growth and providing opportunities to build livelihoods and increase income. It stated:

On average, every dollar invested in aid for trade increases recipient country exports by an additional ten dollars. Given this high return on aid for trade investments, the Australian Government has committed to increase aid for trade to at least 20 per cent of Australia's annual aid spend by 2020.¹⁵

5.16 ACIAR noted aid for trade is currently 12 per cent of aid program expenditure and that investments include support for infrastructure to increase agricultural productivity, connect farmers to markets, and improve the flow of agricultural goods across borders.¹⁶ A key program under the Private Sector Development Framework appears to be the expansion of the Pacific Horticultural and Agricultural Market Access (PHAMA) Program to PNG. The program provides 'practical assistance to the public and private sectors to increase the export of horticultural and agricultural produce to regional and international markets'. This was estimated to be a \$4 million program over 2015-17.¹⁷

13 *Submission 22*, p. 19.

14 *Submission 15*, p. 5.

15 *Submission 26*, p. 33.

16 *Submission 8*, p. 7.

17 Australian High Commission PNG, *Supporting Private Sector Development in PNG: Rural Development, Markets and Trade*,

5.17 The potential for improved trade between PNG and Australia to facilitate economic growth was well recognised during the inquiry. While PNG is Australia's 18th largest trading partner, Australia is PNG's most significant trading partner. The Lowy Institute noted that the Australian aid program is 'dwarfed by bilateral goods trade (A\$5.9 billion in 2013/14) and investment by Australian companies in PNG, which totalled approximately A\$20 billion in 2013'.¹⁸

5.18 The trade relationship between PNG and Australia has been developing. The Australia-PNG Economic Cooperation Treaty (ECT) was signed by then Prime Minister Abbott and Prime Minister O'Neill on 21 March 2014. The ECT is intended to bring trade, economic cooperation and development cooperation under a single agreement and provides a framework for growing economic ties between Australia and PNG.¹⁹ Negotiations for the Pacific Agreement on Closer Economic Relations (PACER) Plus trade agreement which includes both Australia and PNG are also continuing.

5.19 The joint submission from *PNG Attitude* noted that 'PNG has many products that, with the right amount of targeted assistance, could supply domestic needs and be readily sought by countries like Australia'. It suggested local business opportunities could be assisted by 'exploring viable markets and providing assistance in financial management, production and marketing'.²⁰ The PNG National Research Institute reported that trade and commerce in PNG is currently 'impeded by red tape in the forms of import licenses and quarantine restrictions'. It pointed out that imported PNG produce including cocoa, coffee, and fish are rarely seen in the Australian market despite PNG being 'Australia's closest neighbour and a former trust territory'.

5.20 Advance Cairns also highlighted the potential of improved trade links and business development opportunities between PNG and Cairns. In particular, it has been advocating for a trial of customs and immigration processing in Cairns for PNG:

This would develop new routes into PNG without having to focus all inbound air traffic through Port Moresby. More direct linkages to other destinations in PNG would develop new business opportunities, linking development programs to business development.²¹

Agriculture

5.21 Agriculture was highlighted as a key sector to sustainable economic growth in PNG. ACIAR noted that about 80 to 85 per cent of the PNG population relies on agriculture for home consumption and cash incomes:

18 *Submission 14*, p. 1.

19 DFAT, 'Papua New Guinea country brief', available at: <http://dfat.gov.au/geo/papua-new-guinea/pages/papua-new-guinea-country-brief.aspx> (accessed 13 September 2015).

20 *Submission 1*, p. 3.

21 *Submission 36*, pp 3-4.

Cash incomes are derived from the sale of export crops and the sale of fresh produce and processed products in domestic markets (including rapidly growing cities — representing a means to transfer wealth from urban to rural areas). Although the value of fresh produce sales is not captured by PNG's national statistics, agricultural experts believe that such sales provide cash incomes to more households than any other activity...²²

Agriculture will remain the economic mainstay for the majority of Papua New Guineans for many years to come. The most effective role of government, with the support of donors, is to put in place the enabling environment to facilitate increased production and trade of agricultural produce, focusing especially on those value chains that offer benefits to large numbers of producers, processors and other local value chain participants.²³

5.22 Dr Austin from ACIAR described agriculture as a critically important sector of the economy for providing livelihoods. He observed that 'improvements in productivity in agriculture are far more effective than improvements in other sectors of the economy for lifting people out of poverty'.²⁴

5.23 B4MD also recommended the Australian aid program focus on the food and agribusiness sector in PNG. In particular, given the demand for tropical commodities grown across PNG, it recommended coffee, rice, cocoa and palm oil be prioritised. It noted that food companies are 'actively looking for opportunities to future proof their supply chains through direct engagement with smallholder farmers'. This raised the opportunities for interventions to attract foreign investment and deliver development outcomes.²⁵ Mr Voutier from B4MD gave the example that research from ACIAR indicated that with better basic agricultural practices cocoa farmers in PNG could substantially increase crop yields:

Most of Papua New Guinea's poorest people could triple their incomes by applying basic practices and existing technologies. These include pruning, weeding and shade control. The Australian aid program has an important role to play in tackling the root causes of poverty in Papua New Guinea and helping farmers lift yields.²⁶

5.24 It was observed that agriculture was an area where small-scale improvements could potentially be rapidly extended. Whilst ACIAR's primary mandate is to develop and test agricultural innovations, it noted that its research outputs are often utilised by other organisations and scaled-out to achieve greater impact. An example of another organisation scaling out its research outputs was the World Bank utilising an

22 *Submission 8*, p. 4.

23 ACIAR, *Submission 8*, p. 8.

24 *Committee Hansard*, 21 September 2015, p. 2.

25 *Submission 11*, p. 5.

26 *Committee Hansard*, 21 September 2015, p. 38.

extension strategy, known as 'Training by Association' for the management of cocoa pod borer in PNG. It stated:

Just over 1000 farmers participated in testing the original package of extension strategies within an ACIAR project. However, once its effectiveness was demonstrated, the World Bank funded Productive Partnerships in Agriculture Projects, which plans to out-scale this strategy to over 18,000 farmers.²⁷

5.25 World Vision considered that agricultural investments in PNG's production of cocoa and coffee are well-placed to capitalise on growing demand from the Asian region. The nature of these commodities means they can be support the participation and empowerment of those in PNG typically excluded from employment in the extractive industries, such as smallholder farmers, women and communities in rural areas.²⁸ However, World Vision argued that while Australian aid has had success with support for medium-sized agricultural enterprises, there was a need 'to reach smallholder farmers – who are often peripheral to mainstream markets and subsequently left behind – in order to effectively alleviate poverty among those most at risk'.²⁹

Infrastructure

5.26 The Australian aid program has responded to a request from the PNG Government for 50 percent of the Australian aid budget to be directed to infrastructure. Road infrastructure was seen as an area of critical need. PNG has a challenging geographic landscape and is one of the most rugged countries in the world.³⁰ The World Bank noted that:

For many people travel by road can be impossible, unsafe, or expensive. Without reliable access to roads people cannot reach schools, hospitals and markets when needed, and goods and services become unavailable. The poor condition of PNG's road network is due to historical underfunding of maintenance, rugged terrain, and periods of heavy rainfall.³¹

5.27 DFAT noted that in PNG 'as elsewhere, insufficient or inadequate infrastructure creates significant costs to doing business, and constrains economic growth'. Australian expenditure on transport infrastructure in PNG totalled nearly \$73 million in 2013-14.³² DFAT outlined that over 70 per cent of Australia's expenditure in the transport sector has been directed towards PNG's national priority roads network. This investment has primarily supported maintenance activities on

27 *Submission 8*, p. 10.

28 *Submission 32*, p. 7.

29 *Submission 32*, p. 4.

30 Save the Children, *Submission 41*, p. 5.

31 *Submission 4*, p. 12.

32 *Submission 26*, p. 25.

approximately 50 per cent of the national priority road network in 12 provinces.³³ DFAT highlighted Australian aid support for 'essential transport infrastructure for economic growth and service' including maintenance of over 2,000km of PNG's most economically important roads, totalling 9,000km since 2010 and strengthened aviation and maritime safety and security standards through upgrading PNG's aid traffic management systems and communications.

5.28 The World Bank observed that while the need for better infrastructure in PNG is clear, a long history of poor asset maintenance practices 'undermines the investment case'. A cycle of investment in new assets, followed by a lack of maintenance and rapid deterioration has led to frustration on the part of governments, donors and users. It considered that increased private sector involvement could assist this situation:

Global experience shows that greater involvement of the private sector is one way to overcome this problem. While private sector investment will be integral to all of these approaches, private sector capacity and knowledge, coupled with strong incentives to perform to agreed standards will perhaps be the most vital ingredients in making a large infrastructure project a success.³⁴

5.29 Dr Howes also observed that the 'build, neglect, rebuild' cycle of development funding of infrastructure is well known in the Pacific, and has been extensively documented. He considered it was 'unfortunate that Australia is now contributing to this syndrome, with its focus on building new class rooms and other buildings'. He argued for a 'flagship' focus on 'economic infrastructure, and transport in particular' rather than 'an emphasis on infrastructure as an activity spread across health, education, transport, law and justice, which would lessen rather than sharpen the aid program's focus'.³⁵

Remittances

5.30 Globally, annual remittance flows to developing countries are larger than overseas assistance and projected to increase. A World Bank report projected that '[r]emittances to the Pacific Island countries are projected to grow strongly, as outflows of workers to Australia and New Zealand have increased'. However, remittance costs, the cost of sending money to developing countries in the Pacific are 'high'.³⁶ This is particularly true for PNG.

5.31 The economic and social benefits of PNG nationals being able to travel to Australia to undertake work and remit their earnings back to PNG were highlighted in

33 *Submission 26*, p. 26.

34 *Submission 4*, p. 7.

35 *Submission 42*, p. 33.

36 World Bank, 'Migration and Remittances: Recent Developments and Outlook', *Migration and Development Brief*, April 2016, pp 20-21.

evidence.³⁷ Remittances do not appear to be having the same impact for PNG compared to other countries in the region. Remittances were only 0.1 per cent as a share of GDP for PNG in 2014, compared to 2.9 per cent for Vanuatu, 0.9 per cent for Solomon Islands, 2.9 per cent for Timor-Leste.³⁸

5.32 At the recent 24th Australia-PNG Ministerial Forum Ministers agreed to finalise the necessary arrangements to bring a Work and Holiday visa into effect this year. This visa is intended 'to allow up to 100 Australian and 100 Papua New Guinean young adults per year, aged 18 to 30, to enjoy a working holiday in the other country for up to 12 months'. It was noted that 'relatively few Papua New Guinea nationals had participated in Australia's Seasonal Workers Program and that officials from both countries were investigating ways to boost Papua New Guinea participation'.

5.33 The PNG Government also requested that the Seasonal Workers Program be expanded to 'include skilled and semi-skilled workers who are trained by Australian accredited specialized training institutions such as the Australia-Pacific Technical College where opportunities exists for employment in specialized care of the elderly, child, disability and community care'.³⁹

Risks

5.34 Some potential risks were highlighted in relation to the increased private sector engagement in the Australian aid program. The OECD DAC stated:

Many DAC members have developed private sector strategies and are creating new funding instruments or delivery mechanisms to support this focus. Several DAC peer reviews caution members against merging development objectives with their own commercial interests, and against establishing instruments that would lead to an increase in tied aid.⁴⁰

5.35 Concerns about 'boomerang aid' and corporate welfare for Australian companies, particularly in the extractives industry, were frequently raised matters regarding the focus on private sector involvement in the Australian aid program. For example, the Bougainville Freedom Movement considered that Australian aid to PNG should not be directed at projects that 'ultimately benefit multinational interests especially projects for exploitation of non-renewable resources'.⁴¹

5.36 ChildFund warned that the new focus on economic growth in Australia's aid program should not 'become conflated with trade objectives that primarily seek to increase markets for Australian companies'.⁴² It observed that, while private sector

37 For example, National Research Institute, *Submission 5*, p. 15.

38 World Bank, *Migration and Remittances Data*, 24 September 2015.

39 24th Australia-Papua New Guinea Ministerial Forum - Joint Communique, 3 March 2016.

40 *Submission 6*, p. 4.

41 *Submission 34*, p. 4.

42 *Submission 16*, p. 9.

activity is crucial for developing countries such as PNG, 'there can be negative impacts particularly from poorly managed resource projects'.⁴³

5.37 Similarly, Jubilee was concerned a 'bias toward Australian company priorities rather than community-articulated needs creates a high potential for conflict'. It noted an LNG development in PNG where '[t]ensions, violence and death have resulted...for many reasons including land disputes, inadequate employment and pay, failure in a duty of care regarding local communities and the environment'.

5.38 The International State Crime Initiative was concerned the Australian aid program will be 'increasingly focused on removing constraints from business, without recognising the excessive freedoms businesses enjoy in Papua New Guinea to violate laws and community rights, with impunity'. It considered that the 'gearing of aid towards the funding of contentious mega-projects, the promotion of public-private partnerships, and the co-authorship of policy and service delivery with the private sector, is a particularly risky enterprise in an environment typified by high levels of corruption, weak law enforcement and the unaddressed impunity of corporate actors'.⁴⁴

Private sector partnerships

5.39 Private sector partnerships in PNG were seen as an area of growing opportunity for the Australian aid program. For example, the Burnet Institute recommended that the Australian aid program should have an active role in catalysing and brokering engagement by the private sector in human development, for example as partners with Australian aid programs in geographic areas where the companies are operating.

5.40 In line with this view, ACIAR told the committee it had released a position paper on its engagement with the private sector. The paper was intended to communicate with private sector stakeholders what ACIAR has to offer, what ACIAR looks for in private sector partnerships and outlines actions in the short to medium term.⁴⁵ Dr Butler from the CSIRO stated:

Within PNG, as a general rule, government capacity is pretty low. In some areas, it is almost nonexistent. In those situations, the private sector—particularly multinational companies—provide a real opportunity for almost acting as quasi-government, providing services and capacity support and so on...I think that is one area where CSIRO and indeed ACIAR, for example, could partner much more strongly with those multinational companies to really explore alternative ways or improved ways that they could contribute

43 *Submission 16*, p. 2.

44 *Submission 27*, p. 3.

45 ACIAR, *Position paper – ACIAR's engagement with the private sector*, June 2015 p. 3.

to local development and partner with us at the same time. We are in the process of signing an MOU with Ok Tedi Mining to do exactly that.⁴⁶

5.41 ACFID believed there was significant scope for civil society, the private sector, multilateral institutions, government and academia to work more closely on tackling PNG's development challenges:

For businesses, it can contribute to fulfilling their social license to operate, assist with staff attraction and retention, and open up new business models and markets. For NGOs, partnerships are a means to engage business and obtain resources, such as funding and technological know-how. For government, partnerships are a way of leveraging funding and on-the-ground links and resources to maximise its poverty alleviation and development impact.⁴⁷

5.42 The World Bank's International Finance Facility believed that there was scope for public-private partnerships (PPPs) to be 'much more widely applied in PNG':

PPPs of various forms are one way to overcome the capacity limitations in PNG, and also increase greatly the opportunities for local business. Instead of providing resources for public procurement of assets which may not be maintained, donors can provide funding to bridge the 'viability gap', or the subsidy required to make the PPP viable, and thus be assured that maintenance can be built into the projects....This potential is not limited to traditional infrastructure (transport, energy), but can work equally well in the social sectors like health and education where private sector participation as a delivery mechanism is growing globally.⁴⁸

5.43 Medicines for Malaria Venture (MMV) recommended that the 'Australian government should consider new forms of private sector partnerships in PNG'. It noted that innovative, multi-sectoral partnerships could harness the assistance of the private sector to help PNG achieve malaria control and subsequent elimination. It indicated this initiative could provide a solid foundation towards achieving 'gains at a time when traditional global funding sources are stretched'.⁴⁹

5.44 MMV described a number of partnerships in PNG it had undertaken with major Australian and PNG resource sector companies focused on malaria operational research and implementation projects. It argued '[p]rivate sector partnerships have demonstrated their capacity to be a catalyst to establish the foundations for future programs that bring together a broad range of stakeholders, including governments and donors'.⁵⁰ Ms James from MMV outlined how MMV was 'laying the foundations of malaria elimination on Lihir Island with our industry partner Newcrest Mining':

46 *Committee Hansard*, 21 September 2015, p. 5.

47 *Submission 22*, pp 20-21.

48 *Submission 4*, p. 7.

49 *Submission 19*, p. 2.

50 *Submission 19*, pp 6-7.

This will significantly improve community health and workplace productivity, and our program covers the mining lease area and the general population of 22,000 people. This project was initiated and funded by MMV and Newcrest over an initial five-year period and more recently has involved local leaders and PNG business and community groups.⁵¹

5.45 Vision2020 recommended that the Australian Government encourages an 'enabling environment for businesses to be involved in eye health and vision care in PNG including grants, seed funding, concessional loans and additional taxation incentives'. It stated:

In PNG the private sector provides an ongoing conduit for outreach to the urban working poor. For example, major companies such as OilSearch and Telikom provide time during working hours for their employees to receive free eye tests. This is beneficial in raising awareness of eye health services and providing key referral opportunities for staff. Such opportunities could be expanded to other villages to ensure more people gain access to eye health and vision care services. Partnerships between the major companies and local health organisations could improve the coverage of these programs.⁵²

5.46 The importance of local engagement with private sector partnerships was emphasised by Jubilee Australia:

Attitudes prevalent in leveraged investment projects are fraught with peril when they neglect local sentiment. Private sector partnerships could be sought for projects having strong community support, as well as safeguards for ensuring that community rights and priorities are being respected.

5.47 Similarly, World Vision argued that significant private sector activities should be grounded in partnerships with communities and trusted non-government development partners. It considered major partnerships with the private sector should be tripartite, ensuring that development practitioners and long-term community contacts have input 'through all phases of the program cycle, from needs assessment to implementation'.⁵³

Committee view and recommendations

5.48 Valuable work has recently been undertaken by the Joint Committee on Foreign Affairs, Defence and Trade (Joint Committee) on the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific. Most of the recommendations made in the Joint Committee's report *Partnering for the greater good* are highly relevant to PNG and the committee endorses those recommendations.

51 *Committee Hansard*, 21 September 2015, p. 31.

52 *Submission 21*, p. 8.

53 *Submission 32*, p. 32.

5.49 There is a risk that the objectives of the Australian aid program to increase 'aid for trade', to promote economic growth and to build the capacity of the PNG Government to deliver services could centralise resources. However, the majority of those who live in poverty in PNG are located in rural and remote areas and are not engaged with the formal economy. An unbalanced aid program could inadvertently contribute to increasing inequality and poor development outcomes in PNG.

5.50 Ensuring and communicating that there is an appropriate focus in the Australian aid program's support for the private sector on rural areas, micro-businesses, SMEs and the agricultural sector should be a continuing priority. While the majority of the programs in the Private Sector Development Framework appear appropriately targeted, it is not clear there is an awareness of the aims of these programs within PNG. In particular, local communities should be consulted and involved in the development of these programs.

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.**

5.52 Remittances are clearly a valuable private sector contribution to economic growth with a range of social benefits. This is an obvious area of development for both PNG and Australia. The committee supports an increase in the number of PNG nationals accessing the Seasonal Workers Program and urges the Australian Government to work with the PNG Government to find further areas to expand the program. PNG is also one of the most expensive countries to remit money from Australia. Lowering the costs of these remittances would significantly increase the benefits. The Australian Government should investigate innovative solutions to reduce the costs of remittances between Australia and PNG.

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.**

5.54 The committee supports the concept that the increased expenditure on infrastructure in the Australia aid program should not be spread out and should be targeted on one 'flagship' area of development activity. Well-designed, well-maintained transport infrastructure is critical to economic activity and private sector development. Improved transport links are also the key to the accessibility of communities and the capacity of communities to access services. For these reasons transport and road infrastructure are already large parts of the Australian aid program. However, as the portion of the aid program directed to infrastructure increases to 50 per cent, the share of the program devoted to road infrastructure should also increase.

5.55 The Australia aid program should also be examining partnerships with the private sector in the area of transport infrastructure. The World Bank's IFC is 'devoting increasing resources to scope and develop' public private partnership opportunities in PNG. The Australian Government should support this effort to bridge the 'viability gap' of transport infrastructure in PNG.

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.**

Chapter 6

Performance benchmarks, accountability and research

Introduction

6.1 This chapter will address terms of reference (g) and (h) and examines the issues raised in relation to benchmarks, accountability and research.

6.2 In June 2014, DFAT released a new performance framework for the Australian aid program titled *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*. A key principle underlying this performance framework was 'that funding at all levels of the aid program will be linked to progress against a rigorous set of targets and performance benchmarks'. *Making Performance Count* set out a number of high-level strategic targets to assess the aid program against key goals and priorities. These included:

- Delivering on commitments: From July 2015, progress against mutual obligations agreed between Australia and its key partner governments and organisations will form part of program performance assessments;
- Working with the most effective partners: By July 2015, design and apply new systems to assess the performance of the aid program's key delivery partners and ensure stronger links between performance and funding;
- Ensuring value-for-money: Deliver high standards of value-for-money in at least 85 per cent of aid investments. Where standards are not met and improvements are not achieved within a year, investments will be cancelled; and
- Combatting corruption: Develop and implement new fraud control and anti-corruption strategies for all major country and regional programs by July 2015.¹

6.3 In the context of PNG, DFAT's aid performance report for PNG in 2014-15 identified a need for 'better defined performance benchmarks for Australia's contribution to many sectors'. It also noted that the availability of timely and accurate data sets upon which to base an assessment of progress against benchmarks 'remains a challenge'.²

6.4 The *Aid Investment Plan* for PNG proposed 'a number of performance benchmarks be used to assess progress towards the strategic objectives of the Aid Investment Plan'. Progress against these benchmarks would be reported in the annual performance report for the PNG aid program. The performance benchmarks contained in the *Aid Investment Plan* are narrow and specific in relation to the outcomes. For

1 DFAT, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, June 2014, pp 6-11.

2 DFAT, *Aid Program Performance Report 2014-15*, p. 3.

example, in 'Outcome 3.2: The quality of key services in health and HIV/AIDS are improved' the performance benchmark is 'Number of additional births attended by a skilled birth attendant'. The target for 2015-16 is 9,250.

6.5 The *Aid Investment Plan* also proposed that Australia and PNG agree to a set of mutual obligations for the aid program. These mutual obligations were largely confirmed in the *PNG-Australian Aid Partnership Arrangement 2016-17*. In particular, this included a mutual obligation to continue to implement the *Joint Understanding between Australia and Papua New Guinea on further bilateral cooperation on health, education and law and order* (Joint Understanding). The Joint Understanding included obligations for PNG to fund 50 per cent of the redevelopment of the Lae Angua Hospital and funding its ongoing recurrent operational costs' and an undertaking to 'increase funding to expand and better equip and train the RPNGC'.³

Performance benchmarks

6.6 The value of performance benchmarks in the Australian aid program was repeatedly questioned. Dr Howes from the Development Policy Centre at ANU noted that this was the fifth effort in two decades to make performance benchmarks central to the program of Australian aid to PNG. He argued they were of limited utility. While benchmarks could provide useful information, they 'should not be expected to improve mutual accountability or influence the size of the aid program'. He stated:

For these benchmarks to influence aid performance, two conditions need to be met: the Australian government has to be ready to reduce or increase its amount of aid in response to performance; and the PNG government has to be ready to adjust its performance accordingly. There is no evidence at all that either of these pre-conditions hold.⁴

6.7 A key problem was that if benchmarks are not met in the aid program, this did not reveal whether the performance was bad or if the targets set were too high. This risk of potentially punishing good performances in challenging environments was also highlighted by others. For example, Dr Claxton and Mr Jennings from ASPI stated:

But while positive results can be usefully incentivised, we'd caution that where key national interests are at stake, benchmarks should be strategic ones (such as those measured in the latest PNG Aid Program Performance Report) and assessed strategically. It could be strongly against our interest to penalise poor performance in important projects on tactical rather than high level criteria. And where really crucial interests are at stake, it could be more appropriate to redouble than withdraw support when we're expectations aren't being met.⁵

6.8 This issue was seen as especially relevant to PNG, where the conditions made it difficult to undertake development assistance projects and to demonstrate that these projects have had an impact. World Vision advised that the 'Australian Government

3 *PNG-Australian Aid Partnership Arrangement 2016-17*, p. 4.

4 *Submission 42*, p. 27.

5 *Submission 17*, p. 4.

must recognise the complexities present in PNG as well as their impact on the visibility of progress'.⁶ The Lowy Institute cautioned that 'Australian aid cannot address all development challenges in [PNG]'. It encouraged a realistic approach:

In the delivery of a very large aid program there are likely to be some poor decisions made or some failures of implementation. But this does not mean that Australian aid has not been useful. Australian expenditure in the health sector in Papua New Guinea has saved lives.⁷

6.9 The OECD DAC observed that 'accountability for results needs to be addressed at two levels: accountability to the partner country and accountability at home to show that public funds achieve results'. It stated:

Australia, like other DAC members, needs to get the right balance in its performance system so that results information is (i) useful for improving the quality and impact of development co-operation and (ii) it enables the donor to communicate credibly about the long-term development results Australian aid is achieving.⁸

6.10 A variety of views were expressed in relation to how benchmarks could be framed. For example, ChildFund Australia recommended that the Australian aid program 'apply benchmarks that do not rely on generalised economic growth, but inclusive growth... benchmarks which ensure that our aid targets the poorest 40 per cent of people in middle and low income countries'.⁹ Jubilee Australia argued that the '[t]argets established to assess aid outcomes should be developed against locally-derived criteria documenting the aspirations of local communities in PNG'. While World Vision considered that there should be a focus on outcomes rather than outputs:

[I]n addition to an outcomes-focus, there must also be an understanding of the long-term nature of sustainable outcomes, particularly in relation to deeply embedded social and cultural issues such as gender norms which underpin persistent inequalities and acts of violence against women and girls. Targets pertaining to social change initiatives must retain a level of flexibility that reflects the long-term yet critical and foundational nature of this work.¹⁰

6.11 The National Research Institute argued for benchmarks more closely aligned with the priorities of the PNG Government:

For Australian Aid to be effective in its delivery, it must develop internal systems for ranking initiatives according to the progress that would be made against the targets laid down in the PNGDSP and MTDP. In this way, Australian Aid would transparently be directing funding to the development and wellbeing of PNG in accordance with the priorities of [the PNG

6 *Submission 32*, p. 12.

7 *Submission 14*, p. 1.

8 *Submission 6*, p. 5.

9 *Submission 16*, p. 1.

10 *Submission 32*, p.

Government]. Such an approach for Australian Aid would be a radical departure from the existing consultancy based support for public administration.¹¹

Monitoring and evaluation

6.12 While performance benchmarks were considered to be limited in their usefulness, the monitoring and evaluation of projects and data collection activities were highlighted as valuable in effectively directing resources. ACFID noted that the 2014 report on Australian aid had found that 'while monitoring and evaluation across programs in the Pacific was below the global average, the situation in PNG was far worse where less than 50 per cent of investments had satisfactory monitoring and evaluation arrangements'. It recommended a stronger focus on 'capability building in monitoring, evaluation and learning across the PNG program'.¹² Similarly, the Burnet Institute perceived a need for dedicated resources to strengthen the capacity for monitoring and evaluation in PNG. In particular, it considered that all monitoring and evaluation frameworks for Australian funded activities in PNG include equity indicators.¹³

6.13 The practical value of monitoring and evaluation activities were outlined by several organisations which deliver aid to PNG. For example, ACIAR highlighted its use of impact assessments and adoption studies to ensure it 'actively measures its effectiveness, learns from experience, and adjusts or cancels projects that are not achieving results':

ACIAR's impact assessment program is devoted to provide independent assessment of the performance of ACIAR's investments...ACIAR has made a practice of revisiting a sample of past projects some time after their completion, and now has a series of adoption studies that spans the past decade. ACIAR commissions specialists to undertake assessments 3–4 years after a large project is completed to determine the level of uptake of the findings and gauge the extent of the project's legacy.¹⁴

6.14 Vision2020 illustrated the issues that uncertainty in benchmarks and data collection could create. It outlined that there was a lack of data consistency between members of the PNG National Prevention of Blindness Committee including continuing disagreement amongst NGOs regarding definitions for collection criteria (for example, the age range for who constitutes a child is disputed). It stated:

Development of a consistent and user friendly data collection and management system would make considerable progress towards improving accountability of eye health and vision care in PNG. Support for a simple monitoring and evaluation (M&E) system that is driven by and universal to all eye health stakeholders (including public, private sector, civil society

11 *Submission 5*, p. 13.

12 *Submission 22*, p. 21.

13 *Submission 10*, p. 3.

14 *Submission 8*, p. 18.

and churches) would result in increased accountability across the sector and the ability of the sector to respond to evidence based demand.¹⁵

Mutual accountability

6.15 While mutual accountability or mutual obligations are a key part of the *PNG-Australia Aid Partnership Arrangement* and an increased focus of the Australian Government, this aspect of the aid relationship with PNG did not receive significant attention during the inquiry. One organisation which did provide commentary was Save the Children. It argued that:

[M]utual accountability should focus on delivering improvements to service delivery. That is, using our aid investment to help create the right incentives and other conditions to ensure the PNG Government uses its own resources more effectively and efficiently.¹⁶

6.16 The challenges of setting mutual obligations were illustrated during the inquiry. Under the *Joint Understanding* Australia would provide \$420 million of assistance including funding to support the master plan and scope of works for the redevelopment of the Lae ANGAU Hospital, funding 50 per cent of the capital costs associated with redevelopment and contributing to the costs of senior management personnel. In return, the PNG Government would meet 'its commitment to fund 50 per cent of the redevelopment of the Lae ANGAU Hospital and funding its ongoing recurrent operational costs'. However, there does not appear to be any subsequent announcement regarding PNG Government funding for the project and media reports have suggested that the PNG Government was pressing Australia to commence further work on the project before its financing was confirmed.¹⁷

Fraud and corruption

6.17 While ineffective governance was highlighted as a major impediment to development in PNG, fraud and corruption was also raised as a related obstacle. PNG ranked 139th of 168 countries on Transparency International's Corruption Perceptions Index 2015.¹⁸ Transparency International PNG has observed that:

PNG has some of the best rules and laws in the world, but the biggest problem continues to be the lack of enforcement of the law. There is little or no accountability for those who fail to follow the rule of law in dealing with state assets and decisions. The legal loopholes and an apparent lack of

15 *Submission 21*, p. 5.

16 *Submission 41*, p. 3.

17 For example, DFAT, *Implementation of Joint Understanding*, March 2016 and Daniel Flitton, 'Doubts over \$400 million centrepiece of Australia's Pacific Solution', *Sydney Morning Herald*, 18 April 2016.

18 Transparency International, *Corruption by Country/Territory*, available at https://www.transparency.org/country/%20-%20PNG#PNG_DataResearch (accessed 15 April 2016).

political will facilitate domestic and cross-border corruption with offenders enjoying scandalous levels of impunity.¹⁹

6.18 Many submissions argued that the Australian Government needed to do more to address the incidence of fraud and corruption in PNG. The Reef and Rainforest Research Centre stated that a '[s]trong emphasis on investigating and addressing corruption in the use of Australia Aid funds is essential to improving delivery'. In its experience from operating in Western Province was that corruption at a political and bureaucratic level was 'the single largest obstacle to socioeconomic development'. The International State Crime Initiative also argued that the provision of aid to PNG must 'take into account the profound impact state/corporate criminality has on security, economic participation, human rights and resource management'.²⁰

6.19 The joint submission from *PNG Attitude* urged that 'Australia should not shirk its responsibility to harness its aid program to PNG to honest, efficient and accountable governance':

Tackling corruption is urgent and should not be ignored by the Australian Government, no matter what the diplomatic intricacies may be. Australia should make the establishment of an independent and effective Independent Commission Against Corruption or similar entity a pre-condition for granting aid.²¹

6.20 Worryingly, there were indications that misappropriated Australian aid money was flowing back into Australia. For example, the Pacific Future Foundation outlined its concerns that 'current foreign aid given to PNG has assisted in contributing to a system with endemic corruption':

During a number of conversations with ex-pat Australians it became apparent that it is general knowledge amongst this community that Australian Aid money does not reach its intended targets and when it does only [paltry] amounts reach the people in need. The consensus amongst the people we met was that at least half the aid funding returns to Australia via Cairns where senior PNG government officials now own a significant number of residential properties. They have observed that aid money is accessed to spend on travel to and from Cairns for the lifestyle offered away from the rigours of Port Moresby.²²

6.21 Save the Children pointed to corruption as a key reason economic growth has not translated into large-scale poverty reduction in PNG. It stated that while stemming corruption in the aid program is important, 'the big ticket item is combatting corruption in PNG's broader public and private financial flows so that resources are available for public services'. Save the Children recommended the Australian Government '[a]dopt and publically report measures to tackle the benefits of PNG

19 Transparency International PNG, *Annual Report 2014*, p. 7.

20 *Submission 27*, p. 3.

21 *Submission 1*, p. 5.

22 *Submission 30*, pp 1-2.

corruption from being exploited within Australia including use of financial and diplomatic instruments and support for Australian anti-corruption agencies to investigate PNG investments'.²³

6.22 The *PNG-Australia Aid Arrangement 2016-17* reaffirmed that both governments agreed to 'maintain their zero tolerance commitment to fraud in Australia's aid program'.²⁴ This commitment was illustrated during an incident in 2013, when Australia ceased funding the procurement and distribution of medical supplies in PNG resulting from a compromised tender process.²⁵ Mr Mat Kimberley from DFAT told the committee the Australian Government took the decision because of a 'questionable' procurement process.²⁶

6.23 DFAT noted:

Australia has also prioritised programs that aim to combat corruption in PNG, including by supporting PNG's investigation and prosecution capacities. This is assisted through the placement of SGP advisers in the PNG Office of the Public Prosecutor (OPP), and AFP advisory support to the RPNGC Fraud and Anti-Corruption Directorate.

We are supporting PNG's efforts to establish an Independent Commission Against Corruption and to improve its compliance with international anti-money-laundering and counter-terrorism financing standards.²⁷

6.24 In particular, Australian Attorney-General's Department (AGD)/Australian Transaction Reports and Analysis Centre (AUSTRAC) Combating Corruption project assists Papua New Guinea (PNG) in preventing and combating corruption by strengthening its financial system against money laundering, corrupt activity and terrorism financing.

Research and learning from aid programs overseas

6.25 There was support for 'the general principle that Australia should be constantly seeking to adopt methodologies and techniques of aid delivery that have been shown to be efficacious in other jurisdictions'.²⁸ However, many submitters argued that the situation in PNG was so different that lessons from successful aid programs in other countries would not have significant value. For example, Ms Crawford from IWDA described the conditions in PNG as so unique that she counselled against the concept that Australia could 'import specific learnings from elsewhere'.²⁹

23 *Submission 41*, p. 19.

24 *PNG-Australia Aid Partnership Arrangement 2016-17*, p. 5.

25 *Submission 41*, p. 17.

26 *Committee Hansard*, 27 November 2015, p. 22.

27 *Submission 26*, p. 28.

28 PNG Attitude, *Submission 1*, p. 7.

29 *Committee Hansard*, 21 September 2015, p. 14.

6.26 World Vision gave examples of successful programs in other countries which could be applicable to PNG. These included working with communities in Mozambique to define optimal governance structures and approaches to translate mining benefits to community driven outcomes and success of the Timor Leste National Malaria Control Programme. However, it also cautioned:

PNG presents significantly different development challenges and is unlike any other setting. Any successes or lessons derived from the delivery of aid programs elsewhere will therefore require significant contextualisation for the Papua New Guinean setting, including the participation of communities to ensure the applicability and appropriateness of new initiatives.³⁰

6.27 A number of other potentially applicable programs were suggested. Family Planning NSW highlighted two programs developed in other countries which could be implemented in PNG.

PNG has unacceptably high rates of cervical cancer incidence and mortality. Cervical cancer screening saves women's lives, however it is not routinely available in PNG. We have piloted and developed a successful and sustainable, low resource cervical cancer screening and treatment program in Fiji using VIA (visual inspection with acetic acid and cryotherapy) that could save the lives of many women in PNG, if the program and capacity building training in the method were further implemented there...Similarly, we have implemented an access to contraception program in Vanuatu that could lead to reduced teenage and unintended pregnancies in PNG, if also implemented there.³¹

6.28 The Burnet Institute recommended that 'DFAT should undertake a mapping of successful health care initiatives in low and middle-income countries in the Asia Pacific region to identify opportunities to share experiences with government and civil society health officials in PNG. In particular, it highlighted there were potential lessons to be learned from health development progress in the northern provinces of Laos and Nepal. It was also recommended that 'DFAT should look to develop a mechanism for aggregating and sharing lessons across sectors and from prior aid programs in PNG'.³²

6.29 Areas of future research were also identified. For example, Coffey highlighted that in the international development sector, discussions were underway regarding how mobile phones can provide enhanced and beneficial services to people living in isolated, poor and disadvantaged communities. It argued it would be important for the Australian Government to continue to support ongoing research to help aid practitioners understand the opportunities and also the limitations of incorporating portable, digital technologies into program design and delivery.³³

30 *Submission 32*, p. 12.

31 *Submission 18*, p. 5.

32 *Submission 10*, p. 3.

33 *Submission 24*, p. 9.

6.30 ACIAR noted that its support to PNG is 'both bilateral (between Australian and PNG research and policy institutions) and regional (between Australia, PNG and other countries, generally other Pacific island countries)':

Outcomes in PNG and other Pacific island countries are enhanced by the sharing of experiences from successful projects through several mechanisms, including cross-program teams, thematic workshops, technical reports and publications, impact assessments, and regional engagements with [the Secretariat of the Pacific Community].³⁴

6.31 Dr Austin from ACIAR outlined that the agency had supported more than 180 research projects in PNG over the last three decades, including 37 active projects.³⁵

6.32 Ensuring research findings were taken into account in subsequent policy making was also highlighted. An example provided by the CSIRO illustrated this issue. Between 2011 and 2014, the Australian Fisheries Management Authority and the PNG National Fisheries Authority funded CSIRO to investigate the status of small-scale fisheries, livelihoods and food security in the Papua New Guinea villages bordering the Torres Strait of Australia. One of the findings of the research was that poaching pressure in Australian waters will increase as Treaty villages' resources are depleted. The CSIRO noted:

The results triggered a one-off PNG Treaty Villages Sustainable Development Workshop at the October 2014 Treaty meetings to discuss the declining situation and investigate remedies. This involved Australian and PNG government and community stakeholders, and was convened by CSIRO, DFAT and the PNG National Fisheries Authority. A good governance framework provided by the Treaty meeting cycle helped the integration of the research results into policy.³⁶

6.33 Mr Schaefer from Save the Children stated:

[B]etter data is key to improving the supply of services and the demand for them. Better data is key to the measurement of the effectiveness of aid programs. We encourage the Australian government and the PNG government to build datasets in Papua New Guinea that can lead to improved service delivery.³⁷

6.34 DFAT stated that it had many systems and processes 'to ensure important lessons from other countries are captured and integrated into the aid program in PNG'. In particular, the Pacific Division contains the Pacific Analytical and Effectiveness Branch, which includes the Pacific Strategy and Performance, Quality and Risk Sections. It outlined:

Through these teams, data and lessons learned from regional programs and Pacific bilateral programs are captured and shared within the

34 *Submission 8*, p. 19.

35 *Committee Hansard*, 21 September 2015, p. 3.

36 *Submission 47*, p. 10.

37 *Committee Hansard*, 27 November 2015, p. 7.

Division...DFAT's organisational structure also includes thematic teams that work across major sectors, and act as a key conduit for the exchange of lessons across Australia's various aid investments within DFAT and for implementing partners.³⁸

Committee view and recommendations

6.35 The committee shares the view that performance benchmarks have limited utility in the context of the PNG aid program. In situations where the achievement of development outcomes is expected to take decades, annual performance benchmarks are unlikely to be an effective mechanism to significantly change behaviour or improve program performance. The benchmarks contained in the *Aid Performance Plan* are narrow, however they provide detailed targets and indicators to track progress in those specific areas listed. In the view of the committee, this appears to be a realistic and pragmatic approach.

6.36 The committee urges the Australian Government to continue its support to PNG, through the Attorney-General's Department, AUSTRAC and the Australian Federal Police, to combat fraud, corruption and money laundering. These agencies should also focus attention on corrupt activities in PNG with relevance to Australia. Last year the risk of money laundering from PNG to Australia was again highlighted in media reports.³⁹ This conduct is a critical reputational risk to Australia's aid program to PNG. Public support for the Australian aid program to PNG could be damaged if aid funding is perceived as being misappropriated. Corrupt conduct which involves the transfer of funds to Australia also reduces the capacity of the PNG Government to deliver services to its people.

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.

6.38 The unique conditions and circumstances in PNG means that caution must be applied when examining the suitability of transferring aid programs used in other countries. For the committee, this highlights the need for better research into development issues in PNG. A better understanding of what works and what doesn't in PNG will assist the Australian aid program. To some extent this is already occurring. The committee has been impressed by the insights provided by the research programs in PNG undertaken by the CSIRO and ACIAR and the analysis provided by the PNG National Research Institute and the Development Policy Centre through the Promoting Effective Public Expenditure project. The key challenge appears to be in translating the findings of this PNG-specific development research into the reform of the Australian aid program to PNG.

38 *Submission 26*, p. 57.

39 SBS, *Dirty Money: How corrupt PNG cash is reaching Australia*, 23 June 2015, available at <http://www.sbs.com.au/news/dateline/story/dirty-money-how-corrupt-png-cash-reaching-australia> (accessed 18 April 2016).

6.39 The committee notes that PNG is listed as 'considering partnership' with the 'Better data for health partnership' project of DFAT's innovationXchange and Bloomberg Philanthropies. The committee hopes this occurs as the PNG health system and the Australia aid program would benefit from one of the key aims for the project 'to strategically use public health data to inform policy priorities'.⁴⁰

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.**

Senator Alex Gallacher
Chair

40 DFAT, *Better data for health partnership*, available at <https://innovationxchange.dfat.gov.au/project/better-data-health-partnership> (accessed 29 April 2016)

Dissenting report by Coalition Senators

1.1 Australia has a complex, wide-ranging and cooperative relationship with Papua New Guinea (PNG), including through the Australian aid program. The committee's inquiry into the delivery and effectiveness of the Australian aid program has been a valuable opportunity for those affected to raise issues during a period of significant reform.

1.2 Unfortunately, Coalition Senators cannot agree with all the recommendations made in the majority report. In particular, Recommendations 1 and 2 which relate to the funding levels and priorities of the aid program. The difficult decisions made by the Coalition Government to reduce the rate of growth in spending on Australian aid have been a consequence of the deteriorating budgetary situation caused by the previous government. Nonetheless, Australia will provide an estimated \$3.8 billion in total Official Development Assistance (ODA) in 2016-17. This makes Australia approximately the 12th largest donor in the OECD.

1.3 The Australian aid program in PNG – Australia's largest bilateral country program – is designed to help PNG reduce poverty and achieve sustainable growth.

1.4 A stable and prosperous PNG is in Australia's interests, but PNG still faces significant development challenges. Traditional approaches to aid are no longer good enough. Aid alone is not a panacea for reducing poverty. The most effective and proven way to reduce poverty is to promote sustainable economic growth.

1.5 Australia's aid program recognises that the private sector is the engine room of economic growth and job creation and essential to promoting sustainable poverty reduction. Thirty per cent of the PNG aid program focuses on private-sector led growth and aid for trade, increasing effective partnerships with the private sector, expanding support for women's empowerment, and increasing the program's focus on Bougainville.

1.6 The Australian Government is focused on leveraging Australian expertise to support infrastructure investments across a range of sectors including health, education and transport. This reflects the role of infrastructure in enabling economic growth and poverty reduction. Infrastructure can enable greater connectivity between businesses, improving economic integration and growth. Improved infrastructure also ensures that households, including women and girls, can access the services they need to improve their lives. This commitment also recognises Australia's considerable experience and expertise in PNG's infrastructure sector, particularly in relation to road rehabilitation and maintenance.

1.7 Australia is continuing to invest in health, education and law and justice outcomes in PNG. Recognising the sovereign responsibility of PNG to deliver basic services for all of its citizens, Australian aid is increasingly focused on building PNG's own capacity to deliver such services, including to the most remote communities. Evidence presented to the Committee highlighted that partnerships between the PNG

government and NGOs which combined service delivery with training and capacity building of PNG people and facilities provide effective governance and outcomes. In particular, Coalition Senators support the main committee report observations regarding the very effective work of YWAM Medical Ships Australia.

Increasing our aid program in PNG

1.8 The continuing importance of the Australian aid program to PNG has been recognised in the 2016-17 Budget. For PNG, bilateral aid funding will be maintained at \$477.3 million in 2016-17.

1.9 The Labor Government took \$5.7 billion from the aid program over the final 18 months of Government. During this time, their target of 0.5% of the aid budget as a percentage of GNI was repeatedly delayed.

1.10 The total PNG aid program has been increased in the 2016-17 aid budget, from \$554.5 million to \$558.3 million. PNG continues to be Australia's largest bilateral aid program.¹

1.11 The Australian Government's aid program in PNG was reviewed in 2014 and the Australian and PNG government's developed a new partnership model that reflects the growing maturity of the relationship between these two near neighbours. The program more closely aligns with the development objectives of the PNG government and respects the sovereignty of PNG.

1.12 Coalition Senators note that total Australian Official Development Assistance (ODA) to PNG has increased by over 10 per cent under the Coalition Government.

2016-17 aid program to PNG

1.13 The 2016-17 aid program to PNG will focus on promoting effective governance, including strengthening public sector leadership, performance and accountability, sub-national service delivery, community engagement, electoral reform, combatting corruption, strengthening access to justice, and assisting the Government of PNG to build an effective public service through the Pacific Leadership and Governance Precinct.

1.14 The aid program will continue to enable economic growth, through promoting private sector growth, support for infrastructure, developing the workforce, and investments that lower the costs of doing business, reducing risk and improve productivity; assisting the Government of PNG to deliver its road maintenance programs and improving aviation and maritime safety and security.

1.15 Australia's aid program will enhance human development by assisting PNG to develop its own capacity to deliver services. Health investments will target maternal

1 DFAT, *Australia Aid Budget Summary 2016-17*, May 2016, p. 11.

and child health and communicable disease control and support key areas of the health system, including workforce, infrastructure and financing. Australia will assist to redevelop the Lae ANGAU Memorial Hospital in collaboration with the Government of PNG.

1.16 The program will support more students to enrol in and complete school, further their education, and to enter the workforce with the skills they need. Australia will improve access and learning outcomes for girls and boys in primary schools by building and furnishing classrooms and teachers' houses, and providing training on good water, sanitation and hygiene practices.

1.17 Coalition Senators note that the Australian Government continues to promote sustainable economic growth through private sector led growth and aid for trade initiatives.

Results of Australia's aid program

1.18 The Australian Government has designed a program that is supporting the PNG Government promote sustainable economic growth and human development and Australia's aid program has achieved impressive results in PNG.

1.19 In 2014-15 almost 20 per cent of Australia's development assistance to PNG was invested in health.

1.20 In 2014-15, with Australia's support, 75 per cent of the 16 national priority roads in PNG were maintained in good condition. Five hundred and sixty (560) police recruits (including 83 women) were trained to an improved curriculum and graduated from the police college in 2014, up from 229 in 2013.

1.21 Over 2014-15, 992 village court officials across PNG were provided with improved training, enabling about 459,000 people to access better standards of justice.

1.22 Australia's education assistance in PNG supports the delivery of the National Education Plan 2015-20 and the National Training and Higher Education Plan 2015-19. The completion of quality assessment processes for six universities was a significant achievement, representing a key step in improving the quality of PNG higher education. Australia, working with the Department of Education, also built 80 double classrooms, 40 teacher houses and 48 ablution blocks, to help meet critical infrastructure gaps; and supported 5000 student teachers to improve English language competency. As a result of targeted outreach and support, over half (55 per cent) of Australia Awards scholarships were awarded to women.

1.23 In PNG, progress is slow and uneven. Australian support continues to contribute to more midwives being trained and registered, with an increase of 128 per cent in registered midwives compared to 2012.

1.24 Australia continues to play a leading role in promoting gender equality in the Pacific. In PNG, Australia promoted women's economic empowerment through investments in the private sector and rural development. Cash-cropping opportunities for women were opened up in the Eastern Highlands Province, with over 2,000 extension workers, farmers and family members trained on gender equity and diversity, family business management, and training and facilitation skills.

1.25 Australia is helping survivors of violence. For example, by June 2015, Australia had supported PNG to establish 15 Family and Sexual Violence Units and four Family and Sexual Violence Desks in police stations across the country. Since 2010, over 35,800 survivors of violence, mostly women, have received support from these units. In 2014, 11,272 (mostly female) survivors of violence received services, up 20 per cent from 2013.

1.26 Australia's aid program to PNG promotes gender equality and disability inclusion. The aid program has played a leading role in promoting gender equality in PNG, including by supporting around 35,800 survivors of domestic violence and Family and Sexual Violence Units and four Family and Sexual Violence Desks in police stations across the country.

1.27 Australia has helped to facilitate inclusive development across the Pacific. In PNG, through the Strongim Pipol Strongim Nesen program, Australia provides grants to lead disability organisations such as the National Orthotics and Prosthetics Service (NOPS) and Motivation Australia who distribute assistive devices. In 2014, key results included the distribution of 400 wheelchairs including technical fitting and training by Motivation Australia, NOPS and PNG Assembly of Disabled Persons; and the distribution of 8,000 assistive devices.

1.28 Coalition Senators note the ongoing commitment of the aid program to inclusive and equitable development in PNG, including disability-inclusive development.

1.29 A more stable and prosperous PNG is in the interests of a secure Indo-Pacific region and Australia's national interests.

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.

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.

1.33 There are a number of recommendations in the majority report that Coalition Senators can support. These include:

- that the key policy documents of the PNG aid program articulate how development objectives align with the Sustainable Development Goals (Recommendation 4);
- the examination of an expanded program to link institutions in Australia and PNG for the purposes of capacity building (Recommendation 7);
- an assessment of cross-border initiatives between Australia, PNG and Indonesia (Recommendation 8);
- increased support for measures to prevent the spread of tuberculosis in the Western province and funding for new tuberculosis treatments suitable for developing countries (Recommendation 10);
- a new program to reduce childhood malnutrition and stunting and including this indicator as a performance benchmark of the Australian aid program (Recommendation 11);
- increased support for the training of primary school educators in PNG (Recommendation 12); and
- coordination and support for programs focused on cultural change regarding gender inequality and gender based violence (Recommendation 13).

Senator Chris Back
Deputy Chair

Senator David Fawcett

Additional comments by the Australian Greens

Background

1.1 This inquiry, into the delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea, takes place within a context of an Australian overseas aid budget that has suffered over \$11 billion in Coalition government cuts to aid funding commitments since 2013. This followed the previous Labor government's cuts to planned aid investment of \$5.8 billion.¹

1.2 Australia's 2000 commitment to achieving the Millennium Development Goals of 0.7 per cent gross national income (GNI) by 2015 has been abandoned by both Labor and Coalition governments. In 2011, both Labor and the Coalition asserted a commitment to increasing Australia's aid budget to 0.5 per cent of GNI by 2015. However, Australia's aid budget has continued to decline to just 0.27 per cent GNI in 2015.

1.3 The presentation of this year's 2016-17 Budget confirms a further deterioration in Australian overseas aid commitments by another \$224 million. Our commitment to the world's poorest people now sits at \$3.8 billion and a new historic low of 0.22 per cent of GNI. This is the lowest in Australia's aid commitment on record² and is an indictment of the Coalition's attitude towards the world's poorest and most vulnerable people.

1.4 The Australian Greens thank the organisations and individuals who made submissions, and acknowledge and thank Committee Senators and the Committee Secretariat for their work on this inquiry.

Australian aid to Papua New Guinea

1.5 Australia's aid to Papua New Guinea represents a large proportion of the total aid the country receives and as such is vitally important. However as noted by the OECD Development Co-operative Directorate, there has been a real-value decline in Australia's ODA investment in PNG of some 29 per cent since 2009.

1.6 While PNG's gross domestic product has grown at a healthy rate, driven largely by its energy and mineral exports, PNG struggles to provide basic healthcare and education to its people, 40 per cent of whom live in poverty. PNG's ranking in the

1 ABC, 'Factcheck: Comparing Labor and the Coalition's records on foreign aid;', available at: <http://www.abc.net.au/news/2015-11-12/fact-check-comparing-foreign-aid-labor-coalition/6895234> (accessed 4 May 2016).

2 Dr Ravi Tomar, 'The ever-shrinking aid budget', *Budget Review 2015-16*, Parliamentary Library, May 2015, available at http://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201516 (accessed 4 May 2016).

UN Human Development Index has continued to decrease since 1994, with the country placed among the lowest in the index.

1.7 The Australia Greens are greatly concerned that so many Papua New Guineans continue to suffer the terrible effects of poverty, with the worst maternal and child health indicators in the Pacific and indeed the world.

1.8 Health services are out of reach of many villages, and around half of PNG's children in rural areas suffer from malnutrition and die from preventable diseases. Vaccination rates have fallen from 57 per cent in 2008 to 46 per cent in 2012. Tuberculosis, including multi drug resistant TB, is increasing with a 42 per cent rise in new TB cases. Leprosy is endemic in coastal regions. Around 75 per cent of pregnant women living with HIV do not receive treatment to prevent mother-to-child transmission, and too many women and girls die in pregnancy and childbirth.

1.9 Basic sanitation and access to clean water is lacking. Literacy levels and access to education is very low, with most adults having four years formal schooling and less than 7 per cent of PNG women having attended secondary school.

1.10 Gender equality is among the lowest in the world, and most women and girls suffer sexual and family violence with a large proportion of all children suffering physical abuse.

1.11 It is clear the targeting of Australia's aid has a long way to go, with the decline in health, education and basic services, and a lack of opportunity at the local level for so many Papua New Guineans constituting a tragedy on Australia's doorstep. This concern is illustrated in the Gizra Tribe's description of the lack of any assistance benefiting their communities.

1.12 The continuing disintegration of PNG's basic health and wellbeing indicators is happening within the Australian Coalition government's Aid for Trade framework, with its refocusing of aid funding towards macro-economic and trade development as a priority at the expense of local community capacity building, development and wellbeing, particularly in PNG's remote and isolated areas.

1.13 In this context, the Australian Greens reiterate the OECD's concern about the lack of transparency about where Australia's 2015-16 PNG ODA budget of \$477 million has been actually spent. With this in mind it is worth comparing Australia's Department of Immigration and Border Protection expenditure in PNG of \$513 million in 2015.

1.14 The Australian Greens also question how much of Australia's ODA funding has been diverted by both Labor and Coalition governments to their illegal Manus Island refugee detention centre in PNG, and other aspects of the Australian government's asylum seeker policy. Australia has wilfully ignored corrupt governance in Papua New Guinea in exchange for their cooperation on an offshore detention regime which has been found to be illegal and unconstitutional by the PNG Supreme Court.

1.15 We also note this Coalition government's diversion of \$1 billion of aid funding into climate change funding. Climate change funding is sorely needed but the Australian Greens do not believe that pick-pocketing the aid budget is a reasonable way to secure that funding. The diversion came at a time when communities in PNG have been facing prolonged drought with food and water shortages, with more than 700,000 people estimated to be affected by severe lack of food production.³

1.16 With both PNG's own national economic growth and Australia's aid largely bypassing most of PNG's poor, the Australian Greens believe that the effectiveness of Australia's aid funding priorities requires urgent realignment with the Sustainable Development Goals (SDG), prioritising the health and education needs of those Papua New Guineans isolated from any such access.

The Australian Greens approach to aid

1.17 The Australian Greens believe that as a wealthy nation Australia's record on aid investment is shameful.

1.18 The dropping of our abysmal contribution of 0.31 per cent GNI in 2015-16 to the new low of 0.22 per cent GNI in 2016-17 is an unfortunate reflection of Australia's sullied reputation as a global citizen committed to the alleviation of poverty.

1.19 Whilst the Australian Greens fully support the recommendation to achieve an ODA/GNI target of 0.5 per cent by 2024-25, we additionally call for an extra commitment to increase Australian aid investment to reach 0.7 per cent GNI over the coming decade. We note the UK's current ODA contribution of nearly 0.7 per cent last year.

1.20 The Australian Greens strongly believe all aid-funded programs should be consistent with a human-rights based approach to development. PNG should be benefitting from an Australian aid framework that is economically and environmentally sustainable; and that builds local capacity and promotes local community participation and gender equality. However this cannot be done without first prioritising and meeting the need for access to basic health, nutrition, sanitation and education provision across PNG, and especially to its isolated people.

1.21 From an economic viewpoint, Australia's aid should be facilitating positive and equitable changes to PNG's social, economic and environmental standards. It should be empowering communities to build simple economic self-reliance at the local village level and enhancing the political, economic and social/cultural rights of communities, especially those affected by our aid-funded projects.

1.22 Local communities affected by proposed developments such as mining should be empowered with decision-making abilities by free, prior and informed consent, and

3 Reliefweb, 'Papua New Guinea: Drought and Frost - Aug 2015' available at <http://reliefweb.int/disaster/cw-2015-000116-png-0> (accessed 4 May 2016).

with transparent mechanisms ensuring a right to accountability. This is not happening in Papua New Guinea, and the Australian government would do well to withdraw its support from the suffering that has been caused by multinational corporate mining interests in PNG.

1.23 The Australian Greens do not support Australia's Mining for Development Initiative for its destructive aims that are antithesis to the Sustainable Development Goals. It should be withdrawn from any pretence of aid funding.

1.24 Mining projects have long been associated with what is referred to as the 'resource curse': the dispossession of Indigenous peoples and other communities from their land; irreversible environmental destruction; increasing economic and social inequality; government corruption; corporate rent-seeking and violent conflicts.

1.25 Australian governments should not be subsidising or favouring Australian business interests in PNG via the aid budget. Nor should our aid funding be used to facilitate Australian businesses' claims to PNG's natural resources with their exporting of profits from PNG. Australia's aid funding should never result in the displacement or disempowerment of local communities and workers, or in the continuing environmental degradation such as that caused by multinational mining interests in PNG.

1.26 Australia's interference with an eye to benefitting Australian interests in the extraction of PNG's resources and development of international trade echoes our historical colonial attitudes toward PNG. This is exemplified in Australian mining interests and most recently in Bougainville where preparation to reopen of Rio Tinto's Panguna copper mine is occurring within a context of Bougainville's upcoming independence referendum process.

1.27 Here the Australian Greens strongly condemn Australia's funding of consultants in the constructing of the Bougainville Mining Act 2015 that repeats the processes that helped ignite Bougainville's long and destructive civil war. With Australian-funded help, the Act alienates and disempowers local landowners and criminalises opposition to large-scale development of their land. It facilitates the further destruction of rivers and land in a community where subsistence farming is vital to survival, and ensures any multinational mine can trump the wants and needs of the local landowners while destroying their environment without redress.

1.28 Australia's aid funding, and indeed any Australian funding, should never be used to support any such processes. Australia's commitments to aid funding should be stable and predictable, and the value of that funding should not fall over time. Those organisations delivering aid-funded projects cannot be expected to achieve strategic and sustainable long-term goals that are 'value for money' without funding certainty.

1.29 The Australian Greens agree that Australia can afford to give more and that it is clearly in Australia's own interest 'to give more to the least developed countries in our region', particularly to our closest neighbour PNG. We are mindful of Australia's role in PNG's recent history, and believe Australia has unmet responsibilities to

redress outstanding issues where Australia's involvement has and continues to be to the detriment of the very Papua New Guineans who suffer.

Recommendations

Recommendation 1

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

Recommendation 2

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

Recommendation 3

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

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.

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.

Senator Lee Rhiannon

Appendix 1

Public submissions

- 1 PNG Attitude
- 2 World Food Programme
- 3 Gizra Tribe
- 4 World Bank Group
- 5 National Research Institute
- 6 OECD
- 7 Rotary Australia World Community Service Limited
- 8 Australian Centre for International Agricultural Research
- 9 Impact Investing Australia
- 10 Burnet Institute
- 11 Business for Millennium Development
- 12 Victorian Bar
- 13 Australian Volunteers International
- 14 Lowy Institute for International Policy
- 15 Jubilee Australia
- 16 ChildFund Australia
- 17 Dr Karl Claxton and Mr Peter Jennings, Australian Strategic Policy Institute
- 18 Family Planning NSW
- 19 Medicines for Malaria Venture
- 20 Australian Doctors International Inc.
- 21 Vision 2020 Australia
- 22 The Australian Council for International Development (ACFID)

- 23 Church Agencies Network
- 24 Coffey International Development
- 25 Dr Bill Standish
- 26 Department of Foreign Affairs and Trade
- 27 International State Crime Initiative
- 28 CARE Australia
- 29 International Women's Development Agency
- 30 Pacific Future Foundation
- 31 Global Poverty Project
- 32 World Vision Australia
- 33 Australian Business Volunteers
- 34 Bougainville Freedom Movement
- 35 International Committee of the Red Cross
- 36 Advance Cairns
- 37 Aspenmedical
- 38 Reef and Rainforest Research Centre Limited
- 39 Law Council of Australia
- 40 General Electric
- 41 Save the Children Australia
- 42 Professor Stephen Howes
- 43 Mr Paul Flanagan
- 44 RESULTS International (Australia) Inc.
- 45 WaterAid
- 46 Policy Cures
- 47 CSIRO

- 48 Oxfam Australia
- 49 Kokoda Tour Operators Association
- 50 PFM Connect
- 51 Australian Federation of AIDS Organisations Inc.

Appendix 2

Tabled documents, answers to questions on notice and additional information

Additional information and tabled documents

- 1 Department of Foreign Affairs and Trade, 'PNG ODA expenditure 2014-15, tabled at public hearing 27 November 2015.
- 2 Department of Foreign Affairs and Trade, 'Pacific Leadership and Governance Precinct', tabled at public hearing 27 November 2015
- 3 Department of Foreign Affairs and Trade, 'Risk management in the Australian aid program: PNG', 3 August 2015
- 4 Department of Foreign Affairs and Trade, 'DFAT Program Presence by PNG Province 2012-15', 3 August 2015
- 5 Department of Foreign Affairs and Trade, 'DFAT Program Presence by PNG Province 2012-15 - datasheet', 3 August 2015
- 6 'The Papua New Guinea national health and HIV research agenda', The Lancet
- 7 Program for Health & HIV Research Capacity Development in Papua New Guinea
- 8 Oxfam, 'The Long Way Home: Relocation of survivors of gender-based violence in PNG', 2014
- 9 Transparency International, Corruption Perceptions Index 2014

Answers to questions on notice

Monday 4 December 2012

- 1 Ms Christine Melis, Barrister, Victorian Bar, response to question on notice, public hearing 22 September 2015
- 2 Australian Volunteers International, response to question on notice, public hearing 22 September 2015
- 3 Australian Centre for International Agricultural Research, response to question on notice, public hearing 21 September 2014
- 4 Department of Foreign Affairs and Trade, responses to questions on notice, public hearing 27 November 2015

5 Correction to Department of Foreign Affairs and Trade, responses to questions on notice, public hearing 27 November 2015

Appendix 3

Public hearings and witnesses

Monday 21 September 2015

Australian Centre for International Agricultural Research

Mr Nick Austin, Chief Executive Officer

Dr Nick Horne, General Manager, Country Programs

Dr Richard Markham, Research Program Manager, Horticulture

Dr Mike Nunn, Research Program Manager, Animal Health

CSIRO

Dr James Butler, Principal Research Scientist

Ms Juliet Bell, Enterprise Manager CSIRO International

International Women's Development Agency

Ms Joanne Crawford, Senior Research and Policy Advisor

Church Agencies Network

Dr Julianne Stewart, Program Manager, Anglican Board of Missions

Mr Paul O'Callaghan, Chief Executive Officer, Caritas

Family Planning NSW

Professor Ann Brassil, Chief Executive Officer

Ms Ann-Maree Ashburn, Director Communications Government and Community Affairs

Burnet Institute

Professor Michael Toole AM, Deputy Director

Medicines for Malaria Venture

Ms Rebecca James, Adviser

Policy Cures

Ms Mary Maron, Executive Director

Aspen Medical

Mr Bruce Armstrong, Chief Executive Officer

Mr Craig Fitzgerald, General Manager Overseas Operations

Business for Millennium Development

Mr Paul Voutier, General Manager Projects

Tuesday 22 September 2015

Australian Volunteers International

Mr Peter Britton, Deputy CEO and Executive Manager of Programs

CARE Australia

Ms Julia Newton-Howes, Chief Executive

Mr Andrew Rowell, Acting Principal Executive, Internal Programs

Oxfam Australia

Ms Esmie Sinapa, PNG Country Director

Ms Katie Greenwood, Program Expertise Manager

Vision 2020 Australia

Ms Jodie Bell, Policy and Advocacy Coordinator

Ms Mitasha Yu, Sub Regional Programs Manager, Asia Pacific

World Vision Australia

Dr Curt von Boguslawski, PNG Country Program Director Ms Erin Goddard, Policy Advisor

WaterAid

Mr Luke Lowell, Policy Officer

Australian Strategic Policy Institute

Dr David Connery, Senior Analyst

Lowy Institute for International Policy

Mr Jonathan Pryke, Research Fellow, Melanesia Program

Ms Anna Kirk, Research Associate, Melanesia Program (via teleconference)

Law Council of Australia

Mr Peter Thomson, Senior Policy Lawyer, International

Victorian Bar

Ms Christine Melis, Barrister

Development Policy Centre, Australian National University

Professor Stephen Howes, Director

Mr Paul Flanagan, Visiting Fellow

International State Crime Initiative

Dr Kristian Lasslett, Executive Board Member

Friday 27 November 2016

Save the Children Australia

Mr Stuart Schaefer, Director, International Programs

Pacific Future Foundation

Mr Richard Morgan, Chairman

Australian National University

Dr Bill Standish, Visiting Fellow

Department of Foreign Affairs and Trade

Mr Mat Kimberley, Acting First Assistant Secretary, Pacific Division

Mr Benedict David, Principal Health Specialist, Health & Water Branch,
Development Policy Division