

LOWY INSTITUTE
FOR INTERNATIONAL POLICY

Submission to the Senate Standing Committees on Foreign Affairs Defence and Trade

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

This submission focuses on the item (a) in the Terms of Reference: the *political, economic and social objectives of Australia's aid*.

The significance of Australia's aid to PNG

Papua New Guinea is the second largest bilateral recipient of Australian aid. It is also important to recognise that Australia is Papua New Guinea's largest donor by a considerable margin. This dominance places extra responsibilities on the Department of Foreign Affairs and Trade, as the principal agency delivering Australian aid to Papua New Guinea. It means that it would be difficult for Australia to reduce its aid as there are few other development partners ready to take up more responsibilities in Papua New Guinea.

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 Papua New Guinea.¹ To put this in perspective, Australian aid over the same period (on a cumulative basis) totalled approximately US\$3 billion.

Australian aid is coordinated with the Papua New Guinea government and is focused on Papua New Guinea Government priorities. Given the parlous state of most of Papua New Guinea's social indicators and that Australia has been Papua New Guinea's principal development partner for 40 years; it is fair to ask questions about the effectiveness of Australian aid. 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.

Australian aid cannot address all development challenges in Papua New Guinea. Aid from Australia only represents approximately 6 per cent of the Papua New Guinea budget. As the Papua New Guinea economy has grown, the importance of aid to the Papua New Guinea government has declined. Australian aid, estimated to total A\$577 million in 2014/15 is also 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 2013.²

¹ <http://www.lowyinstitute.org/chinese-aid-map/>

² <http://www.dfat.gov.au/trade/resources/Documents/png.pdf>

There are political objectives in Australian aid to Papua New Guinea, just as there are in official development assistance from traditional and emerging donors the world over. But the political or national interest drivers of aid should not diminish the effectiveness of Australian aid. The political imperative to achieve outcomes can be beneficial in driving good practice in aid delivery.

Australia has a clear national interest in Papua New Guinea because it is our nearest neighbour and former colony but just as importantly because it is the Oceania region's second most populous country after only Australia itself. Papua New Guinea's population is approximately 7.3 million, larger than New Zealand's (4.5 million) and significantly larger than the next most populous Pacific Island country, Fiji (881,000). Australia wants and needs the population of Papua 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.

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

Work experience opportunities for Papua New Guinea students/Enhancing Papua New Guinea student scholarship programs

According to the DFAT website, Australian aid is currently supporting 328 postgraduate study awards in Australia and 505 study opportunities in Papua New Guinea. Australia's provision of scholarships for post-graduate and some under-graduate students through the Australia Awards scheme is extraordinarily valuable. 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. A limited number of scholarships allow students to take up a short-term work placement at the conclusion of their studies.

The option to take up a work placement in Australia associated with studies has proved very popular with Papua New Guinean students and a highly effective means of offering Australian work experience to Papua New Guineans. From the Lowy Institute's consultations with young Papua New Guineans and with Australian business, we know there is strong interest in opportunities for Papua New Guineans to take up internships with Australian companies and institutions in order to gain valuable work experience.

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. Although the extension of an internship program would need the cooperation of Australian government agencies beyond DFAT and of Australian companies, DFAT could provide a valuable policy coordination role and Australian aid may be needed to support internships in not-for-profit organisations. An internship program that covered a variety of sectors in Australia would help to improve awareness about Papua New Guinea within Australia and build people-to-people relationships which is an agreed objective of both the Australian and Papua New Guinean governments.

The Lowy Institute has been fortunate to host four Papua New Guinean students as interns while they were undertaking post-graduate studies or at the conclusion of their studies. This opportunity has enriched the Institute's knowledge of Papua New Guinea and helped to expand our networks in Papua New Guinea. A placement with the Lowy Institute has given the Papua New Guinean students opportunities to engage in high level policy debate, meet visiting foreign delegations, contribute to our research on the region and learn how think tanks influence policy.

Engaging with Papua New Guinea's emerging leaders

The Lowy Institute runs an annual Australia-Papua New Guinea Emerging Leaders Dialogue in Sydney. The Dialogue was an initiative of Australian and Papua New Guinea Ministers who agreed at the 2012 Papua New Guinea-Australia Ministerial Forum that Australia would host an annual Emerging Leaders Dialogue to enhance and promote people-to-people links in a new generation of Australians and Papua New Guineans. The Lowy Institute conducts the Dialogue as part of its management of the Australia-Papua New Guinea Network, in cooperation with the Australian Department of Foreign Affairs and Trade and with the support of the Australian aid program.³

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.

The Lowy Institute's Emerging Leaders Dialogue has resulted in a number of young professional Papua New Guineans forming new collaborative partnerships that are contributing to either national development priorities or community development initiatives. While the principal intent of the Dialogue is to build new connections between Australians and Papua New Guineans, an unexpected benefit of the Dialogue has been the number of new collaborative initiatives that have grown amongst the young Papua New Guinean participants, most of whom met each other for the first time at the Dialogue in Sydney. The alumni from the two Dialogues we have conducted so far stay in touch online via a dedicated Facebook page and group.

The Institute's 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. The expansion of existing professional and government-to-government networks, where appropriate assisted or stimulated by Australian aid is likely to multiply the contributions that individuals can make to both government and small community development initiatives.

Through the Lowy Institute's PNG New Voices event, first held in 2012, we give Papua New Guinea's youth the opportunity to express their views on the many pressing issues Papua New Guinea faces and a forum in which to debate them. Much is expected of Papua New Guinea's young people. The

³ Links to the reports of the 2013 and 2014 Emerging Leaders Dialogue are provided here:<http://m.lowyinstitute.org/publications/2014-australia-papua-new-guinea-emerging-leaders-dialogue-outcomes-report>; <http://m.lowyinstitute.org/publications/australia-papua-new-guinea-emerging-leaders-dialogueoutcomes-report>

discussions at our events have proven that the country's future leaders are already thinking about how to change the country and want the opportunity for greater political participation. We believe that continued Australian investment in involving Papua New Guinea's young people in the delivery of aid programs will bring long-term benefits.

The Australia-Papua New Guinea Network

The Lowy Institute manages the Australia-Papua New Guinea Network, with a grant from the Department of Foreign Affairs and Trade. The Australia-Papua New Guinea Network is an online platform dedicated to the connections between Australia and Papua New Guinea in their various forms, be they sporting, cultural, civil society or business connections. The Network acts as a hub for anyone interested in learning about the elements of the bilateral relationship that exist outside of the official government channels.

There are so many excellent initiatives that capitalise on people-to-people links between the two countries and the Network aims to showcase these projects. In this way it can direct people wishing to enhance their engagement with the other country or with other organisations or individuals who do similar work to them. A problem in aid delivery identified by the 2014 Emerging Leaders Dialogue is the duplication of effort by multiple organisations. The Network aims to contribute to addressing this issue by providing a point of reference for those seeking information on projects already underway between Australia and Papua New Guinea. Our website and social media promotion of these organisations' events and projects is another way we can help them gain better exposure for their work.

This also contributes to our aim of enhancing the understanding of Papua New Guinea in Australia. The media coverage of Papua New Guinea in Australia is limited and primarily focuses on negative stories of corruption and violence. The Network aims to raise awareness amongst Australians of the positive stories that come out of Papua New Guinea and provide a more nuanced understanding of the challenges Papua New Guinea faces.

Another important objective of the Network is to facilitate connections between Australians and Papua New Guineans. Organisations and individuals interested in collaborating with past participants of the Australia-Papua New Guinea Emerging Leaders Dialogue or organisations that the Network promotes can contact us to make the necessary introductions. We believe the support of Australian aid for this objective will ultimately lead to some improvements in the way both official and non-government aid is delivered at a community level in Papua New Guinea.

Prepared by:

Jenny Hayward-Jones, Program Director, Melanesia, the Lowy Institute for International Policy
Anna Kirk, Research Associate, Melanesia, the Lowy Institute for International Policy

27 March 2015