

**Joint Standing Committee on Foreign Affairs, Defence and
Trade
(JSCFADT)**

Human Rights Sub-Committee

**Government response to the
JSCFADT report**

*Australia's aid program in the
Pacific*

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Foreign Affairs Sub-Committee

Government response to the report on *Australia's aid program in the Pacific* September 2007

Pacific Partnerships for Development

The Prime Minister announced an intention to commit Australia to a new and elevated engagement with Pacific island nations in the *Port Moresby Declaration* in March 2008. A central focus of this new engagement with the Pacific is the Government's commitment to pursue Pacific Partnerships for Development which will provide a new framework for Australia and our Pacific neighbours to commit jointly to making more rapid progress towards the Millennium Development Goals (MDGs) and partner countries' achievement of their own development objectives.

In line with the *Port Moresby Declaration*, the Partnership will respond to individual circumstances of our respective partners, reflecting the fundamental underlying principles of *mutual respect* and *mutual responsibility*. These principles are given effect in the following ways:

- **Mutual respect:** through commitments which underline Australia's recognition of Pacific partner country leadership and ownership of development strategies. The Partnerships also provide for acknowledgement by partner governments of the Australian Government's responsibilities to its own citizens to ensure Australian development assistance is used appropriately and effectively to promote economic and social development; and
- **Mutual responsibility:** the partnerships are explicitly based on mutual, long-term and measurable commitments. The Partnerships will provide a framework for mutual commitments by Australia and Pacific island nations to achieve shared goals, noting Australia's willingness to provide increased development assistance over time in return for commitments by partner governments, including; to improve governance, increased investment in economic infrastructure, better outcomes in health and education, and to undertake agreed measures to achieve this. The Partnerships also commit Australia and Pacific island countries to strive for better development results and good practice in aid effectiveness through a sharper focus on shared accountability based on regular, joint reviews of progress and evidence-based decision making.

As initial countries to be offered Partnerships for Development, PNG and Samoa have welcomed the initiative. The Government intends to pursue similar agreements with other Pacific partners who share Australia's ambition for better development results in the region over the coming years.

Australia's commitment to the Pacific is demonstrated through the recently released 2008-09 Budget for Australia's International Development Assistance Program,

which foreshadows development assistance for PNG and the Pacific estimated at \$999 million in 2008-09, a substantial increase on the amount budgeted in 2007-08 of \$872 million.

Recommendation 1

The Committee notes the importance of financial services in the development of Pacific Island economies, and recommends that the Australian Government develop a focused strategy to encourage financial services development, including microfinance.

The Australian Government agrees that it is important to increase access by the poor to financial services. Achieving this at scale and on a sustainable basis requires a broad focus on the financial sector, including but not limited to support for microfinance services.

The Australian aid program has provided an average of \$10 million a year in direct support to microfinance initiatives around the world over the last 8 years. Recent projects in the Pacific include support for the Bougainville Microfinance Association; the establishment of Microfinance Pasifika, the regional microfinance network; the Foundation for Rural Integrated Enterprises 'N' Development, (FRIEND) in Fiji; and volunteer support placements with microfinance provider Vanuatu Women's Development Scheme (VanWODS). Australia's support for programs such as the Asian Development Bank's Pacific Private Sector Development Initiative goes, in part, to improving access to finance through the introduction of new technologies and by extending financial services to outlets such as schools and shops.

AusAID is currently exploring a range of programming options to increase the number of poor people accessing financial services in the Pacific, and to give them more choice in products and providers. These options include strengthened support for regional and multilateral organizations that support Pacific microfinance providers, and an examination of ways to encourage private lenders, not-for-profit financial providers and NGOs.

Recommendation 2:

The Committee recommends that the Australian Tax Office, in conjunction with AusAID, consider and report on the merits and practicalities of Mr Roland Rich's proposal to amend the Australian tax rules to encourage companies to become directly involved in building private sector capacities in developing countries in the Pacific by allowing them to deduct from their taxable income the full costs incurred in providing such assistance.

The Government does not support this recommendation.

The Government already provides tax concessions for organisations undertaking charitable development programmes in developing countries under the Overseas Aid Gift Deduction Scheme (OAGDS). The OAGDS provides a tax deduction for public donations collected by organisations that are considered under the scheme to be overseas relief funds, to assist with their overseas aid and development activities.

Moreover, an outlay to assist Australians directly involved in building private sector capacities in developing countries would be preferable to government providing additional tax concessions. Direct delivery programs are more transparent and can be better targeted to achieve desired outcomes.

For example, the Enterprise Challenge Fund awards grants of \$100,000 to \$1.5 million to business projects that will have pro-poor outcomes, and that could not obtain financing from commercial sources. At least 50 per cent of the project costs must be met by the partner business, and all projects must be commercially self-sustaining within three years. This program encourages business activity in areas where the private sector may be reluctant to undertake projects or have difficulty obtaining finance because of perceived risks, lack of information or the high costs of creating new markets.

Recommendation 3

The Committee notes the evidence of the importance to Pacific Island economies of access to developed economies for seasonal workers, and recommends an active and serious evaluation by the Australian Government of the possibility of such a scheme.

The Australian Government understands the importance of labour mobility to many of the economies in the Pacific and the desire of Pacific island states to pursue greater access to the Australian labour market for unskilled and semi-skilled workers.

On 17 August 2008, the Government announced a three-year Australia - Pacific Seasonal Worker Pilot Scheme. The pilot aims to enable workers to contribute to economic development in home countries through employment experience, training and remittances. It will also examine the benefits to the Australian economy and to employers who can demonstrate they cannot source local labour.

The pilot scheme will focus initially on the horticulture industry, which claims up to \$700 million of fresh produce is left to rot because of a lack of reliable workers. The details of the pilot scheme are subject to further consultation with Pacific island countries and Australian employers and industry groups.

It is anticipated that the pilot could begin as soon as the end of 2008 with a small group of workers. The pilot will provide opportunities for up to 2500 workers over a three year period, subject to labour market demand.

Recommendation 4

The Committee supports the consideration of each of the issues raised by the students, and in particular recommends that the Australian Government conduct a regular review of the stipend rate for Pacific Island students on Australian Development Scholarships to ensure that it remains commensurate with the cost of living, and is at a reasonable level for those students with accompanying dependents.

AusAID provides scholars with comprehensive pre departure briefings which include information on the cost of living in Australia and training in budgeting. AusAID scholarships do not provide stipends but comprise a package of benefits including a contribution to living expenses (CLE); overseas student health cover; an allowance

for additional study assistance and attendance at professional development opportunities (depending on the conditions of the scholarship); an establishment allowance to cover the cost of establishing living arrangements in Australia; payment of all tuition fees; reunion airfare(s) and airfares to/from Australia.

In response to concerns raised by scholars in early 2007, AusAID funded an independent review of scholarship benefits. The 2007 review included an examination of the CLE. This component has been increased, with effect July 2008, in recognition of the increase in the cost of living in Australia, and to maintain competitiveness with other comparable scholarship programs. In addition, as part of this review, AusAID also extended the reunion fare benefit to all unaccompanied scholars regardless of their marital status (previously it had only been available to those who left spouses in their home country).

Recommendation 5

The Committee recommends that the Australian Government consider establishing a Pacific Island Youth Ambassador Scheme (similar to and possibly linked with the Australian Youth Ambassador Scheme, or AusAID scholarships), whereby young skilled Pacific Islanders can apply for placements in an Australian host organisation workplace for the purpose of work experience and cultural exchange.

Young Pacific islanders can participate in the Australian Leadership Awards Fellowships Scheme (ALAS) that provides a mechanism for placement with Australian host organisations. Fellowships grants are available for short-term study, research, and professional attachment programs in Australia delivered by Australian organisations. Fellowships target current and emerging leaders from the Asia-Pacific region and foster existing linkages between community, civil society, private sector, research, academia and Australian government agencies. Prospective Fellows identified by Australian organisations must be professionals already in leadership positions or have a potential to assume leadership roles that can influence social and economic policy reform and development outcomes, both in their own countries and within the Asia- Pacific region.

A review of Australian Government support for overseas volunteer programs, including the Australian Youth Ambassadors for Development Program will be undertaken in the second half of 2008. As well as looking at the development effectiveness of volunteer programs, the review will assess the demand for volunteers in Pacific island countries and how the contributions of volunteers could be enhanced, including through other models such as the "exchange" concept as recommended in the JSCFADT report on Australia's aid program in the Pacific.