



Submission No 32

Inquiry into Australia's aid program in the Pacific

Organisation: AusAID

Contact Person: Sophia Close

**Address: GPO Box 887
Canberra ACT 2604**

JSCFADT Human Rights Sub-Committee – Questions on Notice

JSCFADT Human Rights Sub-Committee QON from Public Hearing – 9 February 2007 Response from AusAID

Q1: Pacific Trade Commissioner

- **Is there significant interest within businesses in Australia in trying to develop opportunities in the Pacific? What is the role of the Pacific Trade Commissioner, Austrade; what is the level of interest from within Australian companies looking to invest and work in Pacific island countries?**

Australian companies regularly indicate interest in genuine business opportunities in the Pacific region. Small to medium size companies are particularly suited to pursue opportunities in the Pacific, as their size typically matches the potential scale of opportunities in the region. Large Australian companies, while interested, usually find the opportunities too small to pursue.

The Pacific Investment Commissioner is a position co-funded by AusAID and Austrade which provides a full-time resource to facilitate Australian joint ventures and other investment collaboration in Pacific island markets. The position aims to raise awareness of opportunities for Australian businesses in the Pacific, as well as more broadly attracting investment to the region. The Commissioner's role is to facilitate new, sustainable Australian private sector investment into the developing countries of the Pacific to increase economic development, employment and skills growth.

The position, managed by Austrade, is based in Adelaide, and works closely with Austrade's Posts in the Pacific as well as the broad range of agencies that assist trade and private sector development in the Pacific. The position has initially been funded for two years (August 2006 to August 2008).

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q2: Private Sector Investment

- **Provide a package of material around activities in the area of private sector investment. Include information about AusAID’s contribution to the Pacific Islands Trade and Investment Commission.**

AusAID is promoting investment in the Pacific through a range of specific activities, including:

- The provision of core funds for the Pacific Islands Trade and Investment Commission (PITIC) in Sydney. PITIC Sydney has partner offices in Auckland, Tokyo and Beijing funded by their respective host governments. The Sydney PITIC has the overall goal of providing regional trade and investment services for Forum Island Countries in Australia. Its activities include assisting businesses with marketing and product development, training for businesses and relevant government agencies, product exhibitions, market analysis, and tourism promotion.
- The Kula II Equity Investment Fund invests in small and medium enterprises throughout the Pacific, and is designed to draw on investment capital from major private and public institutional investors. Australia supports the Fund with a commitment to cover management fees and other costs.
- Seminars on “Attracting Equity to the Pacific” were funded by Australia in December 2006 for participants from Pacific Island nations with responsibility for investment attraction and facilitation activities within their country. These seminars were well received by participants, who were positive about using their new skills to attract investment to their countries.

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q3: Funding to ADB and IFC

- **What amount of funding is provided to the ADB and the World Bank, International Finance Corporation to support the provision of infrastructure and the amount of funding that is directed to business development type loans?**

Australia contributes to the International Development Association (IDA) and the Asian Development Fund (ADF), the concessional lending arms of the World Bank and Asian Development Bank respectively. These contributions are used for a variety of activities by the IDA and ADF in eligible developing member countries. In 2006-07, Australia will contribute \$93.64 million to IDA, plus a further \$14.36 million for the IDA Heavily Indebted Poor Countries (HIPC) Initiative debt relief, and \$95.1 million to the ADF. The breakdown of support toward particular sectors is not identified in these funding contributions.

Private Sector Development

AusAID has committed \$12 million dollars over five years to the World Bank Group's International Finance Corporation (IFC) as a contribution to the Private Enterprise Partnership Pacific (PEPP) facility. Priorities for the IFC PEPP include:

- Investment support/access to finance;
- Access to markets;
- Assistance to Small to Medium Enterprises; and
- Business enabling environment (aimed at private sector reform and infrastructure improvements);

Work is undertaken by PEPP in a number of sectors most notably tourism and rural enterprises in the Pacific, PNG and East Timor. The IFC PEPP program is also working with credit based organizations in the Pacific to improve access to credit in the region (particularly for small and medium enterprises), while also working on credit and savings revitalization projects in post conflict situations such as those found in East Timor and Solomon Islands.

AusAID has provided a contribution of \$4.5 million over 12 years to the World Bank Group's Foreign Investment Advisory Service to undertake business (particularly foreign investment) enabling diagnostic and technical assistance in the region. The flagship product of this work is the annual *Cost of Doing Business Indicators* report published annually by the World Bank Group ranking countries from around the world including the Pacific in order of their aggregated costs of doing business (focusing primarily on government administration and service orientation).

AusAID has committed \$10 million dollars over five years towards the Asian Development Bank's (ADB) Private Sector Development Initiative (PSDI) in the Pacific. The PSDI is aimed at augmenting ADB's existing private sector development programs in business enabling environment reforms within government which include:

- State-owned enterprise reform and public-private partnerships;
- financial intermediation;
- business law and regulation, and
- mainstreaming of private sector development in priority sectors.

The augmentation of the program will allow for:

- Increased diagnostic, dialogue and communication work to be undertaken in the region;
- Rapid response, technical advice, and capacity development; and
- Regional initiatives and monitoring.

JSCFADT Human Rights Sub-Committee – Questions on Notice

PNG

From 2003 to 2006 AusAID provided A\$7m funding on behalf of the Government of PNG to match GoPNG contributions as counterpart commitment to the World Bank's Road Maintenance and Rehabilitation Project (RMRP). RMRP is a US\$40m World Bank (IBRD) loan for road maintenance in six provinces in PNG.

AusAID is currently working with the ADB and the World Bank to conduct a PNG Transport Infrastructure Sector Harmonisation Study which will be completed in 2007. AusAID has provided \$100,000 to engage an Institutional Adviser to work with the ADB contracted team leader.

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q4: Donor Harmonisation

- **Regarding donor coordination, how do we work with other countries in coordinating aid and contributions in this region, in particular?**

Australia works in close cooperation with a range of partners in the Pacific to ensure aid is bringing maximum benefits to the people of the region. In some cases Australian aid is very closely aligned with that of other donors, such as in the case of Cook Islands, where Australian aid is delivered through a delegation to New Zealand's Aid and International Development Agency (NZAID).

Australia also regularly participates in joint approaches with other donors, such as the Education Sector Program in Samoa, jointly financed with New Zealand, the Asian Development Bank (ADB) and Samoa.

In some other cases coordination is through ongoing communication and cooperation, for example, cooperation between AusAID/World Bank/ADB. An annual informal donors' meeting brings together all donors in the region to discuss issues of aid effectiveness and cooperation.

Much useful coordination is managed by Pacific regional organisations. Australia is a lead contributor to and member of Pacific regional organisations, including the Secretariat of the Pacific Community, Pacific Island Forum Secretariat, Forum Fisheries Agency, South Pacific Regional Environment Program, South Pacific Applied Geoscience Commission and the University of the South Pacific.

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q5: Microfinance

- **In terms of microfinance, what is AusAID’s commitment from government to microfinance in the region?**

The Australian Government supports microfinance (including microcredit) as one way of reducing poverty and promoting broad-based economic growth, in the right settings. Total Australian aid expenditure on microfinance over the last eight years was over \$80 million.

Australia will continue to support the introduction of financial services that target the diverse needs of the poor across the Asia-Pacific region. Current and future expenditure depends on the extent to which microfinance is seen by developing country partner governments as a priority for development assistance in particular countries.

The aid program provides support to build the capacity of organisations engaged in provision of microfinance advice and services. More broadly the aid program is strengthening the enabling environment for microfinance and income generation opportunities. There is already a vibrant microfinance market in the region that is served by a number of donors, NGOs and commercial providers. Through its programmatic support to groups like Microfinance Pasifika Australia continues to monitor the development of this microfinance market.

AusAID is currently funding a research program, “Evaluating the Effectiveness of Microfinance Ventures in the Pacific”, which is investigating the effectiveness of microfinance activities in the region. It particularly aims to assess the performance of commercial microfinance programs versus not-for-profit programs. The results of this study will guide AusAID’s microfinance support strategy in the future. To support information sharing on international best practice for microfinance, Australia has also provided contributions to the Consultative Group to Assist the Poor (CGAP).

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q6: Government and Civil Society

- **What is AusAID's and DFAT's response to critical evidence about Australia's approach on the connection between governments and citizens, in terms of criticisms of inadequacy of Australia's focus and level of attention on that matter.**

Australia has a strong track record in working with civil society to improve governance in PNG and the Pacific. New White Paper initiatives in the area of building demand for better governance and stronger leadership will strengthen the focus on the critical role of civil society in advocating for improvements in the transparency and accountability of government to its citizens. These initiatives are part of a commitment to foster functioning and effective states.

Supporting the capacity development of civil society to be inclusive, representative, transparent and accountable is an important element of current AusAID-supported programs. It is recognised by all major donors in the Pacific region, and is a key area of action in the Pacific Plan. The commitment to support the demand for better governance will see a stronger emphasis on working with citizens to provide information about what government does, how it operates, and to improve civil society's ability to hold governments to account and promote stronger leadership. A range of strategies will be adopted, recognising that effective strategies will not be the same in each country.

In order to maintain strong support for Australia's aid program, AusAID will continue to consult closely with governments and civil society stakeholders during the development of our programs. AusAID also recognises that civil society is an important partner in service delivery and will continue to provide support for civil society, including Churches, to work in partnership with governments to deliver essential services.

Assistance to civil society is a key area of Australia's aid program to Solomon Islands and PNG, and in other country programs including Fiji, Tonga and Vanuatu. AusAID also supports Australian NGOs to work with civil society organisations in the Pacific.

Key achievements in 2005-06 included:

Pacific

- Through the AusAID NGO Cooperation Program, Australian NGOs receive funding to work with civil society organisations in the Pacific on a range of issues. In 2006/07, 15 Australian NGOs received over \$2.6 million to undertake work with local partners on issues such as nutrition, community economic development, HIV/AIDS, and child rights.
- A five year, \$4.5 million Community Partnership Program in Vanuatu provides support to build capacity of key organizations with significant local legitimacy, including the National Council of Chiefs and Transparency International. Activities include strengthening the relationship between formal and informal governance structures, and advocacy and community awareness raising on youth unemployment, corruption, voter awareness, and domestic violence. Assistance is also provided to the Vanuatu Women's Centre to provide counselling and legal support services to victims of domestic violence.

JSCFADT Human Rights Sub-Committee – Questions on Notice

- The five year \$32 million Community Sector Program is working with a wide range of Solomon Island NGOs and community organisations, in all provinces of the country, to increase the effectiveness of civil society work, and the partnerships between civil society, local and national government and communities.
- A four-year, \$7 million NGO Cooperation Agreement is supporting partnerships between Australian NGOs and seven major NGOs in Solomon Islands, including four church organisations, for service delivery, peace building, and improved governance. A three year \$ 1 million NGO Cooperation Agreement on HIV/AIDS includes new support for World Vision and Save the Children to raise community awareness of HIV/AIDS

PNG

AusAID recognises the significant contribution of civil society to peace, stability, nation building and delivering essential services in PNG, and its potential to help community members develop a voice in governance. An estimated \$14.5 million was dedicated to strengthening civil society in PNG during 2005-06. This contribution helped non-state institutions develop democratic systems and processes and supported the fostering of new partnerships for improved direct delivery. Programs of civil society strengthening include:

- The Community Development Scheme, which has supported hundreds of community development and civil society capacity building projects across PNG including in remote and difficult to access areas;
- The Electoral Support Program, which has funded civil society organisations to carry out voter awareness campaigns in the lead up to the 2007 national election;
- The Media for Development initiative, which has supported civil society organisations to develop media content dealing with development issues;
- The Church Partnership Program, supporting seven Australian faith-based organisations to partner with their seven PNG church counterparts to improve their capacity to deliver services and promote good governance.
- Community Justice Liaison Unit, which provides support to formal and informal law and justice agencies to work in partnership with communities to build peace in PNG.

JSCFADT Human Rights Sub-Committee – Questions on Notice

Q7: Media

- **What is the status of the Pacific media initiative or a similarly-termed concept operating a few years ago? Particularly reflecting on your observations about engaging with media.**

The Australian Government is committed to assisting media and communications sectors in the Pacific as cornerstones of good governance.

The Australian Government funded the Pacific Media Initiative (PMI) throughout the Pacific region from 1996 to 2002. A review identified that a more strategic Pacific regional media and communications activity was required to address the needs of government and civil society so as to have a more equitable focus than had been possible under PMI.

The Pacific Media and Communications Facility – (PMCF) has a \$2.1 million allocation to support the media and communications sectors in the Pacific over three years from May 2004 to May 2007. The PMCF goal is to strengthen the role played by media and communications in good governance in the Pacific, by building the region's media and communications capacity in a long-term, sustainable way.

An independent Mid Term review in 2006 noted that events in the Pacific region since 2004 have confirmed the validity of the project's goal and objectives. Governance issues have grown in prominence, including alleged abuses of power and public office, and mismanagement of national resources. In addition, Pacific Island countries are more exposed to trans-national organized crime and terrorism. Pacific Island governments acknowledged these challenges, and the role of media and communications in good governance, in the Pacific Plan endorsed by the Pacific Islands Forum in October 2005.

The new White Paper initiative on building demand for better governance signals a stronger emphasis on working with the media in the region. This initiative recognises that the media is a key sector that communicates directly with citizens and through effective reporting can promote increased government accountability. Consultation with key partners in the Pacific is commencing to develop this new approach.