



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

ESTIMATES

**(Budget Estimates)**

THURSDAY, 3 JUNE 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE**

**LEGISLATION COMMITTEE**

**Thursday, 3 June 2010**

**Members:** Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Farrell, Forshaw, Kroger and Ludlam

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Bishop, Boswell, Brandis, Farrell, Forshaw, Hanson-Young, Hutchins, Johnston, Kroger, Ludlam, Ian Macdonald, McEwen, Milne, O'Brien, Parry and Trood

**Committee met at 9.32 am**

**FOREIGN AFFAIRS AND TRADE PORTFOLIO**

Consideration resumed from 2 May 2010

**In Attendance**

Senator Stephens, Parliamentary Secretary for Social Inclusion and Parliamentary Secretary for the Voluntary Sector

**Department of Foreign Affairs and Trade**

**Portfolio overview**

Mr Dennis Richardson, Secretary

Mr James Wise, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer, Corporate Management Division

Ms Anne Moores, Assistant Secretary, Executive, Planning and Evaluation Branch

Mr Bruce Gosper, Deputy Secretary

**Outcome 1—The advancement of Australia's international strategic, security and economic interests including through bilateral, regional and multilateral engagement on Australian government foreign and trade policy priorities**

**Program 1.1 Foreign affairs and trade operations**

**North Asia: China, Japan, Democratic People's Republic of Korea, Mongolia, Republic of Korea, Taiwan**

Mr Graham Fletcher, First Assistant Secretary, North Asia Division

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**South-East Asia: Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam and ASEAN**

Mr Hugh Borrowman, First Assistant Secretary, South-East Asia Division

Mr James Larsen, Ambassador for People Smuggling Issues

**Americas: Canada, USA, the Caribbean, South America (Latin America)**

Mr Bill Tweddell, First Assistant Secretary, Americas and Africa Division

**Africa: South Africa, Sudan, Zimbabwe and all other Sub-Saharan African countries**

Mr Bill Tweddell, First Assistant Secretary, Americas and Africa Division

**Europe: Western, Eastern and Southern Europe, including Turkey and organisations such as European Union and NATO**

Mr Richard Maude, First Assistant Secretary, Europe Division

**South and West Asia: India, Afghanistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives****Middle East: Gulf States, Israel, Palestinian Territories, Iraq, Iran**

Ms Deborah Stokes, First Assistant Secretary, South and West Asia and Middle East Division

**Pacific: New Zealand, Fiji, Solomon Islands, Papua New Guinea, Tonga, Nauru, Samoa, Kiribati, Vanuatu; Pacific Islands Forum**

Ms Jennifer Rawson, First Assistant Secretary, Pacific Division

**International organisations and legal issues: International law, sea law, environment law, climate change, treaties, sanctions, transnational crime, domestic and administrative law, United Nations, Commonwealth, human rights, Indigenous issues, people smuggling, refugees**

Mr Chris Moraitis, First Assistant Secretary, International Organisations and Legal Division

Mr James Larsen, Ambassador for People Smuggling Issues

Ms Caroline Millar, Head, UN Security Council Taskforce

Ms Ruth Adler, Assistant Secretary, Environment Branch

Mr Dominic Trindade, Assistant Secretary, Domestic Legal Branch

Dr Greg French, Assistant Secretary, International Legal Branch

**National security, nuclear disarmament and nonproliferation: Arms control, counter-proliferation, counterterrorism, regional and national security**

Mr Allan McKinnon, First Assistant Secretary, International Security Division

Mr Bill Paterson, Ambassador for Counter-Terrorism

**Services to other agencies: Parliament, attached agencies, business, state governments and other agencies overseas and in Australia**

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

**Services to diplomatic/consular representatives: Protocol, privileges and immunities, protection**

Ms Anne Plunkett, Chief of Protocol, Protocol Branch

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**Bilateral, regional and multilateral trade negotiations: Free trade agreements, agriculture, services and intellectual property, WTO, trade law, trade policy, trade commitments**

Mr George Mina, Acting First Assistant Secretary, Office of Trade Negotiations  
Ms Jan Adams, First Assistant Secretary, Free Trade Agreement Division  
Mr Michael Mugliston, Special Negotiator, Free Trade Agreement Division  
Mr David Dutton, Assistant Secretary, Trade Policy Issues and Industrials Branch  
Mr Remo Moretta, Assistant Secretary, Agriculture and Food Branch  
Mr James Baxter, Assistant Secretary, WTO Trade Law Branch  
Ms Cathy Raper, Assistant Secretary, Trade Commitments Branch

**Trade development/policy coordination and Asia-Pacific Economic Cooperation and Export Finance and Insurance Corporation (EFIC)\*****APEC, international economy and finance, market information, trade advocacy, trade finance, liaison and analysis, OECD, UNCTAD, EFIC**

Mr Paul Tighe, First Assistant Secretary, Trade and Economic Policy Division

**Hosting 35th Antarctic Consultative Meeting Finance and Insurance Corporation \***

Mr Chris Moraitis, First Assistant Secretary, International Organisations and Legal Division

**Program 1.2 Payments to international organisations (administered)**

Mr Chris Moraitis, First Assistant Secretary, International Organisations and Legal Division

Mr James Larsen, Ambassador for People Smuggling Issues

**Program 1.3 Public information services and public diplomacy (administered): Expositions special account—Shanghai Expo; Australia Network; International Relations Grants Program**

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Ms Anne Moores, Assistant Secretary, Executive, Planning and Evaluation Branch

**Outcome 2—The protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australia and overseas****Program 2.1 Consular services****Program 2.2 Passport services**

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Bob Nash, Executive Director, Australian Passport Office

**Outcome 3—A secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas owned estate****Program 3.1 Foreign Affairs and Trade operations: Overseas physical security; overseas IT support**

Mr Stuart Page, Acting First Assistant Secretary, Diplomatic Security, Information Management and Services Division

**Program 3.2 Overseas property**

Mr Peter Davin, Executive Director, Overseas Property Office

**Australian Centre for International Agricultural Research (ACIAR)**

**Outcome 1—To achieve more productive and sustainable agricultural systems for the benefit of developing countries and Australia through international agricultural research and training partnerships**

**Program 1 International agricultural research for development for more productive and sustainable agriculture**

Dr Nick Austin, Chief Executive Officer

Dr Simon Hearn, Principal Adviser, Strategy and Policy

**Australian Agency for International Development (AusAID)**

**Outcome 1—To achieve assist developing countries to reduce poverty and sustainable development, in line with Australia's national interest**

**Program 1.1 Official development assistance: PNG and Pacific****Program 1.2 Official development assistance: East Asia****Program 1.3 Official development assistance: Africa, South and Central Asia, Middle East and other****Program 1.4 Official development assistance: Emergency, humanitarian and refugee program****Program 1.5 Official development assistance: Multilateral replenishments****Program 1.6 Official development assistance: UN, Commonwealth and other international organisations****Program 1.7 Official development assistance: NGO, volunteer and community programs****Departmental support**

**Outcome 2: Australia's national interest advanced by implementing a partnership between Australia and Indonesia for reconstruction and development**

**Program 2.1 East Asia****Departmental support**

Mr Peter Baxter, Director General

Mr Richard Moore, Deputy Director General, Asia Division

Mr Murray Proctor, Deputy Director General, Program Enabling Division

Ms Catherine Walker, Deputy Director General, Africa, West Asia, Middle East and Humanitarian Division

Mr Blair Exell, Acting Deputy Director General, Pacific and PNG Division

Mr Jamie Clout, Deputy Director General, Corporate Enabling Division

Mr Robin Davies, Deputy Director General, Sustainable Development and Partnership Division

Ms Jane Lake, Assistant Director General, Pacific Branch

Mr Laurie Dunn, Assistant Director General, Operations, Policy and Support Branch IN

Mr John Davidson, Assistant Director General, Office of Development Effectiveness

Ms Lisa Rauter, Chief Financial Officer



**Australian Trade Commission (Austrade)****Outcome 1—Advance Australia's trade and investment interests through information, advice and services to businesses, industry and governments****Program 1.1 Trade and investment development****Program 1.2 Trade development schemes (Export Market Development Grants)****Outcome 2—The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas****Program 2.1 Consular, passport services**

Mr Peter Grey, Chief Executive Officer

Mr Peter Yuile, Deputy Chief Executive Officer

Ms Hazel Bennett, Executive Director Finance, Information and Planning

Ms Marcia Kimball, Executive Director, Human Resources

Mr Mike Moignard, Acting Executive Director, Export and Investment Services

Mr Ian Chesterfield, General Manager, Business Policy and Programs

Mr John Angley, General Manager, Government and Communications

Ms Elizabeth Gamin, National Manager EMDG Operations

Mr Peter Gunning, Chief Finance Officer

Ms Helen Monro, Manager, Government, International and Policy Group

Mr Michael Vickers, National Manager, Policy and Scheme Development

Ms Freya Campbell, Group Manager, Building Brand Australia

Ms Kylie Bell, Manager, Client Services

Ms Leanne Joyce, Group Manager Communications

**DFAT trade programs, held in conjunction with Austrade****Bilateral, regional and multilateral trade negotiations \*****Free trade agreements, agriculture, services and intellectual property, WTO, trade law, trade policy, trade commitments****Trade development/policy coordination and Asia-Pacific Economic Cooperation and Export Finance and Insurance Corporation (EFIC) \*****APEC, international economy and finance, market information, trade advocacy, trade finance, liaison and analysis, OECD, UNCTAD, EFIC**

**CHAIR (Senator Mark Bishop)**—I welcome Senator Stephens, representing the Minister for Foreign Affairs and the Minister for Trade. The committee must report to the Senate on 22 June 2010, and 30 July 2010 has been set as the date by which answers to questions on notice are to be returned. Senators should provide their written questions on notice to the secretariat by close of business Thursday, 10 June. Under standing order 26 the committee must take all evidence in public session, this includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate into *Hansard*.

*The document read as follows—*

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**Public interest immunity claims**

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
  - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
  - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
  - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
  - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
  - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
  - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
  - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

[9.33 am]

**Australian Centre for International Agricultural Research**

**CHAIR**—Senator Stephens, do you or an officer wish to make an opening statement?

**Senator Stephens**—No, thank you.

**CHAIR**—The committee will now examine the budget estimates for ACIAR.

**Senator TROOD**—Thank you, gentlemen, for coming along this morning. I would like to ask you a few questions about your activities in PNG where I gather you have a very active research program. Most particularly, I am interested in exploring with you some issues relating to research activities and the capacity building that you might be undertaking in the Western Province—the area of the province down near the PNG-Torres Strait area. I begin by asking you whether or not you have many research collaborations with either Australian research centres or the marine and tropical research science facility which take in the Western Province and the Torres Strait area.

**Dr Austin**—The PNG program is a very important one for ACIAR. It is our second largest program and in 2009-10 will equate to funding of slightly over \$5 million. It is a joint program between AusAID and ACIAR. ACIAR delivers some of that work on behalf of AusAID. Funds transfer from AusAID to ACIAR in that respect. Our program in PNG has a number of emphases: the first is addressing social, cultural and policy constraints to the adoption of agricultural technology; the second is enhancement of smallholder income from horticulture and root crops; the third is improving smallholder returns from export tree crops and marketing; the fourth subprogram is new livelihoods from smallholder fisheries, aquaculture and forestry; and finally, fifth, is agriculture biosecurity and sustainable management of forestry and fisheries resources. So we have activity across the agriculture, fisheries and forestry areas in the country.

**Senator TROOD**—I assume, Dr Austin, that this is across PNG. Obviously, it is not focused in a particular area. I am particularly interested in whether or not much or any of the activity is focused on the Western Province and particularly the area around the Torres Strait.

**Dr Austin**—The program is certainly across PNG but there is within the sectors—forestry, fisheries and agriculture—a geographic focus. I would be pleased to take on notice specific details in the Western Province within the program and we could come back with details.

**Senator TROOD**—I would be very happy for you to do that. Do you typically do collaborative research with CSIRO and other research centres in PNG?

**Dr Austin**—We do. We work with a broad range of partners in PNG and we typically operate on a project-by-project basis. Each project has a number of partners both in Australia and in the partner country. For example, I will select one particular project that is working in PNG developing aquaculture based livelihoods in the Pacific island regions and tropical Australia and in which James Cook University is the commissioned agency in Australia. We have a range of organisations in PNG and in the Pacific—the University of the South Pacific, for example, with the WorldFish Centre headquartered from the centre in New Caledonia—from which we draw expertise typically from around the region. We have close partnerships

with Unitech, the University of Technology in Lae, PNG, and they have been an important partner in a large number of our projects over time.

**Senator TROOD**—I am happy for you to take this on notice but when you are looking at the projects you might be undertaking in Western Province, would you mind looking at the extent to which any of the projects you are undertaking in Western Province also have a collaborative dimension with other agencies or with other research organisations. It may be that you do this by definition. I am happy for you to take that on notice and provide me with an answer in due course.

You may or may not be able to address this issue: I am interested in the kind of challenges that you are facing in working in PNG—if there are any particular or noticeable impediments to the research activities and the work you undertake in PNG and any positives that enable the work to proceed reasonably easily.

**Dr Austin**—Routinely we undertake assessments of the impact of the work that we invest in. We do that as the projects are being developed—ex-ante evaluations and then, ex-post evaluations, followed up with adoption studies to see what sort of impact we are having on the ground. Generally speaking, our returns are lower in PNG than they are in a number of our other partner countries. There is a range of reasons for that, one of which is the capacity of extension systems within the country to disseminate innovations that come out of the projects. These are factors that are taken into account as projects are designed and we endeavour to build in capacity building in institutions in PNG as part of that. So we invest in, for example, scholarships programs with Unitech, the University of Technology, to help build the pool of researchers in PNG who are able to work jointly on the projects. Our model is one in which we partner Australian researchers with researchers, in this case in PNG. So a capable pool of researchers is obviously important and that currently presents a constraint in a number of areas in which we work.

**Senator TROOD**—I imagine there is not a large pool of expertise or highly developed research expertise in PNG that you can readily call upon. I am sure they have some very good people but generally speaking there are just not large numbers of them. Is that the problem for you?

**Dr Austin**—I think that is a fair assessment and that is where we look to partnerships, for example, with regional universities or with other institutions, including the international agricultural research centres—the CGIAR.

**Senator TROOD**—Do any of these projects have a community management dimension to them? Are they essentially purely research focused activities in relation to particular land use problems or aquacultural problems et cetera?

**Dr Austin**—Many have community dimensions. That is an underpinning of each of the programs. I would be happy to provide details on specifics on each of the programs. In PNG there are quite a large number across those areas that I mentioned before.

**Senator TROOD**—You may be aware that the committee has a reference from the Senate with regard to an inquiry into the Torres Strait area. I am happy for you to provide material in relation to the whole of PNG but I am particularly interested in the areas contiguous to the Torres Strait in Western Province. It might be helpful if you can focus your attention there.

But, more generally, do you offer scholarships to PNG nationals for undertaking further study et cetera?

**Dr Austin**—We do, principally in three ways. We have a scholarship program called the John Allwright fellowships which offers masters and PhDs to PNG nationals. One of the criteria is that those individuals are working in relation an ACIAR project so it is a deliberate strategy to build the capacity and then have a planned career path around that work when the individual graduates. The second is the John Dillon fellowships which focus more on research management than research per se. The third more specific to PNG is the program that we have had with Unitech that I mentioned previously which is specifically funding scholarships through the university. Each of the three has proved to be very successful and graduates of each program—particularly the John Allwright fellowships—continue to have associations with ACIAR work and with the Australian aid program.

**Senator TROOD**—Is there only one fellowship in relation to each area, or are multiple fellowships available for each of those programs?

**Dr Austin**—There are multiple fellowships. They are based competitively in all cases. For example, the John Allwright fellowships—again, jointly funded by ACIAR and AusAID—are of the order of \$6 million per year. That is across all of our partner countries. It is based on a competitive process, and we always get more quality applicants in total than we can fund. It is an area that has been very successful for us and that we look to build.

**Senator TROOD**—Typically, how many PNG nationals are successful in those scholarship competitions on an annual basis? Is there a general number?

**Dr Austin**—I know for certain that there is one just commencing at the moment in forestry. As for the history of PNG relative to other countries, I would have to take that on notice, but they have been a feature.

**Senator TROOD**—Of those who receive scholarships on an annual basis, PNG nationals or citizens are not necessarily the largest proportion of those who receive scholarships. Is that right?

**Dr Austin**—No, they would not be the largest proportion. I will ask my colleague Dr Hearn to provide some specifics.

**Senator TROOD**—I am happy for you to take that on notice. I do not need an answer immediately. You mentioned fishery as an area of research, as I understand it. Why have you established that as a priority area? Why is that a particular issue for you?

**Dr Austin**—We are very much focused on smallholder livelihoods: poverty alleviation and particularly inland aquaculture in PNG. For example, sandfish or sea cucumber ranching presents opportunities for income generation for smallholders. That is where fisheries is particularly attractive for us. It is about income generation.

**Senator TROOD**—Do you know if any of that work taking place in Western Province, or is it elsewhere?

**Dr Austin**—I am just referring to a map in front of me. As I indicated, I will provide details around the projects, but the map indicates a number of fisheries projects in Western

Province: the barramundi feed development trial and inland aquaculture projects are occurring in Western Province. We will provide you with the details of those.

**Senator TROOD**—I think you mentioned that you are doing some biosecurity work. Tell me a little about that. Is any of that focused on the border area or the Western Province area?

**Dr Austin**—Again, in terms of the specific locations, I would need to take that on notice. But we certainly have an active biosecurity program in PNG and, more broadly, through Indonesia in relation to the movement of pests and diseases that are exotic to Australia and developing capabilities in near-neighbour countries to adequately identify and respond to these pest and disease incursions.

**Senator TROOD**—How long has that been an area of focus for you? Is it longstanding?

**Dr Austin**—Longstanding, yes. It has been a core focus of ACIAR's work for many, many years.

**Senator TROOD**—Again, that presumably is collaborative work?

**Dr Austin**—All of our projects are collaborative.

**Senator TROOD**—Is that project AusAID funded?

**Dr Austin**—Our program in PNG is jointly funded by AusAID and through ACIAR's appropriation.

**Senator TROOD**—I have a couple of questions about population growth. I am not sure whether you mentioned that in amongst your research activities, but do you do any work in the areas of population growth predictions or anything of that kind?

**Dr Austin**—No, we do not.

**Senator TROOD**—It seems not entirely in your line of activity.

**Dr Austin**—Our focus is very specific to agricultural, fisheries and forestry productivity growth in the developing world.

**Senator TROOD**—It may be an allied area, but what about land settlement activities? That could be part of population or it could be part of agriculture, I suppose. Have you done any work in land settlement techniques or changing land settlement activities in the province?

**Dr Austin**—To the best of my knowledge we do not have programs currently. My colleague Dr Hearn has responsibilities for the ag development program within ACIAR and may be able to make a more specific response.

**Senator TROOD**—Can you help us, Dr Hearn?

**Dr Hearn**—Yes, I will make a quick comment. We do not specifically have land settlement research as such but under our subprogram which deals with culture and policy issues, insofar as there are shifting agricultural patterns of production and intensification underpinned by research, there is an indirect impact on land settlement through that structure and as farming systems change or industries diversify and change. We do not directly research land settlement, but land use changes and the potential for intensification of land use or diversification does impact on that through time.

**Senator TROOD**—When you provide the list of projects I guess we will be able to see whether or not any of it has a particular focus on the area I am especially interested in.

**Dr Hearn**—Yes, particularly in the Western Province.

**Senator TROOD**—Finally, what about work that you may be doing with regard to changes in climate? Is that again rather removed from your area of focus or not?

**Dr Austin**—No, not at all. It is very much of interest, more in relation to climate variability and the implications of climate variability on production systems. We have some significant new programs in relation to implications of climate change on food security, particularly in South-East Asia focused on the Mekong and in South Asia. In relation to PNG, we do not have a specific climate change program, but obviously, in looking at industries like forestry, fisheries and agriculture, climate variability and climate change are important considerations. They present as a consideration within projects rather than as a specific program on climate change in PNG.

**Senator TROOD**—So that is an adjunct to some of the work you are doing there rather than being a specific program activity or a particular project. But in the context of the work you are doing in relation to climate variability and change, have you been developing or are you aware of any predictive work that has been done in relation to the impact of climate variability in PNG and most specifically in the Western Province?

**Dr Austin**—Again, I would be happy to take on notice that question for the specifics of the modelling work. There are implications for things like the prevalence of pests and the zones in which pests are going to impact—we are doing work on the cocoa pod borer, for example, in PNG. There is likely to be movement of other pests and diseases, so within each specific project those dimensions would be considered where relevant, but again they would be as an adjunct on a project-by-project basis. We will certainly provide advice around any particular climate modelling work that would be relevant in PNG or that has been used specifically in any of the number of projects we have running.

**Senator TROOD**—Thank you. That concludes my questions and I look forward to your responses when they are available.

**Dr Austin**—Thank you.

**CHAIR**—As there are no further questions, thank you for attending. You have been of assistance to the committee. We now turn to questions for the Australian Agency for International Development, AusAID.

[9.55 am]

#### **Australian Agency for International Development**

**CHAIR**—Good morning, Mr Baxter and officers from AusAID. Welcome to this session of budget estimates. We are on outcome 1.

**Senator KROGER**—Good morning. I want to ask about the 41st Pacific Islands Forum. I understand that is scheduled for August; is that correct?

**Mr P Baxter**—The forum will be held in the first week of August in Port Vila, Vanuatu.

**Senator KROGER**—Can you enlighten us what will be on the agenda for that forum.

**Mr P Baxter**—The Vanuatu government will take over the chairmanship of the forum as the host in August, but there are a number of major initiatives that came out of the forum that Australia hosted in Cairns last August, principally the development and implementation of the Cairns Compact on Strengthening Development Coordination in the Pacific. Forum island leaders endorsed this initiative with a view of ensuring that all of the available resources for development in the region were used to best effect. So there are a couple of new elements to the way in which the region is dealing with development as a result.

The first thing that has happened this year is that there have been peer reviews conducted of national development plans in Nauru and Kiribati. They have been conducted by other members of the Pacific Islands Forum as well as multilateral development agencies—UNDP participated in the review of Nauru. The results of that peer review will be presented to forum leaders, as the first of what will become a rolling program each year.

The second thing that has happened is that donors are being asked to report to forum island leaders on their efforts to strengthen coordination between themselves and to reduce fragmentation of aid in the region as a way of reducing the transaction costs for what are often very small governments in terms of capacity to absorb aid and to reduce duplication and conduct more joint activities. Most of the major donors in the region have agreed to be part of that reporting framework and have indeed completed their reporting to the forum.

In addition to that there were initiatives agreed last year to strengthen the dialogue between forum island leaders and the private sector representatives. There is work under way as to how that will happen at the leaders meeting in August. I am sure that there will be ongoing discussions at this year's forum on progress with the PACER Plus initiative, which has been started in the region. It is basically around economic and regional trade integration, on which Australia is supporting very strongly, including through work that AusAID is doing.

Finally, there have been initiatives under way to look at how the region can improve its management of fisheries resources and the issue of energy in the region. In the coming weeks there will be a meeting of forum energy ministers looking in particular at how the Pacific can adopt renewable energy, given that the cost of importing diesel is a major burden on most Pacific island countries given their geographic remoteness.

**Senator KROGER**—I understand because we have covered this previously there are obviously different reasons why various countries provide aid to Pacific Islands. Is there general agreement across all those countries that do provide aid to subscribe to a coordinated approach?

**Mr P Baxter**—I think the answer to that, as I mentioned, is most of the major donors—certainly Australia, the EU, France and multilateral organisations like the World Bank and the Asian Development Bank have all signed up to be part of this new, strengthened coordination process. A couple of donors are not participating—firstly, Taiwan. Because of Taiwan's status it is not formerly a dialogue partner of the Pacific Islands Forum, though those countries in the region that recognise Taiwan have a separate dialogue at the same time that the forum meetings are held. Taiwan is not formally part of it, though Taiwan has indicated that, in spirit, it agrees with the idea and the necessity for better coordination. The other donor that has chosen not to be part of the Cairns compact arrangements is China.



**Senator KROGER**—What percentage of the total aid in the area would they account for?

**Mr P Baxter**—I do not have that figure. Are you referring to China?

**Senator KROGER**—Yes.

**Mr P Baxter**—China does not publish publicly its aid figures. That is a decision for the Chinese government; it is just a fact that it does not publish its figures anywhere. We can make estimations of what we think China's assistance to the region is, but they are only estimations. China is certainly a significant and growing donor to the region. It would be certainly amongst the top four or five donors, but I could not give you a more precise figure because I do not have the data.

**Senator KROGER**—One would think the island nations themselves would have a reasonable idea of how much money was coming in from China.

**Mr P Baxter**—Yes, of course they would, but how they choose to reflect that is their business.

**Senator KROGER**—But, if we are seeking to have a more effective and coordinated approach to the delivery of aid on the ground, which obviously benefits them, and they are a part of this coordinated process, I would have thought it was in their interests to participate fully in that process.

**Mr P Baxter**—I think that is correct. Australia and other members of the Pacific Islands Forum have made considerable efforts to encourage China to be part of this process. China is, if you like, keeping a very close watching brief on the process and we maintain a dialogue with China about the Cairns compact project services. We are hopeful that at some point in the future China may indeed make the decision to be part of those processes of strengthening donor coordination in the region. But at this stage China has made a decision that it does not want to be part of those processes, although, as I say, it is kept closely informed.

**Senator KROGER**—I am pleased to hear you speak of private donors. Are the NGOs part of this coordinated approach? Have they signed up to it?

**Mr P Baxter**—No. It is a process that really deals with national governments. While the NGOs play an important role in the region, many receive funding from the donors who have signed up to participate in this strengthened coordination process. This is really a process that was agreed between governments at the Pacific Islands Forum.

**Senator KROGER**—Who is going to be participating in the forum?

**Mr P Baxter**—On the Australian government side?

**Senator KROGER**—Yes.

**Mr P Baxter**—I do not know if decisions have been made on that, but normally the Prime Minister would represent Australia, particularly this year as he is chair of the forum. As I mentioned, Vanuatu takes over as chair of the forum in August. Usually the Prime Minister and, possibly, the foreign affairs minister would attend, but that is to be determined in the coming weeks.

**Senator KROGER**—When do you anticipate you will know whether they will be attending?

**Mr P Baxter**—I cannot give you a precise time. That is really up to the timetables of the Prime Minister and foreign affairs minister.

**Senator KROGER**—The forum is on 4 and 5 August?

**Mr P Baxter**—I think that is right, yes.

**Senator KROGER**—I do not know whether you have been in the corridors around here much lately, Mr Baxter, but there seems to be a view that there is a strong likelihood of an election during that month. How would that affect the forum?

**Mr P Baxter**—Representation would be a matter for the government to determine. I do not think it is unusual—there have been major international meetings in previous election periods and the government of the day has made a decision on representation as, no doubt, they will this time.

**Senator KROGER**—So, if the Prime Minister were not attending the forum, do you not believe it would affect the outcome of the forum?

**Mr P Baxter**—Obviously, all other things being equal, it would be desirable if we were able to have the same level of representation as we normally do, but there have been Pacific Islands Forums in the past, including under the previous government, which the Prime Minister has been unable to attend. Either the foreign minister or another minister has attended in the Prime Minister's place.

**Senator KROGER**—I guess time will tell. We will not have to wait too long to find out who actually represents the government at the forum. I wanted to ask you about AusAID contracts. Could you give me an explanation of the tendering process, please?

**Mr P Baxter**—I will ask my colleagues to assist me here. We undertake procurement in a variety of ways, the way chosen depending on the value of the contract. I will run through some of the different circumstances and ask my colleague Mr Proctor to fill in any gaps. The primary determinant of the method we use is the value of the goods and services being sought and the length of time of the input required. The threshold that applies to AusAID for applying the mandatory procurement procedures of the *Commonwealth procurement guidelines* is \$500,000. Generally, contracts over \$500,000 will be openly tendered. Most tenders above the threshold are conducted or supervised by a central team of AusAID procurement specialists in Canberra. Our tenders are publicly listed on the AusTender website and on the OECD Development Assistance Committee's website. Those tenders may also be advertised in a range of Australian and foreign newspapers and, increasingly, on relevant industry and key international development websites. Tender documents are provided for each tender on the AusTender website and they define the tender conditions, requirements, assessment procedures and selection criteria for each tender.

Below \$500,000, AusAID has more flexibility to decide on procurement processes. The decision on which procurement process to use is based on the scale, risk and scope of the contract. The focus is still on applying sound principles, such as value for money. The methods permissible below the \$500,000 threshold include over-the-counter purchase, limited invitation to one or more suppliers for quotes or tenders and direct procurement from prequalified suppliers under AusAID's panel arrangements. We have panel arrangements

where we go to tender and prequalify different suppliers to provide us with ad hoc or urgent assistance when required.

**Senator KROGER**—You put together, up-front, a master list of suppliers you can refer to?

**Mr P Baxter**—Exactly. Say we want to procure a facility for getting quick access to advisors in the health sector, for instance. We may let a contract to a managing contractor so that we have a panel of prequalified experts. If a particular problem then arises, we already have arrangements in place to access the kind of advice we need. We also use those arrangements when we are designing individual programs. We may need particular expertise to inform AusAID's own design processes, in which case we will access a health specialist to help us ensure that the design is appropriate. Those are the main ways we go about our procurement.

**Senator KROGER**—Firstly, going to that master list, if you like, of specialists, suppliers or whatever, what is the process of putting that together?

**Mr P Baxter**—If it is over \$500,000 we would go through an open tender process. It would be a public tender process. Normally for large or high-risk contracts we would have an independent probity adviser who would be part of the process to verify that all of the relevant procedures had taken place. Then we would manage the procurement process in accordance with the value of the contract.

**Senator KROGER**—What is an individual probity adviser?

**Mr P Baxter**—There are firms that provide experts who are very experienced in procurement processes and make sure, for instance, that there are no conflict of interest issues involved, that all tenders are assessed on their merits and that there is no inherent bias in the process, so the process does not give a tenderer an unfair advantage over another. They are hired to provide advice to the tender board and formally sign off, as part of the decision-making process, that the process was in accordance with Commonwealth procurement guidelines.

**Senator KROGER**—Thank you for that. How many contracts would be more than \$500,000?

**Mr P Baxter**—The broad answer is quite a lot. The aid program for this current financial year is \$3.8 billion and it will go up to \$4.3 billion. We can certainly get you that information if you are happy for us to take it on notice.

**Senator KROGER**—That would be good. I have referred to AusTender and those that have been publicly listed but what I am interested in is what I do not see here, which is how many contracts fall below the \$500,000 threshold.

**Mr P Baxter**—I am very happy to give you both the above and below figures. It would be quite a lot.

**Mr Proctor**—Senator, I do not have the \$500,000 figure. Of 717 new contracts for direct delivery to the aid program in 2009, 162 were over \$350,000.

**Senator KROGER**—So the lion's share falls below that \$500,000 threshold?

**Mr P Baxter**—I am not sure that is the case. We would have to look at the volume of numbers, but they would be significant both above \$500,000 and below \$500,000. We will get you the precise numbers.

**Senator KROGER**—Can you tell me how many contracts have been successfully tendered or would not be a public tender under the \$500,000 threshold and have gone to former staffers of AusAID?

**Mr P Baxter**—I can only think of one at the moment.

**Senator KROGER**—As part of that process do you include consideration of whether or not it is a former staffer?

**Mr P Baxter**—In managing contracts to engage former AusAID staffers the key decision-making principle is that there is no conflict of interest involved, so the former AusAID staff member has had no involvement in the design or other processes associated with the development of the project that they may be employed to actually implement.

**Senator KROGER**—So you are telling me that there is only former staff member of AusAID whom you believe has set up a private consultancy firm that tenders out to AusAID.

**Mr P Baxter**—That I am aware of at the moment, yes. I may be corrected that there are people that I am not aware of, given my relatively recent appointment in AusAID, but certainly I am only aware of one at the moment.

**Mr Proctor**—Of course, AusAID has been in existence for many years. I am certainly aware of some ex-staff members who have done small-value contract overtime. The answer will be that there will be some, of course. I would not have a list of them here. You are going back, essentially, to 1976 in that question. Yes, there will be some.

**Senator KROGER**—If you could provide me with the details of those, that would be appreciated. I refer to an article that was brought to my attention that was in the *Australian* in February of this year. You may be familiar with it. It was in relation to a Peter Kelly, an engineer from Brisbane, who is receiving a salary way in excess of the Prime Minister's and certainly in excess of all our salaries here, I would suggest, of some \$433,000 tax-free to supervise the maintenance of 73 kilometres of paved roads, 1,303 kilometres of gravel roads and earth roads in the island state of Vanuatu. Is that the former staff member that you were referring to?

**Mr P Baxter**—Yes.

**Senator KROGER**—Has he been awarded the other contracts under that \$500,000 threshold?

**Mr P Baxter**—No, he is only working on the Vanuatu transport sector program. I would point out that the article that you referred to in the *Australian* is inaccurate in terms of describing the scope of his responsibilities. His responsibilities are much broader than was reported in the paper, and if I could just tell you what his responsibilities are. Firstly, helping the Vanuatu government design a major port development and a reform program for the wharf in Port Vila. Traditionally the Port Vila wharf has been one of the least efficient in the Pacific. Secondly, assisting the government of Vanuatu to restructure its national airlines, Air Vanuatu, to improve its competitiveness. And, thirdly, to advise the Vanuatu government on the

development of strategic and practical policies for developing their road sector. Obviously transportation is a major determinant in bringing economic growth to areas. He has been instrumental in progressing the design of a \$60 million new international wharf at Port Vila and the commencement of physical roadworks in three islands of Vanuatu. It is suggested that even with modest improvements in the performance of the port in Vanuatu it will make a significant contribution to the growth of Vanuatu's GDP.

**Senator KROGER**—Mr Baxter, you must appreciate for most of us that that is a huge sum of money. I am pleased to hear that the scope of his contract is more extensive than what was identified in that article, but it does raise the issue of transparency and probity of the arrangements. I ask you to, on notice, to give us a list of those ex-staff members who have received contracts which have not been declared here. Of those that have been publicly tabled through AusTender over \$500,000, would any of those organisations employ ex-staffers? It might not be an ex-staffer who is actually running into, but actually employ them?

**Mr P Baxter**—As Mr Proctor said, I would expect so. AusAID has been in existence since the mid-70s and I am sure that there are people who have left AusAID over the last 35 years who have gained employment still in the development sphere and who are working for contractors who are implementing programs on behalf of AusAID. You would expect that, because they would have expertise that is valuable outside of AusAID and they would no doubt be picked up.

**Senator KROGER**—Surely it would strengthen the transparency of the whole arrangement if there was, as part of the process, a clear declaration of those who had worked with AusAID previously so that it could be demonstrated by AusAID that the best person essentially got the job.

**Mr P Baxter**—You are probably aware that on budget night the government announced that it would conduct a review of the use of advisers within the aid program to ensure that the processes for engaging advisers were as robust as possible, including particularly that the use of an adviser was the most appropriate method to address the particular issue that we were working with a partner government to address and that the adviser provided value for money. That review is now underway. It was announced on budget night, 11 May, as I mentioned. It is certainly the intention of that review to address some of the issues that you have raised this morning. Over the last three decades, successive Australian governments have heavily used advisers within the aid program. That is largely because Australia's aid program is heavily concentrated in fragile states. Just under 60 per cent of our expenditure is in countries that are classified as fragile states by the OECD Development Assistance Committee. We recognise that there is a need to provide greater transparency and greater justification for the rates that we pay advisers and the kind of work they do. The issues that you have raised in terms of ensuring that we have very clear and transparent processes that avoid any perception of conflict of interest I think are ones that we will take up as part of that review.

**Senator KROGER**—I think the tender that Mr Kelly successfully bid for was under the \$500,000 threshold. Is that right?

**Mr P Baxter**—That is my understanding.

**Senator KROGER**—So that was not a public tender?

**Mr P Baxter**—There was a tender process or a selection process that was conducted. That selection process was conducted by a managing contractor. What often happens is that AusAID will let a contract to a managing contractor and then under that process there will be a recruitment process run by the contractor rather than directly by AusAID.

**Mr Exell**—I can confirm that this contract was over \$500,000 and, as Mr Baxter said—

**Senator KROGER**—It was over \$500,000?

**Mr Exell**—This contract in the end was for over \$500,000. Consistent with the Commonwealth procurement guidelines, there was an open selection process that was advertised openly and candidates were free to apply.

**Senator KROGER**—So what was the contract worth?

**Mr Exell**—The final contract over two years was approximately \$860,000 made up of the areas that Mr Baxter referred to before.

**Senator KROGER**—Do you have information there about how many bid for that contract?

**Mr Exell**—Twenty-three applicants applied for that position.

**Senator KROGER**—Were they all Australian applicants?

**Mr Exell**—I do not have that information to hand.

**Mr Procter**—It is not necessarily the case that they would have been. Our aid is untied so we can hire the best people from anywhere.

**Senator KROGER**—Can I put it on notice that I would be interested to know where those other applicants came from. Thank you for that. That leads into the whole issue of the cost-effectiveness of the technical assistance in the aid program. The ANAO report that was tabled was pretty direct about what it thought about the technical assistance program, which is central to the operations of AusAID, and the way in which it absorbed such a staggering ratio of your budget. Firstly, what is your definition of technical assistance?

**Mr P Baxter**—Firstly, to respond to the comment you made about the staggering level, it is worth noting that over the period from 1996 to 2007 the average level of the aid budget that was spent on technical assistance was 41.8 per cent, reaching a high point of 47.4 per cent in 2004. In 2008 that level fell to 30.4 per cent and we think this year we will come in at around 38 per cent. So the levels over the last two years are the lowest that they have been since before the year 2000. So there has been a significant reduction in the use of technical assistance in the program. But obviously part of the review of advisers that has been announced by the government is to ensure that we have appropriate guidelines and policy guidance in place to staff on when advisers are the most appropriate method to use in delivering assistance.

In terms of the definition of technical assistance, technical assistance is actually defined by the OECD DAC. Like all other OECD donors, we report to the OECD against our activities that are classified in ways that are consistent across OECD donor countries. Technical assistance includes the following: training; advice, such as the use of experts; twinning arrangements, where, say, a government instrumentality in Australia twins with a partner

government, whether in customs or elsewhere; the use of volunteers; and expenditure on scholarships. The use of advisers is one component of technical assistance.

**Senator KROGER**—I want to go back to your response to my opening comment. Figures can be analysed and used in all sorts of ways. The ANAO report refers to the high level of technical assistance used by AusAID, which, at 46 per cent of the aid budget, is:

... twice the average ... of other OECD countries.

Given that aid has increased by 42 per cent since 2004-05 and the government has clearly flagged an increase of 0.5 per cent to 2015, we are going to have essentially a doubling of the budget. AusAID in 2008-09 was accountable for 83 per cent of the ODA. We are talking about a net increase here in moneys delivered in terms of technical assistance. So it is a concerning level and one that I want to ask you about. How many people would be recorded in your figures as personnel involved in technical assistance?

**Mr P Baxter**—Are you asking specifically on advisers or do you want advisers, volunteers, scholarship holders—all of the different components?

**Senator KROGER**—We are talking in a general sense. I am interested in how many people are absorbed into this 83 per cent of the ODA. How many people are you paying that fall in the ratio of technical assistance?

**Mr P Baxter**—What I would have to do there to get you the number is add up the number of scholarship holders, the number of volunteers, the number of technical experts that we have included in the program and the number of Australian government employees that are working with partner countries. I am very happy to do that. I do not have that at my fingertips, but I am very happy to provide you with that.

**Senator KROGER**—The reason I ask that question is that one of the compelling points that this document makes is:

... the ANAO found that AusAID has not yet achieved the objective of using technical assistance more strategically and effectively in the region.

In that particular context, they were speaking of Timor-Leste. So they clearly believe that there was not a strong strategic approach determined in the use of TA.

**Mr P Baxter**—We accept the finding of the ANAO and, as I have mentioned a couple of times, the government has instituted a review to look at the issues that the ANAO has raised and the issues that have been raised elsewhere, including in our own consideration of it. The use of technical advisers has been a traditional method that successive Australian governments have used in the delivery of the aid program. There are reasons why the use of advisers in the Australian program is higher than with other donors. That is principally because we do more of our work in fragile states than anyone else. Look at where Australia is geographically situated and the countries that surround us. East Timor, the Solomon Islands and Papua New Guinea are all classified as fragile states under the OECD definition of what constitutes a fragile state, and those three countries are the major recipients of Australian advisers.

The review of advisers will be conducted between now and the end of the year. It will be the first time in the history of the aid program that there has been a review of the way advisers

are engaged and are used within the program, and it is clearly being done because we recognise that we have to get better in this area in two ways: firstly, we have to ensure that the development effectiveness of the use of advisers is as good as we can make it and, secondly, we have to ensure that we are getting better value for money.

**Senator KROGER**—I think we are all very interested in getting better value for money. With your advisers, what is the highest salary paid to an adviser?

**Mr P Baxter**—I will have to ask colleagues for that.

**Mr Proctor**—For a current adviser, the highest total monthly cost is \$43,090.

**Senator KROGER**—Can you run that past me again. Is that the highest salary for one adviser that we are talking about here?

**Mr Proctor**—It is the total monthly cost, which will often include allowances and other costs, such as security and accommodation. In PNG, in particular, accommodation can be \$2,000 a week because of the shortage of rental accommodation in the country.

**Senator KROGER**—So the highest paid adviser is paid \$43,000 per month. Is that an adviser based in PNG?

**Mr Proctor**—It would be.

**Mr P Baxter**—Yes, it is an adviser based in PNG.

**Senator KROGER**—So it includes accommodation? Just run me through what the composition of that salary is.

**Mr Proctor**—Can I just be clear: I am talking about an adviser, not a team leader, which is a—

**Senator KROGER**—I understand.

**Mr P Baxter**—I will run through it for you. The adviser that we are talking about was originally engaged in 2004. The professional fees are \$40,549 per month. The allowances are—

**Senator KROGER**—Sorry—so the adviser was engaged in 2004?

**Mr P Baxter**—Yes.

**Senator KROGER**—What is the professional fee?

**Mr P Baxter**—It is \$40,549 per month. There are allowances of \$10,000 per month and other costs of \$5,341, which covers things such as office supplies, travel, vehicles and IT.

**Senator KROGER**—This adviser is on a full-time contract?

**Mr P Baxter**—That is right.

**Senator KROGER**—This adviser has been in the employ of AusAID since 2004—

**Mr P Baxter**—That is right.

**Senator KROGER**—on a salary of—



**Mr Exell**—Senator, I do not think that that salary is for the entire period. There would be, like most salaries, increments for inflation and other sorts of costs. I think that figure is the current figure.

**Mr P Baxter**—It is the current figure, yes. The person is on, I think, a contract that has been renewed over time.

**Senator KROGER**—Is that a tax-free salary?

**Mr P Baxter**—I do not know the answer to that.

**Mr Proctor**—If the person is living overseas for a significant period they can claim tax exemptions, so I assume that would be the case.

**Senator FORSHAW**—In relation to the use of the word ‘salary’ where it appears it is inclusive of a whole range of support costs such as accommodation and that.

**Senator KROGER**—Which is why we asked for the breakdown of what the composition was.

**CHAIR**—Is this a point of order?

**Senator FORSHAW**—I was taking a point of order is: if the questioner could be clearer when she is using the word ‘salary’ that it actually means salary as distinct from the total cost to the agency for the employment of that person.

**CHAIR**—That as we all know is not a point of order. Nonetheless it would be useful if the officials, in responding to the questions, could be quite specific as to what the payments are and for what purpose they are made. That way we have the full disclosure of all relevant information.

**Senator KROGER**—Thank you, Chair. I would like to thank my colleague for clarifying that because you did give me a breakdown by actual professional fee, allowances of ten thousand a month and office support of just over five. It clearly shows that person is on a big, big salary, may I say.

**CHAIR**—No, you may not, Senator Kroger. You may not misrepresent what the officials are saying. The officials have outlined a package of benefits and entitlements and should be referred to as such and not characterised as salary when it is not.

**Senator KROGER**—Thank you, Chair. In my human resource background a professional fee was actually salary. Allowances and other office related things were not salary and I agree, and I do not think there is any disagreement, in the definition of what we are talking about.

**CHAIR**—Senator Kroger, I issued instructions to the officials. You do not have the right to reinterpret it in your own light.

**Senator KROGER**—Thank you, Chair.

**CHAIR**—Salary and professional fees are different things to allowances, cars and fees for renting a building.

**Mr P Baxter**—Chair, if I could just add a further point of clarification that the professional fees would also cover contract and management expenses and the profit that that contractor management might derive from the service fees. It is often the case that a percentage of the

professional fees are paid to the managing contractor through whom we have hired the person.

**Senator KROGER**—Thank you, Mr Baxter, for that clarification. If I could ask you or put it on notice: how many advisers does AusAID employ? Do you have that figure?

**Mr P Baxter**—The figure varies, as you would imagine, over time because we employ both long-term advisers and short-term advisers. You have to look at, over a period of time, what the trends are rather than, if you take a snapshot of a particular point in time, you will not necessarily get an accurate picture because it depends when we are engaging or disengaging with short-term advisers, but we are very happy to give you a figure that averages out over a period of years.

**Senator KROGER**—If you could provide me with the number of advisers and their packages that they are given, including their professional fees, allowances and support that they require wherever they are based. That would be very helpful.

**Mr P Baxter**—Sure. Over what period?

**Senator KROGER**—For the last budget year, 2009-10.

**Mr P Baxter**—Yes.

**Senator KROGER**—Do you have projections for the coming financial year?

**Mr P Baxter**—In some areas we do; in some area we are still developing the programs with our partner governments. One aspect of the use of advisers that is important to understand is that in almost all cases the use of advisers is agreed jointly with our partner governments. The provision of advisers is in response to requests from partner governments, and we get many more requests than we actually agree to. Those advisers may be long-term advisers or they may be short-term advisers. The thrust of your question is reasonable in raising the issue as to whether the fees paid to advisers are too high. I think it is clearly the case that in some arrangements they are, and that is why the government has agreed to implement a review of the way advisers are used. Successive governments have paid very high fees to advisers.

The review will lead to us having a benchmarked framework for salaries for the use advisers in the future. This has never happened in the aid program up until this point. Successive governments have not required AusAID to develop that. Obviously it is a deficiency and it is a deficiency that we are going to remedy by putting in place very clear, centralised guidelines on the remuneration that can be provided to advisers in the future. We have already put in place interim guidance to staff as to what the salary ranges are—not so much on the allowances side because that varies as you would imagine from location to location; the allowances you provide to advisers in Afghanistan is different from what you provide in Samoa.

On the issue of the base salaries that we provide to advisers, we have already moved to restrict what we will pay at the top end. I am sure as we go through the review of advisers, we will refine that guidance even further and ensure that, by doing so, we actually lower the costs of individual advisers and lower overall the proportion of the aid budget that is being spent on advisers.

**Senator KROGER**—Thanks. I want to come back to the issue of TA, Chair.

**CHAIR**—TA being travelling allowance?

**Senator KROGER**—No, technical assistance.

**CHAIR**—Right.

**Senator KROGER**—He has been listening closely!

**CHAIR**—Okay. Senator Ludlam.

**Senator LUDLAM**—I put a couple of questions to the Department of Climate Change and Energy Efficiency late last week around fast start funding in Australian overseas development assistance. It seems to be an open question at the moment as to whether Australian contributions to international funding for climate mitigation and adaptation initiatives will be on top of our aid budget or whether they will be eating into our 0.5 per cent target. The department referred me to AusAID, so I am hoping you can help me out.

**Mr P Baxter**—On the government's contribution to the fast start package that will be taken from within ODA. That is the same approach that has been by all of the major donors—UK, EU, US and others. For the period beyond 2012 when the fast start package has run its course, as you know there is an international negotiation underway which will determine how the needs of developing countries to adapt and mitigate the effects of climate change are funded. But it is clear that there will need to be mechanisms beyond the finance provided by government.

**Senator LUDLAM**—That is certainly clear but it gives rise to the sense that our limited foreign aid budget—I know you folks have to think very carefully about where you spend the money, even though there was an increase in the last budget—will be eaten into by climate adaptation and mitigation funds. How are you going to balance that?

**Mr P Baxter**—As you know, we are in the very good position of having an expanding aid budget. So the money that the government has allocated to climate change initiatives is new money that is coming into the aid budget as a result of the commitment to increase the aid budget by 0.5 GNI by 2015-16. So we are not diverting money from existing programs into climate change areas; we are actually allocating new money that is coming on-stream through the increases in the annual budget.

**Senator LUDLAM**—Are they being accounted for separately? Will we be able in future budgets to split out what our overseas development assistance is and what components are related to climate change, to fast start funding?

**Mr P Baxter**—We certainly publish all of the activities that we fund in the area of climate change, so it is readily available.

**Senator LUDLAM**—According to a rough break up of Australia's contribution under the Copenhagen Accord, our climate change budget should have increased by around \$100 million. How far did we get in the last budget? How close to that target did we get?

**Mr P Baxter**—In the last budget there was a little over \$350 million worth of new initiatives announced: \$56 million to extend funding for reducing emissions from deforestation and forest degradation in developing countries, which brings our total

international forest carbon initiative to \$273 million from 2007-08 to 2012-13; \$178.2 million in additional funding for Australia's International Climate Change Adaptation Initiative, which takes the initiative to a total of \$328.2 million over five years from 2008-09 to 2012-13; \$101.2 million in further contributions to effective multilateral climate change finance mechanisms such as the World Bank administered climate investment funds; and \$15 million to support climate change partnerships with key developing countries.

**Senator LUDLAM**—Thank you.

**Mr P Baxter**—I should just add that that funding commences in 2011-12 and goes through to the end of 2012-13.

**Senator LUDLAM**—So it is correct to say that there was actually no new money committed in this current budget that we are considering?

**Mr P Baxter**—There is money that is coming on-stream from previous budget measures.

**Senator LUDLAM**—That is the same as saying there is no new money.

**Mr P Baxter**—The new money had already been programmed in from measures that were adopted in previous budgets from the government.

**Senator LUDLAM**—Regarding our contributions to the Copenhagen Accord, what is actually in this current budget to reflect commitments that we made? Maybe a simpleminded reading of what you just told us is that there is actually no reflection at all?

**Mr Davies**—The specific commitment that the government made in Copenhagen related to REDD financing—reducing emissions from deforestation and forest degradation. The Prime Minister announced a commitment over the fast start period of approximately AU\$130 million. One of the measures that Mr Baxter referred to in the 2010-11 budget provides an additional \$56 million for the forest carbon initiative that we already have in order to fulfil that commitment. That initiative has now increased in size to \$273 million over a six-year period, which will enable us to fully fund that commitment for the fast start period from 2010 to 2012.

That was the specific commitment that the government made. More generally the Prime Minister repeated the government's commitment to meet its fair share of an amount approaching \$30 billion over the period from 2010 to 2012. The four budget measures that Mr Baxter referred to are a part of doing that.

**Senator LUDLAM**—But essentially from next year. Can I just confirm that the Australian government has not yet committed to keeping the post 2012 funding separate from our Millennium Development Goals commitments?

**Mr P Baxter**—I think the correct way to characterise the situation is that we are participating in the international negotiations under the UNFCCC framework and we recognise that there will have to be new and additional funding provided to meet the needs of developing countries. How that is actually apportioned between ODA and non-ODA is a matter that is still being negotiated.

**Senator LUDLAM**—Thanks very much. I have some more program-specific stuff for later.

**CHAIR**—That is okay. Senator Hanson-Young, are you on overview or program-specific?

**Senator HANSON-YOUNG**—Overview. Firstly, I just wanted to get a time frame for when the delay of the flow-through from the additional ODA funding that would result from the changes in the calculations will actually take place or the delay would end and therefore the new calculations would be relevant.

**Mr P Baxter**—You are asking about the revision in the methodology used to calculate GNI.

**Senator HANSON-YOUNG**—In the budget it has been calculated as a \$1 billion saving. I understand that the minister's arguments around why it is characterised as a saving—but in fact, by virtue of the changes in the calculation, you do not really want to see it as a cut. It is clear that there is a delay. I am just wondering what the time frame is for when that delay will end and when that increased amount of actual dollars will take place.

**Mr P Baxter**—What happened at the end of last year was the government adopted a new international methodology for the calculation of national accounts, including GNI. That methodological change led to an upward revision in GNI of around six per cent. Rather than allow the windfall gain, as you could call it, as a result of that methodological change to flow through to the aid budget, the government decided, under the formula that it had put in place at the end of 2007, to ensure that all of the increased aid funding that flowed from real economic growth did flow through to the aid budget—and we saw that in the \$530 million increase the aid budget received this year—but not to allow to flow through to the aid budget the funding that the formula would have provided as a result of this statistical methodological change. That was the \$1 billion so-called saving. In clear terms we did not lose any money that we were entitled to get under tying the aid program to real economic growth in Australia. Between now and 2015-16, all of the funding that the agency is entitled to under the new methodology will flow through over that period of time in line with the government's commitment to a measured and sensibly managed scale-up of the aid program. So by 2015-16 we calculate, based on current rates of economic growth, there will be an extra about \$2½ billion to high \$2.9 billion extra flowing to the aid budget as a result of this change.

**Senator HANSON-YOUNG**—So, by 2015-16, when the 0.5 target is to be reached, it will be based on the new calculations? The actual dollar amounts that make up that 0.5 will be based on the new calculation?

**Mr P Baxter**—That is right. What in effect has happened is that the target has increased. That is why you see in the budget papers this year the ODA-GNI ratio has been altered, because having a midyear recalculation of GNI meant that the projections we made at the start of the year against what we thought GNI was going to be have changed. Overall this is a positive for the aid program because it means the target in 2015-16 will be considerably higher than it otherwise would have been.

**Senator HANSON-YOUNG**—Assuming that that commitment is kept. Thank you for that. Can I just move on from that question. There was \$31.2 million allocated to the department of immigration from the aid budget to go towards managing irregular migration flows in Indonesia. I would like a clarification as to whether that money is still being used to calculate our ODA.

**Mr P Baxter**—Yes is the answer to that. It is an ODA-eligible activity in accordance with the guidelines that are put out by the OECD.

**Senator HANSON-YOUNG**—All right. I find that extraordinary, but that is okay. Could I quickly go onto the health expenditure. In real dollar terms, the health expenditure from last financial year to this one has actually decreased. Is that correct? I mean both in real dollar terms and as a percentage of the ODA between 2009-10 and this coming financial year, 2010-11.

**Mr P Baxter**—I will make a couple of comments and I will ask my colleague Mr Clout to add to those. Funding in the health sector will increase from 13 per cent of the total program this year to 14 per cent next year. One reason for your comments relates to changes that we have made in the way in which we allocate funding across the different sectors and the methodology that we use to do that this year, which I will ask Mr Clout to explain.

**Mr Clout**—There is a difference in the way that we calculate a coming year's budget sectoral estimate and the way that we calculate the estimated actual for a sectoral estimate. Taking 2009-10, which is the subject of your question, when it was calculated for last year's blue book we used the methodology we used for calculating the coming year's sectoral spend. When we calculated the 2009-10 estimated actual in this year's blue book, we used the different methodology based on how we calculated years gone by. The main difference between the two figures is that, in calculating the 2009-10 estimate in last year's blue book, the agency allocated the contingency reserve funding and as well apportioned departmental funding to the sectors. That accounted for a little bit over half the discrepancy between the 2009-10 figures in last year's blue book and in this year's blue book. That has turned out to be pretty inaccurate, so we discontinued that practice this year. The estimate for 2009-10 that you see in this year's blue book does not include contingency reserve or departmental allocation.

There are two other factors that drive the difference between the two estimates of 2009-10. One is that, when we are looking forward we make estimates of what sorts of funding that go through our multilateral programs will end up in a particular sector, such as health. Then, when we get to the point of view that we are at now and look backwards, we have newer information on how much those multilateral agencies are actually spending in that sector. In the case of health, it meant we dropped our estimate of what would go into the health sector by about \$30 million. The final factor that drives that change between the two estimates is this. As budget measures from previous years are actually rolled out, we get more accurate views of where the money will be going in terms of each sector. That has contributed about another \$15 million.

**Senator HANSON-YOUNG**—Correct me if I am wrong. What you are saying is that the 2010-11 health budget has increased but that that was simply because there was an underspending of the 2009-10 estimated budget?

**Mr Clout**—No. I would not say it was an underspending of the 2009-10 estimated budget. The health spending has increased year on year from 2007-08, 2008-09 and 2009-10 and will increase again in 2010-11.

**Senator HANSON-YOUNG**—But you are saying that the reason it looks as though you would like to justify it being an increase is that you did not spend what you said you were going to spend.

**Mr Clout**—The main difference between the 2009-10 budget estimate published in last year's budget figures and the 2009-10 estimated actual figure published in this year's figures is the fact that we are not attributing spending it from the contingency reserve or departmental funding by sector anymore because it turned out to be quite inaccurate.

**Senator HANSON-YOUNG**—How much in real dollar terms is the difference, based on what was spent on actual programs and assistance in 2009-10 versus what you are planning on spending on programs in this coming year? What is the actual dollar figure difference?

**Mr Clout**—I am sorry, Senator. Could you just repeat the question?

**Senator HANSON-YOUNG**—What is the actual dollar difference between the money that was spent on health assistance and programs, taking out your administrative miscalculations—as you have put it—and what you will spend on those types of programs under health expenditure in 2010-11? What is the actual dollar difference?

**Mr Clout**—You are asking for 2009-10 what we think it will be compared to what we think it will be in 2010-11?

**Senator HANSON-YOUNG**—Yes.

**Mr P Baxter**—The outcome that we estimate for health in 2009-10 this year bearing in mind we have not finished the financial year yet is about 475 million. We estimate next year we will spend 555 million.

**Proceedings suspended from 11.00 am to 11.15 am**

**Senator JOHNSTON**—Mr Baxter, I am looking at a program called Call to Action. Are you familiar with that?

**Mr P Baxter**—Yes, I am.

**Senator JOHNSTON**—How long has that been running?

**Mr P Baxter**—This is the first year of the program. It is a pilot program that was announced by the government this year and will be reviewed after the end of 12 months.

**Senator JOHNSTON**—What are MDGs?

**Mr P Baxter**—The Millennium Development Goals.

**Senator JOHNSTON**—What are they?

**Mr P Baxter**—The Millennium Development Goals are a set of development goals that were adopted by the international community in 2000 to focus attention on the need to address particular problems facing developing countries. I will grab from my colleague here and read to you what the MDGs cover. There are eight MDGs. The first one is to eradicate extreme poverty and hunger, so that means halving the proportion of people whose income is less than \$1 a day; achieving full and productive employment and decent work for all, including women and young people; and halving the proportion of people who suffer from hunger. The second goal is to achieve universal primary education, the third is to promote

gender equality and to empower women, the fourth is to reduce child mortality, the fifth is to improve maternal health, the sixth is to combat HIV-AIDS, malaria and other diseases, the seventh is to ensure environmental sustainability and the eighth is to develop a global partnership for development. These goals underpin much of the activity of the Australian aid program. In September this year world leaders will meet at a UN MDG summit to review progress towards the goals. The objective is to achieve the goals that I outlined by 2015 so the meeting this year in New York will be very much reviewing progress towards those targets that we want to achieve by 2015.

**Senator JOHNSTON**—Right, now what are the objectives of Call to Action?

**Mr Davies**—The Community Call to Action program was established as a pilot for 2009-10, partly in response to a recommendation of the 2008 OECD Development Assistance Committee review of Australia's aid program. That review recommended that additional resources be allocated to raising development awareness in the community.

**Senator JOHNSTON**—In Australia?

**Mr Davies**—In Australia in the context of the increase in the size of the aid budget, in part as an accountability measure.

**Senator JOHNSTON**—And who is the minister responsible for the program?

**Mr Davies**—Mr Smith.

**Senator JOHNSTON**—So it is a DFAT program, effectively.

**Mr Davies**—Yes, AusAID.

**Mr P Baxter**—It is an AusAID program.

**Senator JOHNSTON**—How much did we put into the program?

**Mr Davies**—The budget was \$1.5 million.

**Senator JOHNSTON**—Only \$1.5 million. The beneficiaries were \$149,000 to Girl Guides Australia—

**Mr Davies**—There were a total of 13 grants and that was one of the grants that was made.

**Senator JOHNSTON**—When did we make that grant? Let us deal with Girl Guides first.

**Mr Davies**—I would have to check on the exact timing of the individual grants.

**Senator JOHNSTON**—And did these people apply for these grants?

**Mr Davies**—Yes. There was a competitive selection process.

**Senator JOHNSTON**—Competitive selection process? So how many competitors were there? If you do not know the answer, I would be happy for you to give it to me on notice.

**Mr P Baxter**—There were far more applicants for funding than actually received funding, so there was a process that we went through.

**Senator JOHNSTON**—I presumed that, so I would like to know how many applicants there were.

**Mr P Baxter**—There were 115 proposals.



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**Senator JOHNSTON**—Of which 13 were successful?

**Mr P Baxter**—Yes.

**Mr Davies**—That is right.

**Senator JOHNSTON**—What were the criteria for success?

**Mr P Baxter**—The criteria were that the proposed activity raise the profile of the Millennium Development Goals in Australia, that the proposed organisation was registered in Australia, that it was not already receiving AusAID support through the AusAID NGO Cooperation Program, that the organisation was able to demonstrate good reach into the Australian community, that it had demonstrated strong implementation capacity, and that the proposed activity offered good value for money.

**Senator JOHNSTON**—And who determined the 13 victorious applicants?

**Mr Davies**—The selection was made by a panel comprising AusAID officials and representatives of the community sector.

**Senator JOHNSTON**—How big was the panel?

**Mr Davies**—I believe there were five or six members.

**Mr P Baxter**—There were five members on the panel.

**Senator JOHNSTON**—And how many were AusAID officials?

**Mr P Baxter**—Two of the five.

**Senator JOHNSTON**—And who were the other three?

**Mr P Baxter**—The other three were representatives from Oxfam Australia and from the Australian Council for International Development—ACFID, the peak body—and I will have to check the other one. Sorry, there were three AusAID officials, and two non-government representatives.

**Senator JOHNSTON**—So Oxfam and—what was the other one?

**Mr P Baxter**—ACFID, which is the peak body for non-government organisations providing development.

**Senator JOHNSTON**—Did the panel keep minutes?

**Mr Davies**—Yes, it was a standard selection process in accordance with Commonwealth Grants Commission guidelines, so it produced a selection report, which was made to an internal delegate.

**Senator JOHNSTON**—How have we benchmarked the success of our investments?

**Mr Davies**—This is a one-year pilot. Many of these grants have only recently been made. We have undertaken to review the program with a view to making recommendations to the minister on what should follow in 2010-11.

**Senator JOHNSTON**—So is there any money in the budget for the next year?

**Mr Davies**—No specific allocation has been made at this point for the follow-on program. That will be dependent on the outcomes of the review.

**Senator JOHNSTON**—Okay. And when do we anticipate the review being completed?

**Mr Davies**—We intend to undertake that within the next couple of months so that a recommendation can be made early in 2010-11.

**Senator JOHNSTON**—So August some time, I presume. That would be about right, wouldn't it?

**Mr Davies**—That would be a reasonable estimate.

**Senator JOHNSTON**—Now, we gave \$149,000 to Girl Guides Australia Inc. What happened to that \$149,000?

**Mr Davies**—There are project descriptions on AusAID's website, and in the case of that activity the project description indicates that the funds were used to support a campaign, including an intensive national weekend event focused on leadership advocacy and the Millennium Development Goals for 20 young women. The participants will develop an advocacy project to educate their local communities about the MDGs and they will also form a committee to develop a template for running state-based advocacy and MDG workshops throughout the Girl Guide centenary year celebrations.

**Senator JOHNSTON**—Did the girls attend the weekend event? Did they develop an advocacy project and form a committee? Do we know what happened?

**Mr Davies**—I would have to check on the timing of these events. I am not sure whether they have yet taken place, but we can certainly provide that information.

**Senator Stephens**—Of course, Senator Johnston, you know this is the centenary year celebrations for the Girl Guides in Australia?

**Senator JOHNSTON**—Sure, and a wonderful organisation they are too, Minister.

**Senator Stephens**—Indeed.

**Senator JOHNSTON**—I note that the second beneficiary, unless my understanding of acronyms is wrong, was in fact ACFID. So ACFID was on the panel and it gave itself \$150,000.

**Mr Davies**—No, the ACFID representative absented herself for the consideration of that proposal.

**Senator JOHNSTON**—Oh.

**Mr P Baxter**—I would also add that the panel was supported by an independent probity adviser to ensure the validity of the process of awarding the grants.

**Senator JOHNSTON**—And who was that?

**Mr P Baxter**—It was a representative of a firm called Stantons, which provides probity experts for these sorts of exercises.

**Senator JOHNSTON**—Surely to goodness we would not include a representative of one of the applicants for the money on the panel?

**Mr P Baxter**—As was explained, that person did not take part in that—

**Senator JOHNSTON**—The money is finite, it is a ‘competitive process’—using your words—and we have one of the applicants sitting on the panel. It is highly aromatic, if I may be so bold. Surely that is not right, is it? We have a \$150,000 beneficiary and a representative of that organisation is on the selection panel. Admittedly they absented themselves, I accept that, and I think that is entirely appropriate, but the inappropriate bit is that they are on the panel at all. Do I need to say another word about it? It is obviously wrong, surely. Anyway, let us go on to No. 3. There was \$150,000 for the Oaktree Foundation. This was a road trip of 1,000 young people to travel throughout their capital cities and rural Australia to educate the Australian public about poverty alleviation in the MDGs.

**Mr P Baxter**—That is right.

**Senator JOHNSTON**—Did they get on their trip?

**Mr P Baxter**—They did. It was only two weeks ago there were 1,000 young people here in the mural hall of Parliament House. They had converged from all over Australia. On that road trip they generated an enormous amount of publicity for issues surrounding the achievement of the MDGs.

**Senator JOHNSTON**—We effectively gave them \$150,000 to come to Canberra?

**Mr P Baxter**—No, the idea of the road trip was to promote the Millennium Development Goals in communities around Australia as they undertook the road trip. There has been extensive coverage of the road trip in both regional and rural press and in the national press.

**Senator Stephens**—And can I say, Senator Johnston, that the delegation from Western Australia were a very inspiring group of young people.

**Senator JOHNSTON**—I am sure they were, as most delegations from that state are. The fourth one is the one that really grabbed my interest—the \$146,618 to the ACTU Organising, Education and Campaign Centre. Can you tell me what was sought to be achieved by giving the ACTU \$146,000-odd?

**Mr Davies**—Again, I can give you the description of the activity. It was conducted by the ACTU Organising, Education and Campaign Centre to design and implement a one-hour education module of the MDGs and the Australian aid program. The package is intended to educate Australian workers on why the MDGs are in the interests of working men and women in developing countries, and why Australian workers depend on increasing prosperity in Asia and the Pacific. The module will be promoted through union conferences and existing trade union training structures.

**Senator JOHNSTON**—So it is a one-hour module to be promoted through union conferences and existing union training structures?

**Mr Davies**—Correct.

**Senator JOHNSTON**—How many conferences has it been at so far?

**Mr Davies**—Again, I do not have information on the timing of the production of the module or how it has been used at this point, but I can get that to you.

**Senator JOHNSTON**—Didn’t the application stipulate, in the nature of an undertaking, that if they got the money then they would do something?

**Mr Davies**—Certainly, but we are still within the financial year. The funds will certainly be acquitted at the close of the financial year, and I am happy to obtain information on the timing of the events referred to.

**Senator JOHNSTON**—I would like that, and I appreciate, Mr Davies—were you on the selection panel, by the way?

**Mr Davies**—No, I was not.

**Senator JOHNSTON**—Good. I appreciate that we are still in the year; we have about four weeks to go I daresay. If there are no union conferences or trade union training structures in the next four weeks and they have not spent the money—have they got the money already?

**Mr Davies**—I am sure the grant has been paid, yes.

**Senator JOHNSTON**—It will not have been acquitted by the end of the financial year if they are not holding any conferences. I would have thought that the imperative here, if we are going to hand out approximately \$150,000 to various people, would be to have some safeguard analysis system to make sure they did with the money what they said they would do.

**Mr Davies**—We certainly do have that. It is simply that I do not have that information with me.

**Senator JOHNSTON**—Tell me about your safeguard. What is your safeguard? You hand the cheque over, and then what do you do?

**Mr Davies**—In this case, because it is a one-off grant, we will seek acquittal of the funds at the close of the financial year.

**Senator JOHNSTON**—‘Acquittal’ is a very good word. Do you mean that the money is spent?

**Mr P Baxter**—That means that the money has been spent for the purposes for which the grant was provided.

**Senator JOHNSTON**—In accordance with the stipulations in the application and what the selection panel was led to believe the money would be used for?

**Mr P Baxter**—That is right.

**Senator JOHNSTON**—And when will we know all about that—by August?

**Mr P Baxter**—That is right—as we review the first year of this pilot program.

**Senator JOHNSTON**—Minister, will the August evaluation be a publicly disclosed document?

**Senator Stephens**—I think the evaluation will be about the products. In terms of this particular project, you can see that the outcome is actually the development of the module. That is really where the costs are going to be—in the education and training module.

**Senator JOHNSTON**—And that some people saw the module and participated in it.

**Senator Stephens**—Oh yes; I am quite sure that that is true.

**Senator JOHNSTON**—Was there some dissension with respect to the ACTU—a fairly political organisation—receiving \$146,000 on the panel? I do not think we, as AusAID, have given money to the ACTU before, have we?

**Mr Davies**—In response to your first question, I am not aware that there was any dissension. I believe that all of the 13 proposals that were selected were strongly supported, given the number of proposals that were received. On your second point, the overseas aid arm of the ACTU is, of course, an accredited NGO under the AusAID-NGO Cooperation Agreement and has been for a very long period of time.

**Senator JOHNSTON**—Do you know how much we have given them over the years?

**Mr Davies**—I do not have that figure.

**Senator JOHNSTON**—Nothing in the last budget? Nothing in this budget?

**Mr Davies**—They receive funding each year under the AusAID-NGO Cooperation Agreement, along with 41 other accredited NGOs.

**Senator JOHNSTON**—What is the ACTU overseas aid arm receiving this year?

**Mr Davies**—I can get that number for you.

**Senator JOHNSTON**—Yes, please. Then I would like you to tell me what benchmarking and safeguards you use to make sure that the money is actually spent where they say they spent it—and what it is spent on.

**Mr Davies**—That organisation, like all of the other accredited NGOs, is required to go through a rigorous process of accreditation every five years and is subject to an audit at least once every five years, and frequently much more often than that.

**Senator Stephens**—And is a signatory to the ACFID code of conduct.

**Senator JOHNSTON**—Good. Is there any risk assessment procedure with respect to these applications—that is, you look at the organisations and you analyse them to see whether they fit the appropriate model and style of management? May I suggest an ‘apolitical’ type of structure?

**Mr Davies**—Yes, there is. Among the criteria for funding under the program were the requirements that the funds should not be used for party political purposes and they should not be used for fundraising purposes. In addition to assessing the proposals against the criteria that Mr Baxter provided to you, there is then also a subsequent process of checking the bona fides of the organisations against a whole range of things, whether it is checking with our embassies in the relevant countries in some cases, with the AFP—ensuring that they are compliant with a whole range of policies.

**Senator JOHNSTON**—But what about with respect to the ACTU? Was that the subject of a risk analysis? Given the fact that they are running a political campaign at the moment, did the money go into their general corporate funds?

**Mr Davies**—All the organisations funded were subject to the same risk analysis. A number of the organisations undertake advocacy and fundraising activities, but the grants that we have provided under this program are insulated from those other activities of the organisations.

**Senator JOHNSTON**—How do we know that? What have we done to make sure that the money is used specifically for the module as you have described and not put into ACTU funds that fund political advertising? How do we know that?

**Mr Davies**—The ACTU will need to account for those funds at the close of the program and demonstrate to us that they have been spent on the purposes proposed.

**Senator JOHNSTON**—What if it has not? What is the remedy?

**Mr Davies**—I would have to say that it is an extremely rare thing for any of our audits of NGO activities to find any significant discrepancies or problems, but in the event that any were found, we would take legal action to recover the funds that were not properly used. And, of course, there would be consequences in terms of accreditation under the ANCP as well.

**Senator JOHNSTON**—Has AusAID ever made a finding that the ACTU did not meet the requirements to be an accredited aid NGO?

**Mr Davies**—Not to my knowledge, no.

**Senator JOHNSTON**—So we have never had an application for AusAID funding from either the ACTU or its overseas aid arm where we have made an adjudication that they were not to be an accredited NGO for the purposes of receiving AusAID?

**Mr Davies**—Not to my knowledge.

**Senator JOHNSTON**—Could you take that on notice?

**Mr Davies**—Yes.

**Senator JOHNSTON**—We gave \$27,300 to the Rotary Club of Erina. They were doing some good work in maternal health and child mortality in East Timor. We gave \$120,000 to Symbiosis International for the Great Aussie Rickshaw Ride in Tasmania—400 people on Bangladeshi rickshaws to undertake 2,000 kilometre trek. Did that happen?

**Senator Stephens**—It is happening right now.

**Mr Davies**—From 14 July through to 31 July, I believe are the key dates.

**Senator JOHNSTON**—From Queensland to Tasmania?

**Mr Davies**—Yes.

**Senator JOHNSTON**—We have 400 people on rickshaws?

**Senator Stephens**—Haven't you been invited yet, Senator Johnston?

**Senator JOHNSTON**—No, I haven't.

**Senator Stephens**—I have.

**Senator JOHNSTON**—The poor person towing my rickshaw probably would not last more than about 200 metres, unfortunately, Minister. Birthing Kit Foundation Australia, Birthing Kit Assembly and Development Awareness, \$150,000 to promote:

... the MDGs through the production of an educational film, CDs and brochures on how the Birthing Kit Foundation addresses the MDGs, to assemble a birthing kit and opportunities for in-country training, ...

Do we know if that has all happened?

**Mr Davies**—I think I do have some information on that. Events will be held in the period May to October.

**Senator JOHNSTON**—So we are just about to see the educational film and a CD and the brochures?

**Senator Stephens**—Yes, the notion being to promote the birthing kit and fundraising domestically to support the Birthing Kit Foundation and provide those birthing kits into developing countries.

**Senator JOHNSTON**—Okay. The ‘Skat-hai-stan’—

**Senator Stephens**—It is called ‘Skateistan’.

**Senator JOHNSTON**—Sorry, Skateistan, Afghan and Australia Youth Theatre and Exchange Program—\$57,000:

Using internet and film cameras, Afghan and Australian youth will be brought together to write, produce and implement theatre and arts projects that express their understanding of the themes of poverty, health and education.

Where are they going to do that? Have they begun to do it? What do we know about it?

**Mr P Baxter**—They have begun to do it. The person who is running that program is in Afghanistan. He has already successfully conducted activities in a couple of centres in Afghanistan. Only last week I saw that he was looking to expand the program into western Afghanistan, to the city of Herat, undertaking a really interesting program engaging Afghani youth, in an obviously difficult environment.

**Senator JOHNSTON**—Sounds great. Tell me, how did you come to know about it. It is one person, is it?

**Mr P Baxter**—There is a leader. There are probably other people involved. The people behind this group—the Afghan and Australia Youth Theatre and Exchange Program applied when we advertised this grants program and they were assessed as being worthy recipients, and they have done that.

**Senator JOHNSTON**—It sounds like they are. How is it you came to know what was happening in Afghanistan though?

**Mr P Baxter**—I was copied in on some communication from the person who is implementing the program in Afghanistan. As you would imagine, skateboarding in Afghanistan is pretty unusual and it has attracted some media attention in Australia.

**Senator JOHNSTON**—This is a skateboard performance art type thing.

**Mr P Baxter**—Skateboarding and youth theatre—it is a fairly unique approach to engaging Afghani youth.

**Senator JOHNSTON**—You received an email from an AusAID person who saw it and observed it in Afghanistan.

**Mr P Baxter**—I was copied in on an email from the person who was implementing the project in Afghanistan saying that he intended to look at ways of extending it into other cities in Afghanistan.

**Senator JOHNSTON**—Have we had anybody from AusAID go and watch his performance?

**Mr P Baxter**—Not that I am aware of.

**Senator JOHNSTON**—Are we planning to do that just to make sure that the email is, shall I say, kosher?

**Mr P Baxter**—We certainly have no reason to believe that there is anything in the program that has not been implemented in accordance with the project proposal.

**Senator JOHNSTON**—He has told us he is doing it.

**Mr P Baxter**—And we know from other people who have seen what he is doing that the project is being implemented. Those other people would include journalists who are operating in Afghanistan.

**Senator JOHNSTON**—I would be interested if you could provide me some substantiation of who has seen what, the duration of the performance and all of those sorts of things that would verify that the \$57,200 is achieving its purpose.

**Senator Stephens**—Senator Johnston, the Afghani part of it is half the project, remember; the other half is engaging Australian youth. The real challenge is to find a way to engage Australia's young people in understanding the abject poverty of their counterparts in Afghanistan, so there is a project at this end as well.

**Senator JOHNSTON**—So what have we done at this end? Do we know?

**Senator Stephens**—I think the project has started with Afghanistan first.

**Senator JOHNSTON**—What does that actually physically, factually mean? We have people holding a skateboard performance?

**Senator Stephens**—The project description is about using the internet, so I am sure that we will be seeing skyping and those kinds of conversations—YouTube videos, performances—across both parts of the world.

**Senator JOHNSTON**—What have we seen is the question?

**Senator Stephens**—We have heard—

**Senator JOHNSTON**—Something is happening in Afghanistan.

**Senator Stephens**—Yes, and I am sure there is additional work being developed in Australia, which is the other part of that.

**Senator JOHNSTON**—Maybe Mr Baxter can take us further.

**Mr P Baxter**—The minister's description is accurate. I will get you some more details on that while we are in session here and provide you with some specifics about how the project is being implemented.

**Senator KROGER**—Mr Baxter, just on that particular one: we have AusAID officials in Afghanistan.

**Mr P Baxter**—Yes, we do.



**Senator KROGER**—So rather than having a thirdhand account through journalists, wouldn't you not consider having one, if not more, of those AusAID officials on the ground actually go and visit it and see what is happening?

**Mr P Baxter**—I can check and see if that has been done. It depends on the geographic location of the activities of the person. As you would imagine, travelling around Afghanistan is not something that is easy to do, and our officers are in a number of locations in Afghanistan which may be quite remote from where these activities are being carried out, but I would have to check on that for you.

**Senator KROGER**—I understand from DFAT in the last couple of days we have some in Kabul, Kandahar—I think there was one officer—

**Mr P Baxter**—And Tarin Kowt.

**Senator KROGER**—We have a number in Tarin Kowt.

**Senator JOHNSTON**—The next one is:

Business for Millennium Development Ltd - Meeting the MDGs Through Sustainable Social Business Enterprise: A Business Call to Action - \$100,000

Location: Melbourne and Sydney

The Business for Millennium Development Ltd will conduct two high level lectures (black tie) with Senior Executives of Australia's leading companies with Professor Mohammed Yunus. The purpose of the lectures will be to catalyse project initiatives from corporate Australia in support of the Business Call to Action and in line with the MDGs. Professor Yunus won a Nobel Peace Prize for developing micro-credit finance schemes (through the Grameen Bank) for the poor in Bangladesh.

Have we had any high-level black tie functions?

**Senator Stephens**—Yes.

**Senator JOHNSTON**—How many?

**Senator Stephens**—Two.

**Senator JOHNSTON**—Two: one in Sydney and one in Melbourne?

**Mr P Baxter**—Professor Yunus a couple of months ago.

**Senator JOHNSTON**—How many people attended?

**Mr P Baxter**—I do not know but I think they were very well attended. Professor Yunus is a world renowned figure in development, particularly through the use of microfinance, so there was a lot of interest in his visit.

**Senator JOHNSTON**—Well, \$100,000 buys a pretty big function; \$50,000 buys a pretty big function. I would like to know how many people attended, the underlying costs for the function and who owns the company Millennium Development Ltd.

**Mr P Baxter**—A business for Millennium Development Ltd is run by the business community, in addition to the activities that have been funded under the 'Call to act'. They also undertake projects in a number of countries, including Papua New Guinea, which are focused on providing business opportunities for local communities to improve their economic development and, thus, progress towards the Millennium Development Goals.

**Senator JOHNSTON**—Who is the principal director?

**Mr Davies**—I believe his name is Mark Ingram.

**Senator JOHNSTON**—And is there a board?

**Mr P Baxter**—I understand that there is.

**Senator JOHNSTON**—Do we know who is on the board?

**Mr P Baxter**—I do not know, but we could get that information for you.

**Senator JOHNSTON**—Yes, please. I would like to know about the functions, the costs, how many people attended—all of the things so I can see that the \$100,000 was in fact acquitted on two functions.

**Mr P Baxter**—We will certainly provide you with that. The business for Millennium Development group is, as I mentioned, undertaking a number of projects. One that I am aware of is in the southern highlands of Papua New Guinea, where they are working with local village women to produce fruit and vegetables which can be sold to the workers who are developing PNG's LNG project. It is a way of allowing them to exploit the opportunities of economic development in PNG. They have other activities they are developing at the moment as well.

**Senator JOHNSTON**—Up in Mt Hagen?

**Mr P Baxter**—That is right.

**Senator JOHNSTON**—No. 10 is:

Local Government Managers Australia—MDGs—Australian Local Government: Awareness and Education Campaign—\$50, 000

Location: QLD, NSW, Tas, WA, QLD regional communities

The Local Government Managers Australia (LGMA) will educate the Australian local government sector about the MDGs and poverty alleviation through its National Congress, a Make Poverty History Charity Night, the annual LGMA Business Expo and LGMA's monthly magazine.

We should be able to have some clear indicia of the expenditure of \$50,000 there.

**Mr Davies**—I understand that the LGMA has held its national congress and business expo. This was at the Adelaide Convention Centre from 16 May to 19 May.

**Senator JOHNSTON**—Its business expo probably was about 98 per cent focused on local government business and some very small percentage on a number of other things, including the MDGs. Did we reconcile that we got some value for the \$50,000 in the various things they said they were going to do?

**Mr Davies**—As in the other cases, we will certainly—

**Senator JOHNSTON**—By August you will know?

**Mr Davies**—Yes.

**Senator JOHNSTON**—The next is:

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Tasmanian Centre for Global Learning—Your Home: Our World—\$43, 250

Location: Tasmania

Tasmanian Centre for Global Learning will run a number of Kids View Forums in Tasmania with follow-up educational resources and training to educate children about how poverty affects children in the Philippines.

Do we know anything about the Kids View Forums?

**Mr Davies**—The information I have is that, in April, the Tasmanian Centre for Global Learning and a Philippines non-profit organisation held five school forums in Tasmania. All the participating students will come together again in Anti-Poverty Week from 11 October to 15 October to showcase the projects they have developed.

**Senator JOHNSTON**—What is the principal cost driver in that?

**Mr Davies**—I could not tell you. I can check on that.

**Senator JOHNSTON**—Yes, please. A figure of \$43,250 seems a lot to do some forums that probably last one or two hours each. Then we have:

Fairtrade Labelling Australia and New Zealand Ltd - Promoting and Mainstreaming Fairtrade in Australia—\$100,000

... ..

Fairtrade Labelling Australia will conduct communications activities and public events with businesses, education institutions, churches, media and members of the public to increase public awareness and understanding of the MDGs and the impacts of fair trade on poverty alleviation.

**Senator Stephens**—Senator Johnston, have you not received your block of fair trade chocolate yet?

**Senator JOHNSTON**—I am not sure.

**Senator KROGER**—He has already eaten it.

**Senator JOHNSTON**—I probably have already eaten it. I have to confess that I probably did not even read the label.

**Senator Stephens**—Oh, no, it was very obvious. You could not have missed it.

**Senator JOHNSTON**—Fairtrade Labelling Australia and New Zealand Ltd is owned by whom?

**Mr P Baxter**—I do not know. I would have to check that.

**Senator JOHNSTON**—And the fair trade chocolate is part of the thing, is it?

**Mr P Baxter**—There is a broader movement to promote fair trade as a way of ensuring that the benefits of trade flow to people in developing countries. These are the trading products that are made by businesses that operate ethically and deliver the appropriate level of returns to those local communities that are making and marketing products. You see it in Australia in coffee, chocolate and a whole range of areas. This activity is obviously aimed at raising awareness that the promotion of fair trade will bring benefits to people in developing countries.

**Senator JOHNSTON**—The same questions apply to that. I would like to know who owns the company and what we have done to benchmark it and make sure that something happened with our \$100,000.

**Mr P Baxter**—The exact purpose of this being a pilot program is that the activities will be scrutinised and we will look to see whether they provided the outcomes which they committed to providing in the documentation they submitted as part of the grants process and we will then make a decision as to how the program will continue or whether it will continue at all.

**Senator JOHNSTON**—We do not have a structure of contracts, do we; we just give them the money?

**Mr Davies**—We certainly do have funding agreements, which are essentially contracts.

**Mr P Baxter**—They are legally binding funding agreements.

**Senator JOHNSTON**—So we have contracts with the recipients?

**Mr Davies**—Yes.

**Mr JOHNSON**—Wherein they undertake to do as they have said?

**Mr Davies**—That is right.

**Senator JOHNSTON**—Great. The last one is:

YWAM Marine Reach—YWAM Australia and PNG Ship Tour—\$106, 632

Location: Port cities on Australia's East Coast, Port Moresby

YWAM's Medical Ship (operating since 2007) will focus on increased media awareness of poverty and the MDGs by visiting schools and holding concert events in 15 Australian port cities. They will highlight development needs and PNG culture in light of the MDGs. The Ship will then travel to Port Moresby to conduct awareness raising activities about the MDGs in PNG schools and provide health care services. YWAM's Medical Ship has been providing health care to South Pacific island communities since 2007.

Who is YWAM?

**Mr Davies**—I believe YWAM is Youth With a Mission, but I will have to confirm that for you.

**Senator JOHNSTON**—Similarly, we do not know whether they have done what they said they would with \$106,000 but we are going to find out?

**Mr Davies**—They have certainly been undertaking these port visits, including visits on 17 May to Ballina, on 24 May to Southport and on 31 May to Brisbane. I cannot be absolutely sure but I believe Mr McMullan may have visited the ship on one of those occasions.

**Senator JOHNSTON**—Good. Have they been doing the things that they said they would do in terms of raising awareness in schools and all that sort of stuff?

**Mr Davies**—We believe so, and we will certainly be assessing that.

**Senator JOHNSTON**—When I add up these sums, I fall short by about \$200,000 or \$300,000 of the \$1.5 million. What happened to the balance of the money?

**Mr Davies**—I would have to check on that. I am not sure.

**Senator JOHNSTON**—Do we pay some of the people on the selection panel, and is there some other cost that you can think of that might have taken the balance of the money?

**Mr Davies**—No, the members of the selection panel were unpaid with the possible exception of the probity adviser. I would have to check on his case. It may be that some administration costs were included within the \$1.5 million but we can get back to you on that.

**Senator JOHNSTON**—Please do. I would like to know a full breakdown of what the administration costs were. If we have a grants program we have administration costs that we debit to the appropriation, do we?

**Mr Davies**—In some cases, not always.

**Senator JOHNSTON**—Is it not the case that this committee has previously been told that the ACTU is not eligible for AusAID—it is not an accredited NGO for the purposes of AusAID?

**Mr P Baxter**—The ACTU itself?

**Senator JOHNSTON**—The ACTU.

**Mr P Baxter**—No, the development assistance arm of the ACTU has been accredited but not the ACTU itself.

**Senator JOHNSTON**—Who got the money in this instance?

**Mr Davies**—The ACTU education—

**Mr P Baxter**—You do not have to be an accredited NGO to AusAID to receive AusAID funding. That is not a prerequisite for all funding.

**Senator JOHNSTON**—The point is, has there been an application by the ACTU to obtain accreditation, which was rejected? I would like to know that.

**Mr Davies**—I do not believe so. As Mr Baxter said, in this case we are not funding Union Aid Abroad, which is the overseas aid arm of the ACTU. We are funding the ACTU's Organising, Education and Campaign Centre for this grant. Union Aid Abroad has gained accreditation and been reaccredited on a number of occasions. It has been in receipt of support through the AusAID NGO Cooperation Program for many years.

**Senator JOHNSTON**—Is it very easy to find out how much money we have given Union Aid Abroad over, say, the last five years?

**Mr Davies**—Yes, it is.

**Senator JOHNSTON**—What are the criteria for accreditation?

**Mr Davies**—To be accredited, an NGO must meet strict standards regarding its organisational structure, its financial systems and its development approach. To maintain its accreditation it must repeat the process at least once every five years. The accreditation and reaccreditation processes are initiated by AusAID and are undertaken by three independent assessors who evaluate the development and fiduciary risks posed by each organisation. The assessors submit their evaluation to the joint AusAID NGO committee for development cooperation. The committee makes a recommendation to the AusAID delegate who makes a

final decision to allow or disallow an accreditation. In addition to the accreditation process, something in the order of five to six Australian NGOs within the accredited group undergo financial audits each year. In 2009-10 we expect there will be about 41 accredited NGOs receiving support through the AusAID NGO Cooperation Program.

**Senator JOHNSTON**—Are there any guidelines or criteria with respect to political activities that preclude people being accredited?

**Mr Davies**—Certainly. It is not that an organisation is precluded from accreditation if it is engaged in advocacy. It is rather that the organisations supported through the AusAID NGO Cooperation Program cannot involve party political activity or a range of other things that would be contrary to policy.

**Senator JOHNSTON**—And you make a clear distinction between a subsidiary body and the parent body? The parent body can carry on all manner of political campaigns but its subsidiary is assessed as the subsidiary alone?

**Mr Davies**—That is correct. I note that in this case the subsidiary, like many other development NGOs, is registered with the ATO for the purposes of tax deductibility.

**Senator JOHNSTON**—But if the Ku Klux Klan had a subsidiary operating in the South Pacific, they could be fine, couldn't they?

**Mr Davies**—I think that is quite unlikely.

**Senator JOHNSTON**—I think it is, but you see the example I am making. You can dress something up to receive aid in some part of the world when the parent body is in fact someone who would never get funding—correct?

**Mr P Baxter**—We would obviously—and we do—do an investigation of the intent and capability of any organisation that was seeking funding from us. The example that you gave is not one that would withstand scrutiny and we would not fund organisations such as the one that you described.

**Senator JOHNSTON**—Let me give you some more examples. What about an organisation running a consumer boycott of Israeli products, for instance? How would we assess that? What are the tools we would apply to that?

**Mr P Baxter**—It would depend on the circumstances of the grant that they were applying for and the program. It is hard with an example like that to give an answer.

**Senator JOHNSTON**—If a separatist organisation was running a health project, it is very likely we might fund it?

**Mr P Baxter**—That is a hypothetical question. Without seeing all of the information that came with an application—

**Senator JOHNSTON**—I am asking you to tell me the criteria that we use.

**Mr P Baxter**—We just went through the criteria for accreditation.

**Senator JOHNSTON**—The guidelines do not address that situation.

**CHAIR**—For what?

**Senator JOHNSTON**—For organisations that are subsidiaries of larger and other organisations that have activities that we would never considered appropriate.

**Mr P Baxter**—We consider that party political activities are not appropriate for funding through NGO programs that AusAID manage, and so we do not.

**Senator JOHNSTON**—But a party political funding organisation like the ACTU who has established a subsidiary body does get funding, is the point I am making.

**Mr P Baxter**—Which successive governments in Australia have recognised as being a legitimate provider of development assistance, and successive governments have provided tax exemption for because of the work they do in development.

**Senator JOHNSTON**—Sure, notwithstanding their parent body would never get accreditation.

**Mr P Baxter**—That is right.

**Senator Stephens**—They did not seek accreditation.

**Mr P Baxter**—That is exactly right—the parent body has not sought accreditation.

**Senator JOHNSTON**—We have just given them \$146,000.

**Mr P Baxter**—And that is a separate process than them seeking accreditation to AusAID formally as an NGO.

**Senator JOHNSTON**—Okay. We have got all the questions on notice that I need, thank you Chair; I am finished with that area.

**CHAIR**—Senator McEwen has some questions on overview.

**Senator McEWEN**—The current budget indicates that addressing gender equality and supporting women's full participation in economic, social and particularly political life are priorities for our aid program. What indicators are there in the program to track whether or not we are actually achieving any success in those areas?

**Mr Moore**—Our policy for promoting the participation and interests of women in development is principally based on trying to get gender prospectus mainstreamed into the work that we are doing more broadly. We have a number of specific initiatives designed absolutely to advance the interests of women as their primary intent, but that is a relatively small proportion of the work that we do overall to try to ensure that women are better able to participate in political programs and in economic life, which Mr Baxter gave an example of before with women's business in PNG. So we have processes of coding our activities across the board according to whether they have got components that involve advancing gender equality, and a substantial number of our activities throughout the program do. I think in excess of 40 per cent have a significant gender advancement component.

**Senator McEWEN**—You talked about some specific initiatives. Can you give me an example of one and how you are going to monitor whether those goals about gender equality are going to be met?

**Mr Moore**—The government has made tackling violence against women a very major part of its work in this field. Over the course of the last three financial years our specific initiatives

designed to tackle violence against women in Melanesia and East Timor, where there are particular problems that we have identified with Pacific Forum leaders, has meant that spending in that region has more than doubled. That is an indicator of the additional work that we are doing. It is focused on giving women who are in violent situations greater protection when they are at risk by creating shelters through the Fiji women's centre and similar centres in PNG and Vanuatu. Also giving women better access to the justice system so that they can seek protection through the justice system and redress. There is also prevention. There are campaigns of awareness raising with the police, enforcement agencies, courts and the leadership. It has been very heartening to see the number of leaders who have stepped forward and joined Prime Minister Rudd, Minister Smith and Minister Plibersek in identifying violence against women as a major problem that is restricting the way women can participate in economic, social and political affairs. Last year at the Pacific Islands Forum there was a declaration recognising violence against women and committing countries to respond more through their own budgets and programs. Clearly, they were able to see advocacy activity leading to political declarations and commitments and programming from AusAID, which is increasing, in order to support those efforts.

**Senator McEWEN**—Particularly in the Pacific region, in terms of assisting women to participate in the political process—we know this is very difficult—what have we done in the last 12 months to assist better participation by both local and national politics?

**Mr Moore**—As you know, regrettably women's participation and representation in the formal political system in the Pacific is amongst the lowest in the world. We work with organisations like UNIFEM, where again we have stepped up our funding very substantially. We work with UNIFEM and associated organisations in the Pacific who run workshops with women, try to build on the leadership potential of women who are active already in business or in the churches in particular and try to encourage and support them to join the formal political processes and get elected to parliament.

**Senator McEWEN**—A slow process. Anyway, that is good. At last estimates I asked for details about the overall amount of AusAID funding to meet different MDGs, and your answer to my question on notice indicated that it is difficult to provide that information in the kind of format I asked for. That is fine. What financial or other information can AusAID provide to indicate that we are on target to meet the specific targets within the MDGs by 2015?

**Mr P Baxter**—The progress that has been made varies across region, and it varies within regions. There is a process underway at the moment where Australia and other significant donor countries are looking at where progress has been good and where progress still remains to be made or, indeed, has been disappointing. If you look at the Pacific region, for instance, you will find that some countries, such as Vanuatu and Samoa, have made good progress against some of the Millennium Development Goals. In others, the progress has been less satisfactory.

In South-East Asia, again, if you look at East Timor you will get a different answer on progress towards different MDGs to if you look at Indonesia and, overall, there are a couple of things that I would say. There has certainly been progress across the MDGs since they were adopted by the international community. Since 1990, the number of people in the world who



live in poverty has gone from half of the global population to a quarter, so that is quite stunning progress in that respect. But a quarter of the world's population still lives in poverty, and that is a huge number of people.

In areas such as the eradication of hunger, progress has been stalled, or reversed in some cases, as a result of the global financial crisis. You will recall that in 2007 and 2008 there was a significant spike in global food prices. On top of that spike in global food prices came the global financial crisis, so the double whammy in a sense. Many people living in poverty spend up to 80 per cent of their income on food, so if food doubles, or more than doubles in price as it did for some staples, clearly that is a problem. There have been calculations made of the number of people who have slipped back into poverty as a result of the GFC, so that has been a major problem.

There has been progress in other areas, like maternal health, but still the number of women who die in childbirth or as a result of childbirth is way too high and the target is not on track to be met globally. I think you will see in the lead up to the UN MDG review summit this year that there will be a lot of focus on maternal and child health and what the international community can do more of to create better momentum to achieve the MDGs.

It is a broad answer, I know, but it really does vary according to region and within regions.

**Senator McEWEN**—With regard to MDG 5, what specific measures are there in our budget for 2010-11 to address that. Can you just give us an overview?

**Mr P Baxter**—I will start off, but then I will ask my colleague to add anything that I might miss. Health is a very significant component of our overall program—about 14 per cent. This year we are spending just under \$200 million to deliver better maternal and child health services and to improve the functioning of the health systems that support them. Obviously, you need to look at issues like staffing, medicines and the financing of facilities.

In 2010-11 we expect to spend over \$200 million on programs in places like Africa, the Solomon Islands and Indonesia—they will commence or increase—and our contributions to relevant UN agencies will increase. The government is also taking a leading role in global and regional action to address maternal and child health. Late last year the government announced that Australia will contribute \$250 million over 20 years to expand the International Financing Facility for Immunisation to help deliver better health care to the poorest countries in the world, including to mothers and children. Australia has partnered with the Asian Development Bank, the Bill and Melinda Gates Foundation and UN health agencies to initiate the Maternal, Newborn and Child Health Network for Asia and the Pacific. The network advocates increased health sector budgets in developing countries, and there has been a specific focus on Vietnam, India, Pakistan and the Philippines. I will ask my colleague Mr Proctor to add to that.

**Mr Proctor**—Just to take what the director-general has said further, this is one of the lagging MDGs, clearly, and there is an enormous amount of discussion and debate in the world this year, coming up to the summit on MDGs. There has been success in our program, if I could start there. The deployment of midwives in particular is a very big factor in keeping women alive around the time of childbirth, for the obvious reasons of assistance but also to have someone there to deal with haemorrhages or at least have some attempt at reducing the

chance of post-partum sepsis et cetera. All those are significant killers of women at the time of childbirth. Some of Australia's assistance in Bangladesh has reduced, in one district, the rate of 257 deaths per 100,000 live births to 171 deaths. So this sort of assistance can have significant effects. In the Philippines, 48,000 pregnant women are gaining access to obstetric care through our assistance—by training rural midwives and providing supplies for emergency care.

A little more widely, the government has committed itself to increase the spending on family planning and on the access of women to family planning. This is another significant factor in reducing maternal mortality. That was a commitment to increase spending by \$15 million over four years. In fact, it looks quite certain that that will happen within two.

**Senator McEWEN**—So \$12.3 million was spent on family planning in 2009-10; is that right? I think that is an answer you gave to Senator Hanson-Young, and I was curious, now that you are on that, Mr Proctor, about what the specific allocation is for family planning in the out years.

**Mr Proctor**—I am not sure I have got an exact figure here, Senator, but there is a significant increase in contributions to the UNFPA, particularly—the UN population program—and a couple of other international bodies. But there are also an increasing number of NGO activities, at least five recently, that are focusing on assisting the access to family planning. Can I come back to that in a second?

**Senator McEWEN**—Yes, sure.

**Mr Proctor**—The other point I was going to make is that significant progress is becoming apparent in the reduction in the number of deaths of women who have HIV through greater access to antiretroviral drugs. That of course is coming about because of a huge focus by donors and international bodies such as the Global Fund to Fight AIDS, Tuberculosis and Malaria—and that is providing treatment and prevention, of course. There is a particular improvement because of the attention given to pregnant women. Unfortunately, AIDS is becoming a feminine disease. More than 50 per cent of the people who have HIV-AIDS are female, and that is a growing tendency in Africa and I think also in PNG. So that is a significant factor as well.

**Senator McEWEN**—Right—and in terms of the specific funding for family planning activities? If you do not have it, you can give it to me on notice.

**Mr P Baxter**—As part of the new family planning guidelines, the government committed to spending an additional \$15 million on family planning and reproductive health activities by 2012-13. We will exceed that figure in the next financial year, so we will have already met the target a year in advance of the deadline that the government set.

**Senator McEWEN**—Okay. Does the percentage allocation of that money line up with our allocation of aid to the areas where we provide it—for example, is most of it going to PNG?

**Mr P Baxter**—Yes, there is a very strong concentration on our near region—so East Timor, PNG, the Pacific islands and South-East Asian countries.

**Senator McEWEN**—Okay. Thank you very much.

**CHAIR**—We are still on portfolio overview. Senator Kroger.

**Senator KROGER**—Following on from Senator Johnston, I wanted to ask: has there ever been an evaluation undertaken of a grant? You explained the process, how you go back and evaluate the way in which the grant has been applied and whether the obligations under the tender for the grant has been fulfilled. Has there ever been an evaluation that has indicated that the grant has not been applied in an acceptable manner and has not complied with the objective or the reason for the grant being provided?

**Mr P Baxter**—Obviously in relation to the Call to Action program that Senator Johnston was talking about, as we explained, those activities are still underway and we will evaluate them. But I presume that you are asking about any grant program at any time.

**Senator KROGER**—Absolutely. In your time at AusAID, are you aware of any program that has been given a poor rating in terms of its effectiveness?

**Mr P Baxter**—I am not aware of any, in the less than a year that I have been in AusAID, that have failed to meet their objectives. I am sure that, over the previous 3½ decades of the agency's existence, there have been grants programs where unsatisfactory progress has been found as a result of an evaluation and there has been action taken—I am very happy to give you some examples of that—but certainly not in the period that I have been either Acting Director General or Director General.

**Senator KROGER**—I would appreciate that information, because I am interested to know—and I am sure that people behind you probably have this information—whether there have been any such evaluations and what the protocol is in terms of dealing with that, and whether moneys have been sought and recovered as a result of a determination that a program has been ineffective.

**Mr P Baxter**—Certainly. I am happy to get you that information, and we do evaluate all of our grants programs, so that information should be readily available. There are I guess two issues. One is whether or not an activity has actually achieved the objective. Sometimes there are mitigating circumstances that may have made the original objective impossible to achieve; for instance, if there had been significant civil disturbances in the country where the person or group was trying to implement a program, or a natural disaster or some other element. Or there could have been simply nonperformance, which I think is where your question is coming from.

The second issue is the proper management of the public resources that we provide through grants programs. If there were ever any evidence that a grant recipient was not appropriately managing public funding that was provided, then we would take action under our fraud prevention program.

**Senator KROGER**—To your knowledge, have there been any instances where it has been concluded that there has been inappropriate use of funds?

**Mr P Baxter**—I am not aware of any in the time that I have been in AusAID, but there are cases of fraud that occur in the aid program, as in all other areas of expenditure. We have a very strong risk management policy and framework within the agency, and if there is any fraud detected we pursue those cases vigorously.

**Senator KROGER**—And you are not investigating any cases of fraud at the moment?

**Mr P Baxter**—I did not say that.

**Senator KROGER**—Are you investigating any cases of suspected fraud?

**Mr P Baxter**—Yes, we are.

**Senator KROGER**—What would those cases be?

**Mr P Baxter**—As you would imagine in a program that this year is almost \$4 billion, it is a very large program with lots of different elements. At the moment there are 66 cases of alleged suspected or detected fraud. These represent only a relatively small amount of the overall program. The approximate amount in question is still a lot of money: \$934,779. That represents 0.028 per cent of the total program. Those cases of fraud are spread across a number of different areas of the program—bilateral elements of the program, multilateral elements of the program, small activity schemes, partnerships with non-government organisations and the like.

**Senator KROGER**—You have just triggered a recollection. I was reading about a judicial inquiry—was it?—in PNG in relation to alleged moneys being siphoned off by government officials, and there was some connection to AusAID; is that right?

**Mr P Baxter**—No. You are right in saying that there has been an inquiry conducted in Papua New Guinea—

**Senator KROGER**—Was that a judicial inquiry? I am trying to remember what it was.

**Mr P Baxter**—I am not sure of the exact status but it was certainly a high-level, government-sponsored inquiry into the misappropriation of funds in the Department of Finance in Papua New Guinea, and I think there were findings that there had been significant misappropriation of funds that related to the PNG government's own budget, not the AusAID component of it.

**Senator KROGER**—So it does not impact on—

**Mr P Baxter**—That particular inquiry does not impact on us. Of course, it is concerning from the broader perspective of corruption in a country that is a major recipient of Australian assistance.

**Senator KROGER**—Who is investigating those cases of suspected fraud?

**Mr P Baxter**—AusAID's internal audit section. When we discover fraud or suspect a fraud has taken place, we routinely work through the law enforcement authorities in the country we are working in. We do not have any extra-territorial reach. Normally, if it is in country X and we are satisfied that there is a case to answer, we report it to the police and try to have a local legal proceeding put in place.

**Senator KROGER**—Would it be reasonable to suggest that some of those nations may not have the capacity to investigate such activities in a comprehensive way?

**Mr P Baxter**—Obviously we do all we can to provide comprehensive information to make that process as smooth as possible, but it is undoubtedly true that in developing countries, by definition, their law enforcement and judicial agencies may not be of a similar standard to those in Australia.

**Senator KROGER**—Is the AFP involved in any of those court cases?

**Mr P Baxter**—If there is a case to answer in Australia, if there has been a breach of Australian law, the AFP can be involved. As you are no doubt aware, there is Australian legislation, for instance, that prohibits the bribery of foreign officials. That might invoke an Australian law, even though the alleged activity took place in another country. So it really depends on the circumstances. But routinely we rely on the local law enforcement authorities because they have jurisdiction in their own country, obviously.

**Senator KROGER**—Are the AFP involved in any current investigations?

**Mr P Baxter**—Not that I am aware of. Although any fraud is of concern, often the level of fraud will be a determination of what kind of action is taken. As I said, the AFP would be involved only if there were a breach of Australian law.

**Senator KROGER**—Chair, I still want to come back to TA, as in technical assistance, but given the hour of the day—

**CHAIR**—We will break for lunch now and return to the overview after lunch.

**Proceedings suspended from 12.29 pm to 1.28 pm**

**CHAIR**—I call the committee to order. We will continue our examination of budget estimates for AusAid. We are still on overview.

**Senator KROGER**—I will resume where the discussion on the technical allowance was left before lunch. What is the name of the advisor you were referring to—it is silly to keep saying ‘the advisor’? The advisor that was on a considerable salary package in PNG, I think.

**CHAIR**—I do allow considerable latitude. We do not normally name—

**Senator KROGER**—That is fine. It was just a point of confusion that is all. What is his job?

**Mr P Baxter**—I will ask my colleague Mr Exell to give details of the program and particular responsibilities.

**Senator KROGER**—Thank you.

**Mr Exell**—The team leader of PATTAF which is the PNG-Australia Targeted Training Facility has been a program that has been in operation since April 2002 and is actually winding up at the end of this financial year. It supports training activities in PNG. The range of areas it looks after or has supported are human resource development in PNG including short-term training for the government of PNG officials, Australian Development Scholarships, Australian Regional Development Scholarships, Australian Leadership Awards and open and distance learning scholarships. It supports the Australian-PNG Alumni Association, has provided HIV and AIDS leadership training and it has also supported other public sector capacity services. In the eight years that it has been operating there have been total costs of over \$46 million for this entire program. They have supported over 915 scholarships to Australia. Over 2,000 PNG government officers have undertaken in-country training of up to 12 months. There are over 750 members in that PNG alumni association. As I mentioned there is now awareness of HIV and AIDS at a senior executive level in the government of PNG. They have trained 27 PNG graduates for a graduate diploma or

supported the training of 27 PNG graduates for diplomas in leadership and development including a cadet program. I mentioned before the total of 915 scholarships to Australia.

**Senator KROGER**—Thank you very much. The program obviously has a very broad scope. How many advisers would there be on salary packages of \$400,000 or above.

**Mr P Baxter**—I would have to take that on notice. It would certainly be a minority of advisers. As I mentioned this morning the use and remuneration of advisers has been something that successive Australian governments have placed heavy reliance on in the program. In Papua New Guinea in particular the cost structure of procuring advisers is very high. It is unquestionably so. As a destination to deliver an aid program it probably has one of the highest cost structures of all developing countries. In part that is because of the difficulty of doing business and living in Papua New Guinea. Just like the commercial and the government sector has to pay particular allowances and incentives to get people to work in difficult environments and conditions so do we as we run the aid program. Successive governments have been prepared to pay the kind of money in terms of salaries and fees that attract world-class expertise to the program.

**Senator KROGER**—Presumably given the considerable safety issues in PNG these people would be men because it would be that much more complicated for women in terms of personal safety and security and such issues.

**Mr P Baxter**—Not necessarily.

**Senator KROGER**—I am pleased to hear that.

**Mr P Baxter**—We have a number of women who work as advisers in the PNG program. They are doing all kinds of things. Security is a very significant overhead for people given problems with law and order in parts of Papua New Guinea.

**Senator KROGER**—You spoke before lunch on your current ongoing program to look at restructuring it and tightening the framework if you like of this area. Will that include putting a cap on the level to which advisers can be remunerated and so on?

**Mr P Baxter**—Yes, it will. I mentioned this morning that we have put in place interim guidance to our program managers which has already capped the level of salaries that we are prepared to pay for advisers. We will go through a comprehensive process as part of the broader review of the use of advisers in the program. By the end of the year we will have a standardised adviser remuneration framework which is benchmarked against other donors. This is being designed to put downward pressure on fees and to ensure that we get better value for money when we do appoint advisers. We have now a range of salaries and fees that we are prepared to pay and those are obviously dependent on the experience, expertise and educational background of the individual advisers and the complexity of the tasks they are undertaking. If programs want to go outside of those bands, they have to get specific approval from either myself or one of the deputy directors-general and justify why a salary above those bands levels would be justified.

**Senator KROGER**—Thank you. What are the upper and lower limits of that? I appreciate this is an interim framework.

**Mr P Baxter**—The upper limit is about \$19,000 a month and that is at the highest category. What you have to pay for an adviser varies according to the sector so people who work in some sectors, particularly sectors relating to governance, are more expensive advisers than say advisers that work on information services or human resource development type issues. We have four categories of advisers depending on what sector they are working in. Under each of those four categories we will have a high, average and entry rate salary band for them. The highest paid category is for people who work in the sciences, environment, economics, infrastructure, public financial management, law and justice and other governance sectors. At the high end the cap is \$19,700 and at the low end, the entry level, it is \$9,200. Anything outside of those bands at the upper level would need to come back to Canberra for specific approval, whereas previously decisions as to what to pay people could be made at post.

**Senator KROGER**—I noticed in the PBS that you list KPIs. In the 2009-10 budget statement they are:

- Significant development results.
- Significant activity outputs.
- At least 75 per cent of activities receive a satisfactory quality rating.

I may not be reading from the latest list. You have added to the list in the last period, haven't you?

**Mr P Baxter**—Yes.

**Senator KROGER**—In the last period you had four and I will continue reading them:

- At least 75 per cent of program strategy objectives fully or partially achieved.

In the recent budget statements you have added:

- Strategies in place for 100 per cent of country, regional and thematic programs.
- 90 per cent compliance with Quality at Implementation process.

Could you provide one or two examples of what you consider would be really effective implementation of technical assistance on the ground? What programs would you use to demonstrate where this is working?

**Mr P Baxter**—I will use the example of Vanuatu.

**Senator KROGER**—Vanuatu is where Mr Kelly is.

**Mr P Baxter**—That is exactly right. I will start off by talking about Mr Kelly and reading a message I received from the Acting Director-General of the Ministry of Infrastructure and Public Utilities in Vanuatu. He sent a note to AusAID that said in part: 'Mr Kelly is performing a critical role in helping us to design a major port development and reform program. He is advising us on the development of a program of financial management and government reforms for Air Vanuatu. He is helping this ministry oversee the AusAID funded transport sector and support program, which will rehabilitate and maintain priority rural roads and help us reform and improve the way we go about road maintenance. Mr Kelly's performance in undertaking this work has been exceptional. The majority of the population in Vanuatu lives in rural areas and has limited access to infrastructure. AusAID's Governance for

Growth program has been instrumental in helping us, the government of Vanuatu, address these issues.’ He goes on to talk about his disappointment at recent media reporting which, in his view, has the potential to undermine support for projects on the ground—in particular, projects which are directly helping Vanuatu’s poorest communities.

**Senator KROGER**—What is the date of that letter?

**Mr P Baxter**—It is dated 25 May—after the recent newspaper publicity. We have in fact recently conducted a visit to Vanuatu and there was a very strong support from across the Vanuatu government for the advisers we have provided at the request of the Vanuatu government. In fact, there have been requests for more assistance, which of course we will only consider in the context of the review that we are undertaking. In 2008, Australian technical advisers negotiated the end to the previous telecommunications monopoly in Vanuatu and prepared the terms and conditions for a new mobile phone operator, or operators, to enter the market. That has happened. The mobile phone and telecommunications market in Vanuatu has been deregulated as a result of advice provided by AusAID employed advisers. In 2009, mobile phone coverage had expanded to 85 per cent of the population from 20 per cent of the population in 2007—a 65 per cent increase. This is allowing remote rural communities in Vanuatu to have access to health and other information via mobile phones, which is an increasing use of the technology in the developing world. Australia provides four medical specialists to assure that Vila Central Hospital retains its teaching hospital status. Vanuatu medical students can now return to Vanuatu and complete their internships there rather than having to study overseas. They can only do that with the provision of expatriate medical experts to maintain the teaching status of the hospital.

There are a number of examples across a large number of programs where our advisers have made a very significant difference. As I mentioned earlier this morning, one of the reasons why Australian governments over the last 35 years have placed such a heavy reliance on advisers is that the capacity within many of the countries in which we operate is quite low, particularly in areas that require high levels of specialist expertise, and we provide advisory assistance in response to requests from those governments.

We recognise through both the review that I have talked about a couple of times a day and also other programs the need to focus more on trying to build capacity within the national governments themselves so that they can try and deal with their own issues rather than relying on external advisers. We have seen over the last 2½ years a very significant increase in the number of scholarships that the Australian government is funding through the aid program. Those scholarships are directed at areas where we are focusing our aid program more generally. We provide scholarships to people in areas relating to public administration to improve governance. That might be in water and sanitation or it might be in agriculture and rural development. Over time, with this significant increase in scholarships, we are hopeful this will mean the countries will have a national capacity with experts to deal with their own problems.

**Senator KROGER**—What is the process of conducting independent assessments and evaluations of the programs like the one in Vanuatu that you just mentioned? Can you give me an understanding of how that evaluation takes place?



**Mr P Baxter**—I gave one example about the spread of mobile telephone coverage in Vanuatu. It is documented because the mobile telephone companies that have come in as a result of a deregulated market publish their annual reports and the figures in terms of increased coverage and take-up of mobile phones in the population. It is basically sales data.

**Senator KROGER**—So that is an easy one because it is statistically based.

**Mr P Baxter**—Yes. We evaluate our programs internally through a rigorous process of annual program performance reporting. Each program is required to look on an annual basis at the progress that it has made against its objectives. There are periodic reviews of programs throughout a year; it is not a once-a-year thing, but there is a major exercise once a year to make sure that a particular program has met its objectives. If it has not, why hasn't it? How do we have to change it to make it more successful? If that is not possible, what might we do with that funding in terms of shifting it to other, more successful programs? Our programs are reviewed by the Australian National Audit Office, and that will become an increasingly frequent occurrence now that our funding levels have got to the stage where we are one of the major Commonwealth agencies by expenditure. The ANAO will review at least two areas of our program per year. We welcome that external scrutiny.

We also have within but separate from the main body of AusAID the Office of Development Effectiveness. The Office of Development Effectiveness produces an annual report on development effectiveness as well as a series of reports on particular programs in particular sectors in particular countries to evaluate whether or not our activities have been successful and, in particular, to look, where they have not been as successful as we would want, at how they can be improved. We publish those reports on our website. I think we are one of only two donors in the world to have that sort of scrutiny and to put reports on our own performance out publicly. In addition to that scrutiny we are subject to regular peer reviews by the OECD. One of those took place last year. They take place on a four-yearly cycle. In between cycles there are minireviews of our program done by the OECD as well.

**Senator KROGER**—Thank you.

**CHAIR**—We will interrupt the discussion being led by Senator Kroger and turn to Senator Boswell, who has some questions on family matters.

**Senator BOSWELL**—Since 11 February 2010, what new activities by non-government organisations with family planning components have been funded?

**Mr Proctor**—I do not have the exact dates with me, but since the release of the guiding principles there have been about 10 activities ranging across the Solomon Islands, Ghana, Fiji, Papua New Guinea, East Timor, Cambodia and southern Sudan.

**Senator BOSWELL**—Could you provide the details, including funding amounts, for the family planning component of each activity?

**Mr Proctor**—Yes. I can table that or I can read it out for you.

**Senator BOSWELL**—Could you read it out for us?

**Mr Proctor**—Yes. I will go down the list. Strengthening youth participation in the Solomon Islands by Sexual Health and Family Planning Australia, \$16,500. Evaluation support to the Solomon Islands Planned Parenthood Association, again by Sexual Health and

Family Planning Australia, \$8,369. Improving maternal health for vulnerable women in Ghana by International Needs Australia, \$48,996. Mobile clinical outreach team to improve access to reproductive health services in Fiji being conducted by Marie Stopes, \$96,000. Clinical outreach improving access to reproductive health services in PNG, again, by Marie Stopes, \$39,499. The Choice project, increasing access to reproductive health information and services in East Timor, again, by Marie Stopes, \$100,000.

**Senator BOSWELL**—What was the name of that project?

**Mr Proctor**—Choice.

**Senator BOSWELL**—What does choice mean? The choice of an abortion?

**Mr Proctor**—No, none of these are funding any abortion activities.

**Senator BOSWELL**—Okay. Keep going.

**Mr Proctor**—The choice is about access to modern family planning. Another project of the same name, presumably in another part of East Timor, again, by Marie Stopes, is for \$400,000—a bilateral project. All the others have been funding through our central NGO program, ANCP. Using vouchers to increase access to reproductive health services in peri-urban and rural populations in Cambodia by Marie Stopes, \$86,000—again, a bilateral project. Support for improved maternal and newborn care in East Timor by the Health Alliance International, \$600,000—that is partly humanitarian funding. There is some additional core funding from UNFPA, \$6.8 million—the government announced an increase across a range of UN agencies two years ago, and this is part of that. Finally, the Australia-Africa maternal and child initiative capacity placement of 150 UN volunteer midwives in southern Sudan through UNFPA, \$2 million.

**Senator BOSWELL**—Do any of the family planning components for these activities include abortion services or training?

**Mr P Baxter**—No, they do not—no abortion services.

**Senator BOSWELL**—What is the money that is given to Marie Stopes for?

**Mr Proctor**—Primarily, in most of these cases, it is to provide additional access by women to contraception if they wish it. Often it is in rural areas where there are no services at the moment. It is also reproductive health care, so there are some broader gynaecological health issues that are addressed by these activities.

**Senator BOSWELL**—How many aid and development agencies that conduct overseas maternal health programs receive funding via the budget?

**Mr Proctor**—From the Australian aid budget?

**Senator BOSWELL**—Yes.

**Mr Proctor**—In the broader sense, quite a number because groups such as the World Bank and the ADB have health projects which have maternal health components. As well of course you have the disease focused funds, particularly the global fund which has a health systems component and it does in part focus on women's maternal health. Clearly, more directly in relation to family planning, there is UNFPA, the UN's population program, and the

International Planned Parenthood Federation, and then there is a range of NGOs that we were discussing.

**Senator BOSWELL**—How many pregnancy terminations overseas were funded by last year's budget?

**Mr Proctor**—None.

**Senator BOSWELL**—So there has been no take-up of the abortion aid from 12 or 18 months ago?

**Mr Proctor**—No proposals have come forward that include abortion services.

**Mr P Baxter**—As I mentioned in the last estimates, the guidelines are specifically written to do all that is possible to avoid unwanted pregnancies and therefore avoid the need for abortions.

**Senator BOSWELL**—I appreciate that. But if Marie Stopes, which is a well-known abortion provider, were to receive aid from Australia, would it be specifically required that the aid not be used for abortion services?

**Mr P Baxter**—Marie Stopes International, like other recipients of family planning funding from AusAID are required to adhere to the guiding principles that were issued.

**Senator BOSWELL**—Thank you.

**Senator TROOD**—I want to ask you about your green books in relation to the statistical summary series which were the subject of a question by, I think, Senator Payne at the last estimates. She was asking where the statistical summaries were—going, sadly, a long way back, to 2005. I understand that the 2005-06, 2006-07 and 2007-08 information has been published in a single volume and that happened a matter of days ago. Is that right?

**Mr P Baxter**—That is right; it was published earlier this week.

**Senator TROOD**—Can you tell us when the 2008-09 material will be available in some form or other?

**Mr P Baxter**—We now intend to publish on an annual basis. I will ask colleagues to give the precise date.

**Ms Rauter**—Our plan is to publish them by December this calendar year.

**Senator TROOD**—So we can expect the 2009-10 material next December; is that right?

**Ms Rauter**—Correct.

**Senator TROOD**—You are publishing it online—on the website and in hard copy?

**Ms Rauter**—Correct.

**Senator TROOD**—Will that continue to be the way you do things?

**Ms Rauter**—Yes.

**Senator TROOD**—I want to take up an issue relating to the review of technical advisers that you are undertaking. You have alluded to that on several occasions. I have been in and out of the hearing, so you may have addressed this, Mr Baxter. The review, which was announced

on budget night, is obviously important to the agency. Do you have a time line as to when you anticipate that being completed?

**Mr P Baxter**—Yes. The aim is to have it completed by the end of this year.

**Senator TROOD**—Is that a review, once it is completed, that will go to you, to the minister or to one of the parliamentary—what is the intention with regard to the review?

**Mr P Baxter**—There are two elements to the review. One is the that government committed, in the announcement on budget night, that we will review the use of advisers in our program jointly with our partner governments. Of course, the vast majority of advisers that are used in the program have been requested by our partner governments. It is not appropriate that we unilaterally—

**CHAIR**—Is it just AusAID or is it other agencies that provide funding to secondary bodies?

**Mr P Baxter**—Advisers are provided by other government agencies. For instance, the Australian Federal Police provides advisers to places such as East Timor and to some of the Pacific Island countries.

**CHAIR**—So the review comprehends those other agencies as well?

**Mr P Baxter**—Everything; it is a comprehensive review.

**Senator TROOD**—It is a review about advisers rather than a narrow review necessarily about AusAID advisers?

**Mr P Baxter**—That is right. It is about advisers who are funded from the aid budget. As you know, we do not control all of the aid budget.

**Senator TROOD**—I understand that.

**Mr P Baxter**—There are two elements. One is that, where we provide advisers, we will sit down with our partner governments and we will go through all of the advisers that are used under the program and we will make a joint judgment as to whether they are achieving the objectives they were sent to achieve, whether they present value for money and whether they should continue and—

**Senator TROOD**—Sorry for interrupting; that is an evaluation of individuals who are involved in the program. Is that right?

**Mr P Baxter**—That is right. Usually, an adviser is one part of a broader program and it is whether that particular piece of the program is actually delivering the outcomes that both governments expect that position to deliver. So it is about the position rather than the individual. It is not an individual assessment of the performance of a particular person.

**Senator TROOD**—I see.

**Mr P Baxter**—It is whether the use of an adviser to resolve the issue that both governments have agreed to work on is the most effective way of providing development assistance and also the best value for money.

**Senator TROOD**—I understand that. You were saying there is a second element.

**Mr P Baxter**—The second component is an internal component. I mentioned earlier to Senator Kroger that we have already put in place interim guidelines to cap the level of fees that we are paying. That is an interim set of guidelines. We will develop those over the next couple of months into a fully fledged and permanent set of guidelines that will then be promulgated throughout the agency and throughout the government.

**CHAIR**—Some years ago during the Iraqi war the Australian Wheat Board, then a GBE, retained advisers in Iraq. As it emerged, Mr Flugge received many hundreds of thousands of dollars in wages, allowances or payments pursuant to work in terms of selling wheat to the then government of Iraq. Does the review that you are outlining comprehend that type of work engaged in by other GBEs or agencies going forward into the future?

**Mr P Baxter**—If you look back on the record, the person you spoke about was not funded by the Australian Wheat Board. He was funded by the Australian aid program at the time, and the numbers that you mentioned are pretty close to the fees.

**CHAIR**—So we had a program at the time that was funded by the Australian aid program, with many hundreds of thousands of dollars and all sorts of allegations of improper activity. Coming forward now and not readdressing that issue, does the review you are outlining to Senator Trood cover that type of activity by persons now and into the future?

**Mr P Baxter**—Yes, it will cover that, as will the remuneration framework. We are not saying that there will not be exceptions to the remuneration framework we put in place, but they will be very limited. As I mentioned to Senator Kroger this morning, there is recognition in the government that something has to be done to ensure we get better value for the public expenditure we make on advisers. This has not been done in the 35 years that the aid program has been in existence, but it is being done now. We will come up with a robust remuneration framework which will benchmark the fees which we pay against other donors and against others who operate in that marketplace to ensure that we are paying an appropriate level.

**CHAIR**—A very worthwhile initiative on your part and the government's part.

**Senator TROOD**—I endorse that proposition. This review is being undertaken by an internal agency. Is that right?

**Mr P Baxter**—There are two elements to it, again. The first is that the senior AusAID officer in-country will sit down with our counterparts—for example, the Vanuatu government—and go through all of the projects where we are using advisers and evaluate the developmental effectiveness of the use of those advisers and value for money. We will do that jointly. As you know in the context of our relationships with Pacific Island countries, we have Pacific Partnerships for Development. Under that framework, there is a mechanism for ongoing dialogue with our partner governments on the program and we will incorporate this review as part of that dialogue.

In-country, the focus initially will be on Papua New Guinea, East Timor and Solomon Islands because they receive the largest number of advisers across the program. Probably over a third of all advisers are accounted for by those three countries. For instance, in the Solomon Islands the previous government started and this government has continued RAMSI. RAMSI is full of advisers because the Solomon Islands government virtually collapsed in 2000 and

there was a need to send in a large number of people to provide advice to get the country back on a growth path and a sustainable path.

So that will be done and then it will be reported to both governments. We certainly have in mind what we would like to do under those specific Pacific Partnerships for Development. As you know, there are schedules that deal with the various sectors that we have agreed to work jointly with partner governments in, so there will be a health schedule, an education schedule. We would like a component of those schedules now to identify how many advisers are being used in that sector, to be very transparent about that and to review it on an annual basis as we review the performance of the program under the partnership.

For the second element, the internal element, we will develop the remuneration framework. We have already started talking to a range of donors—the World Bank, the British development agency, DIFD and others—to look at what sorts of salaries and fees they pay and to benchmark ourselves against them, because obviously we are in a marketplace for development experts, along with those agencies and multilateral groups. Then, at the end of that, we certainly fully intend to publish what our remuneration framework will be and for it all to be out there in the public domain.

**Senator TROOD**—Where in your organisation is the overall responsibility for the conduct of the review situated?

**Mr P Baxter**—That is in Mr Proctor's division.

**Senator TROOD**—Is the general responsibility for the review under the auspices of the Office of Development Effectiveness? Is that where it sits?

**Mr P Baxter**—No. It basically comes under my responsibility and ultimately the work that will be conducted will be given to me and then I will provide advice to the minister on the outcome of the review.

**Senator TROOD**—So you have to coordinate all this information coming in from various posts. It has to come into AusAID central, as it were, and then be married with the work that is taking place here with regard to rates of pay, remuneration and that kind of thing. Then presumably someone has to be responsible for drawing it all together and making judgments about the substance of the material and the conclusions. Who is taking responsibility for that?

**Mr P Baxter**—Mr Proctor's Program Enabling Division will be compiling and analysing that data and then bringing it together in a report, initially for me but primarily for the minister to consider.

**Senator TROOD**—As the chair has said, and as I think you have acknowledged, this is a long overdue process of review. I am delighted that it is taking place, but it troubles me that it is an internal review. There is a huge amount of controversy over this matter, as you know, and it is in the public domain. There is a lot of concern about the whole issue of the rates of pay. It being such a controversial issue, I think there is a very strong public interest in making sure that this is not a dinky little review on the side. I do not mean to imply that it is, but I think it needs to be seen to be a thorough and comprehensive review. Those of us who are interested in the progress of it need to be confident that in fact it is being undertaken in a very serious way, and to satisfy that criterion I would have thought there might be some value in

having an external reviewer involved in some places or even undertaking the review in an external fashion, outside the agency. Have you considered that possibility?

**Mr P Baxter**—I will answer the first part of your question, then the second part. On the first part, I agree with you that some external scrutiny of the process that we conduct is appropriate to give confidence that the process has been carried out in a proper and comprehensive manner. I have had discussions with the Auditor-General, and the Australian National Audit Office is likely to review Australia's technical assistance programs specifically as part of their reviews of AusAID's work. That is likely to take place in the next financial year, after we have completed the review. It would obviously be inappropriate sequencing for the ANAO to review the review before it is finished. But we agree—we think that is a good idea, for exactly the reasons that you have outlined.

In terms of getting an external party to conduct the review, our aid programs are conducted on a government-to-government basis. We deal with governments on the decisions that are made on how the program is allocated. Our partner governments make requests to us. We consider those; we respond to some positively; others we do not. We think it is more appropriate within the context of the government-to-government relationship to sit down and go through this on a government-to-government basis. We are happy for the results of those government-to-government discussions to be put out publicly, and it is appropriate that they are, but we expect that in many cases the governments will want to keep the advisers that they asked for; in some they may not. As you say, this has been an issue that has been of concern for many years. The government is on the record as saying that it is concerned about the level of the aid budget that is spent on advisers. We are doing something about it. We are happy to be open and transparent about the outcomes of the review to get external validation of what we have done, but we think the way in which we have decided to undertake the review is the most appropriate.

**Senator TROOD**—I am glad you are taking it seriously. Perhaps those riders you have put in there will be sufficient to maintain the integrity of the review. Of course, it is absolutely critical that you make it public so it can be scrutinised as far as that is possible, but I think that, if you could have found a way for an external party to be involved in the review prior to it being completed, that might have been a useful adjunct to the work that is being conducted and it would have ensured the integrity of the review much more comprehensively than perhaps is likely to be the case. But I welcome the work and I look forward to seeing the review when it is completed. Thank you.

I am looking at the agency contracts that agencies are required to advise the Senate about under a Senate order. This is for the 12 months to December 2009. Can someone speak to me about those contracts?

**Mr Proctor**—Are these the contracts reported on AusTender?

**Senator TROOD**—That is right.

**Mr Proctor**—That is in my division.

**Senator TROOD**—I am interested in the contract which was advised to Tides Advocacy Fund, which I think is a \$1.3 million contract. The only information I have about it is 'disability rights fund'. Are you familiar with that particular contract?

**Mr Proctor**—Not with that individual contract. It may be too detailed, but can you go further and we will see what we can tell you.

**Senator TROOD**—Perhaps I can give you an outline. I wanted to know when the contract was let, precisely what it was for and whether or not you have had any progress reports on it—things of that kind. I need someone who can give me some reasonably detailed information about the contract.

**Mr Proctor**—I fear we do not have that level of detail with us. We will try to get it by the end of today's hearing.

**Senator TROOD**—If it is practicable and there is somebody who can provide that, that would be helpful. I am happy, if the chair will allow me, to—

**CHAIR**—Return to it when it is available.

**Senator TROOD**—So, if you could find somebody, I would be grateful. Thank you. I do not have anything further at this stage.

**CHAIR**—Are there any further questions on the portfolio overview?

**Senator KROGER**—I am interested in the guidelines—or framework—that are established in relation to government departments applying for AusAID for the delivery of programs overseas.

**Mr P Baxter**—Are you talking about other government agencies that receive funding from the aid budget?

**Senator KROGER**—Yes.

**Mr P Baxter**—Okay. They do not apply to us. Are you interested in the process of how this works?

**Senator KROGER**—Yes.

**Mr P Baxter**—The government has established a body called the Development Effectiveness Steering Committee, which I chair, which comprises deputy secretary level representation from a number of departments: Finance, Treasury, Prime Minister and Cabinet and DFAT. Each year, as agencies develop their policy proposals for funding under the aid budget, they are required to basically submit project concept notes to the Development Effectiveness Steering Committee, which scrutinises them, critiques them and makes a decision as to whether or not they are an appropriate use of the aid budget and sit well with the broader strategic objectives of the aid program in terms of poverty reduction and the promotion of sustainable development. Once they get through that process, they are then formally incorporated into the submissions that are considered by the relevant budget committees of cabinet, and ultimately the Expenditure Review Committee in the budget cabinet decides what is funded. There is an officials committee that does some scrutiny and screening of programs, but at the end of the day the decision on whether or not they are funded is part of the normal budget processes.

**Senator KROGER**—Does the committee that undertakes that scrutiny have an appreciation of the overarching objectives of AusAID and then those in particular financial years so that that dovetails into and complements what you do and vice versa?



**Mr P Baxter**—Yes, very much so. Of course, as the chair of the committee, I am able to provide that advice and that direction as to what the government's key priorities are in the aid program. As an example, the government has decided that education is a flagship of our aid program, so programs that deal with educational issues are obviously likely to be a higher priority than some other areas.

There are a couple of agencies apart from AusAID that traditionally receive significant funding from the aid budget. The Australian Federal Police are one, and we work very closely with the Australian Federal Police both within the Development Effectiveness Steering Committee framework and bilaterally to ensure that the programs that they are developing and preparing to implement fit with our broader country strategies. Examples of that are the work that AFP are doing to strengthen the capacity of law enforcement agencies in East Timor and in places like Vanuatu and Tonga. We have in fact provided some AusAID funding for AFP programs over the years because they complement our activities in trying to strengthen governance in key countries.

But, while AFP is the main agency outside AusAID for spending ODA, there are others. This year, the Department of Immigration and Citizenship received some funding, which was referred to earlier, to strengthen the capacity of Indonesian authorities to deal with people-smuggling. AusAID provides advice to those agencies not only on how their activities fit within the broader country strategies that we have but also on how to design the programs so that they are as effective as possible. As has been noted earlier in the hearings, we have the Office of Development Effectiveness within AusAID. It formally plays an advisory role to the Development Effectiveness Steering Committee, so it will provide its views to the committee directly on what it thinks of proposals that have been developed by non-AusAID agencies.

**Senator KROGER**—Thanks very much. It is always very encouraging to hear that there is very much a holistic approach, which is so important.

**Mr P Baxter**—Thanks, Senator. The Minister for Foreign Affairs is responsible for the official development assistance budget of the government writ large, so, at the end of the day, it is the Foreign Minister who takes the whole package, if you like, into the budget process.

**Senator KROGER**—Chair, I have two more matters, and that is it for me. One is in relation to the Global Fund to Fight AIDS, Tuberculosis and Malaria. I understand that in the recent round 9 funding applications PNG did not receive any funding. Is that correct?

**Mr P Baxter**—That is correct.

**Senator KROGER**—Did we assist them in putting together that application?

**Mr P Baxter**—We provided support initially to the World Health Organisation to assist PNG in putting together its application. Late in the process we were asked by Papua New Guinea to provide some direct assistance—literally in the last couple of weeks of developing the submission—and we did provide that assistance on top of the assistance that we had been providing through the World Health Organisation.

**Senator KROGER**—Given the significance of the on-the-ground challenges that PNG deal with in relation to HIV in particular, the application itself must have been seriously lacking.

**Mr P Baxter**—I think the key issue for the global fund was PNG's performance with the previous funding that it had received in terms of its record of disbursement, accountability and the like. You may not be aware, but there had been considerable issues with the National AIDS Council in PNG—allegations of corruption that led to a major change in personnel in the National AIDS Council—and, as I say, there were concerns about the way in which PNG had dealt with the previous tranche of funding. We are certainly working very closely with PNG on their funding for round 10 and have people, advisers, in place at PNG's request to assist them in developing their application. We had a visit by the executive director of the global fund to Australia in only the last couple of months. Obviously, we are impressing upon the global fund the importance to PNG and to Australia of ensuring that we get a successful outcome for round 10.

**Senator KROGER**—When is round 10?

**Mr P Baxter**—I think round 10 is in August this year.

**Mr Proctor**—It is. It closes in August.

**Mr P Baxter**—Yes, so there are a couple of months to go.

**Senator KROGER**—Thank you. I have a follow-up to a question I asked the last time we were here, which was on the rollout of swine flu vaccinations in Pacific island countries. You provided me with a breakdown of the island nations and when they were delivered. My follow-up question is: have they been delivered?

**Mr P Baxter**—I will ask Mr Proctor to answer that.

**Mr Proctor**—I am afraid I cannot give you the precise answer. They are certainly happening with Sri Lanka and have been going forward across the Pacific. To be fair to you, if you do not mind, I might just get a brief written update country by country.

**Senator KROGER**—That is fine. Certainly in your response last time the priority was to vaccinate those who were at risk, presumably health workers on the front line and so on. Could you give me an indication of what the target is, who the targets are, with the rollout of these vaccinations.

**Mr Proctor**—The target that we are seeking in most cases is a 10 per cent coverage, which would allow for health workers and the most vulnerable groups, particularly the aged.

**Senator KROGER**—Ten per cent coverage—

**Mr Proctor**—Of the population.

**Senator KROGER**—of the population.

**Mr Proctor**—But I must say that that is a generic figure and it may vary by countries. I just recall it from the previous discussion. I do have a list in fact. We have given you a list of dates.

**Senator KROGER**—I have a list of the dates they were delivered. I was wondering whether since the delivery point people have actually been vaccinated.

**Mr Proctor**—It has certainly been going forward. I have had further discussions with the health department about it and we stay in touch with the WHO. The 10 per cent figure related particularly to all Pacific island countries. It may be a different figure for Sri Lanka and Laos.

**Senator KROGER**—I am happy to leave it there but perhaps you can take on notice what the take-up rate of those vaccinations has been.

**Mr Proctor**—Yes.

[2.26 pm]

**CHAIR**—We will now move to program 1.2 on East Asia.

**Senator LUDLAM**—Since the last time we spoke, the projected increase for the Australian aid budget to Burma is in the order of 30 per cent to 40 per cent, which is extremely welcome. I am just wondering in light of the budget whether you can tell us how much you know about where that aid money will go and where it will hit the ground.

**Mr Moore**—As you say, a substantial increase has been announced and so we are now in the process of planning precisely where that will go. But the minister's statement in February this year foreshadowed the areas in which we would concentrate that increased assistance. He foreshadowed the budget outcome by saying that we would grow the program over the next several years. The budget has delivered that. The key elements of that growing program will be in health, education, agricultural development, water and sanitation, and the protection of vulnerable peoples both inside the borders of Burma and also the displaced people outside the Thai-Burma border and also on the Bangladesh-Burma border. I am happy to run through the sorts of things that we are thinking about in those particular fields, if you would like.

**Senator LUDLAM**—Before you do that, I have tended to focus my remarks in the past on the centralisation of aid—for obvious reasons and probably quite good reasons—in Rangoon where our embassy is located. But I have also been very interested in a purported increase in aid to the Thai side through the Thai Burma Border Consortium. I wonder if you can tell us, firstly, whether there is going to be an increase in funding to that part of the world.

**Mr Moore**—As I think I said on the last occasion, I would anticipate that with a growing program, especially one that is growing in the way that this one is, there will be the capacity to respond more to needs on the Thai-Burma border as well as in other parts of the country.

**Senator LUDLAM**—The last conversation we had was in February and you were anticipating that then. That was three months before the budget. We are now a month after, but we are still anticipating. You have not actually made any final decisions yet.

**Mr Moore**—We certainly have not made final decisions. We are in the planning process. There is a senior officer from AusAID who is currently in Burma, holding discussions, going out into the field and talking to people from the United Nations and NGOs and others. That information and other information will then form the basis of our planning and ultimately it will be a matter for the minister to determine the allocation of the funds.

**Senator LUDLAM**—Can you clarify for me whether the minister you are referring to in this instance is Mr McMullan or Mr Smith. How are those final decisions taken, particularly in politically sensitive instances, as with aid up into Thailand, for example?

**Mr Moore**—Minister Smith is the minister.

**Senator LUDLAM**—So what is the chain of decision making and where does Mr McMullan or that portfolio sit in the chain of decision making around these kinds of decisions?

**Mr P Baxter**—Mr McMullan is the Parliamentary Secretary for International Development Assistance, so it comes under the authority of the foreign minister. Routinely, when AusAID prepares advice on the program for the Minister for Foreign Affairs, the Parliamentary Secretary for International Development Assistance has input into those decisions in terms of being able to provide a view on the advice that is being put forward by AusAID.

**Senator LUDLAM**—With the person that AusAID has in Burma at the moment, how long is that trip likely to last? What I am trying to do is get a sense of your decision-making timetable and when we might actually see something put into the public domain.

**Mr Moore**—We have two AusAID officers who are based for some years in the mission in Rangoon, and of course they report back to us on an ongoing basis. The current Canberra based officer who is there will be there only for a relatively short time—a matter of days. Obviously we consult in country. We also talk to knowledgeable people back here in Australia from NGO communities supplying services, academics and others looking at the issues and the environment. We are obviously going to need to come up with an overall framework for how this assistance should be allocated. My sense is that we would want to do that over the course of the next few months so that by the end of this calendar year we would have a much clearer idea of these allocations.

**Senator LUDLAM**—Is the officer who is there at the moment likely to travel outside Rangoon?

**Mr Moore**—I believe so, but I would have to check that.

**Senator LUDLAM**—What I am specifically after, as you can probably guess, is: are they likely to go up to any of the border areas, where the needs are just as acute as but somewhat different to what they are facing in the big cities?

**Mr Moore**—Senator, as you know, access is a critical issue and one that we are working on all the time. We certainly have an interest in getting our own people into those areas to assess what is happening, but we are also critically interested in the access that NGOs and any contractors that we might use have. So you can certainly take it that we are constantly trying to get greater access, and we do not want to end up stuck in Rangoon any more than you would want us to be stuck there.

**Senator LUDLAM**—I do not suppose that you have any surprise good news to give us on the question of cross-border aid—whether that has been reconsidered since February.

**Mr Moore**—The position is as I outlined it last time.

**Senator LUDLAM**—That is extremely unfortunate, but thanks for confirming that. I do not think I have any other questions on that specific issue.

**CHAIR**—But you still have questions on East Asia?

**Senator LUDLAM**—No, I have questions when we go to Africa.

**CHAIR**—Okay. We will finish off East Asia and then move down the program.

**Senator MILNE**—I want to ask about the Australia-Indonesia Partnership for Reconstruction and Development. In particular, I understand it was a five-year program, and obviously we are into the last year of that. Can you just tell me the evaluation and report-back procedure and what stage you are up to with that.

**Mr Moore**—Since that program was initiated we have reported annually on the outcomes, and a decision was taken—I would have to check the records as to exactly when, but I can supply you with the information—that the program would be merged with the broader program in Indonesia. In other words, rather than have it being seen as something separate and time-bound, we would continue to partner with Indonesia at this much greater level. Over the course of the last 18 months to two years, essentially the AIPRD has been increasingly mainstreamed. I think we concluded our final report last year. It is publicly available and we will make sure that we supply that to you.

**Senator MILNE**—In the context of that work with Indonesia, rolling it into the bigger program and the money that is being made available by the Australian government for forestry projects in Indonesia, particularly for avoided deforestation, can you just tell me where that is up to and where the money is being spent? Also, tell me about any other forestry programs, companies or agencies that are being facilitated to access Indonesian forests for logging at the same time?

**Mr Moore**—I may start by referring to the Kalimantan forests partnership because that is one I know a little bit about after having visited it and my colleague, Mr Davies, who handles our broader forests, greenhouse and sustainable development issues, may elaborate further. The Kalimantan REDD scheme aims to rehabilitate 100,000 hectares of degraded peatland. As you may know, this land under the Suharto regime was drained, the forests were cut down and the peatland, regrettably, was of little use for growing rice, which was the intention.

It then became exposed, dried out, toxic and also prone to catching fire through lightning during the storm season. The aim is to take this land back into forest cover and also to make the people who are living there the custodians of this resource, allow them to get a viable livelihood from it and then protect it simultaneously. I think it is fair to say—certainly from what I saw on the ground—that that process is now well advanced.

**Mr Davies**—I do not have anything to add on the general account of the KFCP program. In terms of the specifics, you may be aware that the program has a number of distinct components. Peatland is a particularly complex ecosystem, so there is a substantial science component around determining the characteristics of the peatland in the project area so that an emissions reference level can be established in the area. Australia has brought together a high-level peat working group for that purpose, which has met on a number of occasions and is providing very significant scientific support to the Indonesian government.

Then there are strands of activity around establishing the social baseline, so to speak—working out what are the existing livelihood options for people living in the project area and what are some of the opportunities to create alternative livelihoods where people are currently extending canals or engaging in deforestation in order to earn incomes.

There is a substantial process of what in Indonesia is referred to as socialisation, which is essentially helping people in the project area to understand the purpose of the project, to ensure that they are comfortable with the direction it is taking and that there is no perception that they will be deprived of their livelihoods. This is because it is very much about ensuring that there are appropriate incentives for people to change behaviour.

I suppose also in the category of socialisation there has been a very substantial effort to work with all of the relevant levels of government in Indonesia in the development of this program. We are working with the national Ministry of Forestry, the National Development Planning Agency, the national Ministry of Environment, the provincial government of Central Kalimantan and the district government of Kapuas within Central Kalimantan. I have to say that it is a very complex process to deal with the several levels of government simultaneously, particularly when they are still engaged in discussions among themselves on the planning and zoning arrangements for much of this land. Those are the key points of progress.

In terms of what is actually happening on the ground, a lot of work has been done to plan for canal blocking in certain areas, which involves some quite complex hydrological planning. Some demonstration works should take place in the second half of this year, as soon as an environmental impact assessment has been conducted in accordance with Indonesian law. A group of facilitators has been placed in 13 villages in the project area, which accounts for the vast majority of the population living in the project area, to assess their needs, to make sure they understand what the program is about and to ensure that they essentially take ownership of the physical works in the project area that will be necessary to reduce emissions, and that the particular livelihood opportunities in each of the villages can be identified.

**Senator MILNE**—I did ask whether any Australian logging companies or forest agencies have been part of any of the work that you are undertaking, if not in this particular project then in any other parts of Indonesia?

**Mr Davies**—No. In this particular project area we are not supporting any form of industrial plantation activity. There may be some small-scale support for local agricultural activity, particularly rubber plantations on a very small scale. But, no, we are not supporting the engagement of any Australian logging firms in this area.

**Senator MILNE**—Not just in this area—in Indonesia, that you know of?

**Mr Davies**—Or in any other area, no.

**Senator MILNE**—Thank you.

**CHAIR**—Are there further questions on East Asia?

**Senator JOHNSTON**—I have questions on Afghanistan, Chair.

**CHAIR**—We will get there in a minute.

[2.41 pm]

**CHAIR**—We are now on program 1.3—Official development assistance: Africa, South and Central Asia, Middle East and other.

**Senator JOHNSTON**—Can I talk about how we are going in Afghanistan.

**Mr Davies**—Certainly.

**Senator JOHNSTON**—Can you give us a report about it. I think we have nine personnel?

**Mr P Baxter**—Well, building up to nine personnel.

**Senator JOHNSTON**—How many have we got now, what are they doing, how long have they been there and what is happening?

**Mr P Baxter**—We have had five officers in Afghanistan up until recently. We have had our senior AusAID officer operating in Kabul, and we have had development assistance advisers working in Tarin Kowt. The government, as you know, has announced that the government is increasing Australia's civilian assistance by around 50 per cent, and AusAID is certainly part of that. So we will go from three advisers in Tarin Kowt and one AusAID officer in Kabul up to nine. At the moment we are at seven. Two officers arrived last week—one in Tarin Kowt and one to work in the civ-mil platform of Regional Command South in Kandahar. The additional two AusAID officers will arrive early to mid July, and that will bring us up to the contingent of nine.

**Senator JOHNSTON**—And they are going to Kabul—the two?

**Mr P Baxter**—No. They are both going into Tarin Kowt.

**Senator JOHNSTON**—Good.

**Mr P Baxter**—So we will end up ultimately with nine officers. We will have two officers in Kabul; we are putting an additional officer into Kabul. We will have five AusAID officers and a support staff member in Tarin Kowt and one in Kandahar, and that will be our nine.

**Senator JOHNSTON**—Before we talk about what they are actually doing and what the plan is, let us talk about the cost and the money. How much are we spending as of this financial year that we are in now, and what have we budgeted for next year?

**Mr P Baxter**—Are you talking about the costs of the staff that we have there or the programs?

**Senator JOHNSTON**—The costs of staff in terms of the investment in people on the ground to administer the programs. We will talk about the programs a little later, but let us just talk about our commitment to staff. What are we budgeting for with our current five and our soon-to-be nine?

**Mr P Baxter**—The average cost for the deployment of a development adviser in Tarin Kowt is about \$200,000 a year; that is salary, other on-costs—

**Senator JOHNSTON**—Per person?

**Mr P Baxter**—Per person.

**Senator JOHNSTON**—Okay, that is reasonable. What extraneous, interesting and different expenses are being incurred by our five—to be nine—people at the moment?

**Mr P Baxter**—There are significant security overhead costs for those officers who are posted in Kabul, because, as I think has been stated in other hearings of this committee, personnel who are attached to the embassy in Kabul are provided with security by a private security firm.

**Senator JOHNSTON**—Within the confines of the embassy—it is not separate from the embassy, is it?

**Mr P Baxter**—No, what I am saying is that those officers who are posted to Camp Holland in Tarin Kowt have their security provided by the ADF.

**Senator JOHNSTON**—Hopefully, yes.

**Mr P Baxter**—Those officers who are in Kabul have their security provided by a private security firm under contract.

**Senator JOHNSTON**—Are they separate from the embassy?

**Mr P Baxter**—No, they are members of the embassy and are accredited as such. We have one there now; there is soon to be two.

**Senator JOHNSTON**—Is there a pro rata situation with the security costs between one section of DFAT and AusAID with respect to those officers?

**Mr P Baxter**—I am not sure whether I have the figures with me, but we would pay our way; we would pay our contribution to the overall government costs of running the embassy.

**Senator JOHNSTON**—I can anticipate that you would have special costs associated with getting out of the embassy, driving around, being escorted and being looked after—I can understand that.

**Mr P Baxter**—All that.

**Senator JOHNSTON**—What about down in Kandahar?

**Mr P Baxter**—The person in Kandahar arrived only in the last week. He departed Australia on 25 May so it is a very recent arrival. He is working within the security bubble at Kandahar airport.

**Senator JOHNSTON**—So he is in those beautiful Australian brick-built accommodation units that are of considerably high quality?

**Mr P Baxter**—I understand so.

**Senator JOHNSTON**—Okay; that is satisfactory. So we have him down there, we are going to have three or four in Tarin Kowt and we have the balance up in Kabul?

**Mr P Baxter**—That is right.

**Senator JOHNSTON**—What is the plan with respect to what they are going to do?

**Mr P Baxter**—There are, I guess, three key elements of our work, all of which have a focus on trying to develop the capacity of Oruzgan Province and the provincial authorities in Oruzgan Province. Firstly, to start with Oruzgan Province, we have two lines of operation: one is stabilisation and one is long-term capacity building. Stabilisation is working closely with the Australian Defence Force to implement quick impact projects in areas where our ADF colleagues are operating to demonstrate the benefits of cooperation with the coalition and to start to bring development to the population.

**Senator JOHNSTON**—I have seen the operation within the camp, the carpentry courses and all that sort of stuff, and the meetings that are held—all that—and I can relate to that.



What concerns me and what I am interested in is that Oruzgan Province is about one-third the size of Tasmania so what is happening out and about?

**Mr P Baxter**—It is about one-third the size of Tasmania and about seven centuries behind in development. The literacy rate in Oruzgan Province for women is 0.3 per cent and for men about five per cent. That compares with 18 per cent for women in the whole of Afghanistan and 40 per cent for men. In development rankings out of the 34 provinces, Oruzgan comes in at 32, so it is a fairly difficult environment in which to operate without the additional complication of being a very difficult security environment. So we are starting from a very low base. We have worked closely with the Australian Defence Force to supplement the work they have done. For instance, where they have built a school, AusAID has provided the funding to provide some of the equipment that has gone into the school—tables, chairs, teaching aids and those sorts of things. Similarly we have worked closely with the ADF to help design some of the small-scale infrastructure projects that they have developed, because we have particular expertise. Over the last year or so we have had only two development advisers in Tarin Kowt, so by more than doubling our presence in Afghanistan, particularly in Tarin Kowt, we are going to have a much greater capacity to get out from behind the wire and do some more development work.

Obviously, the situation at the moment is one where we are waiting to see what the Dutch will leave behind. The Dutch have been the lead development country within Oruzgan, and we are going through a process of very detailed discussions with the Dutch about what they will leave behind in Oruzgan province, what they might give away and what projects they might run in Oruzgan remotely from Kabul.

**Senator JOHNSTON**—I was led to believe that the Dutch contribution would change from being predominantly a military one to predominantly a civil one. Is that your understanding? Have you seen any signs in support of that?

**Mr P Baxter**—You are probably aware that there is to be a Dutch general election on 9 June.

**Senator JOHNSTON**—Yes.

**Mr P Baxter**—I do not think, frankly, anything will be clear about Dutch intentions until after then. They are in caretaker mode at the moment, so it is impossible to get a decision—just like when we are in caretaker mode. I think the assumption is that there will not be a Dutch civilian presence at the same level as there is now, once we get beyond the 1 August date. We would be delighted if the Dutch stayed longer and, indeed, stayed in place permanently, but our expectation is that it is likely there will be some reduction in the number of Dutch civilians.

**Senator JOHNSTON**—Do you know how many they have there now?

**Mr P Baxter**—I think in Tarin Kowt there are 11 civilians.

**Senator JOHNSTON**—We have three now and will have five soon.

**Mr P Baxter**—That is just AusAID. DFAT are also increasing their numbers in Tarin Kowt. I think that was asked in the hearing with DFAT.

**Senator JOHNSTON**—Yes. But they are not going to make much of a contribution to the hearts and minds, are they?

**Mr P Baxter**—I think on the contrary, Senator. If you look at the Dutch contingent, the Dutch contingent on the civilian side has been made up of people from the Dutch foreign ministry as well as Dutch development advisers. The foreign ministry people have played a very important role in engaging with tribal leaders and providing advice to the governor of the province. There is a real job for diplomats to do there.

**Senator JOHNSTON**—Why have we not been doing that?

**Mr P Baxter**—The government has made a decision to increase our presence, so we are moving to a greater capability.

**Senator JOHNSTON**—I am with you on that and I think it is difficult, and all of those things I accept. But the Dutch have had 11 in there. Some of them have not been comparable to AusAID, but they have had diplomats in there doing things. The COIN strategy is laid out and it has indicated that it is not just a military operation for us to be successful here. Are we not dragging the chain?

**Mr P Baxter**—No. The Dutch were the lead nation of the provincial reconstruction team that was established in Oruzgan province, so it was appropriate that they had the bulk of the personnel on the ground. As you know, we have had a very significant military commitment in Oruzgan for some time. The government has now decided that, with the change in the composition of the PRT, which is yet to be finalised, we will increase our civilian component. I think the Prime Minister first announced the increase in civilian personnel at the end of 2009. We are now in a position to deliver on that.

**Senator JOHNSTON**—What is the future plan with respect to the civilian contribution? This is 400,000 people.

**Mr P Baxter**—Yes. I think it is slightly less than that.

**Senator JOHNSTON**—Yes. It is somewhere between 300,000 and 400,000 people.

**Mr P Baxter**—Yes. As I stated earlier, they have a very low level of development. Government in Oruzgan province has not had traditionally much of a reach. I think it is fair to say that the citizens of Oruzgan have pretty low expectations of what a government will bring them, because they have never been brought much in the past. In some cases, our task is not so much capacity building but creating capacity where none exists. The Dutch have been operating in three of the seven districts only. We will look to carry on and, if possible, develop that work further. But we have to focus on a couple of things initially. Firstly, we have to get people into jobs in the province. Only about 30 per cent of the public sector positions are currently filled, so 70 per cent are vacant. That means getting Afghan people to go and work in a very difficult environment and for those Afghans to have the appropriate skills and experience in public sector management.

Of the 30 per cent of jobs that are currently filled, a number are filled by people who are illiterate, so numeracy and literacy skills will be a focus. But it is no good teaching people how to read and write and saying that will allow them to run a provincial administration; you also have to teach administrative skills alongside that. So there is a long-term capacity-

building plan that we have been developing for some months. Now that we are getting our full contingent on the ground, we will validate the planning that we have done over the last few months and work with whatever partners we have in Oruzgan under the new arrangements when the Dutch leave.

**Senator JOHNSTON**—What sort of structure do we have at home in AusAID to achieve our objectives in this province? Firstly, is there a section, a department or a subsection?

**Mr P Baxter**—I will ask Catherine Walker, the division head, who is responsible for Afghanistan.

**Ms Walker**—We have significantly expanded our capacity in Canberra to manage a scaled-up engagement in Afghanistan. We have a branch head in charge of Middle East and West Asia. We have our Afghanistan and Pakistan programs in the same branch, along with Iraq, Palestinian territories and other parts of the Middle East. There are synergies between—

**Senator JOHNSTON**—So we have a branch head and four subsections below the branch head?

**Ms Walker**—Yes. In relation to Afghanistan, we have just moved to a two-section structure. We have a director and a unit which is looking at our national program strategy in Afghanistan.

**Senator JOHNSTON**—How many are in the unit?

**Ms Walker**—Around seven at this moment. We have a second section, newly created, with a director who is responsible for implementation of our programs in Oruzgan. So we have developed a new section structure which we hope will have about 10 people in it.

**Senator JOHNSTON**—So 17 people administering Afghanistan?

**Ms Walker**—When the positions are scaled up we will have in the order of 20 people in Canberra working on our Afghanistan program across these two sections.

**Senator JOHNSTON**—How much money are we talking about?

**Ms Walker**—For the departmental costs, I will have to defer to the CFO.

**Mr P Baxter**—We received funding. There is a budget measure for the 2010-11 budget for Afghanistan, some of which provides departmental funding for AusAID to strengthen our capacity. One of the reasons we need to do that is that, unlike many programs where a lot of the design work and evaluation work can be done in the field, obviously that is very difficult in an environment like Tarin Kowt. A lot of that work will be brought back. The personnel that we put on the ground in Afghanistan will be rotated out of Afghanistan regularly, and as part of that rotation they will come back to Canberra to spend a period of time working on the Afghanistan desk back here before they go back in, as well as—

**Senator JOHNSTON**—So we have something like 26 rotational people anticipated to be churning through, with nine on the ground at any one time?

**Mr P Baxter**—We have the eight Australian AusAID officers, plus one program support officer, in Afghanistan. We need 16 people to maintain that presence all the time, because half are in and half are out on a rotation.

**Senator JOHNSTON**—That is the commitment. The budget allocation was how much?

**Mr P Baxter**—The program will increase from \$70 million this year to \$106 million next year.

**Senator JOHNSTON**—How much of that \$106 million next year will be on the ground in Afghanistan—be it in wages for our on-ground presence or in actual program—

**Mr P Baxter**—It is all program money.

**Senator JOHNSTON**—So the administration back home is over and above that?

**Mr P Baxter**—That is right. This is just the program funding that I am talking about.

**Senator JOHNSTON**—Did you say \$70 million?

**Mr P Baxter**—It is \$70 million this year, going up by \$36 million in the next financial year.

**Senator JOHNSTON**—To \$106 million. How much of the \$106 million is in Oruzgan?

**Mr P Baxter**—We have made estimates of what we think, but the majority of our funding will still be applied to national programs, many of which are delivered in Oruzgan province, particularly those national programs that are funded through the Afghan Reconstruction Trust Fund managed by the World Bank. We expect at this stage something in the order of \$15 million to \$20 million at least would be focused on Oruzgan. It may be more. It may be less. It just depends on what the Dutch are going to continue to do, what we might take over from the Dutch. The Dutch have been spending roughly 20 million to 25 million of their overall Afghanistan contribution in Oruzgan. Clearly we want to see that sort of level maintained but the exact figure will depend on what the Dutch leave behind and who else may come with resources into new arrangements that would be put in place after 1 August.

**Senator JOHNSTON**—So we have got an idea of where we need to be but we have not got a clear plan. We are waiting to see what the Dutch do to work out what resources we have got and then we are going to go ahead.

**Mr P Baxter**—I would not say that we do not have a clear plan. We do have a plan, as I mentioned to you. We have identified the need to train civil servants in Oruzgan. We have identified the need to strengthen public financial management flows from Kabul to Oruzgan. One of the problems that the central government faces is the lack of connectivity between Kabul and the provinces and clear and accountable ways of transferring money from the centre to the provinces. We also want to continue to support infrastructure in Oruzgan—support the police training centre. The Dutch have been constructing a technical education centre in Tarin Kowt town that we are looking to support. We are also looking at whether we can have some of the national programs, particularly the national solidarity program which is funded through the Afghan reconstruction fund, extended into some of the conflict affected areas of Oruzgan province. That is on the capacity-building side. On the stabilisation side, our operations and the intensity and value of our operations will be very much tied to the pattern of ADF operations within the province.

**Senator JOHNSTON**—What is our standard operating procedure with respect to relating to the ADF operations such that we can make reasonable efforts in planning and seek to have

their assistance and protection in the implementation phase of any projects we want to undertake? How do we go about doing that? What is the structural basis for it?

**Mr P Baxter**—The ADF will provide force protection to the increased civilian contingent that will be operating out of Tarin Kowt. They will provide support for AusAID development officers to get out from behind the wire to visit projects, to deal with local communities and all that comes with delivering an aid program in a very difficult security situation.

**Senator JOHNSTON**—In a combat zone.

**Mr P Baxter**—In a combat zone.

**Senator JOHNSTON**—What sorts of vehicles are you going to use?

**Mr P Baxter**—We will be using the standard ADF armoured vehicles.

**Senator JOHNSTON**—Bushmasters.

**Mr P Baxter**—Yes. The ADF is providing a purpose-specific contingent of its personnel to look after this increased civilian component and all of the equipment and the like that goes with that.

**Senator JOHNSTON**—I think we call that a sec det, or a security detachment.

**Mr P Baxter**—That is right.

**Senator JOHNSTON**—How many of them are there?

**Mr P Baxter**—The ratio, I think, is about one to 10. It will be about 50 or so.

**Senator JOHNSTON**—Fifty to look after our three to five officers in Tarin Kowt?

**Mr P Baxter**—Plus an increased DFAT component plus an increased Australian Federal Police component.

**Senator JOHNSTON**—Will you be using vehicles in military colours?

**Mr P Baxter**—Yes. We will not be driving our own vehicles. We will be using armoured vehicles that the military use.

**Senator JOHNSTON**—You have read General McChrystal's 60-day report that talked about the inauguration of a COIN strategy and how there has to be a movement from military to civilian assistance.

**Mr P Baxter**—Yes.

**Senator JOHNSTON**—Is it not appropriate that we have non-military marked vehicles, albeit Bushmasters or whatever? Isn't it appropriate that we get away from the green and sand coloured camouflage uniforms?

**Mr P Baxter**—I can see the point that you are trying to make. I guess my response would be that the attacks on vehicles that are clearly marked as 'UN personnel' have been consistent—

**Senator JOHNSTON**—Well, we do not mark them as 'UN personnel', do we?

**Mr P Baxter**—I am saying that non-military vehicles that involve foreigners trying to deliver assistance to the Afghan people have been targeted specifically by the Taliban.

**Senator JOHNSTON**—More than military vehicles?

**Mr P Baxter**—I am not saying ‘more than’. I am saying it does not provide you any greater protection. There is no evidence that it provides any greater protection.

**Senator JOHNSTON**—No, and it may not. This is the difficulty we confront. We are undertaking civilian assistance. If we are to succeed in the doctrine that has been laid out—which I am not sure has had any time to have any real effect—it is suggested by almost every commentator that the delivery of civilian assistance to this broader community should not be under the auspices of a military style operation.

**Mr P Baxter**—I am not aware of a single major donor in Afghanistan that is providing assistance without the support of their military, using military equipment marked as such.

**Senator JOHNSTON**—Are you aware of Mr Coleman, an Australian former ADF member who travels around Afghanistan, a Pashto speaker—all that sort of stuff? He does not use military vehicles.

**Mr P Baxter**—Yes, he is—

**Senator JOHNSTON**—You are aware of the bloke I am talking about?

**Mr P Baxter**—I am, but he is not working for a government delivering an aid program that is in support of a military operation.

**Senator JOHNSTON**—Have you thought about asking him for some assistance and guidance?

**Mr P Baxter**—We ask a lot of people for assistance and guidance.

**Senator JOHNSTON**—And they are not all dressed in khaki uniforms and they do not all carry guns?

**Mr P Baxter**—No, no. We talk to a broad range of people about our program—either other governments or other experts that have dealt with Afghanistan over a long period of time. The absolute priority is of course to ensure that our AusAID personnel and other Australian civilians work in a safe and secure manner and that they come home safely, having achieved some good development outcomes.

**Senator JOHNSTON**—I am getting the wind-up from the chair, which is not unreasonable. The point I make is that, if I know of people who can provide civilian assistance to this community and who are not military personnel but who are capable, there is a window of opportunity we should explore.

**Mr P Baxter**—We do provide assistance in Oruzgan province and elsewhere in Afghanistan through non-government organisations, through groups like Save the Children, the Asia Foundation, the Aga Khan Foundation. So it would be wrong to think that all of our aid is delivered by people jumping out of Bushmasters. We have a variety of means and we will continue—

**Senator JOHNSTON**—Aid delivered by us in Oruzgan province that, whilst we have the protection of the military, is not for all intents and purposes a military operation. That is the point I am making. We will leave it that. Thanks, Chair.

**CHAIR**—We are still on Africa. Senator Ludlam.

**Senator LUDLAM**—Mr Baxter, yesterday I put a couple of questions to the department and they referred me to you.

**Mr P Baxter**—How nice!

**Senator LUDLAM**—They relate to a recent inquiry into Africa conducted by the Joint Standing Committee on Foreign Affairs, Defence and Trade. Are you aware of that work?

**Mr P Baxter**—Yes, Senator.

**Senator LUDLAM**—Great. Submission No. 50 to that inquiry was made by the Australia-Africa Minding Industry Group. Is that a group that you are aware of?

**Mr P Baxter**—In the broad. I am not aware of the specifics of what they do, but yes.

**Senator LUDLAM**—You mean you do not have the submission right in front of you?

**Mr P Baxter**—No, I do not.

**Senator LUDLAM**—Okay. I will briefly tell you the issue I want to highlight in their submission. They argue that the Australian government, through AusAID, should fund community infrastructure promised by mining companies in Africa—effectively, the Australian taxpayer footing the bill for the sweeteners offered by these companies when they come into various places. The Australian uranium mining sector, for example, is very active in Africa at the moment, in places like Namibia, Malawi et cetera. Are you aware of that proposal that AusAID should fund the infrastructure the companies are promising as part of community benefit packages?

**Mr P Baxter**—Yes, we are aware of the proposal.

**Senator LUDLAM**—Great. Can you tell me what you think of that idea.

**Mr P Baxter**—It is not a proposal that has been put to AusAID by that group. It is a submission that they made to a parliamentary committee. It is interesting, but it is not something that we have considered, because it has never been an issue that has been raised with us directly by the mining industry.

**Senator LUDLAM**—All right. That goes to my second question: have you had formal or informal discussions with that industry group or with related parties—maybe some of the individual companies—on providing aid?

**Mr P Baxter**—Not on providing aid. We participate in forums which consider issues relating to mining, such as the Mining Downunder Conference here in Australia or the African Indaba conference in Cape Town that was held a few months ago. As you know, natural resource development is a key element of the economic development strategies of a number of African countries but we do not fund any corporate responsibility programs for Australian mining companies in Africa. We are always willing to talk to anyone who has an interest in the development agenda that AusAID is responsible for but we have not had any specific proposals put to us.

**Senator LUDLAM**—I am not sure that I would characterise what I am asking you about as a corporate responsibility program. In the abstract, say a company would come into a

country and say 'We will build a bridge, a hospital and a school in exchange for rights to resources' and then turning around to AusAID and saying 'Can you please provide us with a bridge, a hospital and a school?'

**Mr P Baxter**—No-one has ever made that request of us, Senator.

**Senator LUDLAM**—I should hope not. Would it be hypothetical to ask what your response would be if they did?

**Mr P Baxter**—It would be a hypothetical answer!

**Senator LUDLAM**—I will not press that point obviously. Can you tell us who the relevant contact officer within the department or the section would be with regard to these kinds of questions? Who would be responsible in the event that the mining industry did seek to engage in that kind of dialogue?

**Mr P Baxter**—Ms Walker and I would be the senior officers responsible.

**Senator LUDLAM**—Thank you. You seem pretty clear that you are not offering to go back and check your records and see whether such dialogue has been had? You are saying that it has not?

**Mr P Baxter**—No, Senator. We do do work in the natural resources sector in Africa, but we do that with the national governments of Africa. For instance, we have provided some support to the Extractive Industries Transparency Initiative in the work that they do in Africa. One of the very consistent requests that we get from African governments in our dialogue is for assistance to help them establish the appropriate financial, environmental and social regulatory frameworks to deal with mining, so it is really building capacity of governments rather than dealing with the private sector.

**Senator LUDLAM**—It is a bit different to where I am going. Thank you for your time.

**Senator TROOD**—I have some questions about the humanitarian program in Africa. But before I get to Africa, can you explain to me the total amount of funding provided for the humanitarian program in 2010-11? Do you have an aggregated figure for that?

**Ms Walker**—The total figure is \$301.5 million for AusAID.

**Senator TROOD**—Is that an increase or a decline on 2009-10?

**Ms Walker**—I do not think I can answer that until the end of the financial year because we have not completed all our humanitarian allocations this financial year.

**Mr Clout**—The estimated outcome for 2009-10 is \$246 million, so it is an increase of about \$56 million.

**Senator TROOD**—So you think it is going to be an increase?

**Mr Clout**—That is correct but, as was said, the final outcome will not be known until later in 2010.

**Senator TROOD**—Have you developed a humanitarian program for Africa for the forthcoming year?

**Ms Walker**—We broadly know where we are likely to allocate funding through our humanitarian vote for Africa, but of course we build in the flexibility to respond to sudden



onset emergencies. But, as you know, there are many protracted humanitarian crises in Africa—in the Sudan, in the Horn of Africa, in the Democratic Republic of Congo. We have been long-term supporters so we know that we are likely to continue to provide support in some of those instances—and of course in Zimbabwe.

**Senator TROOD**—Does the \$301 million include provision for crises and emergencies or is there an additional figure for those contingencies?

**Ms Walker**—There is an additional figure for sudden onset emergencies—unforeseen.

**Senator TROOD**—That is in addition to the \$301 million.

**Ms Walker**—Yes.

**Senator TROOD**—Where does that come from?

**Ms Rauter**—There are funds in a contingent series for ODA. There is \$183 million in there.

**Senator TROOD**—So it will come out of the overall contingency fund for the agency or is it an overall contingency fund for Africa?

**Ms Rauter**—No, there is an overall contingency fund for the aid program.

**Senator TROOD**—There could be many demands upon that fund. Is that a fair statement?

**Ms Rauter**—That is right.

**Senator TROOD**—\$183 million?

**Ms Rauter**—Correct.

**Senator TROOD**—Did you spend all of the money in the contingency fund this year?

**Ms Rauter**—Yes, we are on track to spend all of the money for this year.

**Senator TROOD**—So you are going to spend it all?

**Mr P Baxter**—The contingency reserve element of the AusAID budget is part of the government's target for GNI to ODA. So we have to spend the contingency reserve each financial year that it is provided for to meet the targets that the government has set in scaling up to 0.5 GNI.

**Senator TROOD**—Does that mean that you are not necessarily spending it on contingencies or are you shifting it among programs?

**Mr P Baxter**—There are two calls on the contingency reserve. One is unforeseen humanitarian and natural disasters. For instance, if we had a major natural disaster in our region that we needed to get money for beyond that which had been provisioned in the other elements of the budget then that would be a call on the contingency reserve, or could be. Secondly, as you know, things happen within a year that might mean that the Australian government is asked to make a commitment to some kind of new program. A good example of that is that, later this year, as you know, there will be the UN MDG summit. There may be commitments that Australia and other major developed countries are asked to make as part of that conference. We need to have some flexibility to respond within year to developments that happen.

**Senator TROOD**—If you run down the contingency reserve fund are you able to draw funds from elsewhere within the agency? What do you do about that?

**Mr P Baxter**—We also have what is called a mandated flexibility fund, which is our first port of call if you like in humanitarian emergencies—so truly unforeseen, unplanned events: tsunamis, earthquakes. When we deplete that then we will go to the contingency reserve. If we have depleted the contingency reserve within a given year—it has not happened yet; this coming year will be the third year of operation of the contingency reserve—then we would go to the government and seek an additional appropriation. But, with a budget in the next financial year of \$4.3 billion, we have enough flexibility within that to meet most contingencies.

**Senator TROOD**—More than enough flexibility, Mr Baxter.

**Mr P Baxter**—Enough flexibility, I would say, Senator.

**Senator TROOD**—I do not have any further questions.

**CHAIR**—Thank you. There are no further questions on any of the programs in outcomes 1 or 2. Senator Trood asked a question about a contract and an officer was going to find out the answer.

**Mr Proctor**—The Disability Rights Fund is the organisation that managed that. If you can be slightly more patient we will have a written response for you.

**Senator TROOD**—I am infinitely patient. You are preparing a written response?

**Mr Proctor**—I just asked for some more details and it is coming imminently. I can give you an oral response at that time.

**CHAIR**—Why don't you allow all of your other officials to go and when we come back after the break you can give the written response and flesh out any answers to questions that Senator Trood might have.

**Mr P Baxter**—Yes. Could I make two points before we close. Firstly, Senator Johnston asked a number of detailed questions earlier about the Call to Action program. With your indulgence I propose to table a written set of answers to those questions so that he has the information that he sought. Secondly, in response to an earlier question from Senator Kroger, I talked about 66 suspected cases of fraud. I just wanted to clarify that that is the number for this financial year, not the overall number. There are 66 cases of fraud that we are looking into this financial year and overall there are 134 active cases that go back to other financial years.

**CHAIR**—We will take a break and you can table the response when we resume, after which Senator Trood may have some follow-up questions. That will then conclude matters relating to AusAID and we will move on to Austrade and trade matters in the DFAT portfolio. Thank you, Mr Baxter and officers for attending and assisting the committee in its deliberations.

#### **Proceedings suspended from 3.21 pm to 3.39 pm**

**CHAIR**—The committee will come to order. We just have some outstanding business to handle with regard to some documents from AusAID in respect of a query from Senator's Trood. Do you have something to table, Mr Proctor?

**Mr Proctor**—I can give you the information orally, if you do not mind. There was a question about a contract to the Tides Centre. Senator Trood, this is in fact an American public charity that provides services, a legal framework and capacity building for projects that share their objective of a 'just and sustainable world', as their wording goes. In fact, it is really about the Disability Rights Fund that they manage on behalf of a number of donors. Those contributors to the fund include the UK agency DFID, the Soros Foundation and the American Jewish World Service, amongst others.

This Disability Rights Fund provides grants to disabled persons organisations to build their capacity to participate in their country's efforts to implement the Convention on the Rights of People with Disabilities. The fund, which is not just our money, of course, has provided over US\$2.7 million to 87 organisations. It does support work in 14 Pacific countries as well as countries in South Asia and Latin America.

**Senator TROOD**—This the first time you have provided money to them?

**Mr Proctor**—That is correct. That was 26 May.

**Senator TROOD**—Last year?

**Mr Proctor**—Yes, 2009; \$1.32 million. Some of the support, for instance, goes to the PNG Assembly of Disabled Persons to ratify the Convention on the Rights of People with Disabilities.

**Senator TROOD**—I assume you did a probity check before these funds were made available. Is that right?

**Mr Proctor**—This would be a respected international entity that is used by a number of donors, yes.

**Senator TROOD**—In telling me that, are you saying that you acknowledged the Soros Foundation and other significant donors provided funds to it and therefore you concluded that it was satisfactory for Australian aid money to go there?

**Mr Proctor**—In coming to a program on disability, there were very wide-ranging discussions with organisations in Australia and overseas. In this particular case their use by other donor agencies such as DFID would give you great confidence that this is a good organisation to deal with.

**Senator TROOD**—I have had some disturbing information about the Tides organisation which administers the fund. In fact, it has been described as behaving less like a philanthropy fund than a money-laundering enterprise, which is hardly flattering. A further suggestion—

**CHAIR**—Are you going to identify the person who made that assertion?

**Senator TROOD**—No, I do not intend to.

**CHAIR**—So you are making that assertion, are you?

**Senator TROOD**—I am advising that I have had this advice.

**CHAIR**—You are repeating an assertion of an unnamed person.

**Senator TROOD**—If you wish to characterise it in those terms, yes.

**CHAIR**—Should we treat it with due respect?

**Senator TROOD**—You can treat it as I am saying it to be, Chair. If Mr Proctor can respond to it, I would be grateful. There is a further suggestion that Tides, the umbrella organisation, does two things better than any other foundation or charity in the United States: it routinely obscures the sources of its tax exempt millions and makes it difficult, if not impossible, to discern how the funds are actually being used. That seems to me to challenge two key elements of what I would hope to be our funding program, which of course are accountability and transparency. Have you heard of any of these kinds of observations about Tides's activity?

**Mr Proctor**—I have not. I would just make the point, in response to that, that the source of our funding is quite clear to them, as we were discussing, and where our moneys will go is quite clear.

**Senator TROOD**—So you have arrangements with regard to this grant that allow your funding to be identified as a contribution to the disability fund—is that correct?

**Mr Proctor**—That is my understanding.

**Senator TROOD**—In relation to the funding you provide to Tides, are you required to provide any kind of fee to Tides, rather than all of the funds going into the disability fund?

**Mr Proctor**—We do provide them with a fee for administering the moneys, which is quite common amongst many organisations.

**Senator TROOD**—How much is that?

**Mr Proctor**—I would have to give you a response in writing on that one.

**Senator TROOD**—Perhaps you could take that on notice. Is that a fee that you agree with Tides or is it a fee that you generally allow to be taken for this kind of activity?

**Mr Proctor**—They would have a fee for handling these moneys, as would UNICEF and many other organisations.

**Senator TROOD**—You take whatever is their determined fee?

**Mr Proctor**—If it is a reasonable fee, yes. We would not pay an unreasonable amount in operation costs.

**Senator TROOD**—I would hope not.

**Mr Proctor**—The point is getting the money out to organisations.

**Senator TROOD**—What is the general range of reasonableness in relation to these matters?

**Mr P Baxter**—It varies according to organisations. Multilateral development banks normally can charge up to 10 per cent as an administrative fee to contributions to multilateral trust funds, and in some cases the figure is five per cent. It is in that sort of range.

**Senator TROOD**—What arrangements are in place in relation to the grant to pursue the accountability element that is obviously necessary?

**Mr Proctor**—I will check if we have further data here. Laurie Dunn, who is the head of the operations branch, which includes disability initiatives, will have further information.

**Mr Dunn**—The Tides group managed the administration of the fund on behalf of a broader group of donors. There is a steering committee that we are a member of that makes decisions around each of the grants, handles the acquittal process and ensures that the grants that are applied for are used in the way that they are assessed.

**Senator TROOD**—Do they provide regular accounts of the progress of the grant over the year that it is administered?

**Mr Dunn**—We have regular participation in the Disability Rights Fund that actually administers the fund overall. It receives regular reporting from funding partners, and we receive the acquittal and reporting information through that process.

**Senator TROOD**—This grant was only for a year—is that right?

**Mr Dunn**—Yes.

**Senator TROOD**—So it comes to a conclusion at the end of this month—is that right?

**Mr Dunn**—Yes. We are looking at whether there is scope to continue the work. The involvement in the Disability Rights Fund has meant that disabled people's organisation in the Pacific has been to apply for grants through the Disability Rights Fund for the first time. That has been an important advance in basic capacity building for disability people's organisation in the Pacific.

**Senator TROOD**—You are contemplating making another grant to Tides in relation to the disability fund—is that right?

**Mr Dunn**—We are contemplating further support for the Disability Rights Fund. I think the management arrangement between the Disability Rights Fund and Tides may be something that needs to be looked at. But the contribution is to the Disability Rights Fund itself, which is managed by a steering committee of donors and funding agents, and we are a member of that steering committee.

**Senator TROOD**—I think that is absolutely right. It does need to be looked at and I would suggest you pay very close attention to the Tides organisation, the way in which it administers its funds and the activities for which it provides funds. I am not suggesting that the Disability Rights Fund is necessarily not an excellent philanthropic enterprise to be involved in or that it is not appropriate for AusAID, but I think you need to pay very close attention and do a very comprehensive probity check in relation to Tides.

**CHAIR**—On the basis of these assertions with no information and no names? On the basis of what you said and nothing else?

**Senator TROOD**—On the basis of the information that I have brought to the committee.

**CHAIR**—You have provided no information.

**Senator TROOD**—Just get on with administering the program.

**CHAIR**—No. They are unsupported, vacuous assertions. Thank you, Mr Baxter.

**Mr P Baxter**—One final thing. Senator Johnston asked a question earlier about the cost of Canberra based staff working on Afghanistan. This financial year, 2009-10, the cost is \$2.026

million. We expect the figure will increase next year, but we have not yet finalised those allocations.

**CHAIR**—I thank the officers of AusAID. I invite the officers of Austrade to the table and the officers of the Department of Foreign Affairs and Trade from the relevant area to the table.

[3.50 pm]

#### **Australian Trade Commission**

**CHAIR**—I welcome Mr Yuile and his officials from Austrade. The committee will be hearing from Austrade and the relevant trade aspects of DFAT together. Mr Wise, I think at the outset you have some documents to table?

**Mr Wise**—Yesterday Senator Trood asked some questions in relation to separations, average staffing levels and security clearances. With your agreement, Chair, I would like to table some responses to those questions.

**CHAIR**—Those documents are admitted. Thank you, Mr Wise. Mr Grey, this is your first attendance here having recently been appointed to a senior position in Austrade. Congratulations and welcome to these estimates hearings.

**Mr Grey**—Thank you very much, Senator.

**CHAIR**—We turn to outcome 1, program 1.1, Trade and investment development.

**Senator BRANDIS**—I want to ask a series of questions about Austrade's role in assisting the Reserve Bank of Australia through its subsidiary trading entities Securrency and a related company Note Printing Australia. In the negotiation of contracts for the printing of polymer banknotes with different companies. I wonder if I can, for brevity, refer to Securrency and Note Printing Australia as the 'RBA associated companies'. It is the case that Austrade assisted the RBA associated companies in seeking contracts in a number of countries—including Vietnam, Malaysia and Nigeria, is that right?

**Mr Yuile**—Senator, if I could perhaps open with a couple of observations.

**Senator BRANDIS**—Yes, by all means.

**Mr Yuile**—The first observation is that clearly we want to be as helpful as possible to the committee and to senators. Section 94 of Austrade's act precludes Austrade from discussing issues related to interactions with its clients. It is quite a clear provision and it is subject to penalty if we breach those provisions. The second observation I would make is in relation to Securrency. As you are aware, there is currently an investigation by the Australian Federal Police. The commissioner, in his evidence to the legislative and constitutional affairs committee last week, indicated that it was an active and open investigation and that he was asking to not reveal details of those investigations and which markets they might be in in case that prejudiced their inquiries. So I am very conscious of those two things as I try to respond to your questions as constructively as I can.

**Senator BRANDIS**—Thank you for those observations, which, of course, I will treat with respect, but I think you will find that section 94 of your act does not limit the privilege of the parliament. I know that in fact the Senate Privileges Committee has recently been looking at this issue of confidentiality provisions in statutes. Rarely, if ever, do those confidentiality

provisions repeal or limit the operation of the Parliamentary Privileges Act. So, unless the standing and sessional orders and privilege resolutions which govern the proceedings of this committee inhibit my inquiries, then your obligation to answer to the parliament are paramount. Having said that, of course I am conscious that it may very well be—knowing as I do what I am about to ask you—that you will want to take some of my questions on notice, consider your position and perhaps consider providing answers to those questions to the committee in camera.

**CHAIR**—Sorry, Senator Brandis, do you want evidence to be taken in camera?

**Senator BRANDIS**—I said that it might be appropriate for Mr Yuile to take the questions on notice, consider his position and perhaps provide that information in written form in camera.

**Senator O'Brien**—My understanding is that estimates committees do not have the ability to take evidence in camera; others do. For that reason, these sorts of matters tend to be referred to other committees where that process is available.

**Senator BRANDIS**—Perhaps I used the phrase ‘in camera’ a little inexactly. It is enough for me to say to you, Mr Yuile, no doubt you will want to take some of these questions on notice. You will consider your position and, if you propose to take an objection, you can take it in writing and the committee will consider, at an appropriate future time, any objection you raise and what we think about it.

**Mr Yuile**—It is just that I have not had an opinion in terms of the privilege issue. I certainly am the last person who would want to in any way breach those considerations. I just thought it was important that I put upfront the two elements of constraint as I understand them.

**CHAIR**—Just for your own information about the point raised by Senator O'Brien as to the taking of evidence by estimates committee in camera: I have just had a brief discussion with the secretary of the committee and the secretary of the committee advises that the point raised by Senator O'Brien is indeed correct.

**Senator BRANDIS**—I do not dispute that but it does not limit the time I have and the questions I wish to ask.

**Mr Richardson**—If I could add; we will seek to be as helpful as we can. Where we believe we cannot properly answer a question on the basis of legal advice then, obviously, we will not be able to do that. In respect of certain questions we may need to actually seek advice, but we will seek to be as helpful as we can. I think Mr Yuile has indicated that he already has some advice which puts certain boundaries around what he can and cannot say.

**CHAIR**—Thank you for that advice. Senator Brandis, I think you should proceed, and we will see how we go.

**Mr Grey**—If I could just mention, for the record, that—

**Senator BRANDIS**—I have not asked any questions yet, by the way.

**Mr Grey**—No.

**Senator BRANDIS**—I have identified an area of inquiry and, having regard to the constraints on our time, it may be more useful just to wait for the questions, if I may say so, with respect.

It is the case, isn't it, that over a number of years until the recent past—until as recently as 2008—Austrade assisted the two RBA associated companies which I have identified in negotiating contracts for the production of polymer banknotes in a number of countries, including Vietnam, Malaysia and Nigeria? That is right, isn't it?

**Mr Yuile**—It is certainly true that we assisted Securrency International in facilitating their trade activity. You used the words 'negotiating contracts' and I just want to be careful there; we were not the commercial party.

**Senator BRANDIS**—No, I am not saying you were.

**Mr Yuile**—We assist firms with introductions to officials or business, matching potential interests and arranging programs—that kind of thing. In terms of the public record, it is certainly true that over a period of time since the establishment of Securrency, and also the operations of Note Printing Australia, that Austrade has assisted those firms in their trade activities. In terms of the public record, with the markets you mentioned there was a KPMG report which was undertaken at the request of the chairman of Securrency, and that report indicates, for example, some assistance we gave in a couple of markets. One of those is Vietnam, as you mentioned. That report also notes that in the case of Nigeria we were not able to obtain information in relation to background market commissions for those agents. I am just saying—

**Senator BRANDIS**—I do not mean to cut you off, but you are really getting ahead of what is needed here. I want to take you through this in a logical, orderly and methodical way. The only question I have asked you so far is whether Austrade assisted these companies in obtaining contracts in three named countries and, perhaps, other countries. Now, you have rightly pointed out that you were not the commercial party; I did not expect that you would be. But just limit yourself to the question, would you? Austrade did assist these companies in Vietnam, Malaysia and Nigeria in various respects in seeking to develop and market the Australian technology in the production of polymer banknotes, didn't it?

**Mr Yuile**—We assisted them in their trade efforts, that is correct—

**Senator BRANDIS**—In each of those three countries?

**Mr Yuile**—In two of those markets. In the case of Nigeria we do not have representation there, and I think we were asked for assistance for background information on agents and, as the KPMG report indicates, we were not able to provide that information.

**Senator BRANDIS**—Let me take you through it. The answer to my question is yes, you provided some measure of assistance in those three countries. Were there any other countries? Whether or not the assistance was productive or a success is another question. Other than Nigeria, Vietnam and Malaysia, did Austrade provide assistance to Securrency and Note Printing Australia in any other countries? If so, what were they?

**Mr Yuile**—There were a very wide range of markets where Austrade assisted Securrency and Note Printing Australia with their trade activities.



**Senator BRANDIS**—About how many?

**Mr Yuile**—There would be 20 or more.

**Senator BRANDIS**—Would you provide us with a list of those countries.

**Mr Yuile**—I will take that on advice, yes.

**Senator BRANDIS**—No, you will take it on notice.

**Mr Yuile**—Yes, and I will seek advice about the question of—

**Senator BRANDIS**—Nobody could possibly maintain that the identity of a country in which Austrade provided assistance to Australian firms was itself a matter of commercial confidentiality.

**Mr Yuile**—No, but I am referring to Commissioner Negus's comments the other evening in respect of their interest in a variety of markets.

**Senator BRANDIS**—I understand that.

**Mr Yuile**—Anyway, I will take it on notice.

**Senator BRANDIS**—Can you give us an example of just a few of the other countries, by the way? You must know what some of them were.

**Mr Yuile**—Yes. They were countries in South America.

**Senator BRANDIS**—Yes. Such as?

**Mr Yuile**—Such as Chile and Mexico.

**Senator BRANDIS**—What about in South-East Asia? Other than Vietnam and Malaysia, are there any other countries in South-East Asia?

**Mr Yuile**—Yes, there are. We certainly arranged meetings in markets like Pakistan, in South Asia. The main ones in South-East Asia would be Thailand, Vietnam, Indonesia.

**Senator BRANDIS**—Thank you. Let us go first to Malaysia. Is it not the case that between 3 July and 10 July 2007 there was an exchange of email correspondence between the Austrade commissioner in Kuala Lumpur, Mr Taylor, and at least three Austrade officers concerning a Malaysian businessmen, Abdul Kayum Syed Ahmad, in which, among other things, Austrade, at the request of Securrency, conducted a report on the suitability of that person as a commercial party for those two Australian companies, in the course of which information concerning this man was exchanged?

**Mr Yuile**—I have not seen that particular correspondence, so I cannot explicitly confirm your statement. But I certainly can tell you that part of the arrangements with Securrency went to the issue of seeking background information on agents or potential agents which Securrency management could then consider as part of their due diligence in the appointment of agents. I would like to take that on notice to confirm your statement about the particular individual, but certainly as part of the agreement with Securrency, as we would for any other firm who sought that assistance, we would provide background information on agents or potential agents. That is correct.

**Senator BRANDIS**—But you know about Mr Abdul Kayum, don't you?

**Mr Yuile**—I have heard his name.

**Senator BRANDIS**—You know that he is a person with whom Securrency and NPA were dealing in Malaysia.

**Mr Yuile**—I understand that to be the case.

**Senator BRANDIS**—His firm is a company called Aksavest Sdn Bhd—which I assume is the Malaysian version of proprietary limited. Have you heard of that company?

**Mr Yuile**—I have heard of that company, yes.

**Senator BRANDIS**—And that was the commercial entity of Mr Abdul Kayum, with whom Securrency and NPA were dealing—correct?

**Mr Yuile**—Let me confirm that for you. I do not have that information explicitly.

**Senator BRANDIS**—Is there any other Austrade officer who has more particular information than you in the room, Mr Yuile?

**Mr Yuile**—There are other officers who I can seek some information from.

**Senator BRANDIS**—Why don't we do that now.

**Mr Yuile**—Yes, that is the name of the company that the background check was done for.

**Senator BRANDIS**—Austrade provided a background check on this man and his company to Securrency and/or NPA, did it not?

**Mr Yuile**—It was asked for that, yes.

**Senator BRANDIS**—And it conducted that background check, did it?

**Mr Yuile**—Yes.

**Senator BRANDIS**—And it provided that background check to Securrency and to NPA?

**Mr Yuile**—Yes, to Securrency, not to NPA.

**Senator BRANDIS**—To Securrency—thank you. Was the background check provided to anybody else?

**Mr Yuile**—Not that I am aware of.

**Senator BRANDIS**—External to Austrade?

**Mr Yuile**—Certainly not by Austrade.

**Senator BRANDIS**—Is it not the case that that background check alerted Securrency to concerns about corruption concerning Mr Abdul Kayum and his dealings with Securrency, and also alerted Securrency to the fact that Mr Abdul Kayum's commercial entity, Aksavest, was an arms trader?

**Mr Yuile**—That goes to very specific advice to the company concerned. I would just like to take that on notice.

**Senator BRANDIS**—You take that on notice. Perhaps I can shorten this by simply asking you to provide to the committee a copy of the document—that is, the background check on Mr Abdul Kayum and on Aksavest.

**Mr Yuile**—I will take that on notice.

**Senator BRANDIS**—Thank you. It is the case, isn't it, that that background check triggered a wider audit of commercial parties in Malaysia with whom Securrency and NPA had been dealing—that as a result of those findings there was a wider audit conducted by Freehills on the basis of the initial findings of the Austrade background check?

**Mr Yuile**—If that was a request of Securrency, it is something you would have to ask them.

**Senator BRANDIS**—You were not involved in the Freehills audit?

**Mr Yuile**—I am not aware of that, no.

**Senator BRANDIS**—Can you take that on notice, please?

**Mr Yuile**—I certainly will. Just so it is clear, I certainly want to be as helpful as I can, but in some of those questions relating to the individual company's activity it may be something that we have no knowledge of. But I will certainly take it on notice.

**Senator BRANDIS**—Of course—I understand that. But it would be more than surprising if, as a result of investigations carried out by Austrade, which were documented, a wider audit was triggered that Austrade was not itself consulted on by the professional firm conducting that wider audit, would it not?

**Mr Yuile**—Again, I do not know the circumstances of the audit, as you say, that would have been triggered within Securrency.

**Senator BRANDIS**—What was the date on which the background check into Mr Abdul Kayum and Aksavest was requested?

**Mr Yuile**—I do not have that information in front of me. I will have to—

**Senator BRANDIS**—Are you able to obtain it from officials in the room, please?

**Mr Yuile**—I will just see if we have that.

**Senator BRANDIS**—It might be more efficient if some of these officials came to the table if they have these answers readily to hand.

**Mr Yuile**—Sorry, we do not have that with us.

**Senator BRANDIS**—Can you provide that, please. Just tell us in a broader sense rather than concentrating on a specific case, when a background check on a commercial party with which an Australian commercial entity is dealing or negotiating or exploring a commercial opportunity is requested what is the process? Does Austrade initiate its own investigation on occasions or is it only ever initiated as a result of a request by the Australian commercial party or is there another process by which such a background check comes into being? By what process is a document of the kind you have been describing initiated?

**Mr Yuile**—It would be initiated by the commercial party who had asked for the background check, and we would typically go to public sources—Dun & Bradstreet report, reports on the company name, residents et cetera.

**Senator BRANDIS**—That is fine. One assumes that such an inquiry, initiated at the request of an Australian commercial party, would be requested in writing by it.

**Mr Yuile**—I would expect that to be the case although in the case of Securrency we did have a global agreement. If a person authorised to do so had requested it, it may not have been in writing, but I would usually expect there would be some sort of communication.

**Senator BRANDIS**—This is Austrade's global agreement with Securrency?

**Mr Yuile**—Yes, that is correct.

**Senator BRANDIS**—Is that a public document?

**Mr Yuile**—No.

**Senator BRANDIS**—Would you please provide a copy of that document to the committee, and if you have commercial-in-confidence concerns then perhaps relevant portions of the global agreement could be retracted.

**Mr Yuile**—Certainly.

**Senator BRANDIS**—Thank you. In any event, even if there were no self-sufficient or separate written requests for a background check, if such a request were to be made orally presumably a file would be created within Austrade and the nature of the inquiry that had been sought would be diarised or minuted in that file.

**Mr Yuile**—There would certainly be some record of the request because we would obviously then provide the background material and, with that, there would be an acknowledgement of the request made.

**Senator BRANDIS**—Sure. Would that file be maintained in a physical form, not merely in an electronic form?

**Mr Yuile**—I could not confirm that. It may well be an electronic file, or there may be a paper based record as well. I would have to check.

**Senator BRANDIS**—I think you will probably want to take this on notice. Could you please provide to the committee a complete copy of the file whether paper based or electronic. And if you are of the view that there is material in that file which for commercial-in-confidence reasons should be redacted will you consider what ought to be redacted and provide the file subject to the redacted material.

**Mr Richardson**—That request will have to be taken on advice.

**Senator BRANDIS**—I expected that would be the case. In any event, how many Austrade officers were involved in the background check into Abdul Kayum Syed Ahmad and Aksavest and any other identities associated with Mr Abdul Kayum's business empire?

**Mr Yuile**—Again, I would have to check with the post concerned. I could not give you a categorical answer to that.

**Senator BRANDIS**—Was it a major investigation, comparatively speaking?

**Mr Yuile**—No, I would not have thought so. If it is background information on the agent that presumably Securrency or any other entity might ask for, we would go to the public sources, as I mentioned, where it is available and assemble that. I would not have thought it was a major job, but let me confirm that with the officers concerned.

**Senator BRANDIS**—How would you, for example, arrive at a conclusion that this man was involved in a network of corruption involving Malaysian politicians? That is not just a question of public sources, is it? Do you conduct private inquiries?

**Mr Yuile**—No. We are not an inquiry agency. We do not have those powers.

**Senator BRANDIS**—Over what period of time—whether weeks or months—was this background check carried out?

**Mr Yuile**—I am not sure how long it took between the request and when it was provided, but I think I already told you that I do not have the date of that request.

**Senator BRANDIS**—Was it a matter of weeks or months?

**Mr Yuile**—I would not have thought it would have been months.

**Senator BRANDIS**—Did Austrade ever warn Securrency or NPA not to make payments to Mr Abdul Kayum or his entities?

**Mr Yuile**—You have now moved beyond asking about background checks to the question of the engagement as an agent—is that right?

**Senator BRANDIS**—Yes.

**Mr Yuile**—We would not give a commercial party advice like that. That would be up to the parties concerned.

**Senator BRANDIS**—You have done a background check; that has been distilled into a document which you have provided to the commercial party, Securrency.

**Mr Yuile**—Yes.

**Senator BRANDIS**—Would that document contain appropriate cautions or warnings about the overseas commercial party—in this case Mr Kayum and his entities—with whom they were dealing?

**Mr Yuile**—It may contain information that would cause the entity to take further action and make further investigations and inquiries. Again, it is not a full due diligence check on a company; it is background information on, as I say, their commercial status and perhaps their balance sheet—the basic information around a company operating in a market. Where there is additional information on the public record, we would put that together as well. As to taking the next step in terms of what a company might decide to do, that is obviously a question for it and its management.

**Senator BRANDIS**—Thank you. I want to ask you now about Austrade's engagement with Securrency and NPA in relation to Vietnam. Is it not the case that Austrade was asked in about 2007 to do a background check on a Vietnamese company called CFTD—I assume those are the initial letters by which it is known—and a man called Anh Ngoc Luong and a subsidiary of CFTD called Banktech.

**Mr Yuile**—Yes, that is correct.

**Senator BRANDIS**—Were there other persons or entities associated with Mr Luong, CFTD or Banktech into which Austrade was asked to do background checks by Securrency?

**Mr Yuile**—I am not aware that there were, but let me check. Not that I am aware of, no.

**Senator BRANDIS**—So it was Mr Luong, CFTD and Banktech. I think I asked you whether you were asked to do background checks. Did you do such background checks into that man and those two entities?

**Mr Yuile**—Yes, there was a background check done.

**Senator BRANDIS**—Was that just for Securrency or also for NPA?

**Mr Yuile**—Let me check. Just for Securrency.

**Senator BRANDIS**—Of course, Securrency is a commercial agent of the Reserve Bank. Were these background checks—and, indeed, the other ones about which I was asking you in Malaysia—also supplied to the Reserve Bank?

**Mr Yuile**—I am not sure your characterisation of it as a commercial agent—I am not a company lawyer and I know you are an eminent SC—

**Senator BRANDIS**—It had a commercial relationship with the RBA, didn't it? It was part-owned by the RBA.

**Mr Yuile**—That is right—it is part ownership. There is a separate board.

**Senator BRANDIS**—Yes, the RBA was represented on the board and some of the shares were held by or on behalf of the RBA. Given that fact, these companies are quasi Australian government entities. Were these background checks provided to the RBA as well?

**Mr Yuile**—I believe that the request come from executives of the company Securrency and the checks were supplied to that company. I am not aware of whether Securrency would have done anything with them.

**Senator BRANDIS**—No, I am asking what you did.

**Mr Yuile**—No, we would not have—

**Senator BRANDIS**—You did not supply any of these reports to the RBA?

**Mr Yuile**—No.

**Senator BRANDIS**—Okay, thank you. In relation to Mr Luong and CFTD and Banktech, is it not the case that in March or April 2008 Austrade advised Securrency that it had a firm belief that Mr Luong was a representative of the Vietnamese intelligence agency, the ministry of public security, and that Securrency should be very careful about any financial exchanges with Mr Luong given Australia's foreign bribery laws?

**Mr Yuile**—That goes very specifically to the advice to Securrency. I would have to take that one on notice.

**Senator BRANDIS**—All right, take that on notice. By the way, is there a protocol within Austrade that if an issue of this kind ever arises in the course of you conducting an investigation or a background check, so that it reveals a particular relationship between a foreign entity and a foreign government, that you alert the department of foreign affairs or one of the Australian intelligence agencies to a matter that may be of interest or relevance to it?

**Mr Yuile**—If you are saying if we do a background check and there emerges some information—

**Senator BRANDIS**—some intelligence related issues—

**Mr Yuile**—or some questions relating to the company that would be obviously passed to the entity that requested that check: I am not aware of any specific protocol as such, but I think it would go to the specifics of the instance or the specifics of the matter as to whether or not.

**Senator BRANDIS**—So in an appropriate case you might?

**Mr Yuile**—That may arise but I am just not aware of any particular protocols that might apply to that.

**Senator BRANDIS**—Has that ever happened, Mr Yuile, to your knowledge?

**Mr Yuile**—Not to my knowledge.

**Senator BRANDIS**—Mr Richardson, has it to yours, that an Austrade investigation or background check has revealed perhaps sensitive intelligence matters of interest to the Australian government and Austrade has alerted the department of foreign affairs to those matters?

**Mr Richardson**—I am not aware of any specific case personally myself. But that does not mean to say it has not happened. I am just not aware of anything myself.

**Mr Yuile**—To go back to something I said earlier, we draw on material that is on the public record. It is not a separate private investigation. So the material that we would be drawing on would be material that is in the public domain.

**Senator BRANDIS**—I have asked you for a copy of the background check into Mr Luong, CFTD and Banktech. Can you tell me now, please, if it is to hand, the date on which that background check was handed to Securrency?

**Mr Yuile**—I have not got the exact date with me.

**Senator BRANDIS**—Roughly, to the month?

**Mr Yuile**—No, you asked me when it was handed to Securrency. I cannot tell you that at this moment, and I will need to take that on notice.

**Senator BRANDIS**—All right. Am I right in thinking that it was in the early part of 2008?

**Mr Yuile**—No, I do not think that is correct.

**Senator BRANDIS**—When do you think it was approximately?

**Mr Yuile**—I understand that there may have been two background checks.

**Senator BRANDIS**—When were they respectively, please?

**Mr Yuile**—I understand 2007 and 2009, but I want to confirm that.

**Senator BRANDIS**—2009? I see. When in 2009? Do I see that a piece of paper has been helpfully given to you?

**Mr Yuile**—I cannot confirm that date. Let me take that on notice.

**Senator BRANDIS**—Are you able to tell us to the nearest month in 2009?

**Mr Yuile**—No, I have not got that information with me.

**Senator BRANDIS**—While you are still in evidence before this committee could that information be sought? I am sure it is not something that would be very difficult to locate with just a phone call—please, Mr Yuile. We will be here for a while.

Let me make it perfectly clear: you are not to be held responsible for what your commercial clients to whom you give background check on overseas commercial entities may do with that advice. But are you aware that in fact, notwithstanding the advice you gave to Securrency and the warnings that were contained in your report, Securrency continued to deal with Mr Luong and paid him more than \$5 million and paid CFTD more than \$7 million in the course of the commercial relationship? Are you aware of that?

**Mr Yuile**—I cannot comment on the relationship that Securrency may have had directly with the individual concerned or their company.

**Senator BRANDIS**—Have you heard it asserted before, by the way, that—

**Mr Yuile**—I have heard press speculation.

**Senator BRANDIS**—I want to take you to Austrade's involvement with Securrency and/or NPA's dealings in Nigeria. Did you do a background check on two men in Nigeria called Michael Harding and Benoy Berry, who, it is asserted, had received millions of dollars from Securrency in the course of the commercial relationship between Securrency and them? Did you do any background checks on those two men, either of them?

**Mr Grey**—On a general point, we had some advice from our counsel relating to section 94 on what we can and cannot do in front of the Senate estimates committee. It is on a Blackberry. I was wondering if we could take some of these questions on notice—

**Senator BRANDIS**—I thought questions had been taken on notice.

**Mr Grey**—I have only got a summary of it here and it refers to section 94 standing even in the Senate estimates. I am not a lawyer but that is the external advice we have received.

**Senator BRANDIS**—You know, it is often asserted that these statutory secrecy provisions avail over the Parliamentary Privileges Act. That is seldom true. I am not suggesting the advice is in bad faith but unless section 94 were being considered in view of provisions of the Parliamentary Privileges Act then I would be hesitant, if I were you, in relying too heavily on upon what your Blackberry is telling you. In any event, the questions are being taken on notice.

**CHAIR**—In any event, it is my understanding that all of the questions are being taken on notice and under advisement in due course.

**Senator BRANDIS**—That is right. All I want to know is whether Austrade did background checks at the request of or on behalf of Securrency into a Nigerian resident man called Michael Harding and a Nigerian resident men called Benoy Berry, who I understand were agents in Nigeria with whom Securrency was dealing, and whether it did any other background checks on any other Nigerian resident or entity with whom Securrency was dealing in relation to exploring commercial opportunities for the production of polymer banknotes. Can you take that on notice, please?

**Mr Yuile**—Yes, I will take it on notice.



**Senator BRANDIS**—If the answer to that question or any part of that question is yes, can I be told, please, the date on which the background checks were requested, the date on which the background checks was provided and a copy of the background check.

**Mr Yuile**—Yes, Senator.

**Senator BRANDIS**—Can I just go back to Mr Luong and CFTD. Was there a report prepared by Mr Patrick Stringer, who was at the time Austrade's commissioner for Vietnam, to Austrade's head office in about 2007 or 2008 concerning Mr Luong and or CFTD, and Securrency's dealings with Mr Luong and CFTD? This is not a background check; it is an internally generated document from Mr Stringer in Vietnam and Austrade here in Canberra.

**Mr Yuile**—I can certainly confirm that Patrick Stringer was our senior Trade Commissioner in Vietnam. As to whether there was a document such as you have described, I will have to take that on notice and check our files.

**Senator BRANDIS**—Would it be within the ordinary custom and practice of Austrade that, when Austrade is conducting background checks in a foreign entity in relation to commercial parties, it also—that is, the local Austrade office—reports back to Austrade headquarters in Canberra in relation to that activity and advises Austrade head office of any relevant conclusions that it may reach or important facts that it may discover in the course of carrying out such background checks?

**Mr Yuile**—I think that goes to an answer I gave earlier. Background checks, information that companies might request of us, is a general practice—it is not specific to Securrency—and we draw on publicly available sources, not privately developed ones, and I would not ordinarily expect that those would be sent back to either Sydney office or Canberra Office. It is a local issue for the trade commissioner, who has been asked by a client for some background information—they send all that background information, off the public record, and give it to the client.

**Senator BRANDIS**—Would your answer be different if one of the things revealed by a background check was that there was a possible breach by an Australian client of Australian law? In particular I have in mind here in relation to Mr Luong the law concerning the paying of bribes to foreign officials, revealed by the background check. In those circumstances would you alert head office that there is an Australian company that is getting engaged in commercial practices that are a bit dodgy, like paying bribes to foreign business people and their entities?

**Mr Yuile**—A background check is just that—background information on a particular local entity for the purposes of a client's interest. I think all officials of Austrade, and our Foreign Affairs colleagues, where information may be brought to their attention which may indicate improper practice, would report that. That is separate from a background check

**Senator BRANDIS**—They would report that back to Austrade in Australia.

**Mr Yuile**—It could be to Austrade or it could be directly to the AFP.

**Senator BRANDIS**—And there is an AFP investigation into these matters, as you were at pains to remind us in your opening remarks.

**Mr Yuile**—I am sorry if it was painful, Senator.

**Senator BRANDIS**—No, no—it was not painful; you were at pains. The pain was all yours! Was this AFP investigation to your knowledge initiated as a result of information provided to the AFP by Austrade?

**Mr Yuile**—My understanding, and it is on the public record, is that the board of Security referred the matter to the AFP when there were suggestions of improper practice.

**Senator BRANDIS**—One of the things these background checks assess and make recommendations about is the suitability or the integrity of the foreign person or entity with whom the Australian commercial party is dealing or is considering dealing with. If one of your conclusions was that the Australian commercial entity might be being lured into illegality or improper conduct as a result of the conduct and practice of the foreign person or foreign commercial entity, then that is something about which you would alert them, isn't it?

**Mr Yuile**—Certainly we are dealing with the suitability of the company to undertake the task that they would be required to undertake.

**Senator BRANDIS**—And suitability does not just mean capability; it also means integrity and legality, doesn't it?

**Mr Yuile**—Yes, it would do.

**Senator BRANDIS**—So it would be relevant to you if you had concerns about integrity and legality to alert your Australian client of those matters in relation to the foreign commercial entity or person?

**Mr Yuile**—If there was clear information that raised those issues, I would expect that that would be communicated.

**Senator BRANDIS**—And we would expect to see that in the recommendations or conclusions of the background check?

**Mr Yuile**—That would be part of the background information, I would have thought.

**Senator BRANDIS**—Think you very much indeed.

**CHAIR**—We are still on program 1.1, Trade and investment development.

**Senator IAN MACDONALD**—Some estimates ago we were talking about the Mortimer review, which, as I recall, was delivered in September 2008 and the minister promised a government response by the end of that calendar year. A response was further promised in the 2009-10 budget and then in the 2010-11 budget, but still no response has been provided. Can anyone give me any indication of when the government might respond to the Mortimer review?

**Mr Yuile**—I think when you asked this question last time I certainly referred to the minister's commentary about the way he was managing the implementation of elements of the Mortimer report. Since that time we have also had the launch of Brand Australia, which was a key recommendation of the Mortimer report, but beyond that I cannot tell you whether the government will be providing a formal response to the report.

**Senator IAN MACDONALD**—Perhaps the parliamentary secretary could answer the question.

**Senator Stephens**—I know your longstanding interest in this issue. I think, as Mr Yuile said—and I am not trying to verbal the minister—that the issues that have been recommended in the Mortimer report have been taken up in a variety of ways. As Mr Yuile said, building Brand Australia is part of that. In fact, Mr Mortimer was on the evaluation panel and the advisory board for that whole process. Again I do not want to verbal the minister, but not every report to the government requires a formal and fulsome response in one go.

**Senator IAN MACDONALD**—So what you are saying is that there may not be a formal response; it is just that some of the recommendations will be picked up and introduced in one form or another.

**Senator Stephens**—That may be the case.

**Senator IAN MACDONALD**—It was, as I recall, mentioned in the last two budgets, though, that the government would be providing a response. Can anyone assist me in interpreting what the budget said in relation to the Mortimer report?

**Mr Tighe**—As the parliamentary secretary mentioned, many parts of the Mortimer report have already been responded to in substance, including elements of the EMDG Scheme and the Brand Australia scheme. We have also set up the Ministerial Council on International Trade, which is one of the recommendations, and a standing committee of officials, which services that COAG related committee. We have completed the ASEAN-Australia-New Zealand Free Trade Agreement and the Australia-Chile Free Trade Agreement, progressed a lot of other bilateral free trade agreements and pushed very hard on the Doha Round. So, in substance, we have responded to the report. There is no formal document saying, ‘This is the government’s response to the report.’ I cannot entirely speak for the minister, but I suspect there quite possibly will not be one. But, as to the bulk of the recommendations, the government has already picked them up on an ongoing basis rather than in one suite of responses.

**Senator IAN MACDONALD**—So you cannot say to me whether there are other ‘responses’ in the pipeline?

**Mr Tighe**—Certainly the government is always reviewing the efficacy of its export and trade programs. I would not discount the possibility that it may pick up further recommendations at some stage in the future, but at this point, and given where we are with the budget cycle, I am not expecting any further specific reaction to the Mortimer review.

**Senator IAN MACDONALD**—The TradeStart Program will receive \$14.4 million in funding over the next four years. Is that correct? Is that the budget figure?

**Ms Bennett**—Yes, that is correct. It is \$14.4 million over the next four years.

**Senator IAN MACDONALD**—Is it true that the funding over the previous four years was \$23.3 million?

**Ms Bennett**—Yes, that is correct.

**Senator IAN MACDONALD**—So that is a reduction of almost \$9 million.

**Mr Grey**—Yes, although that program was due to expire. The government took the decision to reinstitute a program which was previously due to terminate. But it is true that it is

being reinstated with a reduced funding base and a changed profile—namely, greater emphasis on partnership arrangements with counterpart organisations. The program has been going for 12 years and there was a feeling that technology had moved on and we needed to look at new and innovative ways of carrying out those functions. Also, we would hope that in the tender process which is now underway we would end up having some other organisations coming to the fore and offering to partner with Austrade and other organisations to supply the services.

**Senator IAN MACDONALD**—Will any TradeStart offices be closed?

**Mr Grey**—Yes. Under the current funding, we expect the final number will depend on a range of factors. There are currently about 50. We expect around 30. I think that is included in the tender documents. The exact number will depend on the arrangements. If someone comes forward with a particularly innovative way of carrying out some of those functions, the numbers might be a bit more or a bit less. I should stress also, though, that closing the office does not necessarily mean the service is not going to be there. In some cases the area covered by one of the remaining offices will be expanded. In other cases Austrade's main offices and the export advisory network will pick up some of those functions. I should also add that we are increasingly looking to do things through the internet, which, when this program first started, was in its infancy.

**Senator IAN MACDONALD**—So the closure of offices is a direct relationship to the cutback in funding?

**Mr Grey**—The new program will fund fewer offices, yes. But, as I said, that does not necessarily translate into less service.

**Senator IAN MACDONALD**—Yes, I heard you say that. I am not clear: is it being reduced from 50 to 30 or from 50 by 30?

**Mr Grey**—It is being reduced from 50 to around 30.

**Senator IAN MACDONALD**—Are you telling me that no decision has yet been made on which offices will be closed?

**Mr Grey**—My colleagues might have some more detail, but the request for tender nominated the offices which we anticipate would remain. We do not want to be specific because it depends on what sorts of proposals come forward in response to the tender. In other words, there is some flexibility if one proposal comes forward and says, 'We think we should keep the office in a different location, but we will service the same area and we will do it in partnership with other organisations.'

**Senator IAN MACDONALD**—What is this tender process you are talking about?

**Ms Bennett**—A public tender.

**Senator IAN MACDONALD**—To do what?

**Mr Grey**—Perhaps Mr Moignard, who runs this program, will explain it in a bit more detail for you.

**Mr Moignard**—As has been noted, the TradeStart Program had been scheduled to conclude on 30 June 2010, and the government announced in the May budget that they would

be continuing the TradeStart Program over four years with a funding of \$14.4 million. But, in line with the Commonwealth procurement guidelines, a tender process has been used to select the partners that we will work with in the new TradeStart Program. A request for tender was advertised on 17 May 2010, and that will close on 11 June 2010. Austrade anticipates that all contracts with new TradeStart partners will be in place by the end of September 2010.

**Senator IAN MACDONALD**—So 50 offices will continue operating until September; is that correct?

**Mr Moignard**—No. We have a list of offices that we will continue to operate through that tender process, but some of the offices will lapse on 30 June, as that is when their contract concludes.

**Mr Grey**—Can I add that when we are talking about ‘offices’ we are not actually talking about bricks and mortar. As far as I am aware, there are no TradeStart stand-alone offices. It means that someone is operating from someone else’s facility, a department of regional development or whatever, and has a shingle outside, a desk, a telephone and electronic facilities inside the office. In some cases they are 100 per cent devoted to TradeStart activities and in some cases only a percentage of their time is devoted to it. When you say ‘closing offices’, it might be envisaged that that is locking the door and walking away, but that is not the situation.

**Senator IAN MACDONALD**—Okay. This is going to be a very long session. I did ask which offices—offices in your definition—are being closed. I was then told that it depended on the request for tender, but then I hear that some will not start on 1 July. Could I have those, please. That is what I asked for, and you seem to have spent five minutes avoiding the answer.

**Mr Yuile**—We were trying to explain, I think, Senator; we were not trying to avoid.

**Mr Grey**—The 30 offices which will remain open are, as I understand it, those which are listed in the tender documents, which we are happy to make available to you.

**Senator IAN MACDONALD**—Let me ask you on notice, if you have not got it here, where the 50 offices are now and which 30 offices will remain open, and by deduction I will be able to work out which are the 20 that are not being retained.

**Mr Grey**—I think we have that data, and we can read it out to you if you like.

**Senator IAN MACDONALD**—Thank you. So which are the 20?

**Mr Moignard**—We have contracts which will be extended for two months from 1 July, and they are Adelaide, Ballarat, Bendigo, Brisbane, Bunbury, Bundaberg, Cairns, Coffs Harbour, Darwin, Geelong, Gold Coast, Gosford, Baulkham Hills, Hobart, Launceston, Mascot, four offices in Melbourne outer CBD areas, Mount Gambier, North Melbourne, North Sydney, Nowra, Orange, Penrith, Perth, Port Augusta, Rockhampton, Southport, Sunshine Coast, Sutherland, Sydney, Tamworth and Wagga Wagga.

**Senator IAN MACDONALD**—So they will be extended for two months depending on the response to the request for tender?

**Mr Moignard**—Yes, they will be extended for two months so that we have continuing programs relating to those offices.

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**Senator IAN MACDONALD**—Which ones will not be extended for the two months?

**Mr Yuile**—Before we answer that, could I just clarify: Mr Moignard mentioned Hobart and Launceston; I think our Launceston TradeStart officer has resigned, so that work will be carried in Hobart until such time as the request for tender is concluded, although we have indicated that we expect that office to be in Launceston when the contract is renewed.

**Mr Moignard**—The contracts that will lapse on 30 June are Albany; Alice Springs; Bega; Canberra; Carnarvon; Dubbo; Geraldton; Kununurra; Mackay; Mildura; North Sydney and Parramatta; Perth, where we have a special office relating to mining; and Port Lincoln, Toowoomba and Tweed Heads.

**Senator IAN MACDONALD**—What was behind the decision not to renew them? Are they not doing the work? Is there no call for their services?

**Mr Moignard**—When we looked at the new program for TradeStart, given the funding that we have, we did a consideration of those 50 locations and, as has been said, we considered that, given the budget, we would have allocations around 30 locations. We then did a process of consideration of where those 30 locations may be, and that is how we came up with the locations that have been suggested in the RFT and then consequently those are programs that we decided not to pursue after 1 July.

**Mr Grey**—The basic considerations, as I understand it, were twofold. First, we used Dun & Bradstreet business density data, which gives you some indication of where there are concentrations of SMEs in particular. The second issue was related to the historical performance of various offices. They were the two considerations. So it was as objective as one can be in these sorts of circumstances.

**Senator IAN MACDONALD**—I scribbled these down as you spoke, but did you say Townsville was being shut?

**Mr Yuile**—Toowoomba.

**Senator IAN MACDONALD**—Are you suggesting that, for example, those who might have used the Mackay service—an area that I am familiar with—will now be referred to either Townsville or Rockhampton; is that what you are proposing?

**Mr Moignard**—Yes. What we have done in the RFT is to make suggestions around regional representation. We have suggested possible locations, and I think, as has already been suggested, we do provide, in the tender document, an opportunity for respondents to suggest alternative locations, provided that that location can offer the appropriate regional coverage.

**Senator IAN MACDONALD**—What sort of people or groups would be responding to the request for tender?

**Mr Moignard**—I guess I could say that the organisations that have been involved in the previous program—we would assume they would be the people who would tender, and we are in the middle of the tender process so we are waiting to see who may tender—have been for the most part either state governments or state chambers of commerce, in the main.

**Senator IAN MACDONALD**—In the ones are lapsing, would it be right to assume that each one of those was manned or ‘personned’ by only one person, or was there more than one?

**Mr Moignard**—For the most part, those offices had one person, and in some cases they were a shared resource between, for example, a chamber of commerce and a state government. So not all of them were one person, but most of them in fact had anywhere between a shared person or two and one full staffer.

**Senator IAN MACDONALD**—Was there consultation in connection with these closures?

**Mr Moignard**—Yes, there was.

**Senator IAN MACDONALD**—With whom—again, chambers of commerce, I assume, in various areas?

**Mr Moignard**—Yes. After we provided the request for tender and it was advertised, we had information sessions with potential tenderers on 26 and 27 May.

**Senator IAN MACDONALD**—Okay. Have you consulted with the local members of parliament where those lapsing offices are situated? From just doing a quick check, a lot of them seem to be in electorates of colleagues of mine, and I am just wondering whether federal parliamentarians were consulted and invited to make a bid.

**Mr Moignard**—Not specifically.

**Mr Yuile**—They are not precluded from making a submission, Senator, but I am not quite sure how they would—

**Senator IAN MACDONALD**—Perhaps if they knew about it. Perhaps they did not know about it until today. The tenders close on 11 June, which is five days away. Anyhow. You mentioned Brand Australia; how much has being allocated for that project?

**Mr Grey**—I think there is \$20 million allocated over four years.

**Senator IAN MACDONALD**—Is that \$5 million a year?

**Mr Grey**—It is essentially \$5 million a year, although some of the costs might be greater in, I think, the second year, because most of the first year was research and selecting an agency and moving ahead, and in the second year there is bit more because that is when the agency itself starts developing the brand work and the props and the associated architecture which goes with it. So I think it here is a little less in 2009-10 and a little more in 2010-11.

**Senator IAN MACDONALD**—Okay. That is fine. I assume I could find that somewhere in the budget papers?

**Ms Hazell**—Yes, you can.

**Mr Yuile**—Yes, it is.

**Senator IAN MACDONALD**—Of that, how much is going to be spent on consultants and how much has been set aside for implementation? Do you have a more detailed break-up of all that?

**Mr Grey**—Yes, I am sure we would have that.

**Senator IAN MACDONALD**—Could I perhaps get that on notice if you do not have it there.

**Mr Grey**—Yes.

**Senator IAN MACDONALD**—How is it intended to use the new symbol?

**Mr Grey**—It is part of the branding process, the symbol and the words—although the words can in fact be adjusted. I can give you some practical examples. We are having a major event, a Business Club Australia event in South Africa, and we will use the Brand Australia slogan and symbol to dress the room itself. There is a major SME conference in China later in the year, and we will use the signage of Brand Australia all around that particular function. We are talking to organisers, for example, of the G'Day UK activities about rebranding G'Day UK using Brand Australia signage. So there are a range of areas which relate to that.

**Senator IAN MACDONALD**—How will that interface with the Australian Made logo and other logos like Tourism Australia and so on?

**Mr Grey**—Brand Australia is of course a national brand and it is an umbrella brand. Australian Made is about country-of-origin labelling and is, I think it is probably fair to say, primarily of interest within Australia. It is to tell Australian consumers that the product was made in Australia. There is a much broader motive behind Brand Australia.

The tourism one again is a narrower concept. They are basically running an advertising campaign and it is targeted at a particular market, namely the overseas tourist market. It does not seek to, for example, highlight the IT advantages of Australia or the Nobel Prize winners in Australia so it is a much narrower concept than the overall branding program.

**Senator IAN MACDONALD**—Okay. I just want to move quickly on to the EMDG. I understand that Mr Crean announced in March that companies would get between 50c and 70c in the dollar on the balance of claims over \$50,000. Just to recapitulate, the first \$50,000 is paid in full and then, depending on the claims, anything over \$50,000 is pro rated on what is available—is that right?

**Mr Vickers**—That is correct.

**Senator IAN MACDONALD**—And Mr Crean announced an amount of between 50c and 70c in the dollar?

**Mr Vickers**—That is correct.

**Senator IAN MACDONALD**—Do you know what the shortfall in funding is for 2009-10? Can you give me your estimate of what impact that will have on individual clients?

**Mr Vickers**—Austrade's estimate—and I stress that it is an estimate because we are still auditing claims—is that in the current year the underfunding of the scheme is in the range of \$25 million to \$35 million. As for an estimate of the claims, it depends very much on the circumstances of the company and the amount they have claimed. For example, as you pointed out earlier, Senator, people who are under the \$50,000 get 100 per cent and if you are over \$50,000 it is pro rated and it clearly depends on how much over the \$50,000 you are.

**Senator IAN MACDONALD**—Did the applications close at the end of May?

**Mr Vickers**—November. They open on 1 July and close at the end of November.



**Senator IAN MACDONALD**—They open on 1 July?

**Mr Vickers**—Yes, on 1 July each financial year and close at the end of November.

**Senator IAN MACDONALD**—You have then had six months to look at those so far, but you are still assessing them?

**Mr Vickers**—Yes, we are still assessing the claims. We get most of the claims—more than half—in November so we have a trickle of claims in the first part of the year and then we get a very large group of claims in November. We audit those all the way through until just prior to 30 June. So we are still auditing claims at the moment and we will assess how much that distribution pool at the end is and how the pro rata amount has been distributed.

**Senator IAN MACDONALD**—So what it is looking like, accepting that you do not have a final figure and that it can only be an approximation?

**Mr Yuile**—Which is why you have that spread in terms of potential second tranche payments.

**Mr Vickers**—Our current estimate is that it is still within the 50c to 70c range, but probably towards the upper end of that range.

**Senator IAN MACDONALD**—Towards the 70c?

**Mr Vickers**—Less than 70c—perhaps closer to the 60c to 70c than to the 50c to 70c. But I would stress that we do quite a few high-risk claims quite late in the piece because we give clients as much time as possible to provide additional information. So it does move around quite a bit in that last month.

**Senator IAN MACDONALD**—So when will the final calculations be able to be done?

**Mr Vickers**—In the last week of June.

**Senator IAN MACDONALD**—Are they publicly released?

**Mr Vickers**—Publicly released? The amount that companies are paid?

**Senator IAN MACDONALD**—Yes.

**Mr Vickers**—Yes, there is information available on that.

**Senator IAN MACDONALD**—Just to draw it to my attention, could I ask you on notice to provide that information when it is determined at the end of June?

**Mr Vickers**—Do you mean the rate that the distribution pool is paid at?

**Senator IAN MACDONALD**—Yes, and perhaps information from some of the other answers to questions that I am going to ask you now. How many companies have claimed in the 2009-10 year to date?

**Mr Vickers**—I can check that number for you: it is 5,149 claimed.

**Senator IAN MACDONALD**—And of those, how many will not have their claims paid in full? I assume that means it is how many of those are over \$50,000?

**Mr Vickers**—My recollection is that it is 1,450. That is about 30 per cent of recipients.

**Senator IAN MACDONALD**—One thousand, four hundred and fifty will not have their claims paid in full?

**Mr Vickers**—They are to be scaled back, potentially—that is correct. I would stress that that is potentially because until we determine exactly how much they are being paid—

**Senator IAN MACDONALD**—But it is not going to alter much from 1,450?

**Mr Vickers**—No, it is not. That is a reliable estimate.

**Senator IAN MACDONALD**—Yes. Are you receiving complaints from small business? In the 2008-09 year small business people had no reason to expect that their claim would not be paid in full. As I recall, and you could confirm this, the government actually topped up the 2008-09 shortfall in the 2009-10 budget—that is correct, isn't it?

**Mr Vickers**—That is correct.

**Senator IAN MACDONALD**—And that is not going to happen on this occasion?

**Mr Vickers**—I cannot answer that.

**Senator IAN MACDONALD**—Well, it has not happened in the 2010-11 budget.

**Mr Vickers**—But if you recall, mechanically, it happened from the advance to the minister for finance previously so, technically, I cannot absolutely rule that out until we get to 30 June.

**Senator IAN MACDONALD**—Okay. You cannot rule out that the government may find some extra money to tip in to pay everyone in full—is that what you are saying?

**Mr Vickers**—It is possible, mechanically—hypothetically; but I accept that one would—

**Senator IAN MACDONALD**—One would hardly have a budget in May and then suddenly find another \$25 million to \$35 million by the end of June. Have you got many complaints from people who might have been expecting better than that on previous actions—people who have spent on the expectation, and I appreciate that they all know what the rules are—have you had many complaints?

**Mr Vickers**—We have had some representations, certainly.

**Senator IAN MACDONALD**—I know I have, and my colleagues have as well; but do you have, if not a register of those complaints, then a calculator that ticks up how many you have got?

**Mr Vickers**—We do keep track of each item of correspondence. I do not have that—

**Senator IAN MACDONALD**—So approximately how many representations, as you nicely put it, have you received?

**Mr Vickers**—I do not have that.

**Senator IAN MACDONALD**—Can you get that on notice?

**Mr Vickers**—I can certainly get that on notice for you.

**Senator IAN MACDONALD**—For the 2010-11 year, there is only \$150 million available—is that correct?

**Mr Vickers**—That is the current budget.

**Senator IAN MACDONALD**—Would you normally expect to get claims in the order of \$250 million, perhaps even \$300 million? Because it is all on a rolling forward—

**Mr Vickers**—The rules for next year are the same as the rules for this year. So if we accept taking business conditions as a constant, we can use this year as a reasonable estimate for next year.

**Senator IAN MACDONALD**—Yes.

**Mr Vickers**—But taking the caveats that this is an estimate, and circumstances certainly can change, then we would anticipate that we would get roughly the same number of claims next year as this year, and that would be around 5,100.

**Senator IAN MACDONALD**—Have you warned businesses that are involved in this program that there is a real risk their grants will be quite substantially reduced?

**Mr Vickers**—Not at this point. It is a matter of standard practice that the minister makes an announcement in late June, and announces what the initial payment ceiling will be for the following year—that is, for next year, 2010-11. At that point we provide advice to the companies and they are able to draw from that initial payment amount an understanding of the likelihood of receiving full payment.

**Senator IAN MACDONALD**—I understand the government has introduced a bill which we have not seen in the Senate yet but it reduces the maximum grant from 200 to 150, reduces the maximum number of grants from eight to seven, caps IP registration at 50,000, increases the minimum expenses threshold from 10,000 to 20,000 and increases the eligibility income limit for joint ventures et cetera from 30 million to 50 million.

**Mr Yuile**—It also extends the scheme by five years.

**Senator IAN MACDONALD**—Have you done work on the annual impact on the scheme of each of those measures? I take it there are expected to be considerable savings with those reductions.

**Mr Vickers**—One of the aspects of the scheme is that the provisions are not easily separable because companies can claim all of them or some of them, so we have considered them as a group and we modelled them as an entirety. So I cannot give you an estimate of the impact of each individual one but I can give you an estimate of them acting in concert.

**Senator IAN MACDONALD**—What is that last figure, then, the one you can give me?

**Mr Vickers**—Our estimate is that if the bill was to proceed and become the amendment member to the EMDG Act it would reduce the demand on the scheme to approximately \$200 million per year.

**Senator IAN MACDONALD**—And that is a saving of what over what you have been paying?

**Mr Vickers**—We are looking at \$25 million to \$35 million overspent this year. That would give you an indication of the range of savings.

**Senator IAN MACDONALD**—So there could be a \$50 million shortfall in 2011-12 and in the years beyond that?

**Mr Vickers**—We do not project shortfalls that far out because there are a number of other things which may change in terms of demand for the scheme.

**Senator IAN MACDONALD**—Mr Crean mentioned in March that there was a sharp increase in applications, up by 15 per cent, with a 20 per cent increase in the value of the claim, up to 269. I was not actually at the last estimates but Senator Ferguson I think *Hansard* shows ascertained on answers from you that at that time, February 2010, only 3,100 of the 5,150 claims had been processed. What is the current figure on that?

**Mr Vickers**—Until the close of last month, we were up to 4,136.

**Senator IAN MACDONALD**—And what is the total value of those claims?

**Mr Vickers**—It is \$164 million.

**Senator IAN MACDONALD**—So there are about a thousand left to do.

**Mr Vickers**—We have processed obviously since the close of last month a number as well.

**Senator IAN MACDONALD**—Okay, fair enough. How many first tranche payments have been made?

**Mr Vickers**—Every claim that is determined will get a first tranche payment.

**Senator IAN MACDONALD**—So that is 4,136 would already have received \$50,000. Is that right?

**Mr Vickers**—Up to \$50,000.

**Senator IAN MACDONALD**—Up to the maximum of their claim providing it does not exceed 50,000.

**Mr Vickers**—Would it help if I explained in more detail the tranche payment system?

**Senator IAN MACDONALD**—Yes.

**Mr Vickers**—We audit the claims in roughly the order they are received. When a claim is determined we make a first tranche payment. Then there is a second tranche late in June, at the end of June, which pays the balance if the balance is over 50,000. So companies receive a payment earlier in the year depending on the date of their lodgement of the claim.

**Senator IAN MACDONALD**—Can you tell me the value of those first tranche payments. Do you have that—

**Mr Vickers**—We have not made any second tranche payments yet, so the value of claims paid is the value of the first tranche payments. We make second tranche payments only at the end of June.

**Senator IAN MACDONALD**—What is the total value of the first tranche payments?

**Mr Vickers**—At the close of last month, \$164 million.

**Senator IAN MACDONALD**—Is that—

**Mr Vickers**—No, let me revise that. Just a second.

**Senator IAN MACDONALD**—Thank you. You told me the value of the 4,136 was \$164 million.

**Mr Vickers**—That is the provisional value of the grants determined. Sorry, I may have to take that on notice.

**Senator IAN MACDONALD**—That would be fine. You say no second tranche payments have yet been made.

**Mr Vickers**—No, because they are made at the end of June. They will be quite shortly but have not been yet.

**Senator IAN MACDONALD**—Is this a case of underestimating the extent of the uptake of the program in broadening the eligibility of the scheme? As I recall, the scheme was broadened one or two years ago. Was it? People were given great hope and expectation, and now it has been cut back to, I think, what it was originally. Is that correct?

**Mr Vickers**—The scheme this year is budgeted at \$200 million, and that reflects the funding of the current government's changes in 2008.

**Senator IAN MACDONALD**—Could you say that last bit again. I did not quite catch what you said.

**Mr Vickers**—The budget for the current financial year is \$200.4 million, and that reflects the government's funding of the changes they made in 2008, which apply for the first time this year.

**Senator IAN MACDONALD**—This is my final set of questions, on foreign direct investment. I understand that has been transferred since July 2008 from Invest Australia to Austrade. The idea of combining export promotion and investment attraction was to leverage synergies and skills at a reduced cost—I think that was the government's explanation at the time. Can you alert me as to what those synergies are?

**Mr Yuile**—Let me give you an opening answer on that. For a start, the inwards investment promotion function originally sat with Austrade. It was taken from Austrade in, I think, 2001 as a result of a review at that time. The government, prior to the election, indicated that it would be returning the investment promotion function to Austrade. That really reflects the fact that Austrade has representation around the world in some 99 points of service at the moment, moving to 104 when we expand to take in the additional expenditure which the government is making in respect of India, in particular. The idea was to work off the back of an established network of trade commissioners and locally engaged employees who are engaged with Australian business in those markets and who have knowledge of those markets and of the businesses that may have an interest in investing in Australia.

**Senator IAN MACDONALD**—So those are really the synergies that were being sought.

**Mr Yuile**—Those are the synergies, yes.

**Senator IAN MACDONALD**—How many investors has Austrade assisted to subsequently export?

**Mr Yuile**—You mean how many investors looking at coming into Australia?

**Senator IAN MACDONALD**—Yes.

**Mr Yuile**—I have not seen that.

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**Senator IAN MACDONALD**—Would I be correct in suggesting none?

**Ms Bennett**—No.

**Mr Yuile**—No, quite the opposite.

**Mr Grey**—Since I have been at Austrade, there has been a large pipeline of investors. I think there are several hundred, in my recollection, that we are working with at any one point in time. We can provide you with some more detail on that.

**Senator IAN MACDONALD**—Okay. Can you also tell me, perhaps on notice if you do not have it here, how many Austrade customers have actually invested in Australia?

**Mr Yuile**—If I can make a couple of points, in the 2009-10 financial year to date we have played a role in attracting and facilitating some 41 investment projects. These projects are forecast to stimulate \$3.7 billion in direct investment with potential to create or safeguard some 3,769 jobs and in turn generate some \$1.1 billion in exports. In 2008-09, the year prior to that, Austrade attracted and facilitated 58 investment projects that are forecast to provide \$13.4 billion in direct investment.

**Senator IAN MACDONALD**—Do you still think it is working now that these functions are intertwined?

**Mr Grey**—I think clearly it makes sense. Most businesses these days work around both actual trade—exports and imports—and investment. Increasingly trade is being done on that sort of integrated basis so, as Mr Yuile mentioned, we have this very large network which investors can draw upon as well as more specialist positions in key locations. So you get the best of both worlds: you get the specialisation of investment commissioners together with the ready access to commercially savvy trade commissioners around the world. So from our viewpoint it works very well.

**Senator IAN MACDONALD**—How many of Austrade's staff have recent foreign direct investment attraction experience?

**Mr Yuile**—When we took the function on, we took some 38 staff, from memory, from the department of industry. That comprised, again from memory, some 27 people offshore and 10 or 12 people onshore. Then we embarked on a deliberate program of building skills, of training our staff, particularly our existing Austrade staff, in understanding the requirements of firms interested in investing in Australia and giving them the skills to at least do some initial assistance. We have of course specific experts around the world who have, as a major responsibility, the inwards investment promotional function.

**Senator IAN MACDONALD**—You said you took on 38. Is that still about the number that do have FDI attraction experience?

**Mr Yuile**—No. I would say it is much larger.

**Senator IAN MACDONALD**—What would you say?

**Mr Yuile**—Please don't quote me on 38 because I am dredging my memory from a couple of years ago. We have expanded the number of people who are trained and working in the investment attraction area. It is part of so they can walk and chew gum, frankly.

**Senator IAN MACDONALD**—How many have got actual experience? Can you find that out on notice if you do not have it here?

**Mr Yuile**—Sorry, but just to be specific: if you mean those people who have the responsibilities and are involved in that activity, as opposed to experienced—and I am not sure what you mean by ‘experienced’—we have certain people from a previous portfolio who are now working with us and we have added to those in terms of our training effort.

**Senator IAN MACDONALD**—But I understand it is still a very small percentage of your total staff.

**Mr Yuile**—Not of client facing staff but—

**Senator IAN MACDONALD**—But you are going to give me the figures.

**Mr Yuile**—Yes.

**Senator IAN MACDONALD**—I understand that only 20 of your current staff are specially dedicated to investment attraction. Is that correct?

**Mr Yuile**—No. I do not know what that figure refers to.

**Senator IAN MACDONALD**—Can you tell me how many are specifically dedicated to investment attraction?

**Mr Yuile**—I think that is the one I took on notice a moment ago.

**Mr Grey**—Senator, part of the attraction and the synergies which we talked about at the outset are where we now have a larger number of individuals who are actually working in this particular field and we have trained them up to do so. Even if they are not specialised just in that we are drawing on a larger field.

**Senator IAN MACDONALD**—It was suggested to me that the project count has dropped from 101 to 58 since it was taken over by Austrade. Is that an accurate figure?

**Ms Bennett**—It is certainly true that Austrade recorded only 58 investment projects in 2008-09, but if I could cast doubt on the transfer of the responsibility: Austrade took on the function for approximately \$10 million, and that function was previously carried out by the former department of industry for approximately three or four times that amount of money.

**Senator IAN MACDONALD**—In 2008-09 one project, I understand, was \$7.8 billion—

**Ms Bennett**—Correct.

**Senator IAN MACDONALD**—and, in addition to that, 14 other projects were large mining, energy and infrastructure projects. Did Austrade have any part to play in them coming? One might think that, perhaps, at that scale they have got their own resources and do not need Austrade.

**Ms Bennett**—No, Austrade provides assistance, so the figures we are quoting are where Austrade has provided direct assistance to the international investor.

**Mr Yuile**—We cannot count the figures unless we are actually working with the companies to assist in the investment. It moves from a prospect to a more specific lead—

**Senator IAN MACDONALD**—But for an investment of \$7.8 billion, one would think that it is a pretty sophisticated investor that may have contacted you. I just wonder, in that particular instance—and I guess you would know the instance I am talking about—what value Austrade made?

**Ms Bennett**—We would provide, in some sense, whatever support the company in particular was requesting. There is a process, as Mr Yuile has said, of working with the company from the time at which they approach us, right the way through to the point at which they are formally allowed and given permission to invest. Exactly the nature of what the company deems to be most valuable can vary tremendously.

**Senator IAN MACDONALD**—Constituents have suggested to me that this is not working in Austrade, and that we are actually losing out in direct investment that we may otherwise have got. You would tell me, no doubt, that that is not correct?

**Mr Yuile**—I am not sure whether your constituent had a project or a broader issue here, but I can tell you—

**Senator IAN MACDONALD**—It is a broader issue.

**Mr Yuile**—Okay, what I can tell you is that there is a larger number of people than previously working offshore to garner potential interest and to channel that back to Australia for interest in potential investment. If your constituent has a particular issue about the way we are undertaking that function, or if there are ways that we can improve, we are very open to that and would be very happy to hear from them. I think it has been a process of, as Ms Bennett said, taking the function of re-engineering the organisation to some extent in order to make sure that we were fulfilling our responsibilities there.

**Senator IAN MACDONALD**—This is perhaps an unfair question to you, but the suggestion is that it has not worked. I suppose the question would be: is there any investigation being done as to whether there was a better way to encourage direct investment than through Austrade? Is there any work being done looking at alternatives?

**Mr Grey**—I do not think so. I have only been in this job for 2½ months; perhaps I can say that I have been moving around the business sector and that this is not an issue which has ever been raised with me as a concern. I am not saying that your constituent does not have a concern but, as Mr Yuile suggested, we would be very happy to talk to them about what their specific concern is.

**Senator IAN MACDONALD**—Okay. That is all I have, Chair.

[5.35 pm]

**CHAIR**—As there are no further matters on program 1.2, and we have already done Consular and Passport Services, that takes us to the department's trade programs—bilateral, regional and multilateral trade negotiations. Senator O'Brien.

**Senator O'BRIEN**—The only matter I wanted to get some information on was the status of the New Zealand WTO challenge to Australia's biosecurity arrangements for apples.

**Mr Gosper**—Yes, indeed, there has been a dispute in the WTO about our apple regime—a process where a panel has now come to a draft report which has been made available to the



two parties, Australia and New Zealand. Under the provisions of the dispute settlement understanding and the conventions that apply to that, that report remains confidential to the parties until it is distributed to the membership. It is distributed to the membership following translation into all official languages of the WTO. That is expected to happen some time in July. At that point, the government will no doubt consider what public statement it might make about the findings of that panel process.

**Senator O'BRIEN**—How long has that dispute been running?

**Mr Gosper**—I cannot tell you exactly when the dispute commenced—

**Senator O'BRIEN**—I know there have been numerous disputes with New Zealand about the importation of New Zealand apples, but it is the current one I mean.

**Mr Gosper**—This WTO panel was established in January 2008, I understand.

**Senator O'BRIEN**—As a result of a New Zealand notification of a dispute, was it?

**Mr Gosper**—That is right. Any WTO member can seek to establish a complaint, through the dispute settlement understanding, against another WTO member. Often that follows consultations, but on this occasion New Zealand made a complaint against our apple regime and our import risk assessment, and sought the establishment of a panel. Subsequently a panel was established. It has considered the cases brought forward by both parties and on 31 March it issued an interim report on a confidential basis to the two members.

**Senator O'BRIEN**—Without touching on the actual report, what are the range of options available through the WTO to resolve the dispute?

**Mr Gosper**—At any point in a dispute process the two members may decide to reach some mutual resolution of the dispute. In any dispute, that is a provision that is always available to members. In this specific dispute, that obviously has not happened. We will, once the report is finalised, consider the implications of that report—and of course the opportunity is available for either party to appeal specific or all provisions of that report. If that happens, that appeal will go to the appellate body, the WTO Appellate Body, which is separate from the panel process, to consider the basis for the appeal and to give a decision on whether the general or specific provisions of the panel report will be upheld.

**Senator O'BRIEN**—And you expect the draft report to become an actual report sometime in July?

**Mr Gosper**—Sometime in July. I cannot be specific, because essentially this is up to the WTO secretariat and the time that they require to translate a report that is a number of centimetres thick into all three official languages. And of course the WTO secretariat is dealing with a range of reports—not just dispute reports but other general reports—that it must similarly translate.

**Senator O'BRIEN**—Thank you for that.

**CHAIR**—Further questions on trade programs? Senator Ludlam.

**Senator LUDLAM**—I have questions on ACTA, the ACTA treaty negotiations. I thought that might be now.

**CHAIR**—That is, yes.

**Senator LUDLAM**—Great. I have raised a couple of these issues before. Do we have the right expertise at the table for ACTA?

**Mr Gosper**—Yes.

**Senator LUDLAM**—I am just wondering whether we could start with a quick overview of why we need this treaty at all given that part II of the TRIPS agreement covers almost all of the enforcement issues that are contained in what we understand to be the ACTA text?

**Mr Gosper**—First of all, ACTA, as you understand, is a plurilateral initiative which is not being negotiated within the WTO to address piracy and counterfeiting activities—

**Senator LUDLAM**—I guess my question goes to why.

**Mr Gosper**—If I can go on, our consultations with industry demonstrate that they believe they face considerable losses to their economic welfare resulting from counterfeiting and piracy activities in many of our markets and they would like global standards in these areas to be tightened.

**Senator LUDLAM**—All right. Are they telling you specifically that what is covered under part II of TRIPS is not going to be sufficient to look after their interests?

**Mr Gosper**—Indeed. We are looking to in fact go further than TRIPS with respect to protections against counterfeiting and antipiracy.

**Senator LUDLAM**—Thank you very much. Have you done or do have access to a line-by-line analysis on the proposed draft text to indicate where the language is consistent or inconsistent with TRIPS and are you able to provide us with such an analysis if you have it?

**Mr Mina**—Our general approach in relation to this negotiation is that all of the provisions would be negotiated in a manner consistent with the TRIPS agreement. All of the parties to the negotiation are also members of the WTO and abide by those TRIPS-level obligations.

**Senator LUDLAM**—It will be consistent, but we have just been told a moment ago that it is intended to go further than it. How are those two statements consistent with each other?

**Mr Mina**—It is possible in this and in many other exercises of treaty making to build upon earlier understandings or agreements. In the case of the ACTA negotiation, that is precisely the aim of the parties—to build upon the TRIPS-level standards to which they have all agreed. There are provisions being developed in the text specifically to point to that relationship. Nothing in the ACTA treaty or instrument that does emerge would be inconsistent. That is something that the parties intend to state upfront in the ACTA treaty. It is also the case with respect to the individual provisions.

**Senator LUDLAM**—So it sounds as though my question is a little bit redundant. Has a line-by-line analysis been done on the proposed draft text? No, because it is entirely consistent with the underlying TRIPS agreement. Is that a fair summary?

**Mr Mina**—That certainly is the intention of the negotiators and that is the way in which they are negotiating those individual provisions. Legal expertise is being brought to bear in each and every one of the provisions that we are developing to meet that exact objective.

**Senator LUDLAM**—I am sure. Is it possible to summarise in the brief time that we have specifically what it is about this agreement that goes further than TRIPS? What are the most important distinctions that you would like to draw to our attention?

**Mr Mina**—The ACTA instrument would go to a number of areas and extend TRIPS-plus protection in a number of areas beyond the TRIPS agreement. That would be in areas such as border enforcement, civil procedure and protections in the digital environment. They are the sorts of areas in which ACTA is focusing to build TRIPS-plus protections. Of course, after a period of some pressure from a number of quarters to have it released, the draft treaty is now public and can be scrutinised on the DFAT website.

**Senator LUDLAM**—I think I was one of those quarters. You have just spelt out for us what the most important areas are, and I will come back to some of the specifics in a moment. It is not clear from the draft text how ACTA will actually be administratively managed once it is operational. Can you tell us a bit about the proposed ACTA secretariat and how you think it is going to operate in practice?

**Mr Mina**—Firstly, it is important to note that this agreement is a framework agreement that would provide for the parameters that individual jurisdictions would apply nationally. As to the actual ongoing coordination amongst the parties, that is a question that is really yet to be discussed in any significant detail amongst the parties.

**Senator LUDLAM**—So the reason I am finding it a bit vague is that it has not really been nussed out yet. There is a proposal for a secretariat though, is there not?

**Mr Mina**—There are very basic ideas that have been proposed in early stages of the negotiations. For some time they have yet to be revisited, and you are right: this question has not been fully elaborated. It is probably going to be the subject of discussion in the next round.

**Senator LUDLAM**—Are you able to give us a sense of when it is anticipated that the agreement will actually be finalised? Have we got a finish date?

**Mr Mina**—In the recent discussions in Wellington in mid-April parties announced their intention to complete the negotiations as soon as possible in 2010. That is the objective, and the objective to which we are all working. Whether that is achievable we will have to wait and see.

**Senator LUDLAM**—The DFAT website notes that:

Australia has consistently advocated the maximum possible transparency for the negotiations to our negotiating partners, and welcomes the 15 April 2010 decision of all the negotiating parties to release a draft negotiating text.

That is as you have just indicated to us. Will there be an ongoing push, and is Australia part of that push for transparency following the conclusion of future rounds? Can we expect that level of disclosure from here on?

**Mr Mina**—You are absolutely correct in your judgment that Australia played an important role in promoting transparency throughout. That is going to be our continuing approach to these negotiations. There is a variety of means for us to do that. We continue to welcome public submissions; we are opening our doors next week, in fact, for a public consultation

here in Canberra in the department. The question of the ongoing transparency of the text, if you like, is something for the parties in general to discuss, and is something on which they are yet to make any final decisions. I would note that against the obvious benefits for having released the text at the time that we did, there are, of course, some benefits as well for negotiating parties to be able to continue to protect particular positions that they hold in confidence until such time as they want to come out with a converged text for broader consideration.

**Senator LUDLAM**—Let's get down to what this thing may actually look like in practice. What steps will the government take—and if you disagree with this contention, I would be interested to know—to avoid a massive influx of applications for injunctions against internet service providers and, potentially, litigation, with the losers obviously being those individuals who subscribe to ISPs? Have you foreseen that eventuality?

**Mr Mina**—That goes to a particular question about the nature of the final outcome of the text in relation to ISPs. I am not in a position to speculate about how that outcome will emerge; obviously, it is a matter of debate amongst the parties. You have seen a couple of options there in the text, and we will need to examine how that text emerges before we make any definitive statements about how it would impact on applications for injunction, as you point out.

**Senator LUDLAM**—The Chair has just reminded me (a) that we are short of time and (b) that may have been hypothetical; but is that a hypothetical outcome that you have had to give some time to? Are you thinking about the possibility of that?

**Senator Stephens**—Hypothetical!

**Senator LUDLAM**—I just made it even more hypothetical.

**Mr Mina**—We are coming back to the point of—

**CHAIR**—We cannot speculate as to future expense.

**Senator LUDLAM**—Actually, I could tie us up all night on ACTA. I will put some of my questions on notice to you. Thank you for your time.

**Mr Mina**—I am very happy to take them on notice.

**Senator TROOD**—I have some questions about the negotiation and the progress of our bilateral free trade agreements, in particular the ones with South Korea, Japan and China. Can we start with South Korea?

**Ms Adams**—Certainly.

**Senator TROOD**—The fifth round was conducted only last week, as I understand it, and as yet there has been no information about that fifth round published on the website. Is that right? Is that information up yet?

**Ms Adams**—Yes, the last round with Korea was in fact just last week. They left on Friday evening. I suspect that you are right in saying that the information on that round is not yet up on the website. Perhaps that is partly because I have been here for two days, but I am sure it will not be much longer.

**Senator TROOD**—That is a very productive use of your time, Ms Adams!

**Ms Adams**—Indeed, Senator.

**Senator TROOD**—Do you know when that material will be available?

**Ms Adams**—It will not take us long—in the next few days.

**Senator TROOD**—Compared to the others, these negotiations are obviously proceeding reasonably quickly. Could you give us a quick update on what was achieved over the last week or so.

**Ms Adams**—Certainly. We had a very productive and intense set of discussions with the Koreans last week. As I have said to you before, we are making quite fast progress on the agreement of the text of the treaty. The 23 chapters are very well advanced. Both sides are very pleased with the progress on getting the treaty written. Market access, on both the goods and services sides, is of course the core of the agreement in many ways, and we are making progress on both the services and goods sides. I am certainly not able to tell you that we have concluded at this point, but we are continuing to make good progress across the board.

**Senator TROOD**—I see. There is an issue about agriculture, as I understand it. Was any progress made on agriculture?

**Ms Adams**—Yes. As we have discussed before, agriculture is always very high on our list of objectives for opening market access for our exports. We continue to make progress there, although much more progress needs to be made for us to be in a position to conclude.

**Senator TROOD**—So we did make some progress on those issues in this round. How about the energy and mineral resources sectors? Were they on the agenda on this occasion?

**Ms Adams**—Those issues are being covered in the free trade agreement as normal goods in a tariff schedule, although in general high barriers are not applied to the trade of those areas. We are also covering the issues in chapter form and, yes, further progress was made in that area as well.

**Senator TROOD**—In relation to the previous round the website made mention of the further discussions which are required in trade in goods, technical barriers to trade, trade remedies, rules of origin et cetera. Did you make any progress on those matters?

**Ms Adams**—Yes. Basically we meet each time on all of the subjects. It is a big set of meetings over several days, and every subject is negotiated. Progress was made across the board on all of those subjects.

**Senator TROOD**—Are the negotiations complete in relation to any of those areas?

**Ms Adams**—In some of the chapters, yes, they are.

**Senator TROOD**—Can you tell me which they are?

**Ms Adams**—I cannot, off the top of my head. Even though the groups have finished negotiating the text in some of those chapters, we do not announce particular chapters as being done, because of course they are subject to the overall agreement being concluded.

**Senator TROOD**—Is that a matter that will be mentioned in the update on the website?

**Ms Adams**—Yes, we generally have planned to do that.

**Senator TROOD**—In relation to the South Korea treaty, has a date for the next round been agreed?

**Ms Adams**—Yes, we are planning an overall round, probably in the first half of August. But we are also expecting to do by email or smaller meetings quite a bit of intersessional work that does not get scheduled necessarily.

**Senator TROOD**—The next round presumably is in South Korea.

**Ms Adams**—That is correct.

**Senator TROOD**—The China FTA is somewhat more challenging.

**Ms Adams**—They are all challenging.

**Senator TROOD**—The 14th round of that was in February. Is that right?

**Ms Adams**—That is correct.

**Senator TROOD**—It was a long while between the 13th and 14th, as I understand it. How did the 14th round go?

**Ms Adams**—The 14th round went quite well. It was a very positive set of discussions. We basically had to refresh a lot of the work, because there had been quite a break. We have agreed to basically update the basis for negotiation and to continue.

**Senator TROOD**—The website talks about difficult and sensitive issues. Can you give me some idea about which they are?

**Ms Adams**—They are the usual ones, including agriculture market access from our exporter point of view. You have already referred to that before. There are also other services issues to do with the full range of services issues, including movement of natural persons.

**Senator TROOD**—So we have made not much more than modest progress. Can we say that about these issues?

**Ms Adams**—We had a good, positive round last time. We are meeting again at the end of this month to continue that work.

**Senator TROOD**—Has there been any progress on the education and the movement of natural persons?

**Ms Adams**—These are issues that we are addressing. There is progress, in that the negotiations are back on in earnest.

**Senator TROOD**—I presume we are also negotiating across the government services and the procurement competition policy areas.

**Ms Adams**—Some of the areas which Australia traditionally covers in its FTAs China has not covered in its FTAs, which are quite different in scope to ours. So some of those areas are still under discussion, in terms of coverage.

**Senator TROOD**—So we have not got those onto the agenda yet.

**Ms Adams**—They are on the agenda.

**Senator TROOD**—It is on our agenda but not necessarily the Chinese agenda.

**Ms Adams**—It is just not all necessarily agreed. That is correct.

**Senator TROOD**—Do we have a date for the next round in China?

**Ms Adams**—Yes, we are going to Beijing on 28 June.

**Senator TROOD**—Perhaps you can give me a quick update on the negotiations with Japan. We had the 11th round in April, I think.

**Ms Adams**—You are correct. We had the 11th round in April in Canberra. We continue with the Japanese side to make steady progress across the negotiation. As ever, market access, both on agriculture and services, is hard work and we continue.

**Senator TROOD**—So we have made not a lot of progress there. Is that right?

**Ms Adams**—I do not have any breakthroughs to report in big headlines, no.

**Senator TROOD**—This is the place to report them.

**Ms Adams**—I look forward to being able to do that soon.

**Senator TROOD**—We will see. But not—

**Ms Adams**—But not tonight.

**Senator TROOD**—No. As I understand it, there was also a challenging issue with regard to investor/state dispute settlement. Has there been any movement on that issue?

**Ms Adams**—The issue is under discussion, but there is no agreement between the sides at this stage.

**Senator TROOD**—So we have had 11. What is 12 looking like?

**Ms Adams**—We expect to have 12 around September in Tokyo—after the northern summer.

**Senator TROOD**—Are you doing intersessional negotiations in the Japanese agreement as well?

**Ms Adams**—Yes, work does go on in between the rounds in terms of exchange of proposals and so on.

**Senator TROOD**—The movement of actual persons is presumably an issue in the Japanese agreement as well.

**Ms Adams**—Generally Australia includes a chapter on that subject, yes. It is under discussion.

**Senator TROOD**—That is on the agenda here? Are we talking about that?

**Ms Adams**—Yes.

**Senator TROOD**—That is not a concluded chapter yet?

**Ms Adams**—No.

**Senator TROOD**—I have some questions about the proposed India free trade agreement. Is that you?

**Ms Adams**—Not at this stage.

**Senator TROOD**—I am sure it will be before too long! Ms Stokes, we did a feasibility study and recommendation to proceed on the feasibility study. I am interested in knowing whether or not we have made any progress in moving beyond the feasibility—in particular, what we and the Indians need to do to progress towards the start of negotiations.

**Ms Stokes**—As you know—it is assumed in your question—the study was finalised in the first week of May. That is not very long ago. Some work remains, primarily on the Indian side in terms of their internal processes.

**Senator TROOD**—Is that a lengthy process?

**Ms Stokes**—I do not know that it has a fixed time line.

**Senator TROOD**—Is that a parliamentary process or is it an internal, bureaucratic process?

**Ms Stokes**—It is an internal, bureaucratic process but also involves ministers.

**Senator TROOD**—So that is not a matter we can affect?

**Ms Stokes**—It is a matter we can direct, but we are regularly in contact with the relevant officials. We are very keen to move ahead to the next phase as quickly as we can.

**Senator TROOD**—Do you understand that the Indian government is willing and even anxious or determined to proceed with this agreement?

**Ms Stokes**—I think it is worthwhile knowing that it was India's initiative to begin the FTA study. It demonstrates their interest in this exercise. We are working on the assumption that they want to move ahead to the next phase. We have received no indication to the contrary.

**Senator TROOD**—Is it proposed that it will be a comprehensive free trade agreement or is it going to be relatively narrow across certain designated sectors of each economy?

**Ms Stokes**—The Indians would be in absolutely no doubt about our wish, which is that it be as comprehensive as possible. They understand that.

**Senator TROOD**—Is that their wish as well?

**Ms Stokes**—I think they are willing to enter into negotiations. Obviously, lots of issues would be on the table for negotiation.

**Senator TROOD**—Thank you.

**CHAIR**—That concludes our deliberations this evening. I thank all of the officers from Austrade. I thank the officers from the Department of Foreign Affairs and Trade. I thank the committee secretariat, who have always been of great assistance. I thank Hansard.

**Committee adjourned at 6.05 pm**