

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the main economic and security challenges facing PNG and the island states of the Southwest Pacific

Question taken on notice at hearing 21 November 2008

Department of Foreign Affairs and Trade

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DFAT JSCFADT HEARING: ECONOMIC AND SECURITY CHALLENGES
FACING PACIFIC AND PNG

**QoN 1: AID STATISTICS AND FINANCIAL ASSISTANCE FROM OTHER
COUNTRIES TO PACIFIC ISLAND COUNTRIES**

Australia is the largest donor to the Pacific, with the OECD reporting the following levels of Official Development Assistance (ODA) to the Pacific in 2007:

Donor:	ODA to Oceania (\$USm)
1. Australia	649.53
2. United States	171.74
3. France	133.72
4. New Zealand	133.19
5. Multilateral	120.16
6. Japan	70.29
7. EC	70.28
8. Korea	3.72
9. Non-DAC	1.71

Traditional bilateral donors to the Pacific (Australia, New Zealand, the European Union, the United States, France and Japan) are members of the OECD Development Assistance Committee (DAC). Along with multilateral organisations such as the World Bank, the Asian Development Bank and the United Nations these donors report to the DAC on ODA flows, and have committed to international agreements on aid effectiveness such as the OECD-DAC Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

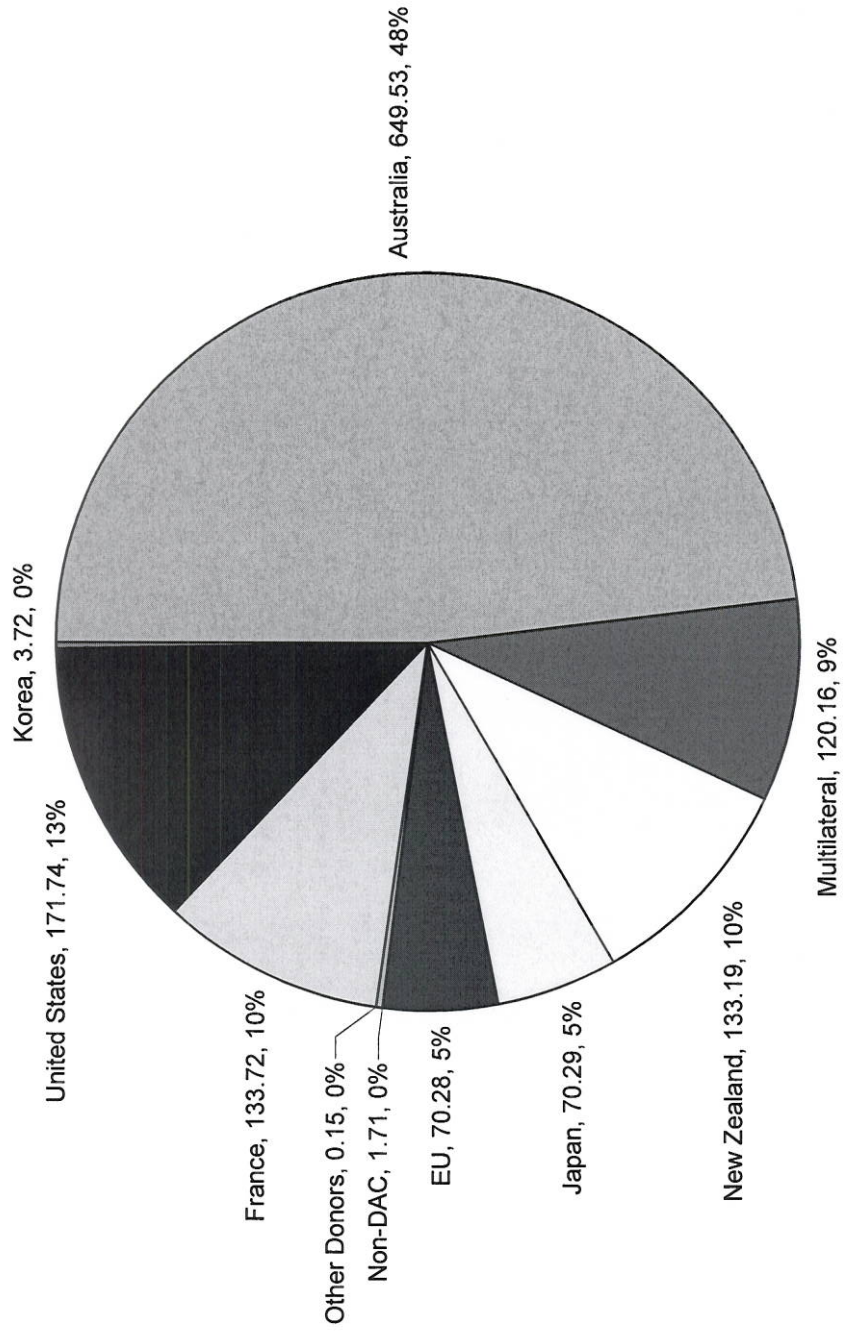
Emerging donors are increasingly active in the Pacific. Australia encourages emerging donors to work transparently and declare their ODA, and to meet the standards of the OECD-DAC on good development practice. We also encourage the use of ODA to support economic reform and good governance, and to align activities with existing development strategies, such as the Pacific Plan.

It is difficult to obtain precise figures on emerging donor expenditure as this information is often closely guarded. China does not disclose its ODA. Likewise, information on Taiwan's global aid budget is not released.

Australia's engagement with China and Taiwan in the Pacific aims to enhance good governance and transparency of aid. Australian and Chinese officials have held four rounds of bilateral talks on Pacific issues: in April and December 2005; June 2006; and May 2007. The talks provide an opportunity to share information about developments on our respective aid activities in the Pacific.

Refer to [Attachment A](#) for Australia's ODA to the Pacific region (including PNG) in comparison with international major donors, and [Attachment B](#) for a break-down of Australia's ODA to the Pacific region 2000-01 to 2008-09.

Attachment A: ODA to Oceania by donor, 2007 (\$USm)



Source: OECD DAC Statistics online. Note the above table does not reflect aid provided by several major emerging non-OECD donors, as information on their aid has not been disclosed.

Attachment B: Total Australian Aid to the Pacific Region (A\$m)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Estimated outcome 2007-08	Budget Estimate 2008-09
Papua New Guinea	338.2	328.9	331.5	321.3	349.7	318.4	345.4	371.0	389.4
Cook Islands	1.9	2.4	2.3	2.3	3.1	4.1	2.6	3.9	5.1
Fiji	16.0	17.0	20.9	21.9	29.4	29.8	25.9	27.6	26.9
Kiribati	8.9	10.9	11.9	11.4	10.7	11.2	10.6	15.5	18.4
Micronesia, F. S. of	1.3	2.3	3.3	2.9	5.8	5.2	4.8	5.4	6.5
Nauru	3.1	3.4	3.5	3.8	2.8	20.7	25.5	27.4	26.6
Niue & Tokelau	1.0	1.0	1.3	6.3	3.2	7.2	1.8	2.5	2.7
Samoa	13.9	14.1	16.8	18.1	19.1	19.9	18.7	22.0	28.3
Solomon Islands	35.1	41.8	33.5	139.5	179.1	224.7	239.8	229.8	236.4
Tonga	10.7	11.2	12.2	12.1	13.9	12.2	13.3	17.8	19.3
Tuvalu	2.9	3.4	4.0	3.9	5.0	4.8	4.8	5.9	6.3
Vanuatu	18.5	21.4	23.5	24.6	28.1	28.3	30.6	39.8	51.8
Regional & other	37.1	32.2	38.6	39.6	58.6	50.5	56.1	107.4	181.9
Pacific Total	150.4	179.9	171.8	286.4	358.8	418.6	434.5	505	610.2
PNG & PAC Total	488.6	508.8	524.6	623.1	708.5	737.0	779.9	876.1	999.5
<i>Total Australian aid</i>	<i>1,623.1</i>	<i>1,755.1</i>	<i>1,830.8</i>	<i>1,973.1</i>	<i>2,198.1</i>	<i>2,697.7</i>	<i>3,017.9</i>	<i>3,171.8</i>	<i>3,659.9</i>
<i>PNG & Pacific as a % of total Australian aid</i>	<i>30%</i>	<i>29%</i>	<i>29%</i>	<i>32%</i>	<i>32%</i>	<i>27%</i>	<i>26%</i>	<i>28%</i>	<i>27%</i>

Source: Australia's Aid Budget Statements.

**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE
INQUIRY INTO CHALLENGES FACING PNG AND ISLAND STATES OF
SOUTHWEST PACIFIC**

QUESTIONS ON NOTICE

**QUESTION TWO: RELATIONSHIP BETWEEN TAIWAN AND CHINA AND
INDIVIDUAL PACIFIC ISLAND COUNTRIES**

Currently six Pacific states recognise Taiwan (Solomon Islands, Marshall Islands, Kiribati, Palau, Nauru and Tuvalu) and eight recognise China (PNG, Fiji, Vanuatu, Samoa, FSM, Cook Islands, Tonga, Niue).

Australia respects the right of Pacific Island countries to make their own decisions on diplomatic recognition. We ourselves have chosen to follow a one-China policy which has enabled us to develop a relationship with China while maintaining effective but unofficial links with Taiwan focused on economic, cultural and other people-to-people ties. We would be concerned if Pacific Island governments changed recognition to either side for financial reasons and have made this position known.

Australia has long encouraged all donors in the Pacific to provide aid which is fully accountable and transparent, and which supports good governance and sustainable economic development. The activities of China and Taiwan, like other donors with interests in the region, can contribute to assisting the efforts of Pacific governments to improve governance, promote economic reforms and maintain social cohesion.

Australia is attempting to work positively with China and Taiwan in support of this objective. We encourage both to:

- provide aid in ways that support good governance, accountability and sustainable economic development, consistent with the goals set by the Pacific Islands Forum
- use OECD Development Assistance Committee (DAC) norms to guide aid delivery
- seek opportunities to consult with us and other donors on good aid practice.

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QoN 3: TIMELINE FOR DEVELOPING PACIFIC PARTNERSHIPS FOR DEVELOPMENT

The first Partnerships were signed with Papua New Guinea and Samoa on 20 August 2008. Australia hopes to finalise Partnerships with other key Pacific partners by mid 2009.

The current timelines for completing negotiation are: Solomon Islands and Kiribati by December 2008; Vanuatu by March 2009; Tonga and Nauru by June 2009; and Tuvalu by August 2009.

Australia will seek to renew its development relationships with all other Pacific Island Forum countries except Fiji (unless it returns to democracy) by 2010 and will consider ways to work with the compact and free association states and territories in close cooperation with other development partners, in particular New Zealand and the United States.