

How is Australian aid delivered?

While it is a common conception that aid is a tool for benevolence and altruism, the Australian government has continued to subsidise Australian business and promote our own “national interest” over the interests of recipient countries through our aid program. Over 40% of Australian aid is officially “tied”. This translates to Australian taxpayers supporting Australian business and delivering aid that institutions such as the World Bank estimate to be 20-25% more costly than untied aid. Unofficially, AusAID staff have stated off the record that up to 90% of Australian aid money boomerangs back to Australia.

Australian aid to PNG: the boomerang that keeps on coming back

Table1: Main recipients of Australian aid contracts 2003/04

Ranking	Contractors	Total Number of Contracts	Value of Contracts (\$ Million)
1	ACIL Aust. Pty Ltd	7	136.62
2	IDP Education Australia Ltd	3	133.66
3	SAGRIC International Pty Ltd	7	83.94
4	AusAID PNG Roads	2	60.37
5	GRM International	3	47.88
6	IDSS	1	42.48
Total of Top 6		23	504.95
Total of AusAID in PNG		142	771.87
% Top 6 in PNG/AusAID		16.2 %	65.42%

* Figures adapted from the Australian Senate document: Australian aid contracts ongoing in 2003/04 >\$100, 000.

Papua New Guinea, historically Australia’s largest aid recipient, has received over \$15 billion of Australian aid since it achieved independence in 1975.

Unfortunately, this money appears to have had little significant positive impact for most people who live there. Human Development Indicators (HDI) in PNG have improved only minimally in the last 30 years.

The Australian Govt. blames everyone else for this failure, yet takes no responsibility for the problem itself.

Corruption is an issue in PNG but there remains little recognition that the majority of funds that have greased the wheels of corruption have come from Australia, the main commercial actor in this relationship.

What Australian aid money has done in PNG is produce a band of Australian consultants and businesses that make huge dollars from the delivery of aid. A recent OECD publication noted that 25% of the substantial allocation Australia makes to the health sector in PNG (the AusAID funded HIV/AIDS project is budgeted at \$60 million alone) is used up in wages and costs for foreign staff (222 of 264 staff were from outside PNG)¹. The report also warns that the reliance on expatriate staff increases the risk of lack of ownership for projects and undermining the potential for PNG expertise to develop.

Light at the end of the tunnel – but is it a train?

In December 2004 Australia decided to allow PNG companies to bid directly for Australian aid contracts. This was a clear about face on decades of subsidies Australian companies have received through the Australian aid program at the expense of real development in the PNG commercial sector. The Australian Foreign Minister committed this flip flop at the direct request of the PNG government who were very aware of the cost this policy was placing on PNG.

Whilst a real positive for PNG, unfortunately problems still remain: at this stage there is no plan within the aid program to educate PNG companies how to fulfill the requirements of the complex tendering application process and no plan to provide technical assistance to such companies that have had to compete on an un-level playing field against Australian businesses for decades. Unless these two avenues are actively funded and promoted by Australia the aid program changes are likely to have little impact in tackling the boomerang aid phenomenon. Whilst the shift in policy may allow local companies to get access to Australian aid contracts it could enable other large international aid deliverers such as Halliburton to register in PNG and also attain aid contracts (as the changes allow any company registered in the donor nation to tender).

Australian aid failing to support local civil society

In addition there has been no effective attempt by Australia to advance the key areas of good governance that can be promoted by civil society. Although monitoring corruption and human rights are recognized by the

¹ OECD, DAC Peer Review, Australia, page 95. (Feb 2005).

Australian Government as important attributes in a functioning democracy the two key funding mechanisms Australia has promoted to achieve these aims have largely been unsuccessful in supporting local not for profit organisations. The Community Development Scheme and its successor the PNG Incentive fund, which both aim to promote civil society, have been largely ineffective in supporting this vital part of a healthy democracy and have been criticized constantly by local civil society in PNG.

Despite the likelihood that SAGRIC [the Australian Managing Contractor (AMC)] are taking between \$6 and \$10 million of “administration” costs from the Incentive Fund (estimated at 10 – 20% of the total funds budget), the website which acts as the public face of the \$60 million, five year program, has not been updated since the end of 2002. Although out of date, it states that only two of the 19 projects have gone to civil society organisations (those being World Vision and the Salvation Army). Reports from the ground² suggest that the problems continually brought to the attention of AusAID staff in Port Moresby have failed to be addressed with the majority of funding having been attained by Catholic educational institutions.

The Enhanced Cooperation Program (ECP) and boomerang aid

Recently Australian Assisting Police Commander in PNG Barry Turner stated “boomerang aid is not an issue”. Yet figures from the 2004 Senate Foreign Affairs, Defence and Trade Legislation Committee in 2004 suggest that the boomerang aid component of the ECP is an enormous issue. With \$800 million³ dedicated to the ECP the amount dedicated to Salaries and Accommodation of Australian Federal Police (AFP) is \$339.8 million [see table 2]. It is well known in PNG that the major real estate agencies in Port Moresby are owned by Australian interests and salaries are building up in Australian bank accounts whilst the AFP officers receive per diems whilst operating outside Australia. hence much of this \$339.8 million is likely to return to Australia.

Table⁴ 2. Distribution of funds to the PNG Enhanced Cooperation Program

	2003–04	2004–05	2005–06	2006–07	2007–08	Totals (\$ Aust.)
Australian Federal Police (AFP) Salaries & Accommodation	3,087,933	75,534,374	83,673,028	87,019,950	90,500,748	339.82 mill.
AFP Logistics, Operational Costs	27,207,212	102,066,930	92,993,055	85,374,007	86,955,429	394.59 mill.
Sub total Australia Federal Police	30.29	177.61	176.66	172.39	177.46	734.41 mill.
Royal PNG Constabulary (RPNGC) Technical Assistance	16,052,755	10,038,845	20,913,100	6,082,850	2,615,975	55.70 mill.
Total (Including Capital)	46,347,900	187,640,149	197,579,183	178,476,807	180,072,152	\$790.11 million

The amount of money budgeted for AFP Logistics and Operational Costs, \$394.59 million makes up just less than half the total costs of the 5 year ECP. Whilst some of this money may stay in PNG with local contractors and in purchasing local goods and services it is not clear what the precise monetary term will be.

The people of PNG should be calling on the Australian Government to come clean on this issue and state exactly how much of this \$394 million will flow back to Australia. Such recalcitrance is directly opposed to the notions of good governance Australia is demanding of PNG.

With only \$55.7 million [Table 2] being dedicated to Technical Assistance for the PNG Police Force and a whopping \$734 million dedicated to the Australian Federal Police, this raises serious questions about the likely beneficiaries of the ECP. According to Foreign Minister Downer “Australian police and officials will help improve the capabilities of PNG institutions, delivering sustainable benefits for its people”⁵. What are the detailed objectives of the ECP? What does Australia mean by ‘improving the capabilities? How much of this \$800 million will actually stay in PNG and how much will come back to Australia via Australian consultants and contractors?

Although Australian Assisting Police Commander Barry Turner may be confident that boomerang aid is not an issue, the people of PNG have real reason to believe otherwise.

² Multilateral Development Bank NGO consultation with AusAID, Submission by Damien Ase from the PNG Centre for Environmental Law and Community Rights (CELCOR) February 24th 2005.

³ Downer, A. Treaty Marks New Era of Cooperation with PNG. Media Release, 30th June 2004.

⁴ The table provides details of the estimated costs for the policing elements of the ECP. Due to delays in the implementation of the ECP, the actual costs for 2003–04 are likely to be significantly less than indicated in the table. This table was presented by AusAID to the Senate Foreign Affairs, Defence and Trade Legislation Committee in 2004

⁵ Downer, A. First Australians Deployed in Australia PNG Enhanced Cooperation, Media Release, 12 February 2004.