



Boomerang Aid: Australia and Papua New Guinea Who is telling the truth?

Briefing Paper
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Recent publications by AID/WATCH have suggested that the Boomerang impact of our Aid – where Australian aid money doesn't end up in the country it is designed for but in the back pockets of Australian consultants and aid deliverers - is alive and well.

AusAID continue to contend this is not true as can be seen from the comment by an AusAID spokesperson below:

" Since 2002, only one contract worth around 22 million kina (\$US6.7 million) has been awarded to an Australian company, while 72 contracts worth over 248 million kina have been awarded to PNG companies".¹

Unfortunately the statistics released by AusAID do not support these facts. This comment was made on the 30th March 2004 on the ABC Radio Program Asia Pacific by the head of Australia's aid agency (AusAID), Mr. Bruce Davis. As the attached list of contracts illustrates, the figures AusAID has published up until this point (Table 1) and since then clearly do not corroborate Mr. Davis' comments.

Table 1² lists all the contracts in PNG granted by AusAID since the end of 2002. Although it is not clear from Mr. Davis suggestion if he was including all of 2002 or from the end of 2002, for the purpose of this paper we have taken it to be from the beginning of 2003, thereby giving Mr. Davis considerable leniency.

AID/WATCH research clearly illustrates that a vast number of the contracts since the beginning of 2003 have been granted to Australian companies and hence the boomerang aid term is still quite appropriate. Alternately the attached figures, taken directly from AusAID documents highlight that since 2002 until Mr. Davis made his comments,

- AusAID had allocated 19 contracts valued at over \$100,000 in Papua New Guinea.
- The total value of these contracts was \$66.5 million³.
- The total allocated to PNG companies was just \$11.9 million.

This certainly calls into question comments made by Mr. Davis. The discrepancy that exists between the information released by AusAID and its head, Mr. Davis, imply one of three things,

- a) Either Mr. Davis and his organisation have not released all the information available to them, or;
- b) That Mr. Davis has misinterpreted the information, or;
- c) That Mr. Davis is mistaken in his assertions.

Whilst it is important that PNG companies are finally beginning to receive some of the Australian aid money there are still far more aid contracts and far, far more aid money flowing to Australian companies and consequently back to Australia.

¹ Asia Pacific, Radio National. Australia denies 'Boomerang Aid' to PNG, Go Asia Pacific, Radio Australia, ABC, 30th March 2004, 18:18:37 http://www.abc.net.au/asiapacific/news/GoAsiaPacificBNP_1077218.htm

² Taken from the AusAID document "AusAID contracts in excess of \$100 000 current in Financial year 2002/2003 found at http://www.ausaid.gov.au/publications/pdf/business/senorderlis_jun03.pdf")

³ Australian dollars is used as the currency in preference to Kina to allay any questions over exchange rates that may result as a matter of raising this issue. The Kina exchange rate to the Australian Dollar is currently \$1 Australian is equivalent to 2.29 Papua New Guinean Kina (December 7th 2004 Bank of the South Pacific)

AusAID Furphies about road construction and Good Governance

Road construction remains an area of limited funding for AusAID yet the one area AusAID constantly refer to proving the Boomerang aid tag is no longer appropriate. The 2003/04 Australian Aid Budget allocated \$333.6 million to PNG. Just 27% of the total aid program went to the transport and infrastructure sector. This sector includes airport and other transport and infrastructure maintenance and therefore the amount of aid going to the building of roads is only a minor part, though admittedly tens of millions of dollars, of the entire aid program. It is pure obfuscation by Mr. Davis to continue claiming that because PNG road contractors are getting contracts there is no problem with boomerang aid.

Meanwhile there are real problems in the road construction area that AusAID is so proud of. Whilst companies such as Barclay and Cardno do sub-contract a lot of their work to local road builders for instance, these subbies are often not well paid, particular in relation to their Australian bosses. Additionally there remain significant problems with AusAID budgeting processes. One clear example is apparent in the experience of an Australian contractor who had been working on road construction in PNG for over 20 years. He came to us disgusted with AusAID's insistence that all money had to be spent within the budgetary period. One particular project in Kokopo province had several million dollars left to spend which would have built a suitable road. Unfortunately the short time frame of a few months until the end of the budget period meant that this road construction was not possible and instead the money was used for filling pot holes which is incredibly labor intensive, expensive and a very short term solution. Our informant suggests that the case for building a road that would last and be of long-term benefit to the people of the area was put continually to AusAID. AusAID demanded that the money be spent within the time frame to which reluctantly the contractor agreed. The short-term fix was implemented, the money was spent and the road has already fallen into disrepair. Wasting millions of dollars of taxpayers money seems like a strange kind of 'good governance'.

The ECP and Boomerang Aid.

In light of the proposed Enhanced Cooperation Package (ECP) and the renewed focus on Governance, this trend is likely to exacerbate the preference for using Australian 'experts', rather than local PNG people, further increasing the 'boomerang effect' of Australian aid. This is apparent in the proposal of the first deployment of Australian Federal Police who have been signed up on 6 and 12 month contracts. After having all their expenses paid including housing, food etc they have the option of returning to Australia with their pockets stuffed with Australian taxpayers dollars. Whom this aid money is actually aiding is a question that needs answering.

Some notes on the major contract recipients:

- Curtain Bros began in PNG in 1967 and now is headquartered in Townsville
- Nawae Construction was formed in Lae and is now based in Milne Bay. PNG owned and run company.
- Sagric, formerly the South Australian Agriculture, was privatized in 80's and is now owned by the listed Coffey group. Based in Adelaide it is the 2nd largest recipient of Australia's aid after ACIL.
- The Advisory Support Facility II (follow on to ASF I) operates as an employment facility that locates and places people (mostly Australians) in advisory and training positions with the Central and PNG national government. Most of the money in this program will go to Australian advisors, trainers and consultants – and not remain in PNG. Ditto from the ACIL law and justice sector program. This will differ from the Enhanced Cooperation Program (ECP) in that the ECP is proposing to have Australian bureaucrats in 'in-line' positions, i.e. actually working in Government positions rather than advising and training, as is recent practice. For more information see <http://www.asf.sagric.com/>

AusAID contracting: the Boomerang Approach

- Whilst the construction work in the case of Nawae is handled by locals and in the case of Curtain Bros contracted and sub contracted mainly to locals, the money will likely stay in PNG. The total of these two contracts is just \$11 million. It pales in comparison to the \$27 million given to Sagric and the \$6 million to ACIL (in addition to the \$146 million worth of contracts ACIL was engaged with in PNG over the last reporting period 2002/2003)
- The top 8 recipients of Australian aid in PNG are all Australian companies (see Australian Aid: The Boomerang Approach.)
- Together these 8 companies are engaged in \$525 million of the total \$728 million AusAID contracts in PNG – over 75% of the total ongoing contracts - for this reporting period (for more information see AID/WATCHs Boomerang Aid Briefing Paper)
- AusAID will not identify what percentage of their aid is tied (i.e. conditional – in relation to Australia Tied Aid means it can only be delivered by Australian or NZ companies - despite reports from agencies such as the World Bank suggesting Tied aid is 20-25% more expensive to deliver than untied aid. AusAID are under pressure from the DAC of the OECD to untie their aid program – so far less than 14% of the Australian bilateral program (approx \$960 million of the total \$1.8 Billion aid budget) is untied. Countries such as the UK, Netherlands, Norway etc have untied their aid programs.

Conclusion:

AID/WATCH again calls on AusAID to make public, the amount of profit that Australian firms are generating from the aid program. Unfortunately the standard reply to this is that these contracts come under the legal definition of 'commercial in confidence' and hence cannot be admissible to the public.

Mr. Davis and his organization need to clarify to the Australian taxpayer and the people of PNG:

- 1) Exactly how many contracts AusAID are funding in PNG;
- 2) Precisely the total value of these contracts;
- 3) Specifically how many and what value of the contracts are going to PNG companies;
- 4) Expressly what is the value of these contracts going to Australian companies; and
- 5) What is the total value of the AusAID contracts in PNG returning to Australia.

Australia's relationship with our nearest neighbour and the credibility of the aid program demand these questions be answered.

Table 1:

AusAID contracts in PNG between Jan 2003 – March 2004

(In excess of \$100, 000)

Contractor	Project Title	Contractor country of Origin **	Value	Start Date	End Date
ACIL Australia Pty Ltd	PNG Law and Justice Sector Program	AUSTRALIA	\$ 5,889,995.00	6-Apr-03	5-Apr-08
Australian Catholic University	Baseline Survey- PNG Primary and Secondary Teacher Education Project in Papua New Guinea	AUSTRALIA	\$ 149,719.00	28-Apr-03	31-Oct-03
Australian National University, The	Round tables and workshops for 2002/2003	AUSTRALIA	\$ 106,975.00	16-Apr-03	30-Jul-03
Australian Volunteers International	Placement Services Order - Pacific Technical Assistance Facility	AUSTRALIA	\$ 123,200.00	1-Apr-03	31-Mar-04

Communications Engineering Services Aust	Bougainville Support for Peace Process: Support for Radio Bougainville	AUSTRALIA	\$ 195,000.00	15-Jun-03	31-Dec-03
Curtain Bros PNG Limited *	Gazelle Road Restoration Project, East New Britain, PNG - Restoration of Kokopo to Rabaul Road	PAPUA NEW GUINEA	\$ 9,843,813.00	22-May-03	21-Apr-05
Dept of Employment Training and Industry	PNG NFCSP - Procurement of Capital Expenditure Items	AUSTRALIA	\$ 400,000.00	24-Mar-03	30-Jun-03
EDUCO Pty Ltd	Papua New Guinea Justice Advisory Group (JAG)	AUSTRALIA	\$ 4,375,094.00	20-Jan-03	20-Jan-06
Geoff Dixon and Associates	PNG-Australia Treasury Twinning Scheme - Economic and Financial Reform Technical Support Position	AUSTRALIA	\$ 150,000.00	1-Feb-03	31-Jan-04
HK Shipping International Pty Ltd	BTT - Stages 1 + 2 Preparation and Scoping	AUSTRALIA	\$ 819,280.00	14-May-03	31-Jul-03
HK Shipping International Pty Ltd	PSTU 7 & OUP 6 distribution	AUSTRALIA	\$ 2,799,464.79	21-Mar-03	30-Nov-03
HK Shipping International Pty Ltd	PSTU7 & OUP Procurement	AUSTRALIA	\$3,200,535.21	3-Feb-03	31-Aug-03
HK Shipping International Pty Ltd	CSB and Elementary Distribution	AUSTRALIA	\$ 3,932,896.36	21-Mar-03	30-Nov-03
HK Shipping International Pty Ltd	CSB & Elementary kits Procurement	AUSTRALIA	\$4,067,103.64	3-Feb-03	31-Aug-03
Int. Womens Development Agency	Bougainville Strengthening Communities For Peace: From Peace to Progress	AUSTRALIA	\$ 529,785.00	1-Feb-03	1-Mar-04
Nawae Construction Pty Ltd	Construction of a Commercial Fish Processing and Training Facility at Kavieng, New Ireland Province,	PAPUA NEW GUINEA	\$ 2,149,000.00	10-Jan-03	27-Sep-03
PDP Australia Pty Ltd	Education Sector Affordability Studies	AUSTRALIA	\$ 430,000.00	4-Feb-03	16-Jun-03
Public Service Commission	Record of Understanding between Australian Agency for International Development and the Public Service of PNG	AUSTRALIA	\$ 100,000.00	9-Jun-03	9-Jun-04
SAGRIC International Pty Ltd	PNG Advisory Support Facility Phase II	AUSTRALIA	\$ 27,225,000.00	1-Apr-03	31-Mar-06
TOTAL AusAID Contracts IN PNG	19	Total Contracts Value	\$ 66,486,861.00		
Total to PNG Companies*	2	Total Contract value to PNG Companies	\$11,992,813.00		

Compiled from AusAID document: AusAID contracts in excess of \$100 000 current in Financial year 2002/2003 found at http://www.ausaid.gov.au/publications/pdf/business/senorderlis_jun03.pdf

** For the benefit of this research, included as a 'PNG company' are some companies with close links and offices in Australia such as Curtain Brothers.

AID/WATCH is an independent, not for profit organisation monitoring and campaigning on Australian overseas aid and trade policies and programs. We work to ensure aid-funding reaches the right people, communities and their environments. You can find out more or pledge your support at <http://www.aidwatch.org.au> email: aidwatch@aidwatch.org.au Ph: +61 2 9557 8944