



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

**Estimates**

(Public)

THURSDAY, 31 MAY 2012

CANBERRA

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**SENATE**  
**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE**  
**Thursday, 31 May 2012**

**Members in attendance:** Senators Abetz, Back, Birmingham, Brandis, Colbeck, Edwards, Eggleston, Faulkner, Fawcett, Kroger, Macdonald, McEwen, Madigan, Nash, Parry, Rhiannon, Ronaldson, Singh and Xenophon



## FOREIGN AFFAIRS AND TRADE PORTFOLIO

### In Attendance

Senator Bob Carr, Minister for Foreign Affairs

#### **Department of Foreign Affairs and Trade**

Mr Dennis Richardson, Departmental Secretary

Mr Chris Moraitis, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

Ms Robyn Stern, Acting Assistant Secretary, Executive Planning and Evaluation Branch

**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:**

Mr Peter Rowe, First Assistant Secretary, North Asia Division

##### **South-East Asia:**

Mr Rod Smith, First Assistant Secretary, South-East Asia Division

##### **Americas:**

Mr Justin Brown, First Assistant Secretary, Americas and Africa Division

##### **Africa:**

Mr Justin Brown, First Assistant Secretary, Americas and Africa Division

##### **Europe:**

Mr Paul Myler, Acting First Assistant Secretary, Europe Division

Mr Peter Doyle, Assistant Secretary, EU and Western Europe Branch

##### **South and West Asia, Middle East:**

Mr Paul Robilliard, First Assistant Secretary, South and West Asia and Middle East Division

##### **Pacific:**

Ms Jennifer Rawson, First Assistant Secretary, Pacific Division

##### **International organisations and legal issues:**

Ms Deborah Stokes, First Assistant Secretary, International Organisations Branch

Ms Caroline Millar, Head, United Nations Security Council Task Force

Mr Richard Rowe, Senior Legal Adviser

Dr Greg French, Assistant Secretary, International Legal Branch

Ms Amanda Gorely, Assistant Secretary, Domestic Legal Branch

##### **National security, nuclear disarmament and non-proliferation:**

Dr Robert Floyd, Director-General, Australian Safeguards and Non-Proliferation Office

Mr Allan McKinnon, First Assistant Secretary, International Security Division

##### **Services to other agencies:**

Mr Chris Moraitis, First Assistant Secretary, Corporate Management Division

Mr Peter Davin, Executive Director, Overseas Property Office and Services

##### **Services to diplomatic/consular representatives:**

Ms Paula Ganly, Acting First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr David Binns, Assistant Secretary, Consular Operations Branch

Ms Sally Mansfield, Chief of Protocol

Mr Mark Donovan, Protection Privileges and Immunities Section –

**Program 1.2 Payments to International Organisations**

Ms Deborah Stokes, First Assistant Secretary, International Organisations Branch

**Program 1.3 Public Information Services and Public Diplomacy**

Ms Paula Ganly, Acting First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Ms Ruth Pearce, Assistant Secretary, Public Diplomacy and Information Branch

Mr Simon Merrifield, Assistant Secretary, Parliamentary and Media Branch

Mr Guy O'Brien, Director, Domestic Legal Branch

**Outcome 2—The protection and welfare of Australian 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;**

Ms Paula Ganly, Acting First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr David Binns, Assistant Secretary, Consular Operations Branch

**Program 2.2 Passport Services**

Ms Penny Williams, Executive Director

Mr Ross Tysoe, Assistant Secretary, Passports Branch

**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**

Mr Tuan Dao, Chief Information Officer

**Program 3.2 Overseas Property**

Mr Peter Davin, Executive Director, Overseas Property Office and Services

**Australian Agency for International Development**

Mr Peter Baxter, Director General

**Outcome 1—To assist developing countries to reduce poverty and achieve 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**

Mr James Batley, Deputy Director General

Mr Ewen McDonald, Deputy Director General

Mr Gary Dunn, Chief Operating Officer

Mr Robert Tranter, First Assistant Director General, Pacific Division

Mr Roderick Brazier, First Assistant Director General, East Asia Division

Ms Margaret McKinnon, First Assistant Director General, Africa and Community Programs Division

Mr Scott Dawson, First Assistant Director General, South and West Asia Division

Ms Catherine Walker, First Assistant Director General, Humanitarian and Stabilisation Division

Ms Clare Walsh, First Assistant Director General, International Programs and Partnerships Division

Mr James Gilling, First Assistant Director General, Policy and Sector Division

Mr Laurie Dunn, First Assistant Director General, Program Effectiveness and Performance Division  
Mr Blair Exell, First Assistant Director General, Corporate Enabling Division  
Mr Murray Proctor, First Assistant Director General, Projects, HIV AIDS Ambassador  
Mr Paul Wood, Chief Financial Officer  
Mr Michael Carnahan, Chief Economist  
Mr Simon Kidman, Chief Auditor  
Ms Caitlin Wilson, Assistant Director General, Papua New Guinea and Solomon Islands Branch  
Ms Lisa Rauter, Assistant Director General, Africa Branch  
Mr Sam Beever, Acting Assistant Director General, Middle East, North Africa, Latin America & Caribbean Branch  
Ms Michaela Browning Assistant Director General, Afghanistan and Pakistan Branch  
Mr Dereck Rooken-Smith, Assistant Director General, Office of Development Effectiveness  
Mr Peter Versegi, Assistant Director General, Budget Branch  
Ms Victoria Bergmann, Assistant Director General, Risk Management and Fraud Group  
Mr Jean-Bernard Carrasco, Assistant Director General, Climate Change and the Environment Branch

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

**Program 2.1 East Asia**

Mr James Batley, Deputy Director General  
Mr Roderick Brazier, Acting First Assistant Director General, East Asia Division

**Australian Centre for International Agricultural Research**

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

Dr Nick Austin, Chief Executive Officer  
Dr Simon Hearn, Principal Adviser, Strategy and Policy  
Mr Dave Shearer, Director Corporate

**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)**

Ms Rhonda Piggott, Acting First Assistant Secretary, Trade and Economic Policy Division  
Mr John Fisher, Assistant Secretary, Trade Competitiveness and Advocacy Branch  
Mr Michael Mugliston, Special Negotiator, Free Trade Agreement Division  
Mr Hamish McCormick, First Assistant Secretary, Office of Trade Negotiations  
Mr George Mina, Assistant Secretary, Services and Intellectual Property Branch, Office of Trade Negotiations

**Australian Trade Commission (Austrade)**

Mr Peter Grey, Chief Executive Officer  
Mr Peter Yuile, Executive Director, Education and Corporate Operations  
Mr Tim Beresford, Executive Director, Australian Operations  
Mr Laurie Smith, Executive Director, International Operations  
Mr John Angley, General Manager, International Education  
Ms Marcia Kimball, Chief Human Resources and Change Management Officer  
Mr Ian Chesterfield, Group Manager, Programs, Consular and Business Services

Mr Quentin Stevenson-Perks, Group Manager, International Education  
Mr Brendan Jacomb, Group Manager, Legal, Security and Procurement  
Mr Rob O'Meara, Chief Finance Officer

**Export Finance and Insurance Corporation (EFIC)**

Mr John Pacey, Chief Credit Officer  
Mr John Hopkins, General Counsel  
Mr Jan Parsons, Director, Environmental and Technical Review

**Committee met at 9:03**

**CHAIR (Senator McEwen):** Good morning, everybody. I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome the witnesses and the minister, the Hon. Bob Carr. Today the committee will continue to examine the budget estimates for the Foreign Affairs and Trade portfolio. The committee will now consider the budget estimates for AusAID. The committee must report to the Senate on 26 June 2012. Friday, 27 July 2012 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 on Tuesday, 12 June 2012. 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 all 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 in *Hansard*.

*The extract read as follows—*

**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)

### Australian Agency for International Development

[09:05]

**CHAIR:** Minister, do you or an officer wish to make an opening statement?

**Senator Bob Carr:** No, Madam Chair.

**CHAIR:** Mr Baxter?

**Mr Baxter:** No, Madam Chair.

**CHAIR:** We will go then to questions, and we will start with Senator Fawcett.

**Senator FAWCETT:** I would like to briefly go to some matters of principle around aid. These are budget estimates and obviously the amount of funding is important. Minister, could you comment on the importance of relationships that are built through foreign aid between Australia and other countries? Could you also comment on the quality of the programs that are put in place?

**Senator Bob Carr:** It is a very broad question, but I think—

**Senator FAWCETT:** It is a matter of principle.

**Senator Bob Carr:** Yes, but a very broad one. I think Australia's status in the world has been enhanced by the scale and the effectiveness of our aid budget. I can perhaps confirm this best by a very concrete argument. When I was in Cambodia, I saw in Siem Reap a hospital funded by Australians that was part of a major Australian aid effort that by 2020 would largely contribute to avoidable blindness no longer existing in that country. Touring that hospital I saw people who gave all the indications of being part of the rural poor, who, after a half day in that hospital, would end up with the bandages being removed and their full sight restored—some of them seeing the world properly for the first time in 30 years. That was funded by Australians, with medical staff trained by Australians and being oversighted by Australians. Malaysia, Thailand and South Korea were all once recipients of Australian aid, and now they are among our top 10 trading partners.

**Senator FAWCETT:** How much of that do you attribute to the fact that, like in Cambodia, it was Australians who trained, Australian who were oversighting it, so that a relationship was built—like the Colombo Plan? How much of that good relationship now with other countries comes down to the fact that it is a relationship as well as just the cash that is important?

**Senator Bob Carr:** I think that is very important.

**Senator FAWCETT:** Should that guide how we work into the future, in terms of making sure that Australians are involved?

**Senator Bob Carr:** Another part of our aid budget is funding through multilateral agencies. We cannot have the impact we want to have without working with multilateral agencies. So that is another part of our aid budget, but we have means for assessing the effectiveness. I know Peter Baxter would want to address that, having been through it in the last 12 months—the aid effectiveness review and our response to it and the way that addresses aid being delivered by international bodies.

**Senator FAWCETT:** Sure.

**Mr Baxter:** If I could add to the minister's answer, we provide over 70 per cent of our assistance in the Asia-Pacific, and most of our assistance in the Asia-Pacific is through our bilateral programs. They are Australian run and Australian managed programs.

Indonesia is our largest recipient. You talked about the importance of relationships—our funding to Indonesia is based on the relationships that we have built with their government. We work very much inside the Indonesian government on issues like education, infrastructure, and social development, as part of Indonesia's efforts to address these problems rather than in parallel programs that are outside of the Indonesian government system. While the funding is important, it is the expertise—the capability—that we bring that is of value to the Indonesians.

Our largest program in Indonesia is an education program. We have provided \$500 million to that program over five years—a lot of money. Indonesia is providing \$32 billion, which dwarfs our contribution. But we bring

expertise to that education program to help Indonesia maximise the benefit it gets from its own national budget spending on education. So you are very much right that relationships are at the heart of successful programs.

**Senator FAWCETT:** That being the case, why are we getting concern expressed by people working in the aid field that where there are viable and existing Australian options—whether they are academic hubs like the knowledge hubs or people delivering aid—AusAID is now actively seeking consortia from overseas to bid against them? In fact, in one case a \$12 million contract was awarded to a UK consultancy, ahead of Australians who were working in that field and bidding for that work, to deliver things into the Pacific. The UK might be good quality and they might be good value for money, but if the Australians are also good quality and good value for money, and relationship is important, why are we sending stuff offshore so that someone from the UK is delivering Australian aid in the Pacific? Where is the relationship in that?

**Mr Baxter:** We have an untied aid program, and successive governments have adhered to that policy. That means that, when we put into the marketplace programs where we need assistance from external contractors, anyone internationally can apply for those tenders. Australian companies compete as part of that process.

The vast bulk of our contracts do go to Australian companies—a relatively small number of Australian companies—but we do want to see the best international practice made available to deliver our programs. If it is a British firm that has particular capability in a particular area that we are working in, whether it is in the Pacific or any other region, we will judge their capability on its merits in the tender process—and it is an open and transparent tender process—and we will make a decision on which of the tenders provides us with the best capability and the best value for money.

**Senator FAWCETT:** But surely—and we have just discussed this fact—the long-term value for money is not only the outcomes for people on the ground—though that is important—but also the relationship Australia builds with our region.

That is the whole purpose of diplomacy—to reach out and build relationships with our region. We cannot outsource our relationship-building. If you are concerned about world's best practice, then surely your contracting terms need to be better to make sure that firms who bid from Australia adopt world's best practice or that firms who bid from overseas utilise Australians in the delivery of that aid so that that relationship aspect is still being built.

**Mr Baxter:** As I said, successive governments have had an untied aid program. That is part of best practice in delivering the aid program because you are able to avail yourself of the best expertise to deliver your programs. I am sure that, when you look at foreign companies that have won contracts to deliver AusAID programs, you will find that they largely employ Australians to do so.

**Senator FAWCETT:** Can you take on notice, then, a question to indicate, for the contracts that you have let to foreign firms, what percentage of the workforce involved in the actual delivery and oversight have been Australian citizens?

**Mr Baxter:** I am very happy to take that on notice.

**Senator FAWCETT:** With the knowledge hubs, my understanding is that, since 2006, when they were first put forward in the white paper, the Australian government has invested in academic excellence here in Australia to support the delivery arm so we have that holistic view. Is AusAID currently looking at actively encouraging academic institutions overseas to receive that funding, as opposed to Australian universities?

**Mr Baxter:** No. What we have done, for instance in the health area, is that we have set up a health knowledge hub, and we plug into some of the cutting edge research that has been done by organisations such as the Nossal Institute for Global Health in Melbourne on controlling infectious diseases. We work very closely with other universities in Australia which are looking at issues such as malaria or HIV and AIDS or other issues that we are involved in seeking to address through the aid program. So, when you say 'promoting foreign universities' or others, we do have programs where we twin Australian institutions with foreign institutions, and we certainly do have programs where organisations such as Australian Centre for International Agricultural Research brokers partnerships between counterparts overseas and people undertaking relevant agricultural research in Australia. So we do play that brokering role, but directly funding foreign universities to conduct research on our behalf is not a significant part of our program.

**Senator FAWCETT:** So on the feedback we have been getting about foreign universities being invited to bid for the hubs: that is in a contributing role for research as opposed to an oversight or leadership role with a hub?

**Mr Baxter:** That is right.

**Senator FAWCETT:** Going to the more substantive issue now in terms of the budget, obviously you are well aware of the public feedback from many aid organisations about what is essentially a freeze in the budget as opposed to the increase that was expected. The sharp increase that will be required in order to achieve the 0.5 GNI by 2015 would require increases of around \$1 billion a year in the next few years. I think the most we have ever seen was \$600 million-odd. Do you have the capacity to absorb and effectively spend increases of that size in the years leading up to reaching that target?

**Senator Bob Carr:** We are on track to reach that 0.5 per cent of gross domestic income by 2016-17. It is a year later than planned, but you cannot spend money you do not have. We are very proud that our budget, contrary to what you have said, has been increased, not frozen. The total overseas aid budget rises by around \$300 million: it goes up from \$4.9 billion to around 5.2 billion. I notice that—

**Senator FAWCETT:** As a percentage of our GDP, though, it has not risen, has it?

**Senator Bob Carr:** But it does rise—

**Senator FAWCETT:** In real terms—I accept that. But in terms of the percentage of GDP it has not risen.

**Senator Bob Carr:** I wanted to go on to make the point that your finance spokesman did not dissent from this but supported it. He saw no alternative to it.

**Senator FAWCETT:** I am asking the question about the capacity of AusAID to effectively spend what is a significant ramp-up—

**Senator Bob Carr:** No, that is a different question.

**Senator FAWCETT:** That is the question I asked at the start.

**Senator Bob Carr:** The question was about how we would reach it, but if you are asking about our capacity—

**Senator FAWCETT:** No. Minister, go back and check the *Hansard*. My question was: does AusAID have the capacity to effectively spend such large increases in the last couple of years of the ramp-up to meet the target.

**Senator Bob Carr:** Okay—that is a different question. Peter?

**Mr Baxter:** As you know, Senator, over the last two years AusAID has undergone a very major reform program centred around the first independent review of the aid program in 15 years which handed its report to the government in April last year, and, as you know, the government responded in July. That report was really a root-and-branch review looking at the capability of the organisation to manage the increases in the years ahead, and the judgement that was made by the independent review was that, subject to some reforms within the organisation, we did have that capability.

We have now implemented over 30 of the 39 recommendations of that review and will have finished the rest of them by the end of this year. In this year's budget the government released a four-year budget strategy which outlined where the budget would grow over the next four years as we seek to achieve those higher levels of funding. So we are very confident that we can program effectively the increases that are coming over the next few years as a result of those reforms that we have put in place.

**Senator FAWCETT:** The reforms also call for performance benchmarks to be met prior to increases. Have you met all of the performance benchmarks?

**Mr Baxter:** We have met all of the performance benchmarks for 2010-11, 2011-12 and we have already started to meet those of the coming year. We will meet every benchmark that were set out in the independent review and then some, in that reporting framework we have set out in our four-year budget strategy is in fact more rigorous than the benchmarks that were suggested in the *Independent review of aid effectiveness*.

**Senator FAWCETT:** Page 165 of the portfolio budget statement outlines the savings made by the deferral of Australia's commitment. The savings target is \$2.9 billion over four years broken into \$2.7 billion from the contingency fund and \$212.5 million from existing AusAID resources. the 2012-13 year portion is \$447.2 million. What is the breakup of this budget year amount between the contingency reserve and existing AusAID resources?

**Mr Baxter:** I will just ask the chief financial officer to answer that.

**Mr Wood:** As you point out, the figures provided in Budget Paper No. 2 give an indication over the four years that add up to a \$2.9 billion saving. In relation to the 2012-13 financial year, the saving that we estimate from the contingency reserve is \$263 million and the saving from within AusAID appropriations is \$184 million.

**Senator FAWCETT:** Can you outline the process of how you determined which program items the savings would come from?

**Mr Wood:** The savings have been identified and allocated across our broad program structure. As you note, in our portfolio budget statements we have programs established at a high regional level. We estimate that there will be savings in our cross-regional category as well as the broad category that we have for Africa, Middle East and Other regions.

**Senator FAWCETT:** An analysis we have looked at indicates that programs 1.1, 1.2, 1.6, 1.7 and departmental support have all had reduced expenditures, but programs 1.3, 1.4, 1.5 have had increases. Is that a correct summary analysis?

**Mr Wood:** We are not forecasting reductions or savings in the departmental support. What you may be looking at is the potential trajectory had we maintained the 0.5 by 2015-16. But we are not looking at any actual savings based on our existing appropriations.

**Senator FAWCETT:** You are correct. It is taking away funding from that predicted trajectory. So compared to what agencies or programs may have expected to receive up until the budget announcement, they are now working with less funds over this period. Is that a correct analysis that the ones who are working with less funds than expected are programs 1.1, 1.2, 1.6, 1.7 and departmental support?

**Mr Wood:** The key thing to note is that all those programs have an increasing resource allocation over the four years. All of those areas will receive an increase in funds. As you point out, the original trajectory to 0.5 by 2015-16 had that increasing by even more. So you would be correct in saying that the difference between the original projection and the revised projection results in a reduction from those original high-level projections based on 0.5 per cent by 2015-16.

**Senator FAWCETT:** So it appears from that brief analysis I outlined that it is our own region and funding to NGOs that carried the bulk of those savings measures. Is that correct?

**Mr Baxter:** No, that is not correct. The first thing to say is that the bulk of the savings came from what is known as the official development assistance contingency reserve. Each year the government required a certain proportion of the aid budget to be kept within that contingency reserve. Over the forward estimates it would be 2½ per cent within the budget year, then five per cent, 7½ per cent and 10 per cent going out over the forward estimates. That money each budget was appropriated to AusAID as part of the growth strategy within the aid program. It was money that was in the forward estimates, allocated to official development assistance but not yet appropriated to AusAID. We had of course made plans to program that money to fund the future growth of the aid program the government had committed to, but, as a result of decisions made in the budget, that growth has been slowed. But, as Mr Wood said, there will be no cuts to any regional program, and all regions except for Latin America and the Caribbean will grow over the next four years.

The biggest area where we are making savings—or one of the main areas—is in slowing the growth of our programs in Africa, the Middle East and South Asia. That will provide about \$750 million worth of savings over the next four years. But we will still increase funding to those regions by over 60 per cent across the forward estimates.

We are also slowing the growth of our global programs. This is our funding to multilateral organisations. We had planned a faster increase in our funding to multilateral organisations than will now be the case. That will save about \$1.2 billion over four years. So they are the two areas where, alongside our own departmental resources, you will see the most significant impact of the deferral of the target by one year.

**Senator FAWCETT:** You said that funding in Africa is slowing. Why then this year have you decided to join the African Development Bank?

**Mr Baxter:** The government responded to a recommendation that was made in the independent review that joining the African Development Bank would be a sensible thing to do, particularly to assist with the consolidation of our Africa program, which is something the government has committed to doing. You mentioned earlier the administrative hurdles that were set out in the independent review. Joining the African Development Bank was indeed one of those hurdles contained in the independent review, in recommendation 39. So this is very much consistent with the review and the government's response.

**Senator FAWCETT:** There were many other recommendations in the effectiveness report. Why wasn't the African Development Bank put back two years as opposed to this year?

**Mr Baxter:** It has been put back. We had planned to join the African Development Bank in the coming financial year. It now will not happen until the year after.

**Senator FAWCETT:** What is the reasoning process of determining which programs are funded out of the contingency reserve as opposed to the budget program line items?

**Mr Baxter:** The contingency reserve had two purposes. The within-year contingency reserve was really some money put aside for the inevitable unforeseen and emerging priorities. Obviously if there were a major natural disaster in our region that required more funding than we had allocated in the line items in the budget—for instance, for humanitarian assistance—that would be the area of funding that we would go to to seek supplementation of our existing budget. As the year progressed, progressively we drew down that contingency reserve and allocated it to particular activities. In the forward estimates beyond the budget year, that funding was the source of funding for new budget measures that would be brought forward in the budget process. So it both provided a capacity for growth in the aid program across the forward estimates and provided the government and AusAID with the capability to respond to new and emerging issues.

**Senator FAWCETT:** You have had criticism from people like World Vision that the slowdown in funding is going to have a material impact on people whose lives could have been changed. Is that criticism valid?

**Mr Baxter:** We will be making an enormous difference to the lives of people living in poverty over the next four years with the budget that has been allocated by the government. So we will vaccinate more than 10 million children. We will provide safe water for 8½ million people. And we think we will be able to provide life-saving assistance to about 30 million people who are caught up in humanitarian emergencies and conflicts. So we will still have a very significant impact through the funding that is provided.

**Senator FAWCETT:** If you had applied more of the freeze to your government-to-government funding that goes to governance issues and building resilience in civil structure and, of the money that was available, put more to areas that materially affected people's lives day to day, could you have addressed the concerns that World Vision raised?

**Mr Baxter:** There are always trade-offs you make between where you allocate your funding, but the work that we do on governance we believe is fundamental to helping countries to sustainably deal with the development challenges they have. If you do not have strong institutions, like a strong health system, then you are only going to have an impact while you are directly working in that area, so we are not only looking to impact on people's lives but also looking to give countries the capability to deal with their own development challenges without the need, permanently, for intervention by donors like us. It is a trade-off and balance between the two.

**Senator KROGER:** Can I just follow up. Mr Baxter, I just want to go back to your advice in relation to AusAID paring back funding towards Africa, the Middle East and South Asia, I think you said. I am actually quite surprised to hear you say that because for two years we have listened to why it is an imperative to ramp up AusAID funding to these areas. I have sat around this table for two years hearing the argument as to why it is an imperative for Australia to increase funding to Africa, for instance, and the Middle East. It was only either late last year or early this year that the former foreign minister announced increased funding of, I think, over \$10 million to one of the African nations as a one-off.

We have questioned, as you well recall, the integrity of this decision, the political motivation of this decision and why the former foreign minister pursued an increased interest in providing much stronger aid assistance to those on the African continent in particular. It does beg the question: is there any correlation between the former foreign minister no longer sitting in that chair and the direction of aid, or is there some other political incident that has happened between, I would suggest, additional estimates in February and today, in a matter of two or three months? Why has—I would suggest—the political agenda changed so dramatically?

**Senator Bob Carr:** There are two things, Madam Chair. First of all, our aid budget to Africa will increase by 60 per cent over the forward estimates. The second point is that the senator's colleague the shadow Treasurer did not dissent from the government's aid allocation in his comments on the budget.

**Senator KROGER:** Minister, thank you for that, but that does not address at all what I just asked. What I asked Mr Baxter was: why is it that we have been sitting here for two years hearing the argument prosecuted as to why we had to effectively increase our aid budget in a significant way to Africa? He by his own words then said that that was being reduced, that there was a strategy to reduce, in the overall ratio and equation of things. Mr Baxter just said that we were going to be reducing the aid allocation to Africa.

**Senator Bob Carr:** The aid budget to Africa is being increased by 60 per cent over the forward estimates. Every Australian can be proud of that. Yesterday, when I announced a big increase in aid to the World Food Program, that was welcomed unequivocally, and the major impact of that, given what has happened in the Sahel, is a massive Australian contribution to the relief of famine. We can be very proud of that.

**Senator KROGER:** Minister—

**Mr Baxter:** Senator, can I just add: I did not say that we were reducing the funding to Africa; I said we were slowing the growth that we had planned in our Africa program. The Africa program and the Middle East program

will still grow, but that growth will not be as fast as we had originally envisaged because of the decision to defer the achievement of the 0.5 GNI target by one year.

**Senator KROGER:** What has been our growth in Africa over the last 12 months, two years and three years?

**Mr Baxter:** It has been significant. Over the last four years, the program has tripled in size.

**Senator KROGER:** Could you put that in terms of dollars so we understand what we are talking about?

**Mr Baxter:** Yes. It has gone from about \$100 million to over \$300 million. But it is still a relatively small proportion of the overall aid budget at less than 10 per cent of the aid budget. When you consider the need in Africa it is, we think, entirely justified to provide assistance to those people in Africa. The growth has been rapid. It will not be as rapid over the next few years as it has been over the last few years as result of the government's decision in the budget, but it will still grow.

**Senator KROGER:** Okay, we can look at this statistically, empirically. From \$100 million it has tripled to \$300 million. What is the projected growth in the next 12 months?

**Mr Baxter:** We will provide \$354 million in ODA to Sub-Saharan Africa in 2012-13. That will be 6.8 per cent of Australia's total official development assistance.

**Senator KROGER:** And your three-year projection?

**Mr Baxter:** I will have to ask my chief financial officer.

**Mr Wood:** As set out in the Comprehensive Aid Policy Framework at page 12, we expect that by 2015-16 \$500 million will be provided to Sub-Saharan Africa. It will go up in a reasonably steady trajectory from the \$354 million, as Mr Baxter has outlined, to that \$500 million.

**Senator KROGER:** Is that finite? We saw, as I mentioned earlier, that there was a top-up, and I just cannot recall without it being in front of me whether it was at the end of last year or earlier this year that the former foreign minister announced it. Will that preclude any initiatives that will be considered to be one-off support aid for natural disasters, for instance?

**Mr Baxter:** That figure can go up if there is, for instance, a major humanitarian disaster as we saw in the Horn of Africa last year. We spent beyond what we projected in Africa because the government decided to make a major contribution to alleviating the suffering of those people who were caught up in the famine in the Horn of Africa, including, as you will recall, by supporting on a dollar-for-dollar basis the appeals of Australian NGOs for donations from the Australian public. So that is the case. If, for instance, the current food crisis in the Sahel were to get significantly more serious, we would clearly look at what we might do further than what we have projected in the budget. We have flexible funds put aside in our budget each year to deal with humanitarian emergencies and natural disasters. When we allocate them, of course, to particular countries and regions, they ultimately end up getting counted as part of our budget allocation for those regions, which is why you sometimes see a difference between the estimated expenditure at the beginning of the financial year and the actual expenditure at the end of the financial year.

**Senator KROGER:** Just to conclude this particular point, Mr Baxter, is there a strategic decision to change the ratio of AusAID's spend, where there has been a tripling of AusAID assistance to Africa, for instance? Has a strategic decision been made on the basis of the aid effectiveness review to focus on the Asia-Pacific or particular regions which are considered to be of greater political, geographic and economic priority to Australia?

**Mr Baxter:** The government has decided to focus the vast bulk of our aid program in the Asia-Pacific region. Over 70 per cent of our expenditure will continue to be in the Asia-Pacific region because that is where we can make the most difference. It is obviously where we have the strongest national interests as well. When you consider that most of Australia's immediate neighbours are developing countries, there is a good reason for that. Of our top 12 bilateral partners, all of them are in the Asia-Pacific, and that will continue to be the case over the next four years.

**Senator KROGER:** Thanks, Mr Baxter.

**CHAIR:** I remind senators that we are on the overview at the moment and we will work through different regions according to the program when we have dealt with overview questions.

**Senator SINGH:** Mr Baxter, correct me if I am wrong. There was a food crisis in the Horn of Africa. It was a major humanitarian disaster.

**Mr Baxter:** Absolutely.

**Senator SINGH:** And it was right for donor countries to respond to that disaster through the provision of aid.

**Mr Baxter:** Indeed. It was the first time that famine had been declared officially by the United Nations in a couple of decades.

**Senator SINGH:** And we did that through the World Food Program, through the United Nations?

**Mr Baxter:** We funded a number of agencies at the multilateral level: the World Food Program, UNICEF, the International Committee of the Red Cross. We also provided assistance through Australian NGOs, and we have a number of Australian NGOs—

**Senator SINGH:** Like Oxfam?

**Mr Baxter:** World Vision, Oxfam, CARE—we have a number of humanitarian partners in the NGO community in Australia and indeed we have a rapid dispersal mechanism to get funding to them quickly. As you know, those organisations are part of global networks themselves, so we have provided assistance on a number of different levels.

**Senator SINGH:** We were just one of a number of donor nations who responded to that crisis, a crisis which was obviously leading to men, women and children dying from famine?

**Mr Baxter:** Absolutely. It is estimated that over 300,000 children have died in the Horn of Africa over the last couple of years as a result of a lack of food. I visited the region in September last year in the border areas with Somalia and went to the Dadaab refugee camp, the largest refugee camp in the world, with about 450,000 people in it, most of whom have come out of Southern Somalia. The condition of those people was appalling because of the combination of the failed rains and the drought, high food prices and insecurity caused by the civil conflict that is still going on in the south of Somalia.

**Senator SINGH:** I understand that there were reports suggesting that the international community could actually have moved sooner to avert the recent Horn of Africa food crisis. On that: I understand that there is now a similar food crisis developing in the Sahel. What is Australia going to do to address this? I presume that other donor nations are also responding to that at this point in time. Is that something where, as you referred to earlier, those flexible funds come into play to deal with certain crises? No matter what our focus may be, if there is a famine and a crisis, I presume that the Australian government will act accordingly.

**Senator Bob Carr:** Yes, that is an appropriate conclusion. Only yesterday, during the afternoon tea break here, I met with Ms Ertharin Cousin, the Executive Director of the World Food Program, who explained to me the components of the disaster in the Sahel: crop failure, higher food prices and, in part of that broad region, political conflict. In response I announced yesterday an additional \$25 million of funding for the World Food Program, \$10 million of which will provide urgently needed food and humanitarian assistance to the Sahel. The World Food Program, by the way, is the world's largest food assistance agency. It is an important partner for Australia. It has the credentials and expertise to respond to large-scale emergencies like this.

This brings Australia's total contributions over 2012 to these countries to \$30 million for the Sahel, including \$15 million to the World Food Program. Over the past two years alone, Australian funds have helped to feed more than 5.5 million people who would otherwise have gone hungry. The increase in the aid budget this year enables us to say that over the next three years we have allocated enough funds to assist a total of 30 million people caught in humanitarian crises, of which this is one example.

**Senator SINGH:** Thank you. I think this shows that we and, hopefully, other donor nations are acting sooner in this imminent food crisis than we did with the Horn of Africa. Hopefully it will result in a better outcome than the crisis that occurred there.

**Senator FAULKNER:** That was additional funding, wasn't it?

**Mr Baxter:** Yes. It was in addition to funding that we had already provided. In February this year the government provided \$10 million as the scale of the crisis became better understood. We have also provided funding to the Australian NGO community separate to this. So this is the third allocation of funding we have made so far to the Sahel crisis.

**Senator FAULKNER:** I have seen some of the announcements that included Sahel, Pakistan and South Sudan. I am not sure of the disaggregation of it. Are you able to clarify that for us?

**Mr Baxter:** Yes. It was \$10 million for the Sahel, through the World Food Program; \$5 million for South Sudan, also through the World Food Program; and \$10 million for Pakistan for the victims of the flooding in 2011, who are still dependent on food assistance for their survival.

**Senator FAULKNER:** What element of that is the additional funding that the minister was speaking about?

**Mr Baxter:** That is the \$10 million to the Sahel. It is estimated at the moment that there are about 15½ million people suffering from food insecurity in the region. The scale is quite massive.

**Senator FAULKNER:** Indeed. Thank you for that. I am sure members of the committee appreciate the minister's announcement.

**Senator SINGH:** I want to ask a question in relation to corruption. Corruption obviously presents a significant challenge to achieving our results in many of the countries that we deliver Australian aid to. Transparency is obviously one way of improving our accountability in that regard. What can Australia do to improve transparency in the developing countries that we are delivering our aid to?

**Senator Bob Carr:** Transparency is very relevant to getting the biggest impact for Australian aid, and AusAID is supporting a range of measures that build it. For example, in Indonesia, Australian aid has allowed the Australian federal and family courts to partner with the Indonesian Supreme Court to make their decisions more transparent. Since 2007, approximately 21,800 court decisions have been put online, making it easier for people in the community to get access to decisions and understand the court system, while also making the court system more accountable.

Today I can tell you that Australia is increasing its support to Transparency International. AusAID will provide a contribution of \$11 million over four years to Transparency International, increasing its total commitment from Australia to more than \$18 million. They are an effective partner. They achieve results. They are universally highly regarded. It is the leading global anti-corruption civil society organisation. It raises awareness of corruption, promotes transparency and advocates for anti-corruption reforms at national and international levels. It has global reach.

To date, Australia's assistance has helped Transparency International fund the opening of nine advocacy and legal advice centres. The centres provide legal advice to victims and witnesses of corruption, which means they can pursue their rights and lobby for more transparent and accountable government in their nations. Transparency International has 60 centres in 50 countries which have received 90,000 complaints as 2003. They helped three key countries in the Pacific—Fiji, PNG and Solomon Islands—be part of Transparency International's 2010 global corruption barometer. This measures community ideas about corruption and how governments are tackling it. This makes governments more accountable. This new partnership will further Transparency International's reach into Africa and Latin America. This latest commitment builds on our current partnership to deliver a range of similar measures in the Asia Pacific. This partnership will support Transparency International's strengthened citizen action against anticorruption and will empower communities to advocate more transparent and accountable government.

**Senator SINGH:** Are these nine advocacy and legal advice centres located in Africa and Latin America? Are they the areas of focus or are there other areas as well?

**Mr Baxter:** Those nine centres are in South Asia and in the Pacific. In addition to the funding that the minister has announced for Transparency International, Australia is also the largest financial supporter of the Extractive Industries Transparency Initiative, which is a part of or an element of our Mining for Development Initiative, which the Prime Minister announced last year. This is focused on helping countries develop transparent systems for how they manage the revenue that they derive from their natural resources, so that maximises the community benefit and the community understanding of what revenue governments are receiving.

**CHAIR:** Thank you, Senator Singh. Senator Xenophon?

**Senator XENOPHON:** Further to your response to Senator Singh's question, do we take into account a country's military spending when we calculate how much aid we give them?

**Mr Baxter:** No, Senator, we do not.

**Senator XENOPHON:** Would it be appropriate to take that into account?

**Mr Baxter:** Most of the countries that are the major recipients of Australian aid do not have significant military expenditure.

**Senator XENOPHON:** Could I go to a media release that Prime Minister Rudd put out on 25 August 2008. The then Prime Minister announced that as part of the government's overseas aid program the number of places for East Timorese students to undertake full-time studies in Australia would increase from 12 to 20 in 2009, at a cost of around \$3 million per year. As I understand it, it was an ongoing program. Could you confirm whether that is still an ongoing program?

**Mr Baxter:** I will ask my colleague Mr Brazier to come forward. We do have an ongoing scholarship program in East Timor and that scholarship program is certainly one that we continue to provide support for.

**Senator XENOPHON:** If it would assist you, the opening lines of the then Prime Minister's media release were: 'The Prime Minister announced today that Australia would almost double the number of scholarships

available for East Timorese students to undertake full-time undergraduate and postgraduate studies in Australia. The number of places under the government's overseas aid program will increase from 12 to 20 in 2009, at a total cost of around \$3 million per year.' Is that program still in force?

**Mr Baxter:** It is still in force. I will ask Mr Brazier to give you the exact numbers that we are doing at the moment.

**Mr Brazier:** The development awards allocated to Indonesia are just under 100, combining short-term and long-term awards. About 60 of them are long-term awards, which would include degree courses and postgraduate study.

**Senator XENOPHON:** But in relation to this specific program, on my basic arithmetic, \$3 million for 20 students means that each student place costs \$150,000 per year. How is this cost arrived at and can you itemise that cost?

**Mr Brazier:** I would have to take that on notice in relation to East Timor.

**Senator XENOPHON:** But you accept on the face of it \$3 million for 20 students works out to \$150,000 per student per year?

**Mr Brazier:** The arithmetic works, but I would have to take that on notice if you want precise figures.

**Senator XENOPHON:** So there are currently 100 East Timorese students undertaking full-time studies in Australia?

**Mr Brazier:** In 2011 just short of 100 East Timorese received either short-term or long-term scholarships to study in Australia.

**Senator XENOPHON:** On notice, if you can break that down. Further to that, the whole idea of this program is so that these students are educated in our universities and they go back to assist in the development and rebuilding of their nation. That is the ethos of it, isn't it?

**Mr Brazier:** Yes.

**Senator XENOPHON:** What policies are in place to ensure that all scholarship recipients return to East Timor to contribute to their country's development once they have completed their studies?

**Mr Brazier:** I think that pertains to an agency-level policy. I am certain, though, that there are measures in place that ensure that East Timorese studying in Australia do go back to East Timor once their studies are completed in order to contribute to the development of East Timor.

**Senator XENOPHON:** Do you have a level of certainty about that?

**Mr Baxter:** We do. We require students to return home after they have completed their study. They are not eligible to apply for a visa to stay in Australia beyond the period of their study. They have to return home for at least two years to contribute back into their societies. Most stay much longer. The figure is that over 85 per cent of students do return; they do stay in their countries—and that is across the whole of our scholarship program, not East Timor specifically.

**Senator XENOPHON:** Of the 15 per cent who do not—

**Mr Baxter:** Well, it is over 85 per cent, so it is less than 15 per cent.

**Senator XENOPHON:** Of the less than 15 per cent—to be completely accurate—who do not go back, how many would be employed by AusAID?

**Mr Baxter:** None at all. We do not employ people whom we fund to do study in Australia.

**Senator XENOPHON:** Perhaps you could take on notice the question of how AusAID monitors and enforces these policies, because there is a concern there.

**Mr Baxter:** Certainly.

**Senator XENOPHON:** How many East Timorese students would have been undertaking full-time study in the last calendar year? Perhaps you could take this on notice. How many have undertaken part-time or full-time studies, and what is the cost involved?

**Mr Brazier:** Certainly.

**Senator XENOPHON:** And I will just make it clear that I think these programs are very worthy, given our relationship with East Timor. I just want to make sure that the East Timorese nation gets the help it deserves from these students.

**Senator MADIGAN:** AusAID defines its scholarship program for Indonesia as all of Indonesia, from Surabaya, the capital of East Java province, to Papua, the easternmost province. In Indonesia, east Indonesia is

usually defined as beginning at either Makassar or Manado, both on the island of Sulawesi. It is never defined as being in Surabaya. Why does AusAID include the island of Java in the definition of east Indonesia?

**Mr Brazier:** There is no firm definition of east Indonesia in existence. The administrative boundaries are provincial in Indonesia. But I have seen, over the years, east Java defined in and out of a broad definition of eastern Indonesia. Surabaya is the principal transport hub servicing eastern Indonesia.

**Senator MADIGAN:** Will this definition privilege east Java recipients and disadvantage those who live in Papua, the Moluccas islands, the Lesser Sundas and Sulawesi?

**Mr Brazier:** No. The entire aid program to Indonesia has, over the years, taken a specific interest in the development of eastern Indonesia. Eastern Indonesian scholarship awards have been made to many students from eastern Indonesia, including from those provinces you referred to. I do not think it is the case that there is any measure or policy in place that would disadvantage candidates from those eastern provinces in any way.

**Senator XENOPHON:** Further to Senator Madigan's line of questioning, to what extent does AusAID look at the issue of disadvantage in particular regions? There is a clear distinction between those who live in Papua and those who would live in Java in terms of issues of relative disadvantage. To what extent is there a weighting with respect to the amount of aid and decisions made with respect to aid, given the relative disadvantage of various regions of a nation?

**Mr Baxter:** We do take into account disadvantaged areas of countries, including Indonesia, where we deliver our program. We take into account ensuring that ethnic minorities in countries have access to our scholarship program, and we also take into account the need for gender equity in the way we distribute scholarships between male and female candidates. We do want to see students from eastern Indonesia, which is a significant focus of our overall aid program in Indonesia, get access to our scholarship program, so we work through the provincial governments and other authorities we have relationships with in delivering our program to make sure that people are aware of the aid and to provide assistance with those processes where necessary.

**Senator XENOPHON:** Further to Senator Madigan's line of questioning, would you be able to provide a breakdown of which areas get what in terms of that aid?

**Mr Baxter:** I am very happy to do that. I would like to add that our scholarship program in Indonesia has a fairly impressive group of alumni now as a result of our work over many years. The current Vice-President of Indonesia is an alumni of an AusAID scholarship program, the current foreign minister is an alumni of an AusAID scholarship program and the former trade minister is an alumni of the AusAID program.

**Senator XENOPHON:** Particularly in terms of the number of Papuans who might be in school on these programs.

**Mr Baxter:** Certainly.

**Mr Brazier:** I can help on that question, Senator. Since 1999, 79 scholarships have been awarded to applicants from Papua province and a further 49 to applicants from West Papua province.

**Senator XENOPHON:** Thank you.

**Senator MADIGAN:** What AusAID funded projects exist in Papua and West Papua provinces?

**Mr Brazier:** Australian aid to Papua has grown substantially in recent years from \$1.8 million in 2004-05 to \$16.8 million in 2011-12. This is based on the development need of those two provinces, which are among Indonesia's poorest. They have the highest poverty incidence in the country and among the lowest human development indicators. Thirty-eight per cent of Papuan provinces' population live in poverty, which is around three times the Indonesian average. Nine out of ten Papuan villages do not have access to basic health services such as doctors and medical centres. The prevalence of HIV in the adult population in the Papuan provinces is substantially higher than the national average in Indonesia. Eighty-three per cent of Papuan children attend elementary school compared to 94 per cent nationwide.

The Indonesian government and AusAID are working together to tackle these development challenges, and indeed the Indonesian government has specifically sought Australian assistance to pursue the development of priorities under a new presidential regulation which targets food security and poverty reduction, the quality of health and education services, basic infrastructure improvement and economic growth and regional development in Papua.

So it is a growing program for AusAID in two provinces that do need Australia's assistance.

**Senator MADIGAN:** In relation to the West Papuan AusAID-funded project on education, what percentage of indigenous Papuans are involved in these projects?

**Mr Brazier:** We do not distinguish between indigenous and non-indigenous Indonesians living in those two provinces.

**Senator MADIGAN:** How many Australian officials or persons employed by the Australian embassy have visited Papuan and West Papuan provinces since the signing of the Lombok Treaty in 2006?

**Mr Baxter:** That is a question we would have to take on notice, because it would include officials from other departments, such as the Department of Foreign Affairs and Trade. I am certainly aware that our ambassador to Indonesia has visited the Papuan provinces in the last 12 months, as has the head of the AusAID program in Jakarta. But we can get you those details on notice.

**Senator MADIGAN:** When you say 'the Papuan provinces', that includes West Papua?

**Mr Baxter:** That is right, yes.

**Senator MADIGAN:** Has AusAID received a proposal to fund a centre for victim identification in Timor Leste?

**Mr Baxter:** I will ask my colleague Mr Brazier to answer that. We certainly provide a lot of assistance to East Timor through the Australian Federal Police: after AusAID, they are the second largest Australian partner with East Timor. I will ask Mr Brazier if we are aware of that specific request.

**Mr Brazier:** I am not aware of that request but I can look into it for you.

**Senator XENOPHON:** The request has been made though, hasn't it?

**Mr Brazier:** I do not know.

**Mr Baxter:** If it has been made, it may have been made directly to the Australian Federal Police. They have their own program, which is funded from the official development assistance budget. They have their own set of relationships with their counterparts in Timor-Leste and they may have made that directly to the AFP. So we will check with the AFP.

**Senator MADIGAN:** In light of the fact, as mentioned earlier, that we spend well in excess of \$500 million a year in aid to Indonesia, it would be reasonable to assume that the \$220,000 that they are asking for to establish this international victim identification centre in Timor-Leste is a relatively small amount of money to give closure to these people.

**Mr Baxter:** On the face of it, without knowing anything about it, it sounds like a reasonable request. In December last year we signed a development partnership agreement with East Timor. That was signed by the former foreign minister and the current East Timor Minister of Finance.

In that document it sets out the areas where we have agreed to work together. The partnership agreement supports East Timor's own strategic development plan, which they launched in July last year. We have identified particular pillars, and law and justice is one of the pillars that we will work under. So the request that you mentioned is perfectly reasonable and within the boundaries of those activities that East Timor has identified as priorities for the partnership that we have signed with them. We will check with AFP and get back to you. But, as you said, in the scope of a program that is over \$100 million a year, it is a relatively small amount.

**Senator MADIGAN:** I refer to a Radio Australia story dated 30 April 2012, where AusAID is said to be funding a police mobile squad in PNG. What is the amount of Australian aid related to this claimed police mobile squad in PNG in the past five years?

**Mr Baxter:** Again, this is an issue for the Australian Federal Police. They have an extensive police-to-police cooperation program in PNG. So when the story referred to AusAID funding, it would be funding from the Australian aid budget but it would be managed by the Australian Federal Police, not by AusAID.

**Senator MADIGAN:** AusAID is working, I believe, with Indonesia's Ministry of Religious Affairs in supporting the madrasah program. In 2011 I believe Indonesia's Corruption Eradication Commission published a survey on institutional integrity. The index ranges from naught to 10, with 10 indicating the highest level of integrity. The Ministry of Religious Affairs was reported to be the central government institution with the lowest integrity score of 5.37. I believe the Minister of Religious Affairs, Mr Suryadharma Ali, is urging the Indonesian government to ban the Ahmadiyah and Shia religious groups. He also, I believe, called for a ban on mini-skirts. He appears to court Islamist militants to block a campaign to revoke Indonesia's notorious blasphemy law. Could you please provide me with a list of the madrasahs which receive financial assistance from the Australian government?

**Mr Baxter:** There are two points to make. One is that, starting under the previous, Howard government, Australia has been engaged in a school-building program since 2005. And between 2005 and 2010, a bit over

2,000 junior secondary schools were built under that program. I think about 54 madrasah were built in that time. We can certainly give you the details. In addition to that work in the school building program—in the next phase of that program continued by the current government—we are working with the Ministry of Education and Culture and the Ministry of Religious Affairs to pilot an accreditation scheme for 1,500 madrasah in Indonesia, which has those madrasah adopting the national curriculum—the normal academic subjects of maths, science and the like—and bringing those schools into the mainstream of the Indonesian education system by providing those secular subjects in the schools. If that program is successful, as we believe it will be, it will be expanded to all 55,000 madrasah across Indonesia. It is a very interesting and ground-breaking program that we are part of.

**Senator MADIGAN:** How is the Australian government going to ensure that the madrasah teachers do not propagate extremist views?

**Mr Baxter:** When we work with Indonesian schools we have a process where we employ experts who provide us with advice as to whether those schools have any connections with radical groups. We obviously have sources of information within the Australian government as well. We do a vetting process to make sure that they are not aligned with, for instance, Abu Bakar Bashir or any of the adherents of groups he has been part of. We do undertake that vetting.

**Senator MADIGAN:** How do AusAID funded programs combat religious discrimination and violence against religious minorities in Indonesia, such as the Ahmadiyah, Baha'i, Buddhist, Christian, Hindu and Shia Muslims?

**Mr Baxter:** We fund programs regardless of the religious orientation of the groups that we work with, but we have certainly developed very strong relationships with the moderate Islamic non-government organisations, Muhammadiyah and Nahdlatul Ulama. We are doing more work with them at the community level in areas like disaster preparedness and disaster response. Those organisations themselves promulgate a moderate form of Islam and a tolerant form of Islam, including to non-Islamic communities. We support those groups in Indonesia that take that broader, more tolerant approach.

**Senator XENOPHON:** You may need to take this question on notice. Is there a discretionary fund that Australian ambassadors, say, in Indonesia and Timor Leste, have with respect to the provision of aid programs? If so, could you indicate what the scope of that fund would be and how it has been expended in Indonesia and Timor?

**Mr Baxter:** There is a mechanism. It is called the Direct Aid Program, and the Department of Foreign Affairs receives an allocation of aid funding which they then distribute to the heads of missions who are working in developing countries. The amount differs country by country.

**Senator XENOPHON:** There would be a tender process for that, wouldn't there?

**Mr Baxter:** They go through a process of soliciting applications from community groups largely, in the countries where they operate. They may be church groups; they may be women's groups; they may be particular individual villages or districts that are looking for some assistance to implement relatively small-scale programs.

**Senator XENOPHON:** Could you give us the details, including any tender process, on notice.

**Mr Baxter:** Certainly.

**CHAIR:** Although we have given considerable latitude to Senator Madigan and Senator Xenophon, we are technically, still in Overview, are there any questions?

**Senator KROGER:** Minister, I refer to your announcement regarding the establishment of the Independent Evaluation Committee in the 2012-13 budget, and I understand that the chair of the committee you have announced is Mr Jim Adams, the former vice president of the East Asia and Pacific Region at the World Bank. Could you advise when you made that appointment decision, please?

**Senator Bob Carr:** We will take that on notice and get the date for you. I am told it was in March.

**Senator KROGER:** Did you make that appointment?

**Senator Bob Carr:** Yes.

**Senator KROGER:** Can you furnish me with any details about that committee?

**Senator Bob Carr:** Yes. The role of the committee is to provide independent expert evaluation advice to the Development Effectiveness Steering Committee. It will oversee AusAID's Office of Development Effectiveness. It will help to strengthen the independent status and credibility of ODE evaluations. The terms of reference for the IEC are on AusAID's website.

**Senator KROGER:** Was this one of the recommendations from the independent aid review?

**Mr Baxter:** That is correct.

**Senator KROGER:** What were the selection criteria for the appointment of the chair of that committee?

**Mr Baxter:** We were looking for someone who had a broad understanding of the international development landscape and specific experience in working in countries that are important to Australia. Mr Adams is a former vice president for East Asia and the Pacific of the World Bank. So he has a long history of working in the region where we concentrate most of our program work. He also has extensive experience in working in Africa, and has held senior positions in a number of areas of the World Bank.

**Senator KROGER:** What resources have been assigned to this committee, such as the budget, staff and so on?

**Mr Baxter:** The committee will be supported by a secretariat in the Office of Development Effectiveness. The committee is having its first meeting on 21 June, which is in line with the commitments we made in response to the independent review: that it would meet this year and that it would start producing evaluations in the next financial year. So we are on track to meet that. There will obviously be costs associated with the meetings. Also, we expect visits by members of the Independent Evaluation Committee to sites where we are implementing our programs. They will be absorbed as part of the normal costs of those individual programs that are being scrutinised, as well as from the budget of the Office of Development Effectiveness. So, we are not seeking to put additional funding in place for them as a specific bucket. But they will draw from the general resources of the agency.

**Senator KROGER:** Will he have a designated secretariat?

**Mr Baxter:** He will. It is part of the Office of Development Effectiveness.

**Senator KROGER:** How many will be in the secretariat?

**Mr Baxter:** It will be a relatively small number. The committee itself will be overseeing the work of the Office of Development Effectiveness. It will make decisions on what programs should be evaluated and the methodology that should be adopted in those evaluations. It will then look at the evaluations that have been conducted and make judgments as to whether they are of sufficient quality or whether more work needs to be done to ensure that the product that is finally produced is of a higher quality than we have been producing in recent years just using the Office of Development Effectiveness. So in a sense this is enhancing the capability and quality of the evaluations we have been producing since the Office of Development Effectiveness was established, in 2006.

**Senator KROGER:** Have the members of the committee been appointed?

**Mr Baxter:** They have.

**Senator KROGER:** And what is the makeup of the committee?

**Mr Baxter:** There are three independent members of the committee. First, Mr Jim Adams. Next, Dr Wendy Jarvie, who is a visiting professor at the University of New South Wales and has previously worked in a number of departments in the Australian Public Service, including seven years as a deputy secretary in the Department of Education, Science and Training. She has also worked at the World Bank in the operations evaluation department, so she is very experienced in evaluation. The third member is Professor Patricia Rogers, who is an academic from RMIT. Professor Rogers has worked in public sector evaluation and research for more than 25 years.

**Senator KROGER:** Are the other two committee members, other than Mr Adams, engaged full time or are they coopted on at various times to undertake reviews?

**Mr Baxter:** The committee will meet quarterly, so they are not full-time appointees. Their job is to oversee the work of the Office of Development Effectiveness and to lift its quality through their expert and independent evaluation experience. At the initial meeting they will set the work program for 2012-13 and then, at various times, at their quarterly meetings, they will look at the products that are produced by Office of Development Effectiveness in accordance with that work program and will make judgments about whether they are of sufficient quality to be released. We intend to publish all of the evaluations that have been completed. Then, on an annual basis, the committee will oversee a synthesis of all of the evaluation reporting that has been done throughout the year.

**Senator KROGER:** Is 'audit' the word you would use to describe the function?

**Mr Baxter:** It is an effectiveness audit.

**Senator KROGER:** What will be the process in determining what is necessary—whether it would be a site visit or so on. How will it be determined? What will be the process? What are the inputs to that process?

**Mr Baxter:** We will make suggestions to the committee about a work program and we will provide justification for those suggestions. They will then decide, basically from a list of suggestions that we made, what elements of the program they think are priorities for examination and evaluation.

Your terminology of an audit is correct. One of the issues that was identified in the independent review was that while we have very good and robust systems looking at financial audits and compliance audit type things, there is an issue around whether our programs actually work and whether they deliver the results to the poor people we are seeking to help. This is a further effort by the agency to try to ensure that we understand what works and why it works and what does not work and why it does not work. This will inform our future design and implementation of programs.

**Senator KROGER:** I presume they have remuneration packages.

**Mr Baxter:** They do. They will be paid sitting fees, as would be the standard case for other people outside of the public service who sit on public service boards or committees.

**Senator KROGER:** What are they?

**Mr Baxter:** I do not have that information with me, but I can take it on notice.

**Senator KROGER:** If you could. I presume that the chairman would be paid a different remuneration rate to those of the other two committee members?

**Mr Baxter:** We will be guided by the broader public service guidelines on these remuneration rates and the like. We will provide those to you.

**Senator KROGER:** Will those audits be publicly available?

**Mr Baxter:** Yes. We will publish all of the reports that are produced under the supervision of the IEC. And, on an annual basis, we will publish a synthesis of what lessons were learned across the program from all of the audits or all of the evaluations that were done throughout that year. That annual synthesis will feed in to the annual review that cabinet is going to undertake of the effectiveness of the aid program.

I should also say that these evaluations will cover not only AusAID's work but they will cover the work of other agencies and departments that spend parts of the aid budget: the Federal Police, the Department of Immigration and Citizenship and others will have their programs scrutinised.

**Senator KROGER:** What about bilateral partners—for instance, World Vision or Oxfam or any of those. Could they charge you with the responsibility to do an audit of them on the way in which the AusAID money directed through those NGOs is spent?

**Mr Baxter:** The answer is yes. Every year we audit a certain number of NGO partners. We do that on a rolling basis, so all of our NGO partners are audited by AusAID to ensure that they have rigorous financial management systems in place to account for the taxpayers money we provide to them. We also audit multilateral organisations and universities that receive funding from AusAID. So, on the financial audit side that is already covered.

We will be evaluating the results we are achieving from our investments in programs that are managed by NGOs, in full cooperation with them. It is not a punitive exercise. It is a matter of how, working together, we can use our evaluations to ensure the quality of our programs increases over time.

**Senator KROGER:** With an NGO, how do you ascertain how much AusAID spending is directed towards administrative costs and how much is ultimately delivered on the ground at the coal face? How do you make that determination?

**Mr Baxter:** When we are looking for NGO partners to implement programs on our behalf, they have to submit a detailed financial plan and that will include what their overheads are in implementing the program, and we will make an assessment of whether those overheads are reasonable in the circumstances. We might negotiate a different profile to the funding than that which was originally put forward. The cost structures vary widely, depending upon what part of the world you are talking about. Obviously some parts of the world are much more expensive to deliver programs in than others. We also look at the context in which the program is being delivered in order to make those judgments.

**Senator KROGER:** I understand that you do not have the capacity to do an audit of every single project, but you do go back and do random audits of various organisations. So I presume you then go back on the basis of what their projections are. I presume that is in their tender for AusAID. Do you go back and do a due diligence to ensure that this is exactly how the money was spent?

**Mr Baxter:** Absolutely. For every program that is managed by a partner, whether it be an NGO or a multilateral organisation, we require them to provide detailed financial accounting of how they spend our money. It is not just annual accounting. It can be even more frequent than annual accounting. It might be a quarterly and in some cases even a monthly reconciliation of the funding that has been provided. So we have a scope of program. We define very clearly what we have agreed taxpayers money can be spent on and they have to account for every cent of that funding against the agreed work plan.

**Senator EGGLESTON:** I understand that the government has agreed in principle with program performance to be assessed through an annual review of the aid program and communicated through a scorecard. Is that roughly correct?

**Mr Baxter:** Roughly correct. When the government issued our new aid policy last year it agreed that there would be an annual review of aid effectiveness conducted by cabinet. The first of those annual reviews will take place in October of this year. Following the review by cabinet the outcome will be published. That will include all agencies responsible for delivering official development assistance.

**Senator EGGLESTON:** Is it possible to explain what the assessment indicators are and when the first year assessment scorecard will be completed?

**Mr Baxter:** Firstly, we will be assessed on an annual basis against the results we have published in the ministerial statement on Australia's official development assistance—the so-called blue book. In our new comprehensive aid policy framework there is a set of results that the government has published that AusAID and other agencies will seek to achieve over the next four years. And the annual review will track our progress against those results.

#### Proceedings suspended from 10:29 to 10:46

**CHAIR:** We will resume proceedings. I know Senator Eggleston was in the middle of something, but we will start off with Senator Rhiannon.

**Senator RHIANNON:** In February I heard that the government was considering joining the Voluntary Principles on Security and Human Rights. Is the government planning on joining this body and, if so, where is it up to?

**Mr Baxter:** I think that is a question best directed to the Department of Foreign Affairs and Trade rather than to AusAID.

**Senator RHIANNON:** You do not have any input into that?

**Mr Baxter:** Not that I am aware of, but I can take it on notice.

**Senator RHIANNON:** Can you take it—whether you have any input—on notice, and I will take it up. Another one—this is actually from the DAFF budget, but it lists it as 'official development assistance', so I want to see if AusAID has any input with regard to the money going to live animal exports going from \$3 million to \$4.8 million over the last two financial years. Did you have any input into that?

**Mr Baxter:** I will ask my colleague Mr Brazier to answer that. You are referring to Indonesia there?

**Senator RHIANNON:** It does not actually list Indonesia here; it just talks about improved supply chains. So I am assuming that that is what it is referring to, but the word 'Indonesia' does not appear.

**Mr Brazier:** Without knowing any more about that measure that you referred to I cannot comment specifically on it.

**Senator RHIANNON:** I will just read it out, then. It is a line item: 'Live animal exports—Business assistance—Improved supply chain and official development assistance' going from \$3 million in 2011-12 to \$4.8 million in 2012-13.

**Mr Brazier:** I am not familiar with that measure, but I can tell you that official development assistance funds have been appropriated to DAFF, as you mentioned, for the purpose of improving the quality of abattoirs in Indonesia. But further questions on that really need to be addressed to DAFF.

**Senator RHIANNON:** Considering that you have identified here that it is overseas development aid, can you inform the committee how this was measured against the aid objectives in making the decision to allocate this money to the live animal export trade?

**Mr Baxter:** As my colleague has mentioned, this is funding that has been appropriated to another government department, the Department of Agriculture, Fisheries and Forestry, so your questions are best directed to them on that program. We are not part of the decision-making process to allocate that funding.

**Senator RHIANNON:** So, just to help me understand the process: do you have any involvement in the amount of money or the allocation, or does that never come within AusAID's ambit?

**Mr Baxter:** The government considers, on an annual basis, proposals from a range of government departments and agencies to have access to funding from the aid budget. So, the federal police have an allocation of ODA—

**Senator RHIANNON:** Do you sit in those meetings and have an input into those decisions of aid money going to these other agencies?

**Mr Baxter:** We do not have an input into those decisions, because they are budget decisions that are made by government.

**Senator RHIANNON:** So this aid money for live animal exports has nothing to do with AusAID?

**Mr Baxter:** No. It is a budget process that is managed by the government.

**Senator RHIANNON:** Okay; thank you very much. I would like to move on to issues to do with sexual and reproductive health. We are hearing more and more that reducing maternal mortality remains the least likely of all the Millennium Development Goals to be achieved by the target date of 2015. And then there is that very alarming figure that the leading cause of death for girls aged between 15 to 19 in developing countries is pregnancy. So I was interested in some of the AusAID developments in this area. How much of this year's aid budget is spent on reproductive health? And Minister, here I am not asking about maternal health. I am asking about how much you have spent on reproductive health—not maternal health, which is clearly important, but specifically family planning and contraception.

**Senator Bob Carr:** Let me see if I have a breakdown on those figures.

**Senator RHIANNON:** And I am interested in how it differs from last year, please.

**Senator Bob Carr:** The figures I have here show AusAID expenditure on activities with family planning as a major component or primary objective. In 2009-2010 it was \$10 million, in 2010-11 it was \$42 million and in 2011-12 it was \$36 million—not yet finalised, with a further increase likely.

**Senator RHIANNON:** So it has dropped?

**Senator Bob Carr:** On 2010-11, yes, but I am advised that that figure will go up. This is due to a major contribution to the United Nations Family Planning Agency commodity fund of \$10 million and a larger-than-usual IPPF payment in 2010-11 of \$9 million, reflecting two years of funding due to administrative delays in moving to multi-year funding agreement. I will just ask Peter to interpret.

**Mr Baxter:** We provided a two-year payment to the International Planned Parenthood Federation rather than a one-year payment. So our increase between 2009-10 and 2010-11 from \$10 million to \$42 million included that multi-year payment to IPPF.

**Senator RHIANNON:** Was that a payment for the two past years?

**Mr Baxter:** That was a payment for 2010-11 and 2011-12. So we made a prepayment, if you like. As the minister said, our accounting shows that so far this year we have spent \$36 million. We expect that figure will increase as we finalise our accounting for the year across a whole range of programs.

**Senator RHIANNON:** In real terms, is it an increase or a decrease? Or is it about the same?

**Mr Baxter:** We have increased dramatically over the past few years since the government issued its guidelines on funding for family planning activities in 2009, and you can see that by the fourfold increase from 2009-10 to 2010-11. We continue to increase our spending on broader maternal and child health, and the family planning components of that spending will increase in the coming years.

**Senator RHIANNON:** Could you take on notice what percentage of the health budget family planning comprises?

**Mr Baxter:** Certainly.

**Senator RHIANNON:** And how does this spending on sexual and reproductive health compare to Australia's commitment under the International Conference on Population and Development?

That is where donor countries made a commitment to allocate four per cent of ODA to population activities. Are we on track there?

**Mr Baxter:** My understanding is that we are on track.

**Senator RHIANNON:** Do you need to take it on notice? You said it was your understanding; does that need to be confirmed?

**Mr Baxter:** I am very happy to confirm that for you by taking it on notice.

**Senator RHIANNON:** Thank you very much. Are there requirements as to what kind of services family planning must provide? Could, for example, a family planning program that promotes abstinence or the Billings method be considered as family planning?

**Mr Baxter:** The principle under which we provide our family planning assistance is that women in developing countries should be able to avail themselves of the full range of family planning services available in Australia, subject to the important proviso of the national laws of the countries in which we are operating. So we fund a whole range of interventions in the family planning area.

**Senator RHIANNON:** So could I take that as a yes, and that a program that promoted abstinence or the Billings methods would be considered?

**Mr Baxter:** I do not have any specific information that we have funded programs using those methodologies. So I think it is a hypothetical question. Our interventions are normally around education and the provision of information and family planning interventions to women through the national health systems of the countries that we are working with.

**Senator RHIANNON:** Could you take on notice whether any of the programs that you are funding run such programs?

**Mr Baxter:** I am happy to look at that but I do not think it is the case.

**Senator RHIANNON:** Thank you very much. Staying with this issue, I notice that the government has released a new Comprehensive Aid Policy Framework. It is the one that came out earlier this month. We have this four-year plan and I notice that we have the inclusion of skilled birth attendants but not family planning within the Comprehensive Aid Policy Framework. What is the evidence base for this decision, please?

**Mr Baxter:** It has been proven through experience and research that women having access to a skilled birth attendant at the time they are giving birth leads to major reductions in maternal mortality.

**Senator RHIANNON:** Mr Baxter, I am sorry to interrupt; there is a shortage of time. I am not querying the great benefits of skilled birth attendants but there is clearly a difference between skilled birth attendants and family planning in terms of allowing women to make a choice—

**Mr Baxter:** Yes.

**Senator RHIANNON:** and to control the number of births. The evidence on this is quite outstanding, as you are aware. That is why I was asking: why did the Comprehensive Aid Policy Framework not cover family planning?

**Mr Baxter:** Family planning would be covered by the commitments that we have made to maternal and child health. It is a subset of maternal and child health.

**Mr Wood:** If I could just assist for a second, you may be referring to the high-level results that were illustrated in our results framework. One of the high-level results we have under the saving lives strategic goal is that more than one million additional births will be attended by a skilled birth attendant. Those headline high-level results are a summary of a multitude of other key results and indicators. So it may be that we have just extracted a few of the larger results under strategic goals.

**Mr Baxter:** So they are indicative examples of the kinds of results that we are going to achieve. They are not to the exclusion of other objectives that we will continue to pursue through the aid program. Family planning assistance has, at its core, the objective of preventing unwanted pregnancies.

**Senator RHIANNON:** Could you take that on notice, to ask the question again—I was interested in the evidence base for the decision—about the fact that family planning has not been included in the Comprehensive Aid Policy Framework. What was the evidence base for making that decision, please?

**Mr Baxter:** I repeat. We did not exclude family planning from the Comprehensive Aid Policy Framework. We took some examples of the kinds of results that we expect to achieve over the next four years but I can assure that we will continue to invest in family planning activities as part of our broader maternal and child health program, where the government is committed to spending over \$1 billion between now and 2015-16.

**Senator RHIANNON:** When the term is not actually used is, I think, where the concern is coming—it is hard to know what level of priority it has. To try and understand this more: why aren't sexual and reproductive health rights a priority indicator within the framework as they are with other bilateral donor frameworks?

**Mr Baxter:** They are a priority within our overall maternal and child health program.

**Senator RHIANNON:** Thank you for that, but my question was with regard to the framework. Why aren't they in the comprehensive aid policy framework?

**Mr Baxter:** Because these are headline results that we gave as an example of the sorts of objectives that the aid program will seek to achieve over the next four years. We could not put every element of the aid program in the comprehensive aid policy framework; it is an extrapolation of some of the headline results. But I can assure you that our commitment to continuing to increase our assistance in the family planning area will be part of our objectives over the next four years.

**Senator RHIANNON:** You said in answer to a question earlier that you saw that family planning was a subset of the work of the skilled birth attendants and in terms of addressing maternal health. Isn't it the other way around—that addressing maternal health is a subset of family planning?

**Mr Baxter:** I see it as a subset of the broader issue of dealing with the health of women and children. There is significant evidence, as you know, that preventing unintended pregnancies through access to family planning would avert something like 20 to 35 per cent of all maternal deaths. So I think we are in vigorous agreement; we are just looking at it from a slightly different perspective.

**Senator RHIANNON:** Who will be representing Australia at the Family Planning Summit in July?

**Mr Baxter:** I will.

**Senator RHIANNON:** Excellent. Given that the summit will seek a set of commitments from the global community, will Australia as a donor country commit to meeting the summit's recommendations?

**Mr Baxter:** As recently as last week, I spoke to the Permanent Secretary of the Department for International Development in the UK, which is responsible for convening the conference. We are working very closely with DFID and with the Gates foundation on the commitments that will be made at that conference. Australia will play a significant role in it.

**Senator RHIANNON:** Minister, have you considered going to the summit?

**Senator Bob Carr:** Yes, very much so. I discussed it with my UK counterpart when I met him in April. I regarded it as crucially important. If I remember correctly, I am committed, however, to be at meetings in the UN at that time related to Australia's bid for a seat on the UN Security Council. But I agree with you completely about the fundamental importance of family planning and meeting any of our development goals.

**Senator RHIANNON:** Thank you. In 2012-13, what is Australia's contribution to the Global Program to Enhance Reproductive Health Commodity Security?

**Mr Baxter:** I would have to take that on notice. In 2010-11, we provided \$10 million to support the implementation of the Global Program to Enhance Reproductive Health Commodity Security. That is in addition to \$38½ million provided by Australia in the period 2009 to 2012. All up, that is just under \$50 million in the period between 2009 and 2012.

**Senator RHIANNON:** Please take on notice the current allocation.

**Mr Baxter:** Certainly. I should add that an Australian has just taken up the position of deputy at UNFPA: Ms Kate Gilmore, whom I had the good fortune to meet recently. We are very pleased that, through the government's support, we have been able to get that very senior appointment in one of the critical areas of the UN's work.

**Senator RHIANNON:** That is good news. The 2012-13 budget notes indicate that AusAID will work through ASEAN and APEC to promote trade liberalisation. Is trade liberalisation a condition of any Australian aid funding to any recipient country?

**Mr Baxter:** No, it is not a condition.

**Senator RHIANNON:** Is membership of any bilateral or multilateral trade agreement or trade organisation a condition of any Australian aid funding to any recipient country?

**Mr Baxter:** No.

**Senator RHIANNON:** Thank you. Just on the GAVI Alliance: last year we had that \$200 million over 10 years. Whilst GAVI has projected a contribution of \$79.6 million from Australia in 2012, the 2012-13 AusAID budget papers indicate only a \$20 million contribution to GAVI this financial year. Where is the additional \$59.6 million coming from, please?

**Mr Baxter:** I will ask my colleague to answer that in detail, but our contribution of \$200 million was over a period of years.

**Mr Wood:** Perhaps I could just give you a reference to page 95 of the aid ministerial statement. We note that there was a commitment, and the payment of that is spread over a couple of years. The commitment is \$200

million over the calendar years 2011 to 2013. Within the 2012-13 financial year, there will be a \$20 million payment. A lot of that \$200 million payment has already been made.

**Mr Baxter:** And the \$200 million covers the period 2011 to 2013. It is not over 10 years; it is a much shorter period than that.

**Senator RHIANNON:** Thank you. This month, the *Sydney Morning Herald* ran a report that there was a review of the Australian-Indonesian carbon programs. Was this review commissioned by AusAID?

**Mr Carrasco:** Yes. AusAID, as part of its normal business, does reviews of a range of programs. We had a mid-term review of the Indonesia-Australia Forest Carbon Partnership.

**Senator RHIANNON:** Why did it take over a year for AusAID to release the report?

**Mr Carrasco:** The report was released as part of AusAID's current focus on transparency, at the same time as a whole raft of other products from the Indonesia program were also released.

**Senator RHIANNON:** But it was a long period of time. I understand that it had been ready earlier. Why was there a delay?

**Mr Carrasco:** It was not a delay. It was released at the same time as the other products for the Indonesia program were released.

**Senator RHIANNON:** I understand that the review calls for the Sumatra pilot to be reconsidered in light of the challenge and delays in the Kalimantan project. What is AusAID's response to that, please?

**Mr Carrasco:** The government intends to work with the Jambi province, Sumatra, on climate change, but the scope of work is currently under review as a result of a number of changes, including the independent review that you have alluded to. The scope of that work is currently under consideration by the governments of both Australia and Indonesia.

**Senator RHIANNON:** What impact has the \$1 billion investment from Norway had on all these developments?

**Mr Carrasco:** The \$1 billion investment from Norway—and I use that term loosely, because it is based upon Indonesia's performance—has had a significant impact in terms of supporting Indonesia's efforts to reduce its emissions. As you know, Australia has been working with Indonesia on forest carbon for quite a while and we are constantly working in partnership with the Indonesian government to refine our work and to change it with changing circumstances. As a result of that investment we are also working closely with Norway to ensure that our work and their work matches up. For example, under the \$1 billion investment they chose Central Kalimantan as the pilot province where they would be doing their work and, as this committee is aware and as you are aware, Senator, that is also where we are doing some work under the Kalimantan forest carbon partnership. So we are certainly ensuring that our work is consistent and supports Indonesia's efforts.

**Senator RHIANNON:** But hasn't the Kalimantan project that was launched five years ago been scaled back and isn't it suffering delays?

**Mr Carrasco:** The area of land rehabilitated by the Kalimantan project, yes, is expected to be less than was originally announced. This has occurred for a number of reasons. Firstly, it was decided at an early stage, during the design stage, that this would be a demonstration activity and that we would not focus on the total area covered but on demonstrating the viability of various approaches which could, if successful, be scaled up. Secondly, the initial targets were based on a much larger total funding envelope of \$100 million, on the assumption of additional funding from external partners, and this funding has not eventuated. So the revision of those goals and targets is not unusual for a complex aid program such as this, which needs to be flexible and responsive to the changing situations to remain effective.

**Senator RHIANNON:** Is there any intention for Australian aid funded REDD projects to provide carbon offset credits that could be used by Australian companies either voluntarily or as part of compliance requirements in an Australian emissions trading scheme?

**Mr Carrasco:** That would be a question that you would need to refer to the Department of Climate Change and Energy Efficiency, but my understanding is no.

**Senator EGGLESTON:** I would like to follow up on general introductory questions I was asking about the scoreboard system. The aid review apparently recommended that the assessment be across three tiers. I wondered how these three tiers can be incorporated into the scoreboard. How is that done?

**Mr Baxter:** The government agreed with the recommendation of the independent review that there be a whole-of-government evaluation methodology developed using those three tiers and the government accepted that

recommendation. The first tiers will look at the high-level results that are being achieved globally under the Millennium Development Goals. Secondly, it will look at AusAID's contribution to the achievement of those Millennium Development Goals, particularly as we seek to achieve the five strategic goals of the Australian aid program, which are closely aligned with the Millennium Development Goals. The third element of the evaluation will be looking at the organisational capability of those departments and agencies that are delivering the aid program. That third element of the evaluation framework will include all of the hurdles that were recommended by the independent review and some additional measures to measure the effectiveness of our management and implementation of the aid program.

**Senator EGGLESTON:** So we are very much linking to the Millennium Development Goals, obviously.

**Mr Baxter:** That is right.

**Senator EGGLESTON:** There is another general question I would like to ask. AusAID has reported that work on a civil society engagement framework is underway and will be completed shortly. Could you explain the change process that will be used to ensure that the whole of AusAID understands and embraces this new policy framework?

**Mr Baxter:** Yes, you are right. Next month we will launch a new civil society engagement framework. Again, this was something that came out of the independent review and the government's response. We have developed the framework in very close consultation with our NGO partners, both in Australia and internationally. You are right: it is important that this be promulgated throughout the agency and influence the way in which our program managers behave in terms of our relationship with the NGO community. We are intending to launch the new civil society engagement framework officially here in Parliament House next month, but we will also separately do a staff launch, working with the Australian Council for International Development—the peak NGO body—and run information programs within the agency to make sure all staff are aware of the changes that this will bring to the way in which we cooperate with our NGO partners.

**Senator EGGLESTON:** Thank you. It will be quite interesting to go to that launch. I have another general question. Traditionally AusAID's funds are divided between development and humanitarian allocations, but protracted crises such as in Sudan and Somalia et cetera do not fit the criteria for either of these very well. I understand it has been recommended that AusAID create a new allocation for protracted crises so that funding for these situations is more consistent and strategic. Are you planning to do that?

**Mr Baxter:** Yes. The government announced a significant increase in funding for our humanitarian activities in this year's budget. Over four years it was about \$430 million. We do retain flexibility in our budget to respond to humanitarian crises. So we have funding that is known as mandated flexibility, which we draw upon throughout the year to make allocations to humanitarian emergencies and other humanitarian crises. We also have within our bilateral programs some flexibility to draw funding for responding to humanitarian crises. Over the next few years, with the new funding that has been made available by the government, we will improve our response times and we will increase our work on strengthening the preparedness of countries in our region to deal with disasters and their ability to respond to disasters. We have had considerable success in doing that through our partnership with Indonesia. We will also increase our capacity to provide more assistance to those people who are in life-threatening situations.

**Senator EGGLESTON:** But you are not having a specific protracted crises fund or program?

**Mr Baxter:** That funding is incorporated in our normal bucket of funding that we reserve for responding to crises throughout the year. We already have, if you like, that capability established within the structure of our budget.

**Senator EGGLESTON:** I also understand that the aid review recommended organising around a theme of, among others, investing in pro-poor sustainable economic growth. Has that concept been taken up?

**Mr Baxter:** Yes, it has. We are committed in the government's new aid policy to develop a new private sector development strategy and we are formulating that strategy at the moment. We have established a business engagement steering committee, which comprises representatives of some of the peak business bodies in Australia. We are consulting with the Australian private sector on the development of this policy framework and we expect to launch it in August of this year.

**Senator EGGLESTON:** Very good. I have one last general question. I understand that the primary means of distributing development funds through Australian non-government organisations is the NGO Cooperation Program, which historically allocates funds on the basis of recognised development expenditure. I understand that that process has now been reviewed and modified with a new set of high NGO partners, and funds to these

partners are allocated on a much more complex basis, involving multiple criteria. Would you like to tell us something about that?

**Mr Baxter:** Certainly—and your description is very accurate. One of the things we have been doing with our NGO partners is really working as we develop the civil society framework to ensure that the effectiveness of our NGO partners is the key criterion in determining funding allocation. Can they actually deliver results on the ground?

That is separate from recognised development expenditure, which is linked in part to the capacity of NGOs to raise funds in Australia and what sort of support they have from the public. So we are broadening the criteria under which we will make judgments about how we invest in the NGO community, and we have done that in full cooperation with the NGOs.

As you all know, as well as conducting the independent review of the Australian aid program and its effectiveness, we have recently completed an exercise looking at our multilateral partners and their effectiveness. The civil society engagement framework is the NGO piece of that greater concentration on the effectiveness of where and how we are spending our funds.

**Senator KROGER:** I want to follow up on an answer given to Senator Eggleston, Mr Baxter. Are you still intending to have the consultative forum with the business community later in the year? I seem to recall that being discussed as another—

**Mr Baxter:** Yes, we will do that in August. We have what we call a business engagement steering committee, which is chaired by Mr Batley. Its membership includes representatives from the peak business bodies in Australia. The Business Council of Australia, the Australian Chamber of Commerce and Industry, the IAG and others are all participants in that. We are working with them to develop the various elements of the forum, but it will be held in August.

**Senator KROGER:** Whereabouts is that forum being held?

**Mr Batley:** We are planning to hold that forum in Canberra so it coincides with parliamentary sittings.

**Senator KROGER:** One of the issues that has been raised by a number of businesses to me has been ineffective coordination historically with aid programs that businesses drive that in many instances are related to their business activities overseas and coordinating that with the strategic approach of AusAID itself. There are many examples. I can think of some in PNG immediately offhand where their business interests and also their humanitarian interests and support coalesce. It is not something that historically we have seemed to have harnessed to ensure that we collectively have a bigger bang for our buck at the coalface. I am wondering if that is part of the dialogue that will take place at this forum.

**Mr Baxter:** One of the things that we have done in response to that concern, which I think is a legitimate concern, is establish a dedicated area within the agency as the portal for business to access information about our program. So we have set up a dedicated branch that deals with our relationship with NGOs and the business community. So now there is an area that has ownership of dealing with the broader business community and disseminating information to them. Very much part of the consultations we are having with business groups is them getting a better understanding of what we do that is of relevance to them and the reverse. We think that this process leading into the consultative forum is increasing that understanding of the drivers behind each other's programs. So we are hopeful that the establishment of a dedicated area to deal with business and the establishment of ongoing consultative mechanisms will provide that information that business is seeking. We do work closely with business in many areas of our program, whether it is in the banking sector to bring financial services to poor people or the broader work we are doing in the extractive industries sector.

**Senator KROGER:** I will turn to some observations made by Dr Stephen Howes who, as you know, is the Director, International Development and Economics at ANU. I understand that he was a member of the 2010 review panel that was setup by foreign minister Rudd—is that correct?

**Mr Baxter:** That is correct. He is a former Chief Economist at AusAID, as well.

**Senator KROGER:** He has made some observations—I pre-empt them with observations you made earlier to questions that one of the issues that AusAID faces is what programs actually work. You responded to that this morning. Dr Howes has observed that, on his analysis and from being involved in that extensive review, 15 per cent of programs are failing or are ineffective. Do you accept that that is an accurate account?

**Mr Baxter:** No, I do not.

**Senator KROGER:** Have you had discussions about this with him, given that he was on that review panel?

**Mr Baxter:** I certainly have. Professor Howes is entitled to his opinion, it is just not one that we believe is correct. So have a disagreement on that.

**Senator KROGER:** Did he dissent from the overall evaluation review that was done, given that he was involved in that?

**Mr Baxter:** No, he did not. The independent review was a unanimous report.

**Senator KROGER:** You said that the issue is: what AusAID programs do work? By implication, that suggests that some programs do not work or are failing. Would you identify and give examples of programs that you believe either are failing or are not as effective as they could or should be?

**Mr Baxter:** I preface my remarks by saying that, as you know, we deliver programs in some of the most difficult environments on Earth. We do not for second claim that every development activity we undertake achieves the outcome that we would hope. If development were that easy there would not be so many problems in the developing world—that is the simple fact. Some domestic programs achieve better results than others; it is no different with the programs that we implement, and we implement them in far more difficult circumstances than domestic programs are implemented. Through the establishment of the independent evaluation committee, we are trying to identify those areas of best practice, where things are working well, and look at whether or not they can be applied in different contexts where we work. We have made a public commitment that where programs are not achieving their objectives we will either reform them or, if reform is not possible, cancel them. We have done that. Recently we cancelled a program that was designed to bring about land reform in Pacific countries. It was a broad, regional program. There was not significant buy-in from the national governments to support the program, so we abolished it and invested the money elsewhere. Our public commitment is: where things do not work we will stop doing them and put the money into activities where we are achieving better results. Where there is non-performance by our partners that might be a factor or it might be a problem that is caused by AusAID's own approach. Either way, that commitment is public and we are acting upon it.

**Senator KROGER:** What are the parameters for making that judgement?

**Mr Baxter:** We have internal evaluation systems, which we apply to our programs on an annual basis. They look at whether or not the programs are achieving their stated objectives. If they are not achieving their stated objectives, that is all reported upon, and we will then take remedial action, obviously, for those programs that have had disappointing results. If that remedial action does not reverse the trend in terms of the results, then we will move to cancel the program.

**Senator KROGER:** Is the assessment of outcome based solely—and I am being quite simplistic here, for the purposes of giving an example—on whether it is actually delivering an increase? Senator Rhiannon was asking this earlier on in relation to health. Is it based on whether it is reducing by a reasonable percentage the number of people who are developing STDs? Or do political considerations also come in to the assessment of what a reasonable outcome is?

**Mr Baxter:** No. It is really based on the results against the objectives we have set at the commencement of a program. So we will have a set of results that we will publish. We will say, 'We're going to invest x million dollars in improving elementary school enrolment in Papua New Guinea.' We can measure that. If we are not making the kind of progress on an annual basis that we had expected, then we will review the program and look at what the blockages are. If those blockages can be fixed in some way we will do that; if they cannot, then we will consider whether we will continue with the program at all.

**Senator KROGER:** Then I will move on to questions on notice that I put on the table and that you have responded to—and thank you for that—in relation to aid specific to climate change. In 2011-13, \$13 million was allocated to the Pacific Climate Change Science and Adaptation Planning Program to 'improve Pacific Island countries' scientific understanding of climate change, increase awareness of climate science impacts and adaptation options and support the integration of climate change adaptation into future development planning.' That was the answer to the question that I put on the table last time in relation to what this \$13 million was for. That description is quite nebulous, in my mind. Could you provide a breakdown of how that \$13 million was actually spent?

**Mr Baxter:** I am very happy to provide that. I will see if my colleagues have that information at the table.

**Mr Carrasco:** The Pacific climate change science program is managed by the Department of Climate Change and Energy Efficiency, so any detailed questions will need to be referred to them. But I can give you a broad overview. The program is focused upon building understanding of the impacts of climate change in Pacific countries. It has both a regional element, to look at the broad regional impacts of climate change, and country-specific elements, to give an assessment of the impacts in specific countries. The findings were launched by the

Minister for Climate Change and Energy Efficiency at the climate change conference in Durban last year. The assessments will go towards assisting Pacific Island countries to understand the future impacts of climate change on their development and assist them to factor that into their development plans.

**Senator KROGER:** Given that explanation, how do you assess the effectiveness of that and the outcomes, given the broad brief, if you like, and spectrum of the program itself? How could a rigorous testing of that be undertaken?

**Mr Baxter:** That is a program that is implemented by another department, so you really should direct detailed questions about evaluation of that program to the department that is responsible for managing it.

**Senator KROGER:** But that then raises a really good question, because I understand this comes out of the AusAID budget.

**Mr Baxter:** It is part of the official development assistance budget.

**Senator KROGER:** But it comes under your—

**Mr Baxter:** No. Some of the official development assistance budget AusAID is responsible for; some of it AusAID is not. I do not know whether we have funded this through our programs or not. I will ask my colleague to answer that. But if another agency is implementing the program—for instance, we fund the Federal Police to do work in Vanuatu and Tonga—they would undertake the evaluation of the results they have achieved with that program rather than us doing it.

**Mr Carrasco:** My understanding—and I would probably have to check this for you—is that this program is appropriated directly to the Department of Climate Change and Energy Efficiency. But I will take that on notice and confirm it so that I do not mislead the committee.

**Senator KROGER:** Sure—thank you. That immediately raises concerns for me. I have put on the record here my support for the aid effectiveness review that was undertaken and the whole process of making the distribution of aid more transparent and as effective as possible to get the best possible outcomes, given the significance and size of the AusAID budget. But what we have been hearing this morning is that you may well have carriage of programs but you are not responsible for the implementation of those programs. So there is going to be an inconsistency in the oversight and the analysis of the effectiveness of those programs. I do not think I would be different to the average taxpayer in looking at this and saying, 'This is a \$13 million program here. It is an incredibly broad brief, so how do we ensure that we are actually getting something for this \$13 million?'

**Mr Baxter:** As I understand it, there would be objectives that would have been established by the Department of Climate Change and Energy Efficiency when they started to implement the program. They would measure their progress against those objectives. I mentioned earlier that one of the new policy initiatives that the government has taken to improve effectiveness is to ensure that there is a standard evaluation process undertaken by all government agencies and departments who are undertaking aid programs. In the 40 years that AusAID has been in existence, AusAID has had its own evaluation systems, Climate Change have had theirs and AFP have had theirs. This year for the first time everyone is going to apply the same methodology, so you or the taxpayer can ask: how does the effectiveness of all these Climate Change implemented programs compare with the effectiveness of an AFP or an AusAID implemented program? So in that sense you are correct that there has been an issue in the past with different levels of evaluation being applied to different activities funded under the official development assistance budget, and we are trying to remove that by bringing in this standard evaluation methodology across the Commonwealth.

**Senator KROGER:** That has been accepted? This standard evaluation across departments will be enforced?

**Mr Baxter:** Yes. That is one of the decisions cabinet made last year in response to the independent review. They explicitly agreed to that recommendation and we are implementing it. After the first annual review of aid effectiveness is considered by cabinet this year, we will then publish the outcome.

**Senator KROGER:** Does the Indonesia-Australia Forest Carbon Partnership—some \$13.8 million to set up a framework—come under your department or does it come under the department of climate change?

**Mr Carrasco:** It is under AusAID. I might just clarify. Australia's climate change assistance is, I think, unique in the aid budget in the sense that both the Minister for Climate Change and Energy Efficiency and the Minister for Foreign Affairs have joint oversight of the funding. So, even if the Indonesia-Australia Forest Carbon Partnership is administered by AusAID or the Pacific science program is administered by the department of climate change, both the portfolios and both the ministers have joint oversight and dialogue around the outcomes and the objectives of those programs. For example, the adaptation initiative and all of the various elements, be

they the science or the bilateral components, sit under an agreed framework in terms of what we are trying to achieve. So there is coherence at that level as well.

**Senator KROGER:** Just explain to the committee why it is that this comes under the umbrella of AusAID and the former one that I mentioned comes under the umbrella of the department of climate change.

**Mr Carrasco:** My understanding is that the department of climate change has carriage of climate science matters and the Pacific climate science program is around climate science, whereas the Indonesia-Australia Forest Carbon Partnership is about forest carbon and development in Indonesia and that fits under the remit of AusAID.

**Senator KROGER:** Is there a projected budget that is allocated to carbon partnerships projects?

**Mr Carrasco:** There is a total climate change allocation of \$599 million over three years from 2010-11 to 2012-13, and that is roughly split between around 52 per cent for adaptation initiatives and the other 48 per cent for low-carbon development initiatives, which include deforestation—and which we were talking about before—and a range of other mitigation or carbon reduction elements underneath that.

**Senator KROGER:** Going through the activities in 2011-12 budget on climate change specific projects I noted that there were things such as, in Nauru, funding for household water tanks, water supply, sanitation programmes and road programs. I think it would be reasonable to suggest that you could assess quite reasonably the impact of that. I just do not know how you are going to assess the impact of a program that is targeting low-carbon emissions.

**Mr Carrasco:** As you say, there is a broad range of programs on the climate change spend, and that is because climate change assistance will support the overall development objectives of countries. For example, in terms of low-carbon assistance there is a range of programs, which include building capacity in countries to participate in carbon markets. For example, Indonesia is interested in participating in carbon markets and we have assistance through a global initiative called the Partnership for Market Readiness. It is no different to building capacity in any other aid program or any other aid sector. That is normal development work working in the climate change sector.

**Senator KROGER:** Just following up on another track we were following this morning, I am interested, Mr Baxter, in understanding—this is in relation to NGOs—what are considered to be an acceptable administrative cost in running programs and so on. What is the acceptable level of cross transfer back to headquarters of organisations delivering and involved in aid program?. At what level do we accept that part of the program will go back to headquarters in the running of that program?

**Mr Baxter:** We make an assessment based on the activity that we are looking at, because cost structures and the like are different in different circumstances. In an extremely difficult security environment, there will be overheads that our partners will have to meet in terms of providing proper security for their personnel, for the equipment that they might have and for their offices and residences et cetera. In a more benign security environment, those costs obviously do not apply. There are quite marked differences in the cost profiles of programs, depending on the country you are talking about. So we do not apply a blanket percentage to our partners, but we do test very clearly what the costs associated with actually implementing and managing the program are.

**Senator KROGER:** So do you have a formula for working this out?

**Mr Baxter:** We do. Under the Australian NGO Cooperation Program we have some rules of thumb, if you like. We allow our NGOs to spend up to 10 per cent on administration. We allow them to spend up to 10 per cent on design, monitoring and evaluation, which is an important element of delivering aid programs. Those are the guidelines that we apply. If they come in under that, we are delighted. If they come in over that, we will have to look at the program and its funding. But generally we do not go beyond those areas. In our own case, the administrative costs for running the aid program are between five and six per cent.

**CHAIR:** I am sorry to interrupt, Senator Kroger. At this stage, the committee is scheduled to finish on AusAID at 12:30. We have not got out of the overview yet, and we have still got all the country areas to get to. I suggest that we try and wind up the overview so that we can get to the other areas as soon as possible.

**Senator KROGER:** Thank you, Chair. Mr Baxter, in relation to the 10 per cent for administration and the 10 per cent for design, monitoring and evaluation, does that include publishing material or promotional material?

**Mr Baxter:** Are you talking about material raising awareness of programs?

**Senator KROGER:** Yes.

**Mr Baxter:** We do allow our NGO partners to spend up to 10 per cent on publicising their activities and raising awareness about the development activities that they undertake.

**Senator KROGER:** Is that 10 per cent in addition to those—

**Mr Baxter:** It is up to 10 per cent.

**Senator KROGER:** It is up to 10 per cent in addition to—

**Mr Baxter:** That is right.

**Senator KROGER:** Are there any other elements in that formula which do not relate directly to the delivery of what the program is designed to do?

**Mr Baxter:** No.

**Senator KROGER:** So, in total, it can be up to roughly 30 per cent? And I understand you are saying 'rule of thumb' here.

**Mr Baxter:** No. I think we need to be clear that designing, monitoring and evaluating programs is part and parcel of the program itself; it is not a separate thing. You obviously cannot implement a program unless you design it.

**Senator KROGER:** Correct.

**Mr Baxter:** So we have said that up to 10 per cent can be spent on design, monitoring and evaluation, because we will not know if the program has achieved results if there is no monitoring and evaluation; up to 10 per cent on administration; and up to 10 per cent on raising awareness about the program.

**Senator KROGER:** And do you require those organisations to provide evidence of the distribution of this?

**Mr Baxter:** Absolutely. And we audit them.

**Senator KROGER:** But you do not audit them all?

**Mr Baxter:** No. We audit them on a rolling basis, so we do a few every year. But all of our main NGO partners are required to go through a very rigorous accreditation process every five years.

**Senator KROGER:** And for monies given here in Australia?

**Mr Baxter:** Monies given?

**Senator KROGER:** Of AusAID's support of programs that may be spent in Australia.

**Mr Baxter:** We do not support programs—

**Senator KROGER:** You don't have any funds given to any programs that may have any offshoots here?

**Mr Baxter:** The NGOs might, for instance, produce some publications for the Australian public about the work that they are doing overseas. That is allowable up to 10 per cent for awareness-raising activities, but there are no programs that NGOs run in Australia that we fund; it is only offshore.

[11:50]

**CHAIR:** Let's move on to program 1.1.

**Senator FAWCETT:** I would like to talk about the WASH program. Figures from WHO indicate that trends in the Pacific and PNG in particular are reversing and they are off the trajectory we need to meet the MDG targets. The budget has identified an increase of \$34 million for WASH related programs, but the papers do not actually specify how much has been allocated where, specifically in Papua New Guinea where the situation is getting worse. Are you monitoring the outcomes of water and sanitation in Papua New Guinea specifically?

**Mr Tranter:** Can I just clarify your question? Is this in relation to overcoming poverty in the Pacific, the budget measure that is mentioned in the budget papers?

**Senator FAWCETT:** Very broadly, water and sanitation is an important issue. It is part of the MDGs. WHO is saying that it is getting worse in PNG and the Pacific. What I am asking is: do you have a specific program to measure the outcomes in terms of water and sanitation in PNG?

**Mr Tranter:** Across the Pacific we have several programs which are managed through our bilateral partnerships for development.

**Senator FAWCETT:** I recognise you have programs. What I am asking is: do you have any mechanism to measure the outcomes? Rather than just measuring the amount we put in, do you have measures of the effectiveness of the outcomes?

**Mr Tranter:** There are outcomes available in terms of the number of households that have access to potable water, the number of communities which have access to a functioning water supply and sanitation system, and the number of households that have access to a rainwater tank for secure water storage.

**Senator FAWCETT:** Do those figures support the WHO contention that the situation is getting worse in Papua New Guinea?

**Mr Tranter:** I will need to take that on notice.

**Senator FAWCETT:** Can you tell me how much has been allocated in the budget for WASH initiatives in PNG specifically?

**Mr Tranter:** Again, I will have to take that on notice. I do not have a breakdown at that level in terms of support for water supply and sanitation for PNG in particular.

**Senator FAWCETT:** In that case, you will need to take the third part on notice as well. Can you specifically report as to how much in terms of WASH initiatives is going through NGOs, how much through bilateral funding and how much through large corporate bodies and, if it is possible, any correlation between the effectiveness of those amounts and the outcomes for the communities in PNG.

**Mr Baxter:** I will just add to Mr Tranter's answer. Our aid program in PNG is delivered under a partnership for development, as you know. The activities that we focus on under that partnership are worked out jointly with Papua New Guinea. So we have identified four sectors to work in—education, health, road maintenance, and law and justice. We have gone through a process over the last few years seeking to reduce the number of sectors we are working in to increase the impact that we have. Under the health activities we have now included water and sanitation, whereas previously it was reported under infrastructure. We are just recognising, as you do, the absolutely critical link between access to clean water and good sanitation and health care. Globally, we are the seventh largest donor towards water and sanitation activities. The government has committed to spending just under \$900 million globally on water and sanitation activities between now and 2015-16.

**Senator FAWCETT:** I am pleased to hear that you recognise the importance. You should be aware by now after a couple of estimates that I am actually concerned not so much about the inputs as the outcomes and whether that money that is going in is being spent effectively to achieve outcomes both for people on the ground and for Australia as part of our engagement with the region. That is why I am very concerned about frameworks to measure effectiveness to then gauge whether we need to rework those partnerships you are talking about so that our taxpayer money is actually achieving outcomes for people on the ground as well as achieving our diplomatic aims.

Let us move on to the training of PNG police. Can you talk to me about what current and past funding has been allocated to the training of police officers in PNG.

**Mr Baxter:** That is a matter for the Australian Federal Police.

**Senator FAWCETT:** None of that is done through AusAID?

**Mr Baxter:** No, they have their own allocation and they conduct their police training activities. It is a longstanding program. It is under the pillar of law and justice, obviously, in the partnership for development with Papua New Guinea. There is a longstanding relationship. I think there are approximately 40 AFP officers in PNG providing assistance and training.

**Senator RHIANNON:** The 2012-13 aid budget provides funding to extend the Pacific seasonal worker pilot scheme for the cotton, cane sugar and other industries, I understand. The budget notes that the department of immigration will ensure the workers' conditions. What is being done to protect the rights of these temporary workers? Will they work under the same conditions that Australian workers would?

**Mr Baxter:** That is a matter for the Department of Immigration and Citizenship. AusAID is not involved in the domestic aspects of the program.

**Senator RHIANNON:** When you say 'the domestic aspects', what aspects are AusAID involved in?

**Mr Baxter:** The program is largely the responsibility of the Department of Immigration and Citizenship. Our role is to provide support to the countries to manage recruitment and processing for people coming to Australia. But our role finishes within the source countries for that particular scheme.

**Senator RHIANNON:** What long-term development model justifies spending aid money to provide temporary and insecure jobs in Australian industries?

**Mr Baxter:** The importance of remittances to developing economies cannot be understated. In some Pacific island countries remittances make up over half of gross national income. I am talking about countries like Samoa and Tonga. The remittances that are already being sent back to the countries that are the source of the guest worker scheme are having a very positive impact on particularly disadvantaged households, which is where many of the workers come from.

**Senator RHIANNON:** As you have put an emphasis on how important remittances are, wouldn't part of that responsibility for AusAID then require some involvement in ensuring that equivalent wages and conditions were afforded to these workers?

**Mr Baxter:** I understand your question but it is not part of AusAID's responsibility to look at the conditions of workers in Australia.

**Senator RHIANNON:** You said your job is confined to the countries where these workers are recruited. In those recruitment programs that you undertake, are details provided of the conditions and pay that these workers will have in Australia?

**Mr Baxter:** We provide assistance to the recruitment process; we do not conduct it ourselves. So I am not aware of that. I can take that on notice.

**Senator KROGER:** Take on notice what the assistance entails and what information is supplied to those intending to or considering coming to work here.

**Mr Baxter:** I can tell you that we have an evaluation by the World Bank of the pilot, which found that, typically, a worker under the scheme was earning about \$12,000 and they were remitting about \$5,000 of that to pay school fees, purchase farm equipment and make improvements in people's houses.

**Senator RHIANNON:** Over what period of time did they earn \$12,000?

**Mr Baxter:** This was over the period that they were in Australia as guest workers.

**Senator RHIANNON:** There was a report on ABC Radio Australia on 30 April that Australian aid is contributing to the creation of private armies in PNG used to defend Malaysian logging interests. The report pointed the finger at the lack of administration and management of the police force fuelling corruption. One of AusAID's priorities for PNG is improving policing, safety and crime prevention. What management and monitoring is AusAID doing that is in any way linked to these developments?

**Mr Baxter:** I am not aware of the report that you have referred to, but I can assure you that AusAID does not fund the establishment of private militias or anything else. The cooperation program between Australia and the Royal PNG Constabulary is managed by the Australian Federal Police, so you should direct your questions to them.

**Senator RHIANNON:** You say you are not aware of these developments. Could you take it on notice to find out whether AusAID is investigating any aspects of these claims and a formal response will be released?

**Mr Baxter:** We are not aware of the claims. I can answer the question now. We are not conducting an investigation.

**Senator RHIANNON:** Given the very burden and growing threat that TB poses to our neighbours in PNG and many other patients in the Asia-Pacific, will AusAID develop a strategy to tackle TB in our region?

**Mr Baxter:** Australia does provide significant funding to help countries tackle TB, particularly through our contribution to the global fund on malaria, tuberculosis, HIV and AIDS, to which Australia is one of the largest funders in the world. Through the global fund, we provide support to a broad range of countries in the Asia-Pacific and beyond. We have a particular focus at the moment in Papua New Guinea, where there are issues relating to the emergence of multi-drug-resistant TB. We are working in partnership with the PNG and World Vision, particularly in the Western Province of Papua New Guinea, to improve the treatments available to Papua New Guinea citizens living in that area and to upgrade the facilities that are available to them.

**Senator RHIANNON:** Aside from that new \$8 million project to update facilities in Daru, does the government have any bilateral program in the Asia-Pacific which specifically target TB control? I am trying to get a sense of this as it is so serious. Is there a strategy or are we just funding a project here and a project there?

**Mr Baxter:** That is a very valid concern. The spread of tuberculosis is one of the most serious health threats facing the region. But we work with other donors, principally through the global fund, to apply resources to the problem. The global fund, with our support, is able to run programs in countries throughout South-East Asia, including East Timor and Papua New Guinea, that provide capability and funding for the governments to address this issue. So we are part of a global effort. We do some programs bilaterally but the largest focus of our effort is through these multilateral mechanisms which provide funding directly into the health systems of the countries that are dealing with the problems.

**Senator RHIANNON:** What I am hearing is that the Daru upgrade is going well. How can AusAID leverage the Daru upgrade to serve as an example of a well-functioning service-delivery model within PNG and other Pacific countries?

**Mr Baxter:** Again, I think that is a very good point. We hope that we can develop a catalogue, if you like, of best practice of how we have dealt with this issue. Part of the problem, as you know, Senator, in Papua New Guinea is access to health facilities given the topographical nature of the country. In Western Province we have recently delivered to the authorities a purpose built vessel which will allow them to get around to the different remote communities by boat with a facility that can help treat people and ensure that they are diagnosed accurately and given the right kind of drugs.

**Senator RHIANNON:** Thank you, Mr Baxter. Thank you, Chair.

**CHAIR:** We will continue with 1. 1. Senator Macdonald.

**Senator IAN MACDONALD:** I have a couple of very quick questions. I am very interested in the TB issue, but I understand Senator Eggleston and Senator Kroger are going to be pursuing that at some length. In the Solomon Islands there is an unexploded ordnance army officer helping clear out particular parts of the Solomon Islands. Is that an AusAID project? I understood it was being funded by AusAID rather than by—

**Mr Baxter:** No. It is under the Defence Cooperation Program. It has been in existence certainly since the early nineties, when I was on posted in the Solomon's.

**Senator IAN MACDONALD:** I understand there is talk about it coming to an end, which was the nature of my inquiry. You have not been approached to take it over?

**Mr Baxter:** Not that I am aware of, Senator, no.

**Senator IAN MACDONALD:** There is a proposal that I am aware of for the commencement of an abattoir in the Solomon Islands using North Australian cattle being transported live. Have you received any approaches for training as part of the proposal by the Solomon Islands interests that are in a joint venture to set that up? I understand they need training. It has been suggested to me by the minister's office that that is something that AusAID might be looking at. Do you know anything about that at all?

**Mr Baxter:** No, and we have not been approached. In broader terms the facilitation of the development of the private sector in Solomon Islands is something that we would support. So if there is an appropriate proposal and it is suitable to fund using aid money then we would be very happy to look at it. But we have not received a specific approach.

**Senator IAN MACDONALD:** Is the training of Pacific Islanders for skilled trades like slaughtermen and that sort of thing something AusAID does?

**Mr Baxter:** Yes.

**Senator IAN MACDONALD:** And would sympathetically look at subject to your other constraints and budgets and all that sort of thing?

**Mr Baxter:** We operate a network of what is called the Australia-Pacific Technical College, which has campuses in a number of Pacific islands countries. It is specifically to give people an Australian standard trade qualification. It has been very successful in terms of the number of graduates. Over a thousand graduates have now come out of those technical colleges and they are snapped up by employers because of their Australian standard qualifications. This is something that we are very familiar with in a general sense of providing skills so that people are job ready.

**Senator IAN MACDONALD:** Thank you.

**Senator EGGLESTON:** Would you provide a break-up of how much of the \$8 million allocation for TB in Papua New Guinea has been spent to date and on what specific programs?

**Mr Baxter:** I will take on notice the specific breakdown on an exact dollar basis, but I will take you through the initiatives that we have funded. We have established through the aid program an interim TB isolation ward, which is operational and is staffed by three nurses and three community health workers. We have provided a year's supply of multidrug-resistant TB, which has been delivered to the Western Province Department of Health Services. We are involved in the training of community health workers and community treatment support volunteers, in an aid program that we are in partnership with World Vision. This is focused on villages in the South Fly district. As I mentioned, we delivered a purpose-built sea ambulance to the hospital in Daru on 4 May and officially handed over on 16 May. We have provided a replacement X-ray unit and what is called a gene expert machine. The latter machine allows multidrug-resistant TB to be diagnosed within two hours, significantly enhancing capacity. We have completed the design of a new TB ward for Daru Hospital. The tender for its construction will be released next week. I visited Daru in February of this year to see for myself what we were doing and what needed to be done. We are very pleased with the progress we have made over the course of this year in significantly improving the capacity of Western Province to deal with this problem. We have also

supported the engagement of qualified medical personnel, including a doctor, and will be providing more support for a new registrar position in Daru to provide more capability. That is the outline of where the money goes. The specific amounts I will take on notice.

**Senator EGGLESTON:** It is good to see that you have set up this new sea ambulance. How much has been spent on the project to date?

**Mr Tranter:** The total cost of the sea ambulance that was delivered to Daru on 16 May is \$461,000. That includes a broader package of support for security and maintenance, a crew trained to Australian standards and fuel supplies.

**Senator EGGLESTON:** How big is the vessel?

**Mr Tranter:** It is a nine-metre, single-hull, aluminium craft.

**Senator EGGLESTON:** Is it enclosed?

**Mr Tranter:** It has an open half-cabin; it carries 12 people.

**Senator KROGER:** Twelve people upright or lying down?

**Mr Tranter:** I think it is in either configuration. The craft is designed to be able to support patrols through the islands and to be able to transfer patients between clinics on the islands and Daru.

**Senator KROGER:** Probably upright.

**Mr Tranter:** Basically upright, but I think some can be lying down as well.

**Senator EGGLESTON:** So it is like a sea-bus. What is the projected number of TB patients along the South Fly coast who will be treated in the next 12 months? What sorts of numbers of patients are you getting?

**Mr Tranter:** There are about 340 recorded cases of TB in Western Province currently. They are under treatment through the Western Province health system. There is a new health program, as the director-general mentioned; it is a collaboration between AusAID and World Vision personnel in PNG. As part of that project there will be ongoing surveillance through the South Fly region and the broader Western Province. The current number is 340. Of those, 93 have been under the care of the Queensland health service—we have discussed this in estimates previously. For senators' information, the last of the handover clinics which have been organised between Papua New Guinea, Queensland Health and the Commonwealth Department of Health has been convened for the second week of June. That will see the last of those 93 patients who are currently under Queensland Health care transferred back to the PNG health system.

**Senator EGGLESTON:** I understand you have two other vessels up there, which were originally purchased by AusAID but are now non-operational. Is that the case? They are described as 'lying on the mudflats'.

**Ms Wilson:** I am certainly aware that there have been references to two vessels in conjunction with Daru hospital linking to TB treatment in the past. We will have to take on notice whether AusAID actually procured those. We are aware that there were previous instances where security, maintenance of generic equipment and transport had not been given, so the maintenance and use of the vessels has not continued. The other issue, which gets back to the custom design of this new vessel, is that we are aware that one of the vessels that is on the mudflats was not custom built. Soon after use a whole lot of sand was sucked into the motor, and it became inoperational.

**Mr Baxter:** The reason we have ensured that there is a comprehensive package in providing this new vessel with maintenance and with somebody to operate it is to ensure that that does not happen.

**Senator EGGLESTON:** If you have done that, that means the boat—which I understand has fuel injected engines—will be able to be serviced there.

**Mr Baxter:** That is right. Service is part of the package of support that we have provided.

**Senator EGGLESTON:** Will this boat be used merely as a transport ambulance? Or will it distribute drugs and provide treatment to take doctors and nurses out to places and so on?

**Mr Baxter:** It will distribute drugs and take doctors and nurses to remote places.

**Senator EGGLESTON:** The other question I have is, how many temporary clinics do you have operational in that area? You have Daru, obviously.

**Mr Baxter:** Daru is the main centre. There are health centres throughout the province which have been established in previous years, not as part of the TB program but for providing access to drugs through those health clinics. I mentioned that we had bought a year's supply of TB drugs for the province as part of the objective of our partnership with World Vision. It is my understanding that when you have multidrug-resistant TB you have to

take quite a large number of pills every day, and unless you adhere to the course of treatment it is a bit like stopping your treatment of antibiotics; you have to finish the full course. So these community volunteers I mentioned will be people living in the villages who will be responsible for reminding those people who are under treatment to take their drugs every day so that we do not get a problem with half-completed courses of the drugs.

**Senator KROGER:** Just following up on that, is there sufficient medication up there to cure the drug-resistant TB?

**Mr Baxter:** Multidrug-resistant TB is a problem in a broader area of Papua New Guinea and other countries, not just Western Province. If people take their full course of treatment they can be brought back to normal health as a result of that, but as for eliminating multidrug-resistant entirely, I think that is a longer-term prospect.

**Senator KROGER:** And we have sufficient medication up there? That is not an issue?

**Mr Baxter:** We have sufficient medication. The issue is ensuring that the systems are in place for people to take that medication, given the remote nature of a lot of the places we are talking about here. That is why we have implemented part of the program through World Vision, to get to the communities themselves and have people in the communities who have responsibilities for ensuring that the drugs are taken. But it is a relatively complex program.

**Senator KROGER:** Remind me: who runs the Daru Hospital? Who do we fund to run it or contract to run it?

**Mr Baxter:** It is under the ministry of health in Papua New Guinea. It is a Papua New Guinean hospital that we provide assistance to.

**Senator KROGER:** So we fund the government to be able to run the hospital?

**Mr Baxter:** That is right, just as we are funding the temporary TB isolation ward and building the permanent TB isolation ward. We are investing in upgrading the facilities and will obviously include, as part of that, ongoing operations and maintenance costs, but it is in cooperation with the Papua New Guinea ministry of health and Western Province.

**Senator KROGER:** Mr Tranter, you mentioned before that 340 patients had been treated. I presume that is through Daru Hospital?

**Mr Tranter:** Through Daru Hospital and the other clinics in Sigabadaru and Mabadawan.

**Senator KROGER:** Do you have a breakdown of how many patients are treated through Daru?

**Mr Tranter:** I do not have it with me, but we can provide that on notice.

**Senator KROGER:** That would be helpful, just to know how many patients they treat on a monthly basis, what their increasing capacity is and, accordingly, what the waiting time to be treated is. Do they have to wait for a few days to be admitted, or hours? What is the situation like there on the ground? You mentioned also the upgrade and extension. Where is that at, and what is the time line for the plans there?

**Mr Baxter:** We finished the design of the new TB isolation ward. The temporary isolation ward has been constructed and is in operation. In fact, I opened it when I was there in February. The new isolation ward will be completed by the end of this year. That is our objective.

**Senator KROGER:** Do you also have, Mr Tranter, the breakdown of medical staff there? How many doctors or sisters are there on a full-time basis?

**Mr Tranter:** We do have that information.

**Senator KROGER:** I think you gave it to Senator Boyce actually, in previous times. I was just wondering if that had changed. Is it the same? If you could take that on notice, anyway—

**Mr Tranter:** Partly in answer to your question: through the World Vision program, we are supplementing the salary of a TB physician to work at the hospital and also through the World Vision program we are supplementing salaries for a new registrar and resident, the registrar being a trainee GP and the resident a TB specialist, to add to the resources at Daru Hospital, so that would be an expansion of staff. The program is currently recruiting for those personnel.

**Senator KROGER:** You sound like the right person to ask. Are you aware of any complaints in relation to Daru Hospital?

**Mr Tranter:** I am not.

**Mr Baxter:** From whom, Senator?

**Senator KROGER:** From those that are associated with the hospital, whether it is through the staff or patients that have been through there. Are you aware of any complaints in relation to the conditions at the hospital?

**Mr Baxter:** I think I can say that when I was there I was made aware by the chairman of the hospital board of some unhappiness he felt in regard to the funding he was receiving from the government of Papua New Guinea. He was enormously appreciative of the work that the Australian government was doing to help them to improve their facilities. But, as you know, Papua New Guinea runs its health system and Daru Hospital is part of Papua New Guinea's health system. We have a particular interest, obviously, given its proximity to our border, to ensure that we assist in increasing the capability of the Papua New Guinean authorities to deal with the health issues in Daru, but we do not run the health system in Western Province or in Papua New Guinea; that is Papua New Guinea's responsibility. As I say, I am aware of some unhappiness there.

**Senator KROGER:** But we do fund it.

**Mr Baxter:** We provide some funding. Papua New Guinea provides the bulk of the funding for its own health system.

**Senator KROGER:** And, on the basis of our previous dialogue today, you are satisfied that all that funding is delivering an effective outcome for the dollars that are being put into that?

**Mr Baxter:** That is precisely why I went there myself—to see what we were doing. Obviously it is an issue that has been the subject of discussion in these committee hearings, and it has received other publicity, so I went there to see and satisfy myself that we were doing all that we could reasonably do to try and address this problem, and I think we are.

**Senator KROGER:** What were your observations on the hospital and the conditions of the hospital?

**Mr Baxter:** It was fairly typical for a hospital in a country such as Papua New Guinea. In some ways, it had better facilities than other parts of Papua New Guinea. It is not an Australian standard hospital by any means, but there are not Australian standard hospitals in Papua New Guinea. But it was reasonable in the circumstances of Western Province's stage of development.

**Senator KROGER:** Were you satisfied with the conditions of the temporary isolation ward?

**Mr Baxter:** Yes, I was.

**Senator KROGER:** I have had sent to me some photos of the hospital. I am happy to table them, Chair. I am interested to know whether one of these photos is a photo of the isolation ward, for starters. If we could provide some copies of those after Mr Baxter has had a look at them—

**Mr Baxter:** None of them are photos of the isolation ward.

**Senator KROGER:** Given that the isolation ward is the newest component structure, if you like, of the Daru Hospital, do those photos give an indication of what it probably looks like?

**Mr Baxter:** It is newer and probably of a better standard. The photos you have are of Daru Hospital. Daru Hospital was built by the Australian colonial administration, as I understand it, in the late 1960s, and obviously since 1975 it has been the responsibility of the government of Papua New Guinea to maintain and upgrade. We are providing assistance with that maintenance and upgrade now as part of our TB program in Western Province.

**Senator KROGER:** My concerns, particularly when I looked at those photos, Mr Baxter, were the hygiene factor, because it looks incredibly unhygienic. The external photos show the external spouting, the gutters, falling off, so there must be a huge damp problem, a mould problem. I am only surmising, because the photos are fairly self-explanatory in the way in which they show the building in total disrepair. But also one of those photos is of an examination room with what looks like a 1950s style surgical chair in it.

**Mr Baxter:** Firstly, I would not describe the hospital as being in a state of disrepair. As I said, I think it is comparable to other health facilities throughout Papua New Guinea. The facility that we have put in place, the temporary TB ward, for Papua New Guinea standards I think is very good. There is no doubt that the general hospital could do with a lick of paint and some cleaning up. There is no question about that, and it is in a fairly difficult tropical environment. But, to give you an indication of the difference between Papua New Guinea and Australia, in Australia we spend about \$3,000 per person per year on health care; in Papua New Guinea it is \$40. Our \$500 million aid program can make a contribution to Papua New Guinea's efforts to upgrade its facilities but, with a program of the size we have, we cannot run the PNG health system, nor can we provide all of the infrastructure that is required to do that. So we have made a contribution to this hospital. We have upgraded the capability of the hospital to provide treatment, particularly to those people who are suffering from TB and multidrug-resistant TB, and we think that is going to have a real impact on the treatment that people receive in terms of improving its quality and at the same time reduce the need for people to travel across the border to clinics in the Torres Strait.

**Proceedings suspended from 12:30 to 13:32**

**CHAIR:** We will resume proceedings. We are still in 1.1, PNG and the Pacific.

**Mr Baxter:** Madam Chair, with your approval, I have some photographs that I thought the committee might be interested in, following our discussion about Daru Hospital and the upgrades that we have made to the facilities, which I would like to table. These are photographs that were taken this month of the new isolation ward and the new examination ward.

**Senator KROGER:** Excellent.

**CHAIR:** Thanks, Mr Baxter. We will table those documents.

**Senator KROGER:** Just to conclude our dialogue before the lunch break, Mr Baxter, can you advise me what our total AusAID spend directed towards the Daru Hospital is?

**Mr Baxter:** I will ask my colleagues to correct me if I am wrong, but I think it is \$8 million over four years.

**Senator KROGER:** Is that the forecasted budget?

**Mr Baxter:** That is right.

**Senator KROGER:** And what have we spent on it to date?

**Mr Baxter:** I would have to ask my colleagues for that detail.

**Mr Tranter:** We could take that on notice.

**Senator KROGER:** Okay; thanks. In conclusion: as to the evaluation to be undertaken of this program in terms of our support of Daru, when is that to be undertaken, or has there been a review and evaluation undertaken already?

**Mr Baxter:** There have been a number of visits by our staff who work out of the high commission in Port Moresby to Daru, as part of the process of improving the facilities for treatment, and I mentioned my own visit. We had people in Daru just two weeks ago at the handover of the sea ambulance. And we will maintain a regular schedule of monitoring visits to ensure the program remains on track. We will conduct, as part of our normal processes at the end of this financial year, an evaluation of our PNG program and the various components of it, including this, and that would be reported in the normal way in our annual report to parliament.

**Senator KROGER:** What I am particularly interested in—and I am happy for you to take it on notice—is the degree of oversight of the \$8 million which is directed through the PNG government towards the hospital, and what assurances you can provide us all with on the way in which that has been directed to this hospital and not diverted in other ways.

**Mr Baxter:** I am very happy to do that. I can assure you that, given the importance of this program and the profile that it has, I take a strong personal interest in it as well.

**Senator KROGER:** I understand. Thanks, Mr Baxter.

**CHAIR:** Thank you. Are there any further questions in program 1.1—PNG and the Pacific?

**Senator KROGER:** I will just double check that with my colleagues not here. No, that is it, thanks, Chair.

**CHAIR:** We can safely move on?

**Senator KROGER:** We can safely move on.

[13:36]

**CHAIR:** Then we will go to 1.2—East Asia. Who has questions here?

**Senator RHIANNON:** On Africa?

**CHAIR:** No, East Asia—which would include Burma, I believe. Are there any questions? Senator Kroger, you have questions on Burma? Away you go.

**Senator KROGER:** Mr Baxter, if I am covering territory that Senator Rhiannon covered earlier on, please excuse me, because I did pop out for five minutes. I just wanted to touch base—because I know she did touch on it—on the AusAID program, where I understand we are providing \$63 million in the 2012-13 budget, and I think over \$47 million was provided in the last financial year; is that correct?

**Mr Baxter:** Yes. This financial year we are expecting to spend \$48.8 million, and that will increase to \$63.8 million in 2012-13.

**Senator KROGER:** Does that include funding for those refugees that are residing in camps on the Thai border?

**Mr Baxter:** I believe that includes cross-border assistance.

**Senator KROGER:** Can you confirm that? I am happy for you to take that on notice, but can you confirm whether that includes support for those refugees?

**Mr Baxter:** Yes, I am happy to take that on notice.

**Senator KROGER:** Is it correct that, due to recent political developments in Burma, aid organisations that work along the Thai border providing support and services to those refugees are finding it difficult to attract funds to keep their programs alive?

**Mr Baxter:** You would be aware, from previous discussions that we have had with the committee on this issue, that we do not actually fund cross-border aid ourselves, and I am not sure whether that is the case or not; I have not been made aware of it. Maybe my colleague Mr Brazier knows.

**Mr Brazier:** It is a complex situation along the border, and I would like to explain the various categories of displaced people, if I can.

**Senator KROGER:** Yes, please do.

**Mr Brazier:** There are internally displaced people within the borders of Burma, and these amount to about 400,000. Of those 400,000 there are about 115,000 in the so-called black zones, which are areas that are very difficult to access for international aid agencies. The other very important category of refugees is over the border in Thailand—Burmese who had crossed the border into Thailand. There are 140,000 of those. We provide humanitarian assistance to those Burmese who are in Thailand. We provide some support through the UNHCR for Burmese outside those black zones in Burma. What we cannot provide support for at this time, though, is support from Thailand into those black zones, because there is no way of monitoring whether that support actually reaches its intended targets.

**Senator KROGER:** Is there any intelligence coming out of those black zones as to not only the conditions but also the extent to which limited funds are not coping with medical and food supplies?

**Mr Brazier:** I would not call it intelligence. You mean information?

**Senator KROGER:** Yes.

**Mr Brazier:** Publicly available information suggests that, with reform in Burma, the situation is improving—but it will take some time. Those are still insecure areas, but there is in many of those cases goodwill on both sides, and we hope that access opens up. At this stage we do not yet have confidence in our ability to track and verify, under the proposed schemes, that the funds which would go from Thailand across into these black zones would be well spent.

**Senator KROGER:** If you could in the fullness of time provide us with details about the amount of aid that we direct to those refugees which we can access through bilateral partners, that would be terrific.

**Mr Brazier:** I can give you some figures now; I can determine later if it is complete. For those Burmese displaced within Burma, we have provided \$3.5 million in this financial year through the UNHCR. For Burmese refugees in Thailand we have provided \$3.5 million for humanitarian assistance.

**Senator KROGER:** I am sorry, what was the second figure?

**Mr Brazier:** \$3.5 million.

**CHAIR:** Is AusAID doing anything to assist the newly elected members of the Burmese parliament to develop their parliamentary skills?

**Mr Brazier:** Australia has a very strong interest in the development of democratic institutions in Burma. We do not yet have a program in that area. Our focus is very heavily on health, education and rural livelihoods which address those very pressing poverty concerns. We understand that some other donors are moving into that space that you have just described, not only in support for newly elected members of parliament but also for the institutions themselves. We also hope that some of the support that we provide to international non-government institutions may in the future be directed to those sorts of programs.

**Senator LUDLAM:** Some of these questions might be on a similar track to where Senator Kroger was going, because last year I understand there was an announcement, and a very welcome one, that AusAID would be able to do quite limited or targeted funding for training and capacity building for cross-border aid workers from Burma on the Thai side—from Mae Sot and the areas around there. I am keen to know how that is actually working in practice and what the restrictions are on that funding.

**Mr Brazier:** The situation has not changed since we last discussed this. The Australian government made a decision that, although we do not plan to provide funding for the cross-border assistance that you describe, we would provide training support to those NGOs that are carrying out those activities.

**Senator LUDLAM:** That is what was prohibited before?

**Mr Brazier:** That was made available, but we still have received no proposals from NGOs for that support.

**Senator LUDLAM:** So you are waiting for groups like the Thai Burma Border Consortium, for example, to come forward with a proposal?

**Mr Brazier:** That is right.

**Senator LUDLAM:** Have you made them directly aware that the Australian government has recalibrated its strategy a little? Are they aware of that shift?

**Mr Brazier:** We would always do that, yes. We would notify likely partners that there was this opportunity.

**Senator LUDLAM:** How long ago was it, approximately, that they were notified of the change?

**Mr Batley:** We have written to our partners to inform them formally of this change of policy. I cannot give you a date, I am sorry, for when the letters were sent. But they are certainly aware of that.

**Senator LUDLAM:** To within the nearest month, even—just roughly? I am just trying to get a sense.

**Mr Batley:** Earlier this year.

**Senator LUDLAM:** I do not know if it is premature to propose that, if they have not taken it up, it might mean we do not have the settings quite right. If it is of no use to them, is it possible to revisit the kind of support we offer?

**Mr Brazier:** We would always be prepared to do that, if we did make the judgment that this was somehow set up in the wrong way. But we have no evidence yet that that is the case.

**Senator LUDLAM:** They have not made that case to you?

**Mr Brazier:** No.

**Senator LUDLAM:** Okay. My next question is about a specific funding allocation to that policy shift, but that is not really going to be relevant in this instance. Is the Australian government changing its policy on providing aid directly to Burmese authorities? In the past we have been pretty careful to work through third parties, aid agencies and so on. Is a change being undertaken there?

**Mr Baxter:** We are hoping that over the coming period we will be able to have a discussion with the Burmese authorities about how we might commence working with them. We have not had those discussions in any detail at the moment, but as you know our program has increased rapidly and will increase again next year. So along with other donors we are currently looking at how we can particularly support the reform minded elements of the Burmese government. We have not moved away from our current methodology of delivering our program through trusted multilateral and NGO partners.

**Senator LUDLAM:** So it is being thought through but the actual policy change has not been made yet.

**Mr Baxter:** That is right. We are working with other donors, particularly the UK government, on a whole range of issues related to the opening of Burma to greater levels of development assistance from the international community. As you no doubt are aware, there has been a very large number of visitors to Burma over the last six to 12 months, since the reform process started, and there is a strong willingness in the international community to increase levels of assistance to Burma from their current very low levels. But there needs to be careful thought about how that is done.

**Senator LUDLAM:** There certainly does. We traversed some of these issues yesterday. What mechanisms have been adopted to ensure, for example, transparency and accountability so that there is no corruption if we do start working through government channels?

**Mr Baxter:** As I said, we are still delivering the program as we have done in recent years with the increase in our program. So we are still working with those trusted partners. They have reporting obligations under our funding agreement that we have to approve before they spend money, and then they have to provide us with regular acquittals of how they are spending the money. We scrutinise those and make judgments about whether or not funding is actually being expended for the purpose for which it was given. We have an increasing number of AusAID staff in Burma who go out on monitoring visits and physically look at the programs that we are funding and make sure that they are being delivered.

**Senator LUDLAM:** Given the rush of investment, with all the potential for helping people and also the potential for corruption that that implies, how much of our aid work there focuses on governance issues, for example?

**Mr Baxter:** We have made a decision that we want to play a leading role in developing the education sector of Burma, and we are certainly following that through with our funding allocations. On the governance side, there are a number of issues that we have looked at. As you know, two years ago we started a pilot program of scholarships for people from Burma, and certainly Burma will need more trained people within government to deal with its relevant issues as it continues its reform process and donor assistance increases. Again, this governance issue is one that we are talking about intensely with our donor colleagues around the world to see how we can start programming money through the Burmese government in ways that manage risk acceptably.

**Senator LUDLAM:** Okay. So that is afoot already. What is the status of AusAID's interim strategy on Burma? Is there an expected deadline for the strategy to be finalised, and what is required for that to happen?

**Mr Brazier:** There is a draft strategy in place. It has gone through some of the required steps. I believe it was endorsed by the Development Effectiveness Steering Committee recently. The next step is to visit this idea of some sort of overarching agreement with the government of Burma that would govern the aid relationship.

**Senator LUDLAM:** Is it the intention to transition away from the footing that we are now, where we only work through non-government organisations, to a substantial part of our aid budget passing through state channels as it would in other countries?

**Mr Baxter:** That would be subject to our assessment of the capability of the Burmese government to handle that sort of assistance. As you know, by definition, because of the isolation of the Burmese government over the last 2½ decades, they have had very little experience of dealing with the broader donor community. There are very few mechanisms within the Burmese government to deal with issues such as donor coordination. There are solutions that we and other donors have learnt from countries like Cambodia, East Timor and even Afghanistan on what happens if you put in a large amount of donor assistance without thinking very carefully about it.

**Senator LUDLAM:** All right. That all sounds pretty sensible. A lot of international donors to refugees and other displaced groups on the borders of some of our international partners are pooling funds out of that area and shifting priorities out of Burma—or, at least, into Rangoon. We have been a pretty long supporter of groups supporting refugees from Burma—in the hundreds of thousands on the Thai side and other countries in the region—which is extremely commendable. When we lifted our aid budget, we also lifted our budget to that part of the world. Can you confirm for us that our financial commitment to these vulnerable displaced populations remains the same?

**Mr Baxter:** Last financial year we provided around \$3 million to displaced people in refugee camps on the border. This year we are providing \$3½ million. As long as the need remains I do not see us moving away from those levels of assistance.

**Senator LUDLAM:** That is great. Next financial year I understand that our aid budget will reach the level that was set a couple of years ago, and it is not projected to incline beyond that. Is that correct?

**Mr Baxter:** It will certainly increase—from \$48.8 million to \$63.8 million—in the next financial year. Decisions on the future levels of the program are obviously a matter for government.

**Senator LUDLAM:** All right. That is fine. But you have indicated that, as far as the borders areas are concerned, for the displaced people and so on in the refugee camps there is \$3 million this year and three \$3½ million next year. There are no plans to downgrade the support that we provide up there?

**Mr Baxter:** No.

**Senator LUDLAM:** I plan on visiting the area again soon, so I am very happy to hear that.

**Mr Brazier:** May I add a point in relation to this? You are right: some donors are scaling back and Australia is filling some of those gaps. We are supporting projects that had previously been funded by the European Union, for example, including a vocational training program that improved the livelihoods of 1,500 refugees.

**Senator LUDLAM:** I think that is extremely commendable and I hope we can continue in that vein and not necessarily start to centralise everything through Rangoon. My last question might be out of your area. I asked the department yesterday about the Federal Police presence there doing counter-narcotics work. I might have to frame this in terms of the work that you do. Since the democratic reforms that have begun to open the country up in the last year or so, has there been any measurable change that you have observed or that has affected your work in the opium trade or amphetamines trade out of Burma?

**Mr Baxter:** It is certainly not something I am aware of.

**Mr Brazier:** No.

**Senator LUDLAM:** Do you work with our AFP presence? I understand there is only one officer.

**Mr Baxter:** This would be work that is directly related to the AFP's role in liaison and gathering information about narcotics trade that would impact on Australia. I would be fairly confident in saying it would not be funded under the official development assistance budget.

**Senator LUDLAM:** No, certainly not.

**Mr Baxter:** It would be funded under the AFP's own allocation for counter-narcotics work, so you would have to ask them.

**Senator LUDLAM:** There is no crossover?

**Mr Baxter:** No. We work with them very closely in lots of parts of the world but not at the moment in Burma. If they were to get into police training or other areas, it might be a different story.

**Senator LUDLAM:** There was an element of training to it, I understood, which we had some concerns about. Since the country started to open up, have you observed any changes that have impacted your work of aid coordination and distribution in the way that the drug trade is operating?

**Mr Baxter:** Not that I am aware of, no.

**Senator LUDLAM:** Thanks very much, gentlemen.

**Senator RHIANNON:** The budget papers state that the Asian Development Fund will install or upgrade 2,300 kilometres of transmission line connecting 346,000 new households to electricity, and it goes on to detail massive upgrades in roads, railways and water pipes. What safeguards have or will AusAID put in place to ensure that large infrastructure projects will not result in similar problems to what was encountered with the Cambodian railways project?

**Mr Baxter:** The Asian Development Bank has very robust safeguards in place and we would rely on the Asian Development Bank to implement those policies as part of the programs that you referred to.

**Senator RHIANNON:** Is it advisable just to rely on what the Asian Development Bank does, considering that young children lost their lives and there are ongoing complaints that people have not received full compensation and problems associated with the Cambodian railways project that ADB, Toll Industries, I think, and AusAID were involved in?

**Mr Baxter:** I do not think in that case that the issue is the robustness of the ADB's safeguards policies. There were obviously issues related to implementation of those policies, and we have been very open that we have been unhappy with some of the implementation of those policies, but we certainly do not accept your characterisation of the death of children and other things. We work very closely with the ADB to ensure that safeguards policies are implemented. Any resettlement programs are difficult and often controversial, and they need to be handled very carefully.

**Senator RHIANNON:** Even though you say it needs to be handled carefully, you are leaving it totally up to the ADB.

**Mr Baxter:** No. We work very closely as a shareholder of the ADB and as one of the members of the executive board of the ADB to ensure that the ADB adheres to its policies when it is developing infrastructure projects that require resettlement programs be put in place.

**Senator RHIANNON:** To clarify: will interaction to ensure safeguards are adhered to be through Australia's executive board member on the ADB, not through AusAID and ADB sitting down and interacting to ensure the safeguards are adhered to? Is it at that executive board level?

**Mr Baxter:** It is both. For instance, in Cambodia, AusAID staff and our diplomatic mission work very closely with the ADB to ensure that their safeguards and policies are implemented and adhered to. We do that wherever there is a program that ADB is implementing where we have an interest.

**Senator RHIANNON:** Will any Australian companies be involved in the implementation of these projects?

**Mr Baxter:** The answer to that is that I do not know. There may be a commercial component of some of those programs that would be put to an open tender. Australian companies may bid for those and win the contracts.

**Senator RHIANNON:** Which leads me to the next question: what model of implementation will the projects follow? I am just trying to get a sense of whether it will be, for example, public or private.

**Mr Baxter:** There will be a mixture of methodologies applied depending on where the program is and what it is seeking to achieve.

**Senator RHIANNON:** When do you anticipate that that information will become known?

**Mr Baxter:** The ADB publishes annually information about the programs it is undertaking in the form of its work program by country and by program. The ADF replenishment will be used to fund future year programs.

**Senator RHIANNON:** I received some useful information from you in answer to my questions on notice with regard to developments in the Mekong. I want to go now to the Mekong River Commission's *Procedures for notification, prior consultation and agreement*. The answer to one of my questions notes:

The Australian Government's funding support for the MRC's Mekong Integrated Water Resources Management Project includes support for the implementation of five MRC procedures, including the Procedure for Notification, Prior Consultation and Agreement (PNPCA).

I have just referred to that. It continues:

A mid-term review of the project is scheduled to be undertaken in 2012. This review will contribute to Australia's assessment of the Xayaburi Hydropower Dam PNPCA deliberation process.

I am still trying to understand how this is all rolling out. When will the mid-term review take place, please?

**Mr Batley:** As you will recall, Senator, we spoke about this in February. The key event was last December, when the MRC member countries met at ministerial level and agreed to discuss the Xayaburi dam proposal and to conduct further studies on the development of the river.

Between then and now, they have met in closed sessions to talk about the terms of reference of this further study. We, along with other development partners, are waiting to learn what those terms of reference are. We are expecting those to be released in June—that is, next month. The MRC has not yet approached development partners requesting support for this study, and so it has not formally started yet.

**Senator RHIANNON:** You said that you are waiting for the terms of reference to be released. Does that mean just released to the government or released to the public?

**Mr Batley:** Released generally.

**Senator RHIANNON:** So it will be released to the public?

**Mr Batley:** That is my understanding.

**Senator RHIANNON:** And you are expecting that in June?

**Mr Batley:** That is our expectation, yes.

**Senator RHIANNON:** In what ways will the mid-term review inform the Australian government's funding and support to the MRC? Will the review be made public?

**Mr Batley:** I will refer that to my colleague.

**Mr Brazier:** It is hard to say before the review is done how its findings would affect our support.

**Senator RHIANNON:** Will it be made public?

**Mr Brazier:** Yes, that is my understanding.

**Senator RHIANNON:** In June? When it becomes available to you?

**Mr Brazier:** I would expect that it would be made public, yes. I cannot say when it would be made public, though.

**Senator RHIANNON:** I do find there is still currently a great deal of ambiguity over whether the PNPCA process for Xayaburi dam is open or closed. We have spoken about the December 2011 meeting—the MRC council meeting—and there was no mention of the status of the PNPCA process, despite the fact that regional governments postponed making a decision on the Xayaburi dam and agreed to carry out a joint study looking at the impact of the Mekong mainstream dam. I am still trying to understand how these processes interact. In response to the questions on notice you indicated that a letter had been sent to the Mekong River Commission CEO requesting clarification on the status of the PNPCA process for the Xayaburi dam. Maybe we actually share confusion here. You sent the letter. Has a response been received and, if so, what is the current status of the PNPCA?

**Mr Baxter:** There was a letter sent, as you mentioned. We did receive a response from the MRC a few weeks ago, at the end of April. Unfortunately, that response did not provide us with the further clarity that we had asked for on the PNPCA process, so we have gone back and asked again.

**Senator RHIANNON:** Was that asked in another letter?

**Mr Baxter:** We have gone back in response through our communication with the MRC—not a letter but in response to them failing to address our request for clarification of the status of the PNPCA process for the Xayaburi dam. We are continuing to seek clarity ourselves.

**Senator RHIANNON:** When was that meeting held?

**Mr Baxter:** It was after the letter that we received on 27 April. I do not have the exact date with me but I can find out when we made our response.

**Senator RHIANNON:** Thank you. If you could take that on notice please. As the sole funder to the Xayaburi dam's PNPCA process, does Australia have plans to assist the MRC in bringing clarity to the status of the process?

**Mr Baxter:** Certainly we would like to see that, yes.

**Mr Brazier:** I would just clarify that the PNPCA does not relate solely to the proposed Xayaburi dam; it relates to all developments on the Mekong.

**Senator RHIANNON:** In order to help ensure that an informed decision is made on the Xayaburi dam, has Australia through bilateral relations or the MRC requested that Laos carry out a transboundary environment impact assessment for this specific project?

**Mr Brazier:** I am not aware of Australia making that specific representation but, as was mentioned earlier, we wrote to the MRC and urged the MRC to release details of all the further studies, seek clarification on the status of the PNPCA process, and urged the MRC to ensure that this first implementation of the PNPCA process is conducted and concluded as stipulated in the 1995 Mekong agreement.

**Senator RHIANNON:** Thank you. Could you just take on notice if Australia has requested that Laos carry out a transboundary environment impact assessment for this project or any other work relevant to Mekong related dams in or on boundaries of Laos?

**Mr Brazier:** Yes.

**Senator RHIANNON:** Thank you. Thank you, Chair.

**CHAIR:** Thank you, Senator Rhiannon. That concludes questions for 1.2, Official development assistance—East Asia. We move now to 1.3, Official development assistance—Africa, South and Central Asia, Middle East and other.

**Senator RONALDSON:** Good afternoon, Minister. Minister, you are aware of matters involving the Israel Law Centre, World Vision and AusAID, so I do not need to go through the background to that, do I? Can I just ask you a question initially just so that we are absolutely clear. The PFLP is a proscribed terrorist organisation of Australia, isn't it?

**Senator Bob Carr:** Yes.

**Senator RONALDSON:** Do we agree that the UAWC, which of course is the subject of these discussions, is the PFLP's agricultural organisation?

**Senator Bob Carr:** No, we don't.

**Senator RONALDSON:** You don't?

**Senator Bob Carr:** No.

**Senator RONALDSON:** On what basis do you say they are not?

**Senator Bob Carr:** It is important to underline this: the organisation we are talking about—we are talking about the Union of Agricultural Work Committees, are we?

**Senator RONALDSON:** Yes.

**Senator Bob Carr:** Well, I just find it striking that the government of Israel itself does not consider the UAWC to be a terrorist entity. That is the government of Israel.

**Senator RONALDSON:** I did not ask you that; I asked you whether you agree that the PFLP agricultural organisation is the UAWC. You disagree with that, do you?

**Senator Bob Carr:** I can talk about the UAWC as a separate entity. I do not agree that it is an arm of the body you have nominated. That is where we are at odds.

**Senator RONALDSON:** In fact, in your letter to me on 10 May, after my letter to you on 24 May, you said that there are unsubstantiated claims that the UAWC had links to the proscribed terrorist organisation. Is that right?

**Senator Bob Carr:** That is true. In fact, I can be stronger. There are no constitutional or practical elements of the UAWC's operations that suggest it is an agency or instrumentality of PFLP.

**Senator RONALDSON:** Are you aware that the US government aid agency, USAID, identified the UAWC as the agricultural arm of the PFLP via the Strengthening Democratic Institutions Project back in May 1993?

**Senator Bob Carr:** I am advised that that is incorrect.

**Senator RONALDSON:** It is incorrect?

**Senator Bob Carr:** Yes.

**Senator RONALDSON:** What is incorrect?

**Senator Bob Carr:** Your statement.

**Senator RONALDSON:** What, that the democratic institutions support project indicated that the agricultural organisation—is incorrect, you are saying?

**Senator Bob Carr:** Yes.

**Senator RONALDSON:** Okay. Have you seen that report, Minister?

**Senator Bob Carr:** I can provide a very, very detailed answer to this.

**Senator RONALDSON:** No, Minister, I am asking you: have you seen the report?

**Senator Bob Carr:** The USAID has confirmed that the report quoted by Shurat HaDin as evidence that the UAWC was established by the PFLP, entitled *Palestinian institutional configurations ...* and so on—

**Senator RONALDSON:** Yes.

**Senator Bob Carr:** '... does not reflect the views or interpretations of USAID or of the US government, including with regards to the relationship between the UAWC and the PFLP.'

**Senator RONALDSON:** Can you table that, please?

**Senator Bob Carr:** Happy to.

**Senator RONALDSON:** What was the date of that letter?

**Mr Baxter:** That is information provided to us directly by USAID in the course of AusAID's examination of the material put forward by Shurat HaDin. It is information provided to us by USAID in the period since 11 April this year.

**Senator Bob Carr:** Further—

**Senator RONALDSON:** When did you ask for that information?

**Mr Baxter:** As a result of our correspondence with Shurat HaDin, and Shurat HaDin providing us with a dossier of information on 11 April, we conducted an examination of that material, which included the document that you referred to. So we asked USAID what the status of that document was and, as the minister has read out, they made it clear to us that it did not reflect the views of USAID or the US government and they were happy to give us that advice in writing.

**Senator RONALDSON:** This was done after the decision by AusAID and World Vision to say that they had fully investigated this matter. I think that was done by way of a press release on about 2 March, wasn't it?

**Mr Baxter:** There have been a couple of phases to this issue. The first element was we received a letter on 15 February from Shurat HaDin which made some general allegations of links between the UAWC and the PFLP but provided no evidence. We conducted an investigation and concluded that there was not evidence of such links. We wrote back to Shurat HaDin and said if they had further material they should give it to us. They did provide further material in April and we have conducted a thorough examination of that material as well.

**Senator RONALDSON:** I will talk about that soon. What inquiries were made during that first phase?

**Mr Baxter:** The first thing we did was put a series of specific questions to World Vision Australia to respond to the allegations that were made by Shurat HaDin. We also conducted some investigations of our own by contacting the relevant authorities within the Australian government to seek information from them on the allegations by Shurat HaDin. It was a combination of investigations in country and with the relevant authorities in Australia, including the Department of Foreign Affairs and Trade, which is responsible for advising the government on people or organisations that are proscribed under relevant legislation. We also spoke to ASIO and were able to satisfy ourselves that there was no basis for the allegations that had been made in February by Shurat HaDin.

**Senator RONALDSON:** So ASIO were asked to look at this matter?

**Mr Baxter:** That is right.

**Senator RONALDSON:** Were the Australian Government Solicitor asked to look at it?

**Mr Baxter:** In phase 1, it was the Department of Foreign Affairs and Trade and ASIO.

**Senator RONALDSON:** I understand that it was World Vision that actually wrote and said that it had finished its investigation, wasn't it?

**Mr Baxter:** World Vision presented AusAID with a detailed report on the allegations and they wrote to AusAID confirming that and confirming their compliance with the antiterrorism provisions contained in the head of agreement between World Vision and AusAID. Then on 28 February an AusAID officer wrote to Shurat HaDin advising them that we had conducted a detailed investigation into the claims outlined in the letter of 15 February but that we had found no evidence of their violation of the UN Charter act.

**Senator RONALDSON:** Did that letter refer to inquiries being made on the back of due diligence of public registers which are available?

**Mr Baxter:** I do not have the details of that letter with me, but we certainly followed up the letter with a telephone call to Shurat HaDin to ensure that they had received our advice and to make it clear that AusAID would consider any evidence that Shurat HaDin possessed to support its allegations.

**Senator RONALDSON:** This was AusAID as opposed to World Vision?

**Mr Baxter:** That is right. We were communicating directly with Shurat HaDin at the end of February.

**Senator RONALDSON:** Did the AusAID letter say that this was based on due diligence of public registers which are available?

**Mr Baxter:** It advised that we had conducted a detailed investigation into the claims—

**Senator RONALDSON:** I know it is said you had had a detailed investigation, but I am more interested in—

**Mr Baxter:** I do not have the letter with me. I would have to take it on notice.

**Senator RONALDSON:** I am interested in how detailed it was. I am a bit surprised you do not have that letter, quite frankly. Does anybody else at the table have a copy of it?

**Mr Baxter:** No. I do not think it is surprising because the nature of the allegations made by Shurat HaDin were general. There was no evidence provided at the time that they gave the letter to us on 15 February. There was not a supporting annexe of documents or any information at all apart from the allegations. So we conducted what we believe was a thorough investigation given that there was no particular evidence put forward to support the accusations. Once we had completed that, we then informed Shurat HaDin that we had done so.

**Senator KROGER:** Did that investigation include the board of directors?

**Senator Bob Carr:** Yes, it did.

**Senator KROGER:** Who is the president of the UAWC board of directors?

**Senator Bob Carr:** In February 2012, after Shurat HaDin had first raised its allegations against the UAWC, even though Shurat HaDin had made no allegations regarding the UAWC board AusAID checked the list of current UAWC board members provided by World Vision and found that none of those individuals were on DFAT's consolidated list of proscribed individuals under the UN Charter act. But what I find to be the killer fact here is that the government of Israel itself does not consider UAWC to be a terrorist entity. It is not proscribed by the government of Israel. In fact, since 1996, UAWC has been registered as a not-for-profit organisation with the Israeli Ministry of Justice. The registration was most recently renewed on 5 March 2012. One would think that if this organisation had been compromised in the way the senator has suggested that would have been brought to the attention of the government of Israel. The government of Israel has made a decision that this organisation will not be proscribed and, moreover, will be allowed to continue to be registered as a not-for-profit organisation by the Israeli Ministry of Justice.

**Senator RONALDSON:** Minister, your evidence before was that the claims did not initially make allegations against the board membership but that you did the investigation on the back of further information; is that what you said?

**Senator Bob Carr:** I would like a reply by you to me sharing with the committee the fact that Israel does not think this a tainted organisation.

**Senator RONALDSON:** Guess what? I ask the questions and you answer them. I take it back to your statement before that you made these inquiries about board representation in the second phase of the inquiry. Is that what you told us?

**Senator Bob Carr:** I said that in February 2012—whether you call it the second phase or the first phase or the 15th phase—after Shurat HaDin had first raised its allegations, even though it had made no allegations regarding

the board, AusAID checked the list of current UAWC board members provided by World Vision and found that none of those individuals were on DFAT's consolidated list of proscribed individuals under the UN Charter act.

**Senator KROGER:** Who is the president of the UAWC board?

**Senator Bob Carr:** I am reporting what AusAID did. If you want to challenge that, I would be interested to see—

**Senator KROGER:** I am asking you: who is the president of the board?

**Senator Bob Carr:** I cannot tell you who the president of the board is, but I am reporting what AusAID did.

**Senator KROGER:** Mr McDonald, can you help the minister and advise us of who the president of the board is?

**Mr McDonald:** In the claims that were put forward by Shurat HaDin, there was a specific claim in relation to the president of UAWC at the time. That person who was claimed to be president is not the president at the moment. The person that Shurat HaDin had indicated was the president was Bashir al-Kheiri. He is no longer the president of the UAWC board.

**Senator KROGER:** When was he the president?

**Mr McDonald:** He was the president from 2008 to 2011, and he is no longer the president of the board.

**Senator KROGER:** That is interesting. Do we know who Mr Bashir al Kheiri is?

**Mr McDonald:** Mr Bashir al Kheiri is not listed as proscribed under the UN charter act and UAWC is not listed as a proscribed entity under the UN charter add.

**Senator KROGER:** Let us go to this for a minute.

**Senator Bob Carr:** And he is proscribed by the government of Israel.

**Senator KROGER:** He is a senior member of PFLP. He has a long history of arrest and jail time in Israel for terrorist involvement. This is the man who has been president of this organisation.

**Mr McDonald:** The original allegation by Shurat HaDin was an original set of claims that UAWC had breached the UN charter because of its association with PFLP. Under the UN charter, for there to be a breach there has to be either direct or indirect assets flowing to a proscribed organisation. That is not the case in relation to this matter. The earlier allegation was a question that was raised earlier in relation to the US report. We followed that claim up, which was the first allegation that there had been a breach. The USAID, on behalf of the US government, responded to that allegation, which was not supported by the evidence or information that had been put forward by Shurat HaDin. The second allegation was that the UAWC is controlled by senior PFLP operatives. Through due diligence processes and financial processes that we have in place, that was also not proved. It makes its assets available to the PFLP—

**Senator RONALDSON:** Mr McDonald, come on. You are splitting hairs now. You are not seriously suggesting that there is no link here. With the matters raised by Senator Kroger, you are not seriously telling this committee that there are not links between the PFLP and this organisation. You have acknowledged that this gentleman was president of the organisation for two years. And you are saying that there is no link?

**Senator Bob Carr:** Why isn't it proscribed by the government of Israel?

**Senator RONALDSON:** And I have a question for you, Minister.

**CHAIR:** Senator Ronaldson has asked a question. Could we have an answer, please.

**Mr Baxter:** There were a specific set of allegations made by Shurat HaDin that related to alleged breaches of the UN charter act. We investigated those allegations of breaches of the UN charter act and there was no evidence found that the UN charter act had been breached. The relationship between the Australian government and the UAWC goes back to 2005, when the—

**Senator Bob Carr:** 2005? That is interesting. That would seem to be a significant date. It started then.

**Mr Baxter:** program was—

**Senator RONALDSON:** It started well before then, my friend—well before then.

**Mr Baxter:** reviewed and renewed in 2007 under the previous government and continued under the current government.

**Senator Bob Carr:** It was renewed under the previous government. Very interesting.

**Senator RONALDSON:** I am sure. I will get back to you in a second, Minister. Mr McDonald, you are saying that these allegations were unrelated to linkages. The minister—

**Mr McDonald:** I did not say that.

**Senator RONALDSON:** They were in relation to financial matters.

**Mr McDonald:** The claims that were put forward by Shurat HaDin to support their claims that there had been a breach of the UN charter were four-fold. I was reading those when you interrupted me. That is what I was talking about: the allegations that were made by Shurat HaDin to support their claim that there has been a breach of the UN charter act by UAWC, World Vision or AusAID. My answer to that was that the evidence or information put forward has been thoroughly checked out by a whole range of government agencies that Mr Baxter talked about earlier and there is no evidence to support that there has been a breach of the UN charter act.

**Senator RONALDSON:** If someone said that the UAWC had no links to the PFLP—the proscribed terrorist organisation—in light of the matters raised by Senator Kroger, would you agree or disagree with that?

**Mr McDonald:** In relation to that question, this matter is about whether there is a breach of the UN charter.

**Senator RONALDSON:** I have asked you a question.

**Senator KROGER:** I do not think that it is about whether there has been a breach of the UN charter.

**CHAIR:** Senator Kroger, you will get your chance to ask questions. Senator Ronaldson has asked a question. The officers are attempting to answer it.

**Mr McDonald:** It is important to clarify that in relation to any links under the UN charter act, those links have to be a result of direct or indirect assets flowing to a terrorist organisation. As I have said earlier, the evidence shows that that is not the case.

**Senator RONALDSON:** Minister, I now want to go back to you. You alleged that there were no allegations regarding the board made initially by Shurat HaDin. That is incorrect. I take you to page 2 of the letter from Shurat HaDin to World Vision dated 15 February. In the second paragraph, it says:

The PLFP's funding is shared and distributed amongst its family of institutions, including the UAWC. The PLFP is the controlling hand of the UAWC and the PLFP members form the executive of the organisation.

That information that you provided to the Senate was clearly wrong.

**CHAIR:** Do you have any response to the comment from Senator Ronaldson, Minister?

**Senator Bob Carr:** I stand by my previous answer and repeat that the government of Israel does not agree with that. The government of Israel has not proscribed this organisation.

**Senator RONALDSON:** You stand by your previous statement that there were no allegations raised on 15 February about board members? I have clearly told where you are wrong. Are you prepared to accept that you have made a mistake?

**Senator Bob Carr:** You have not established that case.

**Senator RONALDSON:** I have not?

**Senator Bob Carr:** I would like to help you, Senator. I am striving to understand your case.

**Senator RONALDSON:** The letter says that the PFLP members form the executive of the organisation. You are suggesting to the Senate that that is not an allegation made regarding the board. I do not think that you could possibly be serious.

**Senator Bob Carr:** I never heard a response to my reply that the government of Israel does not agree with your position.

**Senator RONALDSON:** You can rabbit on about that until the cows come home, but the simple fact is that you made an allegation—

**Senator Bob Carr:** Where is the statement from Tel Aviv?

**CHAIR:** Senator Ronaldson and Minister Carr, this could go on all afternoon or we could wind it up in a civilised manner. Senator Kroger, do you have any further questions?

**Senator KROGER:** Yes, thank you, Chair. We have heard all morning, Mr Baxter, about the attention to governance of all organisations, multilateral and bilateral. We are talking about Australia's approach to this, not the approach of the state of Israel. We are talking about our governance procedures and processes over this. We know that members of this board are members of the PFLP—we know that.

**CHAIR:** Do you have a question, Senator Kroger?

**Senator KROGER:** I am coming to the question. What do you think Australia people would think—regardless of the interpretation is whether it breaches the UN charter or not—if known terrorists who have been

locked up and jailed for terrorist activities are on the board? They are members of PLFP and members of this board. Isn't this about our due diligence and our governance practices and integrity?

**Mr Baxter:** I will give you an explanation about our due diligence processes for funding World Vision and the way in which World Vision relates to UAWC. The UAWC has to provide detailed quarterly cash flow projections broken down by month. World Vision then provide monthly funds based on the approved cash flow. The UAWC must provide a detailed monthly financial acquittal report and all supporting transaction documentation for the previous month by the fourth of that month before World Vision releases the next month's funding on the fifth. Deductions can be made for unspent funding or interest earned from prior months. All purchases over US\$1,000 need to go through a financial review committee and any purchases over US\$10,000 must go to tender. World Vision's financial officer and project manager are part of the financial review committee. All of the contracts related to staff assigned to the project must be approved by World Vision and monthly labour distribution reports are also provided. World Vision can stop or cancel payments under these arrangements if any of the project's purchases or assets are misappropriated. Furthermore, in the event of any misappropriation of funds, World Vision has the right to demand reimbursement of all aid granted under the financial arrangements. AusAID also makes physical visits to the projects that UAWC are putting in place to ensure that the money is being spent for the purposes for which it was given. We have also looked at the financial management records of the relationship between World Vision and UAWC and we are satisfied that all of the funding that we have provided has been used for the purposes for which it was given.

**Senator KROGER:** Firstly, if a white-collar criminal was president of an overseas board of an entity which was associated with another entity, would that play into to our considerations of whether we would deal with that entity through the other one?

**Mr Baxter:** It is not a question I can answer. You asked about due diligence. We are very confident that our due diligence processes for this funding are appropriate and ones that the Australian public can have confidence in.

**Senator KROGER:** Notwithstanding the fact that we have known terrorists on a board. You talked about the corporate governance structure. How many boards does the UAWC have?

**Mr Baxter:** I do not know. I would have to take that on notice.

**Senator KROGER:** I am mortified that you would need to take that on notice, because clearly this was an issue that you knew was going to be brought up today. Are you aware that they have two separate boards?

**Mr Baxter:** My staff may be.

**Mr McDonald:** Yes.

**Senator KROGER:** You are aware that they have two separate boards?

**Mr McDonald:** Yes.

**Senator KROGER:** Could you explain why they have two separate boards?

**Mr McDonald:** I cannot explain why they have two separate boards, but I can explain that we have looked at all members of that board in relation to whether they are listed under the UN charter act, and they are not.

**Senator KROGER:** So you have investigated the division of responsibilities of those boards?

**Mr McDonald:** The work that is currently provided by UAWC in relation to the funding provided by AusAID is in Gaza.

**Senator KROGER:** It does not help us here today, does it? It is a most unusual structure by any imagination to have two separate boards, so it does beg the question what the different responsibilities are, what the different financial arrangements are, what the assets are and how the responsibilities are divvied up. May I ask Mr Baxter and put on the record today: could AusAID formally review the protocol in relation to considering organisations that have known convicted criminals and, in this case, terrorists associated with their boards? Would you please come back to us with a review of that protocol?

**Senator Bob Carr:** Madam Chair, the UAWC, with an annual budget of close to US\$9 million, works with government agencies and governments that include Japan, the Netherlands, Spain and Italy and the European Commission Humanitarian Aid Office. It has received support from a number of like-minded donor governments and international aid organisations including Oxfam Great Britain, Oxfam Italy, Oxfam Belgium, UNDP, Norwegian People's Aid, FAO, the Japanese government, the government of the Netherlands, the European Union, Catholic Relief Services and Save the Children. World Vision's work with UAWC—and this should not be lost sight of—is directed at agricultural development in Gaza, an area that is experiencing chronic food shortages. AusAID has provided \$5 million to World Vision Australia under two phases of a program since 2005. Of this

amount \$1.6 million has been spent by the UAWC. The current phase is approved by former Foreign Minister Downer. A review commenced in 2007. But current programs include the funding of plant and seedling nurseries aimed at increasing the food security and economic capacity of Palestinians in the West Bank and Gaza, particularly women. Palestinians in Gaza cannot get plants and seedlings. This project is directly benefiting up to 1,180 poor and vulnerable households—a total of 8,260 individuals. And, talking about the organisation we have been discussing, it is not considered a terrorist organisation by the government of Israel.

**Senator KROGER:** So, Minister, you will be able to tell us whether the United States of America direct funds through them, direct US aid through them?

**Senator Bob Carr:** How is that relevant to anything we do?

**Senator KROGER:** Quite relevant.

**Senator Bob Carr:** Are you saying our aid budget has got to be filtered through the United States?

**Senator KROGER:** No. I just asked you about US aid directed funds.

**Senator Bob Carr:** We are the government of Australia, Senator.

**Senator KROGER:** That is what I have been trying to point out to you.

**Senator Bob Carr:** We run, proudly, an aid program. We do not filter it past any other government.

**Senator KROGER:** Minister, I just asked you a question.

**Senator Bob Carr:** That is a most remarkable suggestion.

**Senator KROGER:** Minister, I asked you a question.

**Senator Bob Carr:** The implications of that are extraordinary.

**Senator RONALDSON:** Stop being so pompous and just answer the question!

**Senator KROGER:** If we want a dissertation from you, we will go outside.

**CHAIR:** Order!

**Senator RONALDSON:** Don't be a pompous fool.

**CHAIR:** Senator Ronaldson, that is not helpful. I understand Senator Kroger has now got two questions on notice to AusAID, which I am sure they will take on notice and respond to. We have been discussing this issue for approximately 35 minutes. I think we have given it a good going over. I am conscious there are other questions about other areas of the AusAID portfolio.

**Senator RONALDSON:** I have not finished my questions. I will not be long, but I have not finished.

**CHAIR:** I suggest you have one or two more questions, then we need to move on.

**Senator RONALDSON:** The first thing is that I will seek to table the democratic institutions support project. I presume there will be no objection to that, so I do table that.

**CHAIR:** That is up to the committee, Senator Ronaldson. Perhaps you will show us what it is.

**Senator RONALDSON:** Can I seek leave? It has been referred to.

**CHAIR:** Of course.

**Senator RONALDSON:** Thank you, Chair. Can I be sure, please, Mr McDonald or Mr Baxter, that you are going to provide me with the letter to Shurat HaDin at the end of phase 1. Is that right?

**Mr Baxter:** I am happy to table that letter, Senator.

**Senator RONALDSON:** Can you also provide on notice for me all organisations who provided written input into the phase 1 inquiry? I suppose I will have the answer to that question when I get that letter. It is alleged in the letter from Shurat HaDin to the assistant director-general on 22 March that:

On 17 February 2012 World Vision publicly announced that it was taking “extremely seriously” our allegations that the UAWC was an arm of the proscribed terrorist group the PFLP and were undertaking an investigation.

Yet, only a week later, World Vision wrote informing us that it had concluded its investigation and that it had “adequately discharged [its] obligations under relevant Australian laws.” It indicated this despite admitting that its vetting was based merely “on due diligence of public registers which are available” to it. Only then, after informing us that its investigation was already concluded, did World Vision ask us—

that may well be AusAID—

for our evidence of the link between the UAWC and the PFLP.

On 2 March 2012, a few days after we received World Vision letter requesting evidence, without having received that evidence and based solely on an irrelevant search of registers of not-for-profit organisations, World Vision publicly

announced that it had conducted an “extensive investigation”, that Shurat HaDin’s allegations were “unfounded” and that it was resuming its funding of the UAWC.

Is that an accurate assessment of the situation?

**Mr McDonald:** It might be helpful to advise you of the vetting process that AusAID and World Vision go through in relation to these matters. Since 2005, UWAC has been formally vetted by World Vision.

**Senator RONALDSON:** I did ask you quite a simple question: is the content of that letter from Shurat HaDin an accurate reflection the history of this matter?

**Mr McDonald:** Senator, if you could table that letter I could look at it.

**Senator RONALDSON:** Absolutely. This is, of course, a letter to your organisation—

**CHAIR:** Senator Ronaldson, they have indicated that they have not got a copy of it. Would you like to table that letter and at the same time is there another document over there that we are tabling?

**Mr Baxter:** No, Senator. I made comments earlier that I stand by in terms of the nature of the investigation that we undertook following the receipt of the letter from Shurat HaDin on 15 February.

**CHAIR:** Thank you, Mr Baxter.

**Senator RONALDSON:** The copy is not clean. It does have my notes on it. If I can get another copy—though I am not entirely sure why I need to table a letter written by the department—

**CHAIR:** Senator Ronaldson, you have been a senator for a long time. You know that tabling a document ensures that we are at least seeing the document in its written form and it gives it some validity. Otherwise we do not know what you are reading from.

**Senator RONALDSON:** Chair, would you accept my undertaking that I will provide a clean copy of that letter?

**CHAIR:** Yes, as long as you accept the undertaking that the officers can only respond on the basis of something that you have found.

**Senator RONALDSON:** I actually will not be asking any more questions on that. If there are no more questions, do you want me to get a clean copy?

**Mr Baxter:** We will be fine.

**CHAIR:** Are we finished with this issue now?

**Senator KROGER:** One more question, Chair. Mr Baxter, is it not possible, given the processes of AusAID, for you to find an organisation that does not have a convicted terrorist on its board?

**Mr Baxter:** As I pointed out in an earlier answer, this organisation has received funding from successive Australian governments going back to 2005.

**Senator KROGER:** That was not my question.

**Senator Bob Carr:** Alexander Downer, no less.

**Senator KROGER:** It was not my question. Is there no other organisation?

**Mr Baxter:** We believe that the work that the UAWC is doing, as the minister has pointed out, is helping poor people who live in the Palestinian territories.

**CHAIR:** Thank you, Mr Baxter. Thank you, Senator Kroger. Thank you, Senator Ronaldson. I do not think we can get any further information out of this examination.

**Senator RONALDSON:** In relation to the minister's investigation, I just want to ask where the Federal Police investigation is at and ask why that was required when the evidence we have heard today is that there was a full and thorough investigation of this matter? What further information did you receive which would have triggered the involvement of the Federal Police? I want confirmation that the Bashir al-Kheiri we referred to has spent time in jail after being convicted of terrorism.

**Senator Bob Carr:** I believe the Federal Police completed their review of all the material and the advice from the Australian Federal Police is that it would not accept this matter for further investigation. I find that encouraging.

**Senator RONALDSON:** That has been publicly released, Minister, and I missed it? Or it has not been released yet?

**Senator Bob Carr:** I am not sure if it has been released, but I am happy to put that on the record here.

**Senator RONALDSON:** You have been in the *Jewish News* and other press regarding this matter, saying there would be a full and thorough investigation. I presume you would be saying a bit more than just a comment at Senate estimates.

**CHAIR:** Senator Ronaldson, I think we will take that as a conclusion to the debate. Are there any further areas of examination in program 1.3?

**Senator RONALDSON:** I do have something. The minister will be acutely aware of the BDS issue.

**Senator Bob Carr:** Sorry—what issue?

**Senator RONALDSON:** The long-running BDS campaign that has been run against Israel. Have there been some concerns raised about AusAID's partnerships with NGOs that are partnering organisations in the Palestinian territories that actually support the BDS against the state of Israel? For example, Union Aid Abroad—APHEDA and CARE Australia fund the Ma'an Development Centre, which is an organisation that actively advocates for and provides the materials in support of the BDS. World Vision provides funding to the UAWC, which supports the BDS. Indeed, the UAWC contributed to the campaign for a British retailer cooperative group to boycott Israeli companies. I am just asking you: is it appropriate for AusAID to be providing funding to NGOs that partner with organisations that promote the boycott, divestment and sanctions program?

**Senator Bob Carr:** I am opposed to the program. AusAID funds humanitarian development work in the Palestinian territories, and we do so in ways that get aid to people who are poor and hungry. We do not fund anything that remotely suggests any sort of advocacy.

**Senator RONALDSON:** Do you provide cash to any of these organisations that would enable them to fund such programs through their resources?

**Senator Bob Carr:** No.

**Senator RONALDSON:** There is no cash provided to these organisations at all? Mr Baxter?

**Senator Bob Carr:** No. There is no Australian funding for political activity or political advocacy along the lines you have suggested.

**Senator RONALDSON:** The more surprising news would be if you told me that you were providing funding for political advocacy, but I am asking you whether indeed there are funds being directed into organisations that are providing support for the BDS program, and how that can possibly be appropriate funding.

**Mr Baxter:** We provide funding through APHEDA for development activities and for nothing else. Those development activities are agreed in advance, and they are reported against with our normal financial procedures to ensure that every dollar that is spent is accounted for against the project activities that we have agreed.

**Senator RONALDSON:** But do you acknowledge that the Ma'an Development Centre and APHEDA are organisations that are providing support to the BDS campaign?

**Mr Baxter:** If we found that any of the funding was being used for activities outside of the scope of works that we had agreed, we would cease funding.

**Senator RONALDSON:** But surely you are not telling the committee that just because you cannot say that your funding has not gone towards that campaign that it is still okay to fund an organisation whose resources are being used for the BDS campaign? That is nonsensical, surely.

**Mr Baxter:** We are funding an organisation that produces development outcomes in line with AusAID's responsibilities.

**Senator RONALDSON:** No, you are funding an organisation that is part of the BDS campaign; that is what you are doing, are you not?

**Mr Baxter:** We are not funding the BDS campaign.

**Senator RONALDSON:** You are funding an organisation that is funding the BDS campaign. Will you at least acknowledge that?

**CHAIR:** Senator Ronaldson, we have traversed these issues many times before.

**Senator RONALDSON:** Well, I am trying to get an answer.

**CHAIR:** I think Mr Baxter has given an answer.

**Senator RONALDSON:** He has not given an answer. Can I have an answer, please, Mr Baxter? Or, Minister, can I have an answer from you?

**Mr Baxter:** Our funding for Palestinian NGOs is only for development activities.

**Senator RONALDSON:** So you are comfortable providing funding to organisations who fund the BDS campaign—yes or no?

**Mr Baxter:** I have given you my answer, Senator.

**Senator RONALDSON:** No you have not. Minister, what is your answer?

**Senator Bob Carr:** I stand by my previous answer, Madam Chair.

**Senator RONALDSON:** What was your previous answer, just remind me?

**Senator Bob Carr:** It is on the record.

**Senator RONALDSON:** I will ask you again.

**Senator Bob Carr:** It is on the record.

**Senator RONALDSON:** Minister, you are comfortable providing funding to organisations which in turn fund their BDS campaign. Is that the Australian government's position?

**Senator Bob Carr:** Madam Chair, my answer is on the record.

**Senator RONALDSON:** Is it the Australian government's position that you are comfortable doing that, Minister? I did not think I would get a response, my friend. I did not think I would get—

**CHAIR:** Senator Ronaldson, you have made your point. You got answers.

**Senator RONALDSON:** I wish.

**CHAIR:** If you do not like them that is what you have to put up with. Are we moving on from BDS? We have Senator Kroger on Afghanistan.

**Senator KROGER:** I would like to draw Mr Baxter's attention to the recent axing of the contract by the leading international consultant The Liaison Office. Are you familiar with that particular contract?

**Mr Baxter:** Yes, I am. Very much so.

**Senator KROGER:** I understand that it provided:

a range of services, including "research and analysis to increase operational knowledge on leadership, power relations, traditional structures and local conflict context ..."

and so on in the Oruzgan province of Afghanistan.

**Mr Baxter:** I will give you a little bit of background. AusAID took over from the government of the Netherlands as the major development agency in Oruzgan province in August 2010. As part of that handover, as the Dutch withdrew, we took on some of the aid programs that they were funding. The relationship between the Dutch government and The Liaison Office was one of the activities that we agreed to take over; and we did so. We have been provided with reports, covering the issues you mentioned, periodically by TLO since that time.

**Senator KROGER:** What were the terms of that contract?

**Mr Baxter:** It was a trilateral agreement. We with the Dutch government co-funded the contract with TLO; so it was Australia and the Netherlands working together.

**Senator KROGER:** Was it co-funded after the Dutch indicated that they were pulling out?

**Mr Baxter:** Yes, the Dutch continued their funding after they withdrew. Until our recent decision to terminate the contract it was a joint Australia-Netherlands funded activity.

**Senator KROGER:** Was it our decision that we no longer wanted to continue with that contract?

**Mr Baxter:** It was a joint decision that we made with the government of the Netherlands based on lack of performance by The Liaison Office.

**Senator KROGER:** Would you elaborate on what you define as lack of performance.

**Mr Baxter:** A lack of performance really came down to the late provision of material and the consistent missing deadlines to provide material. When we sought to address those issues of poor performance by giving extensions, even the extended deadlines were not met. We should have received 17 reports between November 2010 and April 2012; we received six. As I said earlier, where programs do not work we will try to reform them or we will cut them. We tried to reform this by giving extra time to TLO to produce reports, but they consistently missed the extended deadlines.

**Senator KROGER:** Sure; I hear you. Have you sought to contract out to anybody else researching for independent advice about the dynamics on the ground?

**Mr Baxter:** No, we have not. One of the key reasons is that, compared with August 2010, when we first started to increase our presence in Oruzgan province, we have now had AusAID officers working on the ground

in the province for a considerable period of time—almost two years—including in some of the more remote and difficult parts of the province. Australia has assumed a greater role in managing the provincial reconstruction team. So the kind of information that we are getting through those activities is sufficient for us to use to make programming decisions.

**Senator KROGER:** Going back to the funding arrangement of the TLO, isn't it the case that the Netherlands pulled out because Australia was pulling out and they did not want to fund the contract solely themselves?

**Mr Baxter:** We had a mutual agreement with the government of the Netherlands to terminate because of the issues we have had with performance. The performance deteriorated over time.

**Senator KROGER:** Did we initiate that?

**Mr Baxter:** We were unhappy with the performance and we raised that with the Dutch. They agreed and we came to a mutual agreement to terminate the contract.

**Senator KROGER:** So we indicated that we did not want to continue with the contract.

**Mr Baxter:** That is right, because we are the lead development agency now, not the Dutch.

**Senator KROGER:** Have you released that report yet?

**Mr Baxter:** I think it is due for release shortly. We have certainly signed off on a final draft of it, but I think it is due for release shortly.

**Mr McDonald:** We are just waiting for it to be put on the Liaison Office website. We are expecting that any day. It was not up yesterday, but I am not sure if it has gone up since.

**Senator KROGER:** Can you table the report?

**Mr McDonald:** We do not have it. They have not yet released it.

**Senator KROGER:** You have not received the report?

**Mr McDonald:** We received a draft of the report, which we provided comment on, which is standard practice. It is now the Liaison Office that actually releases the report. They release it on their website.

**Senator KROGER:** I understand it is a fairly public document. I have the report here, which might be able to help you, Mr McDonald.

**Mr Baxter:** The version that you have is not the final authorised report. We have a process that we go through for approving reports for publication. The approved report will go on the TLO website when it is finalised.

**Senator KROGER:** I have been advised that this report is ready to roll and the only reason it has not gone on the website is that they have had IT problems with their website. So this report has been signed off and is ready to be put on the website. The issue is not the report; the issue is the website. They do not have the IT capacity to do that. Chair, I have the report here to be tabled. Mr Baxter, is it the case that concerns were expressed to TLO about the nature of some of the report?

**Mr Baxter:** Not concerns. We always provide comments and suggestions when we get draft reports from TLO. That is part of the process. Both Australia and the Netherlands have provided comment on the TLO report as part of standard practice. We have told the TLO that we thought the report was thorough. The TLO, the Netherlands and Australia all have issues that we deal with within those reports in terms of what we are prepared to put out as publicly available information and what we might redact before we put out a publicly available version.

**Senator KROGER:** Did you provide counsel suggesting that they should reconsider some analysis or look at rewriting the report in any way?

**Mr Baxter:** We did not suggest that they alter or delete their assessments. We did make a suggestion that one of the sections not be published. As I said, that is not unusual. The TLO, you will find, did not publish its full findings on the Afghan government because of the impact that that might have on their relationship with the country they are working in. Similarly, there were issues that from time to time we raised with them. There was a section of the report that we suggested not be included in the publicly released version, and we made that suggestion because the reports were to inform AusAID's programming and the section really was not related to AusAID's programming. Our belief is that issues relating to military activity are a matter for our defence colleagues, not for AusAID.

**Senator KROGER:** Mr Baxter, it has been put to me that that very reputable international firm was sacked not because of poor performance, which has been suggested, but because observations were made to them by you that the report was pessimistic, and it was sought to redact aspects of it and to rewrite some of it in a more upbeat way and they refused to do that—that that was requested of them on a number of occasions and they refused to do

that. So, when you say that they did not provide updates of the report or submissions of the report over a period of time, I put to you that it is possibly because they did not wish to comply with the requests in the way in which that report was made. They are a company—as I said, a very reputable international company—that work in difficult in-country circumstances and that pride themselves on very independent analysis. As I said, it has been put to me that there are other reasons why the contract was axed. Do you have any response to that?

**Mr Baxter:** I explained earlier why the contract was terminated.

**Senator RHIANNON:** Who will you now be relying on to give you independent advice on how Australia's role in Afghanistan is seen by the country's citizens?

**Mr Baxter:** We have a significant presence in Oruzgan province as AusAID now which we did not have in the second half of 2010, when we started to co-fund the contract with The Liaison Office with the Dutch government. We believe we have sufficient information from our own sources to inform our programming decisions, which is why we agreed in the first place to take on part of the funding alongside the Dutch government with The Liaison Office. At that time, we had one person working in Oruzgan province. We have up to eight at any one time now.

**Senator RHIANNON:** Thank you.

**Senator KROGER:** Mr Baxter, do you have the report I tabled there? The secretariat will give you a copy so that you have something to refer to. On pages 46 to 47 of that report, it details: 'Media in Oruzgan have come under increasing pressure from Afghanistan government actors as well as pro-government strongmen who wanted a positive portrayal of the province and no critique of their behaviour.' I just want to know what your response to those suggestions would be.

**Mr Baxter:** You are asking me to give an interpretation of an opinion by a non-government organisation. I am really not in a position to be able to do that. I have no issue with what they have said, but it is just difficult for me to give a comment on the political situation in another country.

**Senator KROGER:** That is fine, Mr Baxter. I had presumed you would have read this report. You said that that you had been signing off on it, so I had assumed that it was something that you had signed off on.

**Mr Baxter:** Sure, but you are asking me a question about media in Afghanistan and I am trying to relate that to our responsibilities as implementing development programs.

**Senator KROGER:** Then, in relation directly to AusAID effectiveness on the ground, on page 10, where it deals with key findings, the report states: 'While local residents acknowledge that improvements have been made over the last 18 months, many expressed disappointment that the pace of development efforts had slowed since the Dutch departure.' As you read through the report, it comes up a number of times through the report. Again—

**CHAIR:** A question, Senator Kroger?

**Senator KROGER:** 'There is a normal lag between project design and initiation as Australia developed new aid projects.' Has there been a change to the way we have been able to roll out projects since the Dutch have withdrawn?

**Mr Baxter:** The first thing I would like to say is that the AusAID officers working in Oruzgan province work in the most difficult environment on Earth to deliver development programs. That was witnessed by the attack which injured an AusAID officer about two months ago, at a time when I was visiting Afghanistan. That highlighted the dangers that our staff face on a day-to-day basis.

We are very pleased with the progress of our program. In 2009 we were spending \$1 million in Oruzgan; this year we will spend over \$30 million. That is in two years in that difficult environment, so we are very pleased with the pace of the programs that we are rolling out. It is obviously an incredibly high-risk environment both from a security perspective and from a financial risk perspective as well, so we have worked to find the right partners to ensure that the money that we spend actually reaches its beneficiaries. Earlier this year we commenced our largest program with Save the Children, which is a program aimed at providing education and health opportunities for women and girls primarily, and it will be rolled out over the next four years. It is a \$35 million program.

It is also worth pointing out that, at the time the Dutch left Oruzgan, there was a 70 per cent vacancy rate in civil service positions in the province and thus very limited capacity to work with the provincial government because most of the positions were vacant. So we have worked very hard to train people to become civil servants. In the last two years we have reduced the vacancy rate by a bit over 10 per cent. It is still not great; still a bit over 40 per cent of the jobs are filled, but this is in a province with a literacy rate for men of less than 10 per cent and for women of less than one per cent. So we are pleased with the speed at which we are rolling out programs.

It is undoubtedly true that Afghan citizens in Oruzgan are frustrated that they are not seeing more happen more quickly. That reflects a long history of Oruzgan not receiving many benefits from the central government in Kabul, and it is something, obviously, that through our program we are trying to rectify.

**Senator KROGER:** Is the school open? You mentioned literacy for girls, and I think it is 0.6 per cent—it is something astonishingly low, isn't it?

**Mr Baxter:** Yes, the Mala Lia Girls School is open.

**Senator KROGER:** When did that open?

**Mr Baxter:** I would have to take that on notice.

**Senator KROGER:** That is okay. I had the good fortune of visiting it. I think we mentioned this last time. It was impressive.

**Mr Baxter:** We are up to about 205 schools now open in the province, which is a marked improvement on the situation going back before the foreign military deployed to Afghanistan.

**CHAIR:** We are still in program 1.3.

**Senator RHIANNON:** I want to ask also about projects in Afghanistan with regard to some of the ODA funding that has been linked with ADF. I asked some of these questions the other night in Defence and they said they could not answer them, so I would like to take them up and maybe address them to the minister and Mr Baxter and whoever is appropriate to answer them, because this comes from a statement from the minister regarding the 2012-13 budget papers. The ministerial statement detailed on page 127 that the ADF will deliver \$11.7 million in aid programs of ODA eligible expenditure in 2012-13. Can you confirm that this is the full amount of aid money going to the ADF for that financial year, and is all of this money budgeted for Afghanistan?

**Mr Baxter:** That funding is largely for Afghanistan but some of it is used as part of the broader Defence Cooperation Program, typically in the Pacific Island countries, where work is undertaken that is eligible to be classified as official development assistance. In the case of Afghanistan the Australian defence forces have run a very successful facility known as the trade training school. They bring young Afghans into the trade training school and teach them practical skills such as carpentry, mechanics and the like. That is their main aid activity now that AusAID is present in the province in a significant way. Secondly, it is also the case that there are still some road works that are conducted by military engineers which are still eligible to be classified as ODA.

**Senator RHIANNON:** If I understood you correctly, you said that the bulk of that \$11.7 million went to Afghanistan and some went to the Pacific. Could you give us a breakdown of that?

**Mr Wood:** At page 127 and also at page 129 of the aid ministerial statement there is a description of the activities that the Department of Defence undertakes that are assessed as being eligible to be classified as official development assistance. In terms of the breakdown of that \$11.7 million Afghanistan is \$9.017 million, Solomon Islands is \$0.779 million, Vanuatu is \$0.962 million, Samoa is \$0.063 million, Kiribati is \$0.232 million, Tuvalu is \$0.262 million, the Cook Islands is \$0.091 million and the North Pacific is \$0.271 million. The work in the Pacific Islands was undertaken in accordance with the Defence Cooperation Program.

**Senator RHIANNON:** Is that \$9 million for Afghanistan all four activities conducted by the Provincial Reconstruction Team?

**Mr Baxter:** It is certainly part of that broader effort. The kind of activities that are funded by the ADF using ODA are food storage cellars in the Chura district; a waste management facility in Tarin Kowt, the girls school that Senator Kroger mentioned; the construction of two mosques in parts of Uruzgan province and also the extension to the Chura health centre. They are all very much mainstream development activities.

**Senator RHIANNON:** How much of the money allocated for those projects and for Afghanistan overall will be spent directly on projects and how much will be absorbed into new net additional costs of ADF personnel support and associated costs?

**Mr Baxter:** I understand that none of this is aimed at meeting any of the costs of the ADF personnel who have been deployed.

**Senator RHIANNON:** Can you take that on notice and confirm it please?

**Mr Baxter:** I can confirm it for you. I know that it is the case.

**Senator RHIANNON:** So none of this money goes to general ADF money?

**Mr Baxter:** No, it is not for salaries and that sort of thing. It goes straight to the project.

**Senator KROGER:** The support is the other way around. The ADF workers support the AusAID workers on the ground.

**Mr Baxter:** Yes. We receive force protection from the ADF. There is a dedicated contingent of ADF personnel in Uruzgan province. Our staff in Uruzgan probably travel outside of the wire—the military base—four to five times a week to meet with communities and provincial government officials. Each time they travel, they have protection from the ADF. But that is part of the ADF's deployment costs; it is not booked to the aid program.

**Senator RHIANNON:** Could you take on notice which programs the 2012-13 budget will go to. I am interested in new projects which are planned, projects which are ongoing and projects which have been finalised. I would like to know what they are and how much has been allocated for them.

**Mr Baxter:** I am very happy to do that. I would also point out that the amount of ODA funding going to the Australian defence forces has halved over the last two years. The reason for that is that, as AusAID has increased its presence in Uruzgan province and Afghanistan generally, there has not been such a need for the ADF to take the lead in implementing development programs.

**Senator RHIANNON:** It probably would be good to clarify that point, because often there is confusion. Is this allocation—the \$9 million plus—all decided by AusAID?

**Mr Baxter:** It is decided by the provincial reconstruction team in Uruzgan province. They make an assessment of what kinds of needs they have found in the course of their work in the province and what sorts of requests we have had from the provincial government and from the district-level governments. And then there is a filtering process to decide which programs we will actually fund.

**Senator RHIANNON:** So the ADF, through the Defence Cooperation Program, would be the main determiner of those projects?

**Mr Baxter:** No. The senior development position in the provincial reconstruction team is occupied by an experienced AusAID officer. That AusAID officer is responsible for the coordination of all development activities in the province. So it is really a process of the civilians and the military working together to determine the priorities, because there are obvious security issues related to implementing programs in Afghanistan, and we cannot operate in Uruzgan in Afghanistan without the cooperation of our military colleagues.

**Senator RHIANNON:** Who is the senior person in the Defence Cooperation Program—AusAID, or ADF?

**Mr Baxter:** The Defence Cooperation Program operates in the Pacific Island countries. That is managed by the Department of Defence and the defence advisors that they have posted in our missions in the Pacific Island countries. But a proportion of the work that they do in the Defence Cooperation Program meets the OECD's rules to be classified as official development assistance, and so it is recorded as such by the government in budget documents.

**Senator RHIANNON:** You touched on this challenging situation we are now coming to with the transition, with the withdrawal of the ADF from Afghanistan. How will the planned military withdrawal impact on aid programs involving ADF? And obviously I am particularly interested to understand how we can ensure the security of AusAID people. You have identified already the very dangerous situation that they work in. So how is this going to work in the transition period and beyond?

**Mr Baxter:** That is a good question. We work very closely, on a daily basis, with our Defence colleagues, both in Canberra and at posts. The planning for transition involves all of the government departments and agencies that are involved in Afghanistan. We have tailored our program to take account of the fact that the government has always said publicly that the time for transition will come in 2014, when the Afghan national security forces take the lead for providing security throughout the country. When that happens in Uruzgan province, and if the Australian defence forces leave the province as is planned, we will run our programs from Kabul rather than retain a physical presence in Uruzgan province. So we will be running programs from a national level rather than at a provincial level. We will ensure that our programs are tailored to meet the timetable of transition. It is likely that some of our programs will go beyond transition, and they are programs such as I have mentioned with trusted partners like Save the Children. But certainly without the provision of force protection—the physical presence of the Australian defence forces in Uruzgan province—we will not be able to continue to operate as we do now.

**Senator RHIANNON:** I have just one last question, on evaluation. I understand that evaluation of the ADF administered development projects is done by the International Security Assistance Force. Have the projects—and you have named many of them—been evaluated?

**Mr Baxter:** You would have to ask the defence forces. I am not sure, Senator.

**Senator RHIANNON:** That is why I get confused: you go to them for the evaluation of these aid projects, even though AusAID is the primary determiner of them?

**Mr Baxter:** These are programs that have been implemented by the Australian defence forces. We certainly give them advice on the design of the programs and how to make them as effective as possible, but there has been a very significant program of development assistance delivered by many of the foreign military forces in Afghanistan going back to 2001.

**Senator RHIANNON:** Thank you.

**Senator RONALDSON:** I understand that the Australian Multilateral Assessment report of March 2012 in its review of the UNRWA graded the organisation as strong and in alignment with Australia's aid priorities and national interest. Is that correct?

**Mr Baxter:** Yes.

**Senator RONALDSON:** You would be aware, no doubt, that there has been considerable angst in some quarters about the UNRWA funding?

**Mr Baxter:** In what sense, Senator?

**Senator RONALDSON:** Are you aware, for example, of the views of Mr Danby, the member for Melbourne Ports, about this funding?

**Mr Baxter:** Broadly aware, Senator.

**Senator RONALDSON:** Who is right in relation to this UNRWA funding—Mr Danby, who says he does not support it and that it is time that the international community looked more closely at UNRWA and considered whether it should be restructured or dismantled and whether the substantial funds that go to it could be better spent, or are you right in providing nearly \$90 million recently for it? Minister?

**Senator Bob Carr:** My starting point is this: we will not advance peace in the Middle East by keeping the people of Palestine trapped in poverty without schools and without medical care. This organisation is widely supported across the world. Australia is not alone in supporting it. The reviews that are being taken are of its effectiveness. The former foreign minister, Kevin Rudd, told me that he had inspected schools that are being funded by this organisation. I spoke to the head of the organisation. I talked to him about the curriculum in schools that are funded by it. He highlighted to me that while they were obliged to see that the curriculum of the host country was taught in the schools, they were nonetheless able to introduce teaching of the holocaust, and I thought that was a very fine thing and congratulated him on that initiative.

On the bottom line, you will not have a two-state solution. You will not have peace in the Middle East if the people of Palestine are sunk in poverty and left without health care, without sanitation and without education.

**Senator RONALDSON:** So Mr Danby is wrong, in your view?

**Senator Bob Carr:** I have not seen his comments, but I am expressing the view of the government, committed to funding Palestinian development through this organisation for the last five years.

**Senator RONALDSON:** I just told you what his comments were. Is he wrong?

**Senator Bob Carr:** I will not respond to your interpretation but I will outline why the government is funding aid to Palestinians.

**Senator RONALDSON:** 'I don't support it' I do not think is an interpretation. 'It is time that the international community looked more closely at the UNRWA and considered whether it should be restructured or dismantled.' I do not think that is an interpretation.

**Senator Bob Carr:** I am not aware of moves in the UN to dismantle it. I am not aware of any moves in the international community to dismantle it—

**Senator RONALDSON:** That is what your colleague has suggested, so is he wrong?

**Senator Bob Carr:** or indeed of fundamental criticisms of it. In my visit to the UN in the last couple of months I was not alerted to criticisms of the way this body does its business.

**Senator RONALDSON:** I have just alerted you to your colleague's criticisms. I take it from that you are saying he is wrong. Can I now turn please to—

**CHAIR:** Senator, we are shortly going to a tea break.

**Senator RONALDSON:** Mudar Zahran, a Palestinian writer and academic from Jordan, who now resides in the UK as a political refugee, discussed the shortcomings of the organisation in a recent piece. He said:

Since its establishment, the United Nations Relief and Works Agency [UNRWA] has received billions in international aid, including more than \$4 billion dollars of US taxpayers' money. While UNRWA's mission is to "relieve" and "support" the Palestinians, it has been doing exactly the opposite. It has been keeping Palestinians in pens as refugees and obstructing them

from integrating and from normalizing their lives, all while UNRWA seems to be funnelling international aid money to whitewashing the terrorist organization Hamas, promoting the illegal Turkish flotilla—

**CHAIR:** We are going to go to a break and I will give the minister or Mr Baxter an opportunity to respond to Senator Ronaldson immediately on our return.

**Proceedings suspended from 15:30 to 15:45**

**CHAIR:** We will resume. Senator Ronaldson will complete his statement and question, we will get a response from the other side and then we will move on from this issue.

**Senator RONALDSON:** I was a bit rushed before the break. I will go through Mr Zahran's writing again.

**CHAIR:** No, you will just start from where you finished.

**Senator RONALDSON:** He writes:

While UNRWA's mission is to "relieve" and "support" the Palestinians, it has been doing exactly the opposite.

He then goes on to say:

One has to wonder if UNRWA is not actually an obstacle to peace in the Middle East ... UNRWA is not there to settle the refugees, it is there *not* to settle the refugees.

Does that accord, briefly, with the comments that the member for Melbourne Ports made when he slammed the organisation for its ballooning definition of Palestinian refugees and made comments about that. Do you agree that the organisation is indeed not relieving or supporting the Palestinians but doing exactly the opposite as Mr Zahran has stated? Do you agree with his comments that one has to wonder whether the organisation is not actually an obstacle to peace in the Middle East and that it is not there to settle the refugees, it is there not to settle the refugees? Indeed, if that is a correct assessment, on what basis did UNRWA receive a strong rating in its alignment with the Australian aid priorities?

**CHAIR:** Thank you, Senator Ronaldson. Can we have a response to that, please?

**Senator Bob Carr:** The UNRWA is strongly supported by the world community. The United States currently puts \$239 million into the UNRWA; the European commission \$175 million; the United Kingdom, under a Conservative government, \$76 million; Germany \$16 million; Australia's contribution is \$15 million; Canada \$15 million; Denmark \$13 million; France \$11 million; Ireland \$6 million. That list of contributions suggests that the world community sees it as having high value, ranking the United States No. 1. The United States, I am advised, was No. 1 in funding the UNRWA during the eight years of the Bush administration.

Some of the areas where Australian funds have assisted through the UNRWA include the 2011-12 education program, which provided support for 699 schools, 486,000 enrolled pupils, 6,600 training places and 890 teachers in training. The UNRWA operates one of the largest school systems in the Middle East and has been the main provider of free-of-charge basic education to Palestinian refugees for more than 60 years—since the 1960s girls have made up around half of UNRWA students. In addition to that, when it comes to health, as of December 2010 the UNRWA's health program supports 137 primary healthcare centres, 118 dental clinics and 11 million annual patient visits. On relief services: it provided quarterly food and cash subsidies for almost 275,000 disadvantaged refugees in 2010. It helps more than 20,000 refugees with disabilities to receive direct rehabilitation services each year, with more than 80,000 services provided. It provides \$1.4 million in loans to help more than 8,000 vulnerable refugees build their household assets—70 per cent of those beneficiaries happen to be women. It issues a new generation of family registration cards in both Arabic and English. It performs digital scanning and preserving of more than 17.5 million documents, including birth certificates, property deeds and residence documents dating back to pre-1948 British mandate Palestine.

Reading that hard data into the record, I just invite senators to imagine how much more desperate the Middle East would be without that aid and support and how much more amenable Palestinians would be to recruitment by extremists and terrorists if that support flowing to their schools and hospitals and disability services were suddenly withdrawn.

**CHAIR:** Thank you. That concludes discussion of that item. Have we finished questions in 1.3?

**Senator RHIANNON:** No. I have a question about Sri Lanka.

**CHAIR:** Can you keep it as short as possible, thank you, Senator Rhiannon.

**Senator RHIANNON:** It is not just about Sri Lanka; it is about irregular people movements. Page 213 of Budget Paper No. 2 details \$11.3 million over two years for training and technical assistance to regional immigration agencies. I understand it is to detect and disrupt irregular people movements throughout the region. Which countries is this money is spent in?

**Mr Baxter:** That funding is provided to the Department of Immigration and Citizenship directly, and you should direct your questions to them on that program.

**Senator RHIANNON:** Thank you very much. Moving to the Australia-Africa Partnerships Facility, I notice that since 2011 AusAID and the Australia-Africa Partnerships Facility have jointly been supporting the Africa Mining Vision. Can you provide a copy of the AAPF project document, because I found the link on the AusAID website was broken.

**Ms Rauter:** Are you asking for a copy of the Africa Mining Vision?

**Senator RHIANNON:** Yes. The link on the AusAID website is broken.

**Ms Rauter:** Yes, we can provide a copy of that.

**Senator RHIANNON:** Can you outline the relationship between AusAID, AAPF and Cardno, which I understand is the company that has been contracted to undertake work in this area?

**Ms Rauter:** Cardno is our managing contractor for the Australia-Africa Partnerships Facility, so Cardno arranges for us or tenders for the study tours or capacity building or technical assistance that we provide under that facility.

**Senator RHIANNON:** Can you provide the contract document between Cardno and AusAID? I just could not find it on the AusTender website.

**Ms Rauter:** Yes, we can provide that.

**Senator RHIANNON:** Thank you. On your website it states that AAPF is about facilitating relationships and capacity building, with a focus on mining governance, agriculture and food security and public policy reform. But, when I look at their newsletters, it looks as though it is nearly all about mining. I notice that Cardno has an engineering arm that is involved in mine construction. What proportion of AAPF's work is mining related?

**Ms Rauter:** It is split fairly evenly between public policy, mining and agriculture. We can give you a breakdown of that, but the total in mining, for example, is \$3.4 million, the total in public policy was nearly \$6 million and the total in agriculture was \$2.8 million. That gives you an example of some of the types of break-up under that facility.

**Senator RHIANNON:** Did you say about \$6 million for public policy?

**Ms Rauter:** That is right.

**Senator RHIANNON:** Is the public policy like facilitating governance issues around mining applications and setting up processes there? Is that what a lot of that work is being undertaken for?

**Mr Baxter:** The issues that are related to mining that are covered under the work we do under the Australia-Africa Partnerships Facility include things like assisting countries to improve their taxation and revenue management as it relates to revenue from natural resource extraction; community engagement; occupational health and safety; environmental management; and the like. We also use that facility to do some training for regional diplomats, so there is a significant component. In 2011, 59 diplomats from six African nations attended regional diplomacy training programs in Africa that were delivered by Australian trainers, and we are continuing that program: we will indeed host four diplomatic training courses for African diplomats through the course of 2012.

**Senator RHIANNON:** Africa Practice is another one of the organisations I read about. They have been engaged by AAPF to do some perception audits, which is an interesting term. Then it goes on to talk about 'promotional literature and media engagement opportunities to raise the AAPF and AusAID's profile in Africa and Australia.' What is the aim of these promotional materials and how much is the Africa Practice contract worth, please?

**Ms Rauter:** I will have to take that on notice; I do not have that detail with me.

**Senator RHIANNON:** Just a little bit more about the promotional material: it just seemed to be a little unusual. Is it standard AusAID practice to engage in a media campaign when embarking on new projects?

**Mr Baxter:** Yes, it is. We obviously want people to know the work that we are doing in the countries that we are working in. We spent quite a lot of time over the last couple of years improving our performance in that area. For these sorts of things, it is not unusual at all. It is only a relatively minor part of our work of course but, to get recognition for the contribution Australia is making to help countries resolve their development problems, we think it is a very legitimate activity to undertake.

**Senator RHIANNON:** Can you take it on notice to give us other examples of where there is the equivalent of Africa Practice, undertaking media and promotional work for our aid programs and how much money is being spent on that.

**Mr Baxter:** Certainly. I will give you an example while we are in the hearing. The government made a commitment that would increase our scholarship program in Africa to 1,000 scholarships a year by 2013. As part of that expansion, we have sought to publicise the opportunities that are available to Africans to come to Australia and undertake postgraduate study.

**Senator RHIANNON:** Then there is the Africa Mining Vision with communications consultant, Mark Jeffrey, hired by AusAID and AAPF to coordinate the campaign. How much is Mr Jeffrey's contract worth?

**Mr Baxter:** We would have to take that on notice, but I can tell you that it would be within the range of remuneration under our remuneration framework that we put in place last year.

**Senator RHIANNON:** And the aim and substance of the awareness raising campaign—I would be interested in what the brief Mr Jeffrey has been given for the work that he is undertaking for that money.

**Mr Baxter:** Sure; we will give that to you.

**Senator RHIANNON:** Back on Afghanistan: I understand that there is a trust fund—about \$100 million of ODA money is going to be post-paid into for defence post-2015.

**Mr Baxter:** No, that is not correct. The Prime Minister announced at the NATO ISAF leaders' meeting in Chicago last week, or just prior to that meeting in a joint announcement with the defence minister, that the Australian government would provide \$100 million a year for three years from 2015 to support the sustainment of the Afghan National Security Forces. Most of that money will not be official development assistance.

**Senator RHIANNON:** How much will be official development assistance?

**Mr Baxter:** That has not been determined at the moment but, as I said, the money does not actually have to be provided until 2015. At the moment, the activities that are conducted by the Australian Federal Police to train their counterparts in the Afghan National Police are eligible to be considered as official development assistance, and that is about \$20 million a year.

**Senator RHIANNON:** Thank you.

**CHAIR:** Are there any questions in 1.4? No. We are still in AusAID. There being none, are there any questions in 1.5?

**Senator EGGLESTON:** What does that concern?

**CHAIR:** Multilateral replenishments.

**Senator EGGLESTON:** Sorry, no.

**CHAIR:** As there are no questions in 1.6, we will move to 1.7—that is, Official development assistance—NGO, volunteer and community programs.

**Senator EGGLESTON:** This is about an Australian aid funded Palestinian NGO supposedly having a terrorist link. I just wonder when these claims were first brought to—

**CHAIR:** Which Palestinian NGO are you talking about, Senator Eggleston?

**Senator EGGLESTON:** All I have here is that it is volunteer and community organisations.

**CHAIR:** We have traversed this issue at some length before afternoon tea.

**Senator EGGLESTON:** I will put this on notice.

**CHAIR:** That would be good.

**Senator RHIANNON:** While they are just working that out, Chair, can I just ask one question on Afghanistan? Mr Baxter, could you provide information on the background and the current state of play of the AliceGhan housing project in Afghanistan? I am interested in the total cost of the project, as compared to the project estimate cost.

**Mr Baxter:** That is a program that is managed by the Department of Immigration and Citizenship, not by AusAID. You would have to direct your questions to that department.

**CHAIR:** Senators, I think if there are any further questions on outcome 1 we can put them on notice. We will move to outcome 2.

**Senator EGGLESTON:** I have a question about the Australian Civilian Corps. How much money has been spent to date on the Australian Civilian Corps?

**Mr Baxter:** We will get you that answer. We have deployed a number of people under the Australian Civilian Corps since its establishment two years ago. The parliament passed the Australian Civilian Corps Act last year, which established the Australian Civilian Corps and created a legal framework for it.

So far, we have had 31 civilian corps specialists deployed. The largest number of those are currently working in Papua New Guinea assisting the Papua New Guinea Electoral Commission to organise the election, which will start next month. We have also deployed six civilian corps specialists to Afghanistan, one to Sierra Leone, one to Haiti, and two to southern Sudan. I will ask my colleague Ms Walker to tell you how much we have spent so far.

**Ms Walker:** Expenditure on the ACC as at the end of March this year was \$20.2 million.

**Senator EGGLESTON:** You were saying you have deployed quite a lot of people. What did you say was the total number you have deployed?

**Mr Baxter:** 31.

**Senator EGGLESTON:** And how many people have registered to be part of the Australian Civilian Corps?

**Mr Baxter:** We have a total of 264 screened and trained ACC members now ready to be deployed. That means we are on track to meet the target that we were set by government of having 500 trained and screened ACC members to deploy by June 2014.

**Senator EGGLESTON:** When you say trained and screened, how long do you train them for? Presumably screened means security clearances have been undertaken?

**Mr Baxter:** Yes, they undergo security clearances, police clearances and health checks—all of those checks that you would expect us to undertake of people we are going to deploy overseas. They undertake a training program, I think for a couple of weeks, which involves a range of other agencies as well as AusAID. We do some simulation work at the Australian Federal Police training facility near Mount Majura outside Canberra, as well as more classroom based training.

**Senator EGGLESTON:** How many of these people in the civilian corps are public servants? Is there any breakdown of that kind?

**Mr Baxter:** We would be able to provide you with that breakdown. I am not sure I have got it with us. Do you have it?

**Ms Walker:** I do not have it with me, Senator, but we do have it and we can provide it to you.

**Senator EGGLESTON:** And, if you could, what are their professional backgrounds in general.

**Ms Walker:** Yes, we do have that.

**Senator EGGLESTON:** How many people currently deployed in PNG have undertaken election-monitoring courses?

**Mr Baxter:** There are 21 civilian corps specialists who have been deployed. We expect to deploy another two over the next week, plus one member of the branch responsible for managing the civilian corps. They are not undertaking election monitoring; these are people who are working on things like assisting the PNG Electoral Commission to validate the electoral roll, doing logistics planning, and training and recruitment of electoral personnel. Managing an election in PNG is a major logistics exercise given the geography of the country. I think it is fair to say our staff are working around the clock to support PNG to get the election held on time.

**Senator EGGLESTON:** How much are they paid and do they get a daily allowance? If so, how much?

**Mr Baxter:** They are paid in accordance with normal Public Service salaries. When ACC members are deployed, they become employees of AusAID and are remunerated in exactly the same way as AusAID's staff are. Whatever allowances AusAID staff who are deployed in our high commission in PNG are provided with would be the standard that would be set for our civilian corps deployees.

**Senator EGGLESTON:** What would that be?

**Mr Baxter:** It depends on what their particular level and responsibility is. I am very happy to give you that detail on notice if you would like it.

**Senator EGGLESTON:** If you would; that would be very good. Did they receive any other allowances?

**Mr Baxter:** Not that I am aware of, but we will include that in the information on their broader salary and allowances package.

**Senator EGGLESTON:** Can you confirm that the Australia Civilian Corps stayed at the Grand Papua Hotel in Port Moresby when they arrived in PNG?

**Mr Baxter:** I cannot confirm that. I would have to take that on notice.

**Senator EGGLESTON:** If they did, can you also take on notice: the type of room and whether there was an additional cost to the ACC to access the executive lounge and, if so, the total cost?

**Mr Baxter:** I am happy to take that on notice.

**Senator EGGLESTON:** How many people are involved in managing the program in Canberra?

**Mr Baxter:** We have an Australian Civilian Corps branch.

**Ms Walker:** There are 20 people in the branch in Canberra.

**Mr Baxter:** That includes secondees from a range of other government departments.

**Senator EGGLESTON:** What is the cost of administration compared to the cost of deployment? Have you got any ratio figures?

**Mr Baxter:** I do not have those figures with me.

**Senator EGGLESTON:** Perhaps you could take that on notice. Thank you.

**Senator RHIANNON:** With respect to the G8 L'Aquila pledge on food security, I understand that this is the final year of the pledge period for most donors, but that Australia did it for four years. How is AusAID tracking our spending against this pledge and can you provide details of the expenditure for the most recent financial year that you have?

**Mr Baxter:** The L'Aquila pledge on food security led to the establishment of initially one but subsequently two trust funds, managed by the World Bank, which were aimed at making investments in food security with a particular focus on African countries. We certainly have the information about how much we have provided to those trust funds and where the trust funds have invested. I am very happy to give you more detail on notice. Given the pledge was from 2008, I do not have that material with me, but I am very happy to give it to you on notice.

**Senator RHIANNON:** Thanks. Can you provide the name of the two programs and the details about the money and how it is being handled?

**Mr Baxter:** Certainly.

**Senator RHIANNON:** Thank you. It was really excellent to see a new policy document on *Sustainable economic development—improving food security* published last November. In that it states that:

AusAID undertakes to disaggregate data according to gender in relation to its rural development agricultural work.

Obviously, excellent news. How will AusAID provide this disaggregated data for us to better understand the impact of AusAID's work for women in rural areas?

**Mr Baxter:** I will ask my colleague, Mr Gilling, to answer that.

**Mr Gilling:** I am head of the division that includes this area. I wonder if you would not mind repeating your question—I missed part of it as I was walking over.

**Senator RHIANNON:** My question is picking up on the sustainable economic development food security policy document that came out last November. How will AusAID provide this disaggregated data for the public to better understand the impact of AusAID's work on women in rural areas?

**Mr Gilling:** This is an area that we are working on currently as part of our commitment under the comprehensive aid policy framework to try to get some structure around the tier 2 level results. So this is a work in progress. I can provide you on notice some details about how that actually takes place.

**Senator RHIANNON:** I would be interested in both the methodology that you are using as well as the actual outcomes. I appreciate that it is progressing, but I am hoping that we have something by now.

**Mr Gilling:** Certainly.

**Senator RHIANNON:** I want to pick up on the announcement that the Prime Minister made at CHOGM last year about Australia hosting an international conference, Food Security in Africa: Bridging Research and Practice, next year. How is the planning for the conference going? I am interested in what you are thinking about gender, considering women farmers are the majority of farmers in the developing world. Will they have a role in the overall research? Will they have a place at this conference?

**Mr Gilling:** The responsibility for developing and planning the conference rests with ACIAR.

**Senator RHIANNON:** They are coming on next, so I will save those questions for them. Thank you, Chair.

**CHAIR:** That concludes questions for outcome 1.7. There being no questions for outcome 2, that concludes examination of AusAID for today. Thank you, Mr Baxter, Mr McDonald and all officers of AusAID for your attendance at the marathon today. We appreciate your assistance very much.

#### **Australian Centre for International Agricultural Research**

[16:14]

**CHAIR:** I welcome Dr Nick Austin and Mr Dave Shearer from the Australian Centre for International Agricultural Research. The committee will now examine the budget estimates for ACIAR. The committee must report to the Senate on 26 June 2012. Friday, 27 July 2012 has been set as the date by which answers to questions on notice are to be returned. Senators are reminded to provide their written questions on notice to the secretariat by the close of business on Tuesday, 12 June 2012.

Officers and senators are familiar with the conduct of estimates proceedings. I will not read again those processes. I remind people to turn their mobile phones off or silence them. We will go to questions, unless Dr Austin has an opening statement.

**Dr Austin:** I have no opening statement.

**CHAIR:** Thank you, Dr Austin. Senator Back.

**Senator BACK:** Dr Austin, I want to go to the statement by the Minister for Trade about a \$20 million grant to Indonesia in the third week of March for supporting beef cattle in that country. Can you tell me the basis on which the grant was made? Was it a request from Indonesia? Was it a result of motivation from your agency? Was it from the government?

**Dr Austin:** ACIAR has been working in beef production systems in Indonesia for more than a decade now, and our work has been focused on smallholder cattle producers. We have been particularly focused on integrated village management systems to improve the productivity of their livestock production. The work that you refer to builds on ACIAR's program, particularly the domestic beef supply chains in Indonesia. It is a six-year program that targets 15,000 smallholder farmers, including in the areas where ACIAR's program has been operating. So the request came to ACIAR as to whether it would be beneficial to expand the program and whether there were opportunities to, and the answer to both of those questions was emphatically yes. The intent is that with the additional dollars the program will benefit at least 60,000 smallholder producers.

**Senator BACK:** Can you tell me, in the context of Australian exports of both beef and live cattle to Indonesia, how this might, if at all, assist the Australian beef suppliers and/or live cattle suppliers?

**Dr Austin:** Our focus is very much at the technical level, looking at impediments to smallholder productivity, but we work closely with researchers in Indonesia and in Australia and also with the industries in both countries. LiveCorp and MLA have been involved in the development of this project proposal. As recently as last month I attended a meeting involving industry members in Brisbane to talk through the objectives of the work. The program will not begin implementation until late in 2013, and that is deliberately designed that way to allow the negotiation around the priorities for work within the program for both the Australian industry and the Indonesian industry. I reiterate: our focus is very much on addressing the technical constraints and research questions of productivity and connecting the smallholder producers to domestic markets.

**Senator BACK:** We are aware of Indonesia's statement that they want to become more self-sufficient. Building on the ongoing work that has been done, would you have expected a grant of this nature to have built on some loyalty from Indonesia to Australia in the context of both beef production in that country and their aspiration to increase the amount of protein available, particularly for lower-socioeconomic Indonesians?

**Dr Austin:** I think it is well known that Indonesia has intentions to be self-sufficient in beef production. Our work over the years in Indonesia has been particularly focused on Bali cattle—the Indonesian cattle—and the evolution of the program at the Indonesian request is the introduction of Brahman genetics into the system. But I reiterate that the focus again is smallholder farmers, many of whom may only own one or two cattle. This program is looking at ways in which the productivity of that very distributed system can be improved.

**Senator BACK:** I noticed the comments of Mr Crombie, for whom I have enormous regard, talking about the fact that this might assist Australia's relationship with Indonesia. Are you aware of a statement by Indonesia's trade minister speaking in Switzerland earlier this month in relation to Indonesia's needs for beef? I understand it was made at a trade ministers function.

**Dr Austin:** I am not aware of it.

**Senator BACK:** He was in Europe for talks with beef-producing countries such as Brazil and India in an attempt to diversify their beef import options. You and I would both know, of course, that that raises the spectre

of the possibility of live animals from those countries. In response, the Brazilian government made mention of the possibility of them relaxing import restrictions from regions within countries. We know Brazil has foot-and-mouth disease. There are supposedly regions within Brazil that do not. Would this cause your organisation concern if it became the fact that Indonesia then did lift its own restrictions and start importing beef and/or live animals from India and/or Brazil?

**Dr Austin:** We work as, effectively, the technical cooperation of the aid program focused on agricultural research questions. We work very closely with AusAID and our larger partners in the aid program but are also part of the foreign affairs and trade portfolio. We very much take our guidance from the portfolio. So they may well be questions better directed to DFAT. Our program responds to the priorities that are identified in the broader program in consultation with partner countries. Questions more broadly related to trade do not fall within our responsibilities.

**Senator BACK:** I will raise those when the opportunity presents. I am asking you if the administration of this grant would give you no influence at all in pointing out to the Indonesians the very high risk to Australia of the threat of foot-and-mouth disease in Indonesia and its consequent threat to the north of Australia and the massive potential cost—I think the estimate is \$16 in the first year alone, and that is the direct cost of foot and mouth, not the indirect cost. Do you have any capacity in that regard? Do you believe there is any imperative on the part of the Australian government, contingent on that \$20 million grant, to be able to have that influence?

**Dr Austin:** One of the clear benefits of the technical cooperation program is the sharing of experience between researchers. I think it is fortunate that we do not have foot-and-mouth in Australia, but our researchers through ACIAR programs funded through the aid program are able to work on foot-and-mouth and other related animal health issues. There are very clear benefits back to Australia from that cooperation. So, from a technical perspective, there is a very important consequence of those strong scientific, researcher-to-researcher interactions that come about through the program.

**Senator BACK:** You would agree that we would rather be working on those well away from Australia and Indonesia, though, would you not?

**Dr Austin:** I would certainly agree that we are better off without foot-and-mouth in Australia.

**Senator BACK:** Or in Indonesia?

**Dr Austin:** Developing the capacity to respond is also an important part of biosecurity preparedness in Australia, as is giving opportunities for scientists to work together to address those possibilities.

**Senator BACK:** We are in loud agreement on that. Thank you. I will reserve other questions for trade personnel.

**Senator RHIANNON:** On page 132, section 5.2, Australian Centre for International Agricultural Research—one of your documents, obviously—table 4, ACIAR programs 2012-13, there is a budget statement there that includes 'research collaboration to understand and develop domestic and export market opportunities for cattle'. Can you outline what this work involves? I am particularly interested in the export market opportunities for cattle.

**Dr Austin:** Could I clarify which document?

**Senator RHIANNON:** It has Australian International Development Assistance Program at the top. It is table 4, ACIAR programs in 2012-13. The table is broken up into programs in one column and focus in the next.

**Dr Austin:** And the paragraph you were referring to?

**Senator RHIANNON:** It is the fourth dot point, second-last line.

**Dr Austin:** The paragraphs referring to productivity of rice based farming systems in South Asia and South-East Asia? ACIAR's program—and, indeed, the food security efforts of the broader aid program—have a strong productivity focus but also a strong market focus. The paragraph you refer to is in relation to identifying opportunities for connecting smallholder producers, cropping and livestock, into both domestic and export markets.

**Senator RHIANNON:** Could you indicate the countries involved and the programs involving the export of cattle from those countries?

**Dr Austin:** ACIAR has technical programs broadly clustered in four areas: cropping and horticulture, natural resource management, livestock and policy socioeconomic and agribusiness areas. Within our agribusiness program we have a number of projects that address market opportunities for smallholders, including those in the livestock sector.

**Senator Bob Carr:** Excuse me, Dr Austin. Madam Chair, with your permission, could I be represented by my colleague Senator Kim Carr until I can return?

**CHAIR:** Yes, you can be replaced by Senator Carr.

**Senator Bob Carr:** It keeps it simple! I think I am scheduled to return. If not and the committee adjourns before I can, I record my appreciation of the interest in my portfolio areas and say that I have learnt an enormous amount.

**CHAIR:** Thank you very much. It has been a pleasure to have you at your first estimates outing.

**Senator Bob Carr:** I regard it as a wonderful primer, and there are a lot of things I am going to pursue.

**CHAIR:** Dr Austin.

**Dr Austin:** Thank you. We have agribusiness components and market chain components in many of our other projects. The focus predominantly, though, is on domestic opportunities rather than more international opportunities. As it is targeting smallholders, it is very much looking at opportunities to connect smallholders into local markets. There are some exceptions, and those include considerations around animal health—for example, in cross-border issues in the Mekong region—but predominantly our programs have a domestic orientation.

**Senator RHIANNON:** Thank you. Could you take on notice what countries have been involved with the cattle export trade that is identified there and how much money was involved. I want to put on record that we get excellent feedback about ACIAR's programs in the main. I am interested in hearing from you about some of your work on women in agriculture. I noticed that you are developing some programs in PNG in this area. Can you outline what the 2012-13 ACIAR program supporting women in agricultural groups in PNG by enhancing their business skills will involve?

**Dr Austin:** We appreciated the opportunity at International Women's Day for a number of women from PNG to present the benefits that they felt from engagement in ACIAR's program in PNG. I think it was raised in earlier questions today. The role that women play in food production in developing countries is a very significant one. Very clearly, the way in which our programs can have impact needs to not only take account of this important role but actively build the role of women into the design and conduct of our research programs. We have a number of projects specifically looking at the role of women in agriculture, including the one you mention in PNG and similar projects in Vietnam through the Vietnam Women's Union. The program has interaction with Australian women in agriculture and is very much about building the capacity and skills of and empowering women involved in those projects.

**Senator RHIANNON:** We were just talking with AusAID about this disaggregating the data and the new policy of sustainable economic development food security that came out last November. Is ACIAR also working to disaggregate its data according to gender in relation to its rural development agriculture work?

**Dr Austin:** We do as appropriate. Obviously, as part of the broader aid program we are very much aligned with the reporting commitments under the comprehensive aid policy framework. We will be contributing the appropriate data to that reporting. We also report specifically project by project, so at a much greater level of granularity and for projects that specifically target women. That is obviously a key aspect of the reporting. It is very much a case of the reporting designed around the specific project and program objectives. For example, a third of the funding that ACIAR administers, roundabout, is directed towards the CG system, the international research system. There is a separate reporting commitment and approach through that channel of funding than there is to the specific bilateral programs country by country, but some of our larger programs are increasingly looking to disaggregate that data, recognising that our program is very much focused on the research questions and technical innovations. We work with AusAID and other partners for impact and scale out. The reporting of the impact of a lot of that work is actually captured through our partnership with AusAID and reported in that way.

**Senator RHIANNON:** Is this disaggregated data already available, or are you still working on the methodology?

**Dr Austin:** The disaggregated data and the way in which it is collected is specific, as I say, to the projects and for our bilateral projects—for example, a program in eastern Africa working on maize-legume systems in Ethiopia, Kenya, Malawi, Mozambique and Tanzania. There was a baseline survey undertaken in part to achieve what you are asking so that we could actually establish the situation before the project got underway. The performance against that benchmark, the baseline, will be monitored. That project has a target of increasing the productivity of 500,000 smallholder farming families by 30 per cent and reducing the risk—including climate variability induced risk—on their production. So disaggregating against gender is part of that baseline data for the reasons that I think you are raising.

**Senator RHIANNON:** That certainly will be very useful. It sounds like we are getting the disaggregated data within projects. Are we heading to or do we have the disaggregated data across all ACIAR programs or within certain countries? Have we got the bigger picture?

**Dr Austin:** I would come back to the point that I raised around a technical cooperation: at a project level, we work with researchers in partner countries in the national research system, men and women. We also have a program of training for masters and PhD, where, while we do not have a specific target—it is a merit based selection—we do what we can to encourage women to apply for training in Australia, masters and PhD, jointly connected to the ACIAR supported projects in their countries. I think we have been fairly successful at getting close to fifty-fifty, male-female participation on our program in recent years. In terms of our specific project activity, we do have information available. As we contract the project, we have the project teams spelled out, including by gender. In many cases there are obviously limits on the technical capability in country, so we invest in trying to build that capability through our training programs, short-course work, masters and PhDs. So, at a project level, yes, we do have that information. As I said in my response to your previous question, the impact of the technologies and innovations that come from our project depends in many cases on our partnership with development agencies, most particularly AusAID. Through those programs we also capture some of that impact and work on developing those targets jointly.

**Senator RHIANNON:** Thank you. I am interested in an update following on from the Prime Minister's announcement at CHOGM about the Australian International Food Security Centre. I understand there is a \$36 million investment in setting this up. First off, starting with the conference that I think is one aspect of that, how is the work going and what will be the involvement of women farmers, who, as we know, are the majority of farmers in the developing world?

**Dr Austin:** There has certainly been a lot of activity in getting the Australian International Food Security Centre up and running since the Prime Minister's announcement last October. There have been many visits to African countries. In February, ACIAR, with the Forum for Agricultural Research in Africa—the technical arm, if you like, under the Comprehensive Africa Agriculture Development Program, or CAADP—co-hosted a workshop to bring together key decision makers and relevant players with the subregional and national research systems to identify priorities and start to scope out broad themes and then move through to programs of work within the centre. The intention is that that planning work be undertaken in preparation for the conference, which is to occur during this calendar year.

**Senator RHIANNON:** Do you have the key responsibility for all this?

**Dr Austin:** ACIAR has responsibility for the food security centre, which was part of a broader announcement that included responsibilities beyond ACIAR. We have responsibility for the roughly \$33 million of activity that was announced by the Prime Minister.

**Senator RHIANNON:** What is your role at the conference? Do you have the driving role or is that out of the PM's office?

**Dr Austin:** ACIAR has responsibility for the conference. We are developing the planning with our counterparts in Africa, and I think that approach has been critically important, recognising that Australia will always be a relatively small player in the agricultural research landscape in Africa and the focus on food security. We are ensuring that we are well aligned under NEPAD, the CAADP program and the priorities that have been identified by the African system and the African countries themselves and looking for where Australia actually can add value. I think we have an enormous amount to offer through partnership because we share so many of the same agricultural challenges in our soils, our landscape and our agroclimatic conditions.

**Senator RHIANNON:** Where will the conference be held?

**Dr Austin:** The specific location and date have not been finalised. We are in consultation around that. Likewise, regarding our presence in Africa, under the announcement there was a staff increase in ACIAR in Canberra, but also there will be an office opened in Africa. We are currently working through that prioritisation process to identify the most appropriate place, recognising that that centre is going to need to work across a large number of countries to interact with subregional organisations.

**Senator RHIANNON:** If you do not have a location or date yet and we are halfway through the year, do you think it will still happen this year?

**Dr Austin:** It will happen this year.

**Senator RHIANNON:** Will women small-scale farmer organisations be represented at the conference?

**Dr Austin:** ACIAR has a governing body—a policy advisory council—with 13 international members. Our African member, Professor Ruth Oniang'o, will make sure that they are. She has been closely engaged in the negotiations in developing the themes and priorities for the program already. The short answer is, yes. That will no doubt remain a focus as we plan the program through. There is a draft strategy in preparation, and gender is a cross-cutting theme through the three research components and the two technical and capacity and communication programs. It has been embedded specifically in each one of those programs.

**Senator RHIANNON:** I also picked up that there has been some talk of the centre working on policy development beyond simply technical research in the area of agricultural development. Is that the case, and could you explain what policy outputs the centre has envisaged to deliver?

**Dr Austin:** We recognise that policy settings are particularly important in any country in which we work to have the opportunity for technical innovations to have impact. One of ACIAR's programs is devoted to agricultural development policy. The specifics of those policy questions are yet to emerge and they will be in response to the consultations within those themes. In many cases, our policy program is about exploring options jointly between Australia and partner countries rather than developing policy prescriptions, which clearly is not Australia's role. The policy elements will not be large programs within the overall efforts within Africa. But we work closely with the International Food Policy Research Institute, IFPRI, one of the 15 CGIAR centres. IFPRI hosted a conference in food security in Addis Ababa last November that ACIAR co-sponsored. The conference that you were asking about previously will build on the outcomes of the food security conference, which had a strong policy focus, held by IFPRI last year.

**Senator RHIANNON:** Thank you. I want to go to your agency resources and planned performance. On page 137, under 1.1 strategic direction statement, you say you will focus on improved security by social protection. What does social protection mean? If you count the dot points, it is the fourth paragraph in the middle of the document.

**CHAIR:** What book are you reading from, Senator Rhiannon?

**Senator RHIANNON:** Australian Centre for International Agricultural Research (ACIAR), agency resources and planned performance, page 137.

**Dr Austin:** I do not have that specific document. I am not familiar with it, but I can certainly talk about the social protection.

**Senator RHIANNON:** I am interested in what it means.

**Dr Austin:** Within the broader aid programs effort on food security, there are three components. I referred previously to the market component in particular. ACIAR's work has long focused on the first of the three: productivity. Productivity, agri-business and marketing efforts support the broader aid program. The third component, social protection, is really an area that AusAID has responsibility for. ACIAR currently does not undertake research in relation to that element. The document you are referring to, I can only assume, is talking about the broad aid program objectives in food security in which we support and deliver the technical components for pillars 1 and 2.

**Senator RHIANNON:** It actually says,

... ACIAR's program will focus on the key development objective: improving food security by investing in agricultural productivity, infrastructure, social protection and the opening of markets.

That is why I thought it was part of your work, and I was interested in what it means.

**Dr Austin:** Without knowing precisely which document you are referring to, we certainly support elements within that statement, but not specifically those on social protection.

**Senator RHIANNON:** Just quickly, I am interested in your work in the Mekong. Have you had any involvement with governments or agencies in those countries regarding dam projects?

**Dr Austin:** No. As a technical cooperation agency, we are conscious of the broader context in which we work. For example, our fisheries program is impacted on by the management of river systems. So too, therefore, are smallholders. We only work in countries where we have the support and agreement of the respective governments, and recognise sensitivities to do with water management in the Mekong region. But our program does not specifically look at their management.

**Senator RHIANNON:** Thank you.

**CHAIR:** Thank you, Senator Rhiannon. There being no further questions for ACIAR, I thank you very much gentlemen for appearing before us today and for your assistance to the committee. It is appreciated.

**Dr Austin:** Thank you, Chair.

**CHAIR:** Thanks. If I could now have the officers in the trade portfolios.

**Senator IAN MACDONALD:** While the changeover is happening, could I just ask you a question about Senator Kim Carr. My questions were particularly related to Senator Bob Carr. Whilst I know Senator Kim Carr has a very wide experience and range of knowledge across wide portfolios, mine were specifically for Senator Bob Carr. I was just wondering if Senator Bob Carr will be coming back to join us?

**CHAIR:** He will be coming back to join us, if the program is still going. I think he was scheduled to come back around 7:30.

**Senator IAN MACDONALD:** He will be back at 7:30. Okay. Are we going to be here at 7:30?

**CHAIR:** That is entirely in your hands, Coalition senators. But I hope not.

**Senator Kim Carr:** Madame Chair, has the foreign affairs portfolio concluded and are we switching to trade? Was your intention to switch to trade and then switch back to foreign affairs?

**CHAIR:** No.

**Senator Kim Carr:** So the trade—we have finished foreign affairs.

**CHAIR:** Yes. We have finished foreign affairs. We are now doing the last part of the program for the Department of Foreign Affairs and Trade. We are doing the trade portfolios, commencing with—

**Senator Kim Carr:** The foreign minister's obligations are concluded here, is that correct? In regard to his own portfolio?

**CHAIR:** Yes.

**Senator IAN MACDONALD:** I thought he represented the trade minister.

**Senator Kim Carr:** I see. You want to ask question of the minister representing the trade minister?

**Senator IAN MACDONALD:** Yes.

**Senator Kim Carr:** Well, at the moment, it is me.

**CHAIR:** That is correct, but there was a special question that—

**Senator Kim Carr:** A special question?

**CHAIR:** For the other Minister Carr.

**Senator Kim Carr:** I look forward to this.

**CHAIR:** Do not worry about it. Let us just get on with the trade portfolio.

**Senator IAN MACDONALD:** Perhaps Mr Richardson might do in Senator Bob Carr's absence. It is question in the general section trade about our trade relationships with Thailand. Obviously, the lunch the other day was great, but I am just wondering if individual issues would have any impact on our trade with Thailand. We have made a connection there. Mr Richardson you might be aware of an incident that I had written to Mr Rudd about when he was the foreign minister. It was about a young Australian boy whose father lives in Rockhampton. He has an Australian passport. His father has been awarded custody by Australian courts but the mother had been awarded custody by the Thai courts. This has moved on. It has become quite urgent. This is why I am raising for Minister Bob Carr here. The mother now has apparently disappeared. The grandmother is quite happy to give custody back to the Australian father, but requires him to come to Thailand to collect the child. Unfortunately, because of some incidents in the past and the behaviour of the father, he is persona non grata in Thailand. I am just wondering if there is anything that the minister or you or someone could do to facilitate the entry of this Australian briefly into Thailand to collect the child and bring him back. It is an issue that has been going on for years. I have written a number of times. Mr Rudd was very helpful when he was the minister.

**CHAIR:** Thank you, Senator Macdonald, I think that is as far as we will go with that question. I am sure Mr Richardson will take it on notice.

**Senator IAN MACDONALD:** You are not aware of it yourself?

**Mr Richardson:** I am not aware of it.

**Senator IAN MACDONALD:** But if you could take it on notice—

**Mr Richardson:** Yes, will do.

**Australian Trade Commission**

[16:50]

**CHAIR:** We will now commence with the trade part of the portfolio. I welcome officers of Austrade and the Department of Foreign Affairs and Trade, including EFIC. I welcome back Mr Richardson and officers. We have a long list of senators wishing to ask questions in this area.

**Senator BACK:** I wonder if you are familiar with the new legislation referred to as ESCAS—the Export Supply Chain Assurance Scheme for the export of live cattle and sheep from Australia.

**Mr Fisher:** We are aware of it in general terms, yes.

**Senator BACK:** As I understand it, and you may disagree with me, it seems to be legislation in which the minister has managed to remove responsibility from himself and his department and place it upon the exporter of the animals, requiring them under criminal liability to guarantee the entire supply chain right through to the end user. Would that, from your point of view, be a fair summary as you understand it?

**Mr Fisher:** I would not describe it that way, no.

**Senator BACK:** Which bit am I wrong in?

**Mr Fisher:** If you are seeking to characterise the act I would say the question would be best addressed to DAFF officials rather than foreign affairs officials.

**Senator BACK:** I have. Do you know of any other commodity or product that we export from this country that imposes onto the exporter the entire responsibility for the performance of the product right through to the end consumer? Can you think of any other?

**Mr Fisher:** I am not an expert in this area, but I can offer—

**Senator BACK:** I wonder if there are others at the table who might be. I am certainly not, and in the inquiries I have made nobody else can advise me of that either. Do you know of any countries with whom we compete in the markets who may impose this type of liability on their exporters?

**Mr Fisher:** Again, I am not an expert in the area. I know New Zealand, though, had for instance put in place some arrangements for its live animal trade. Whether these are comparable or not I am not sure.

**Senator BACK:** They are not. The concern I have, if I could give you a quick explanation, is an exporter could find themselves in a position whereby, for example, an abattoir in Bahrain might be approved under this assurance scheme and if this evening, for whatever reason, somebody decides to walk two or three sheep across from that abattoir to a wet market in Bahrain then the exporter back here in Australia is criminally liable for the failure of the supply chain. I think it is an incredibly difficult circumstance. Can I ask the officers at the table what, given this, might be the grounds of appeal that an exporter would have in the event that they found themselves in default under this form of legislation.

**Mr Richardson:** I think those questions are best directed to the Department of Agriculture, Fisheries and Forestry.

**Senator BACK:** From a trade point of view, do you think this is imposing an unfair burden on our exporters in a highly competitive market?

**Mr Richardson:** We are not in a position to answer, given that we are not the experts on the legislation and, therefore, it would not be appropriate for us to comment.

**Senator BACK:** On trade legislation in general?

**Mr Richardson:** You are going to specific legislation, and I do not believe it would be appropriate for us to comment on legislation in which we are not experts.

**Senator BACK:** Sure. Mr Richardson, is there anything that would come within your remit that would take into account possible anticompetitiveness between domestic trade and export trade? Is that something that your department would have some interest in or observation of?

**Mr Richardson:** We would certainly have an interest in it.

**Senator BACK:** The reason I ask and the concern I have, as one long associated with the trade, is that it would appear to be imposing on exporters a burden that does not exist, for example, in the domestic trade, be they producer, transporter, handler, processor or whatever. Is that something that would raise alarm bells with you, from a trade point of view?

**Mr Richardson:** We do not have the detail of the legislation in front of us. We are not in a position to comment or to offer an opinion on legislation on which we are not expert.

**Senator BACK:** Is it reasonable for me to ask you to take that on notice and provide an answer back to the committee?

**Mr Richardson:** We can certainly do that.

**Senator BACK:** In the same way I would ask that you extend that question on notice to competitive barriers between states. Looking at Queensland and New South Wales, for example, export of live animals is a very important aspect of Queensland's trade, whereas that from New South Wales is practically negligible—raising the question of a barrier in competitiveness for a producer in each of those two states in their ease or freedom of conducting their trading activities.

**Mr Richardson:** Is this between Queensland and New South Wales?

**Senator BACK:** When I say 'between' states, I am talking now about, if you like, those decisions that are available, for example, to a Queensland producer and not to a New South Wales producer or vice versa, given the fact that the Queensland producer would normally have access to two elements of trade—export and domestic—whereas the New South Wales producer would normally be looking at the domestic trade.

**Mr Richardson:** We will take the question on notice. To what extent we will be able to help, given our portfolio responsibilities, I am not sure. But we will certainly take it on notice.

**Senator BACK:** Thank you. My final question: I was going to ask you whether your department had any awareness of the financial impacts of the decision, this time last year, to suspend the export of live cattle from the north of Australia. But again that is something that your department would not have taken a close countenance of?

**Mr Richardson:** We have an interest in it but we do not carry the formal responsibility within government.

**Senator BACK:** Thank you.

**Senator NASH:** On the live cattle trade: has the trade to Indonesia recovered to its pre-suspension levels?

**Mr Fisher:** It recovered quite quickly last year. If my figures are correct, around 100,000 fewer beasts than the previous year were exported. As you would probably be aware, the trade is determined by licence from Indonesia. There are licences on the number of beasts exporters can export, and at the moment they have licensed only around 280,000, if I remember correctly.

**Senator NASH:** You said there 100,000 fewer. What was the figure the year before?

**Mr Fisher:** I will get back to you on that.

**Senator NASH:** Today?

**Mr Fisher:** I can, absolutely.

**Senator NASH:** That would be useful. Have you got a rough ballpark figure? I thought that would be something that would be fairly top of mind. I am happy to take a moment if someone wants to flip a bit of paper and have a look.

**Mr Fisher:** The import and allocation for 2011 was 500,000. The import allocation for 2012 is 283,000.

**Senator NASH:** I am interested in actual amounts. So 2010—

**Mr Fisher:** I have the 2011 figure, Senator, which was 411,000 cattle.

**Senator NASH:** Okay. When did the suspension kick in?

**Mr Fisher:** My recollection is that it was March last year. But I stand to be corrected on that.

**Senator NASH:** That is fine. I am sure I can find it out. I just need my memory refreshed. So the year before that, what was the amount of export for the live cattle going to Indonesia?

**Mr Fisher:** Can I get back to you on that? I do not have those figures to hand.

**Senator NASH:** Has anybody got them? It is a fairly topical issue. Anyone? If you could take on notice the number of head of cattle exported comparatively in 2009, 2010-11 and the expectation for 2012, which I think you said was 283. Do you do this on calendar years?

**Mr Fisher:** The figures are on calendar years, that is correct. That is how the Indonesians do them, and that is how we consequentially do them.

**Senator NASH:** To clarify, you gave me a 2012 figure?

**Mr Fisher:** That is the quota given to Australian exporters in this current year.

**Senator NASH:** What was the quota last year?

**Mr Richardson:** I might just add that the quota can vary, so while this is the quota for the year now, the Indonesians have been known to vary that quota as the year moves along. It is not a fixed figure that is given at a particular time of the year and does not therefore change. That is the quota now, but it could vary.

**Mr Fisher:** It is reviewed on a quarterly basis, Senator.

**Senator NASH:** Does it often change on a quarterly basis?

**Mr Fisher:** Yes, it does.

**Senator NASH:** Could you give me the quarterly quotas that existed over those three years as well?

**Mr Fisher:** We would have to take that on notice, but certainly we can.

**Senator NASH:** I certainly expected that. That is absolutely fine.

**Mr Fisher:** Can I just correct: the suspension occurred in June last year. One of my colleagues has checked that.

**Mr Richardson:** Senator, just by way of clarification, it is not a quarterly quota, it is just that the quota is reviewed each quarter.

**Senator NASH:** For what time period?

**Mr Richardson:** It is for the year, but it is reviewed every quarter.

**Senator NASH:** It must make it hard for those in the cattle industry to plan, when it is going up and down.

**Mr Richardson:** It is a serious problem.

**Senator NASH:** What is the reasoning behind the quarterly readjustment?

**Mr Fisher:** The Indonesian government looks at its market needs and looks to supply the number of cattle it perceives it needs to satisfy domestic consumption.

**Senator NASH:** So 283,000 this year, and what was the quota for last year?

**Mr Fisher:** Five hundred thousand.

**Senator NASH:** What was the reason for the drop?

**Mr Fisher:** The Indonesian government again makes a determination on the consumption patterns in Indonesia, and, as the secretary was explaining, they vary. If market prices go up, for instance, then they may look at increasing that quota.

**Senator NASH:** Has anyone got the quota for me for 2010?

**Mr Fisher:** We do not have 2010 with us. We asked if can take that on notice.

**Senator NASH:** That is the one you are going to take on notice, and the others before that. All right. In those previous years was the entire quote delivered?

**Mr Fisher:** Again, we will have to take that on notice for you, Senator.

**Senator NASH:** It is a pretty topical issue. I would have thought somebody may have had a folder with something in it. So, you are saying this drop in the quota from 500,000 to 283,000 is just a supply-and-demand issue. Are there any other factors involved? Suspension of the live cattle trade did not impact on the decision at all?

**Mr Fisher:** In fact, after the suspension last year the quota was reissued at a higher level quite quickly afterwards. Indonesia, of course, is not self-sufficient in cattle, so it is always seeking to supplement its domestic needs. There are peak times of the year—for instance, around Ramadan—when it is looking to increase cattle coming in. It needs to do that in advance, given that they are feedlot cattle and we often send them at relatively low weights, so it needs some time to fatten those cattle up before they can be slaughtered.

**Senator NASH:** What was the department's role in trying to refacilitate trade after the suspension?

**Mr Fisher:** The department played a number of roles. Back in Canberra the department was playing a role in the consultations with the department of agriculture on the suspension and in determining a way forward to restart the trade. In Indonesia, we were playing a role in communicating with the Indonesian authorities about the government's decision and working with them to restart the trade.

**Senator NASH:** What was your communication with the industry at that time?

**Mr Fisher:** The communication was mostly done through the department of agriculture.

**Senator NASH:** So, there was no real direct link between you and the industry, just via DAFF.

**Mr Fisher:** There would have been contact through our post in Jakarta, given that we have a strong role in representing whole of government interests in Jakarta.

**Senator NASH:** Sorry, I meant more the domestic industry.

**Mr Fisher:** The domestic industry was carried by the Department of Agriculture, Fisheries and Forestry, as you would expect.

**Senator NASH:** Thank you. I would appreciate it if you could take on notice for me and provide those figures that were not readily to hand.

What is the status of the Australia-Korea FTA? Where is it up to at the moment?

**Mr McCormick:** Negotiations on the FTA with Korea are now in their final stages and we are working to conclude the FTA as soon as possible. Now that Korea has implemented its agreement with the United States and its assembly elections are over we expect to intensify negotiations over the next few months.

**Senator NASH:** My understanding was that there was a bit of a go-slow—that may or may not have been attributed to the negotiation between Korea and the US. Is that correct? They were putting us on hold a bit while they were doing the US?

**Mr Richardson:** Yes, but there were a number of issues. One was that. The other was that the US-Korea FTA became a very live domestic political issue in Korea. That slowed down the Korean parliament's consideration of the FTA. Also the government was faced with parliamentary elections a month or so ago. That combination of factors combined to make it difficult for the Koreans to engage with us.

**Senator NASH:** Did those same factors affect the US negotiations and slow that down at all?

**Mr Richardson:** Yes, it did indeed. One of the ironies was that it had been virtually ready for signature a couple of years ago—

**Senator NASH:** Sorry, the US?

**Mr Richardson:** Yes, it was virtually ready for signature a couple of years ago but then the US administration had difficulty getting it through their own congress. They then got it through their congress and for whole variety of reasons it became a political issue domestically in Korea. That meant their whole negotiations were slowed down, the finalisation of the package was slowed down, and that had a flow-on effect to us.

**Senator NASH:** I am mindful of time now, but I would appreciate it if you could take on notice for me and perhaps provide those Korean issues that did cause the slowdown, in so far as you can. That would be useful. When did the negotiations start between the US and Korea and when did ours start with Korea?

**Mr Mugliston:** As the secretary mentioned, negotiations between Korea and the United States originally concluded in April 2007.

**Senator NASH:** 'Originally concluded'? I am keen to figure out when they both started—a comparative of when they both started.

**Mr Richardson:** It started a few years before that.

**Mr Mugliston:** But it did not enter into force and then it was subsequently re-negotiated and a new FTA was signed in December 2010. As the secretary explained, it has gone through this domestic process both in the United States through congress as well as in Korea. So the bottom line is that that Korea-US FTA actually entered into force on 15 March this year.

**Senator NASH:** When did we start our negotiations with Korea over an FTA?

**Mr Mugliston:** In March 2009.

**Senator NASH:** There are some concerns, clearly, around the US beef issue. They are obviously going to have a competitive tariff advantage for a while that is going to put us at a disadvantage. Is that a view that you share?

**Mr Mugliston:** Very much so. We are very, very conscious of this. We understand the industry concern about competition for Australia's exports following the entry into force of the Korea-United States free trade agreement, and also, of course, the Korea-EU free trade agreement that entered into force on 1 July 2011. This is part of our keenness to want to conclude the negotiations as soon as possible and this is a top priority for the government. This was a matter raised during her 27 March visit to Seoul by Prime Minister Gillard with President Lee, and both leaders reaffirmed their commitment to quickly concluding the negotiations. The Minister for Trade and Competitiveness, Dr Emerson, has also met recently with his Korean counterpart—23 May in Paris and then last month in Mexico—to urge an early conclusion.

**Senator NASH:** Do you have an expectation of a date. 'Early conclusion' sounds good but have you got any target time frame?

**Mr Richardson:** No, we cannot speculate about when it might be concluded.

**Senator NASH:** All right. In so far as you can—and I am not sure how much you can do—could you provide on notice for us particularly the agricultural aspects of what you think the benefits might be out of this?

**Mr Richardson:** Sure.

**Senator NASH:** And, commensurately, if there are any negatives? There always seems to be concessions made in these things. I am keen that there aren't any in agriculture.

**Mr Richardson:** Any agreement must be mutually beneficial to both sides. If it is a one-way agreement you are not going to get an agreement.

**Senator NASH:** Yes, of course, but I expect it is across a number of sectors—

**Mr Richardson:** Yes, that is right.

**Senator NASH:** and I am very keen to be reassured that it is not going to have any negative concessional aspects as far as agriculture is concerned.

Finally, what opportunities are there for Australia in Latin America? I noticed recently there was some comment from the minister about the potential there.

**Mr Grey:** I think there are very good opportunities. Austrade is about to open a new Austrade managed consulate in Bogota, Colombia. Colombia, for example, takes something like 10,000 Australian students, even now. It is a good market for the so-called METS—mining equipment, technology and service—providers. We are going to bolster our position in Brazil with an extra trade commissioner in Sao Paulo. There are good opportunities in those sorts of areas—the METS sector—but also in a range of other manufacturing areas and also students. Similarly, particularly, in Chile. So it is obviously quite an exciting time in Latin America and we are certainly very optimistic of our prospects there. Infrastructure is another area, for example.

**Mr Richardson:** I might add, just for the record, that we did recently have in Sydney a couple of weeks ago the first Latin America Down Under conference, which the minister addressed. That, if you like, in part copied the Africa Down Under conference which is held annually in Perth, where around 1,500 delegates attend. Most Australian resource companies are represented and the like. We have started up a similar initiative in relation to Latin America to bring it together to provide an annual focus to give trade and other developments between Australia and Latin America some impetus.

**Senator NASH:** Thank you for that. I noticed in the media—not that you believe everything you read in the media—that last week Austrade's Senior Trade Commissioner for Latin America, Crispin Conroy, I think it was, saying there would be fewer opportunities if a company were not one of the first movers. Is that correct and will the government be providing any trade incentives?

**Mr Grey:** I am not sure about that particular comment but, clearly, if you are in their early you have more opportunities. It is just a statement of fact, I would have thought, which is why we have moved now to get into Colombia and expand our presence in Brazil and elsewhere in Latin America. I do not think we are too late. Clearly, we would not be moving in there if we thought it was too late. But it is an area in which I think it would be fair to say that Australian companies have been less aware of the prospects in Latin America compared with, for example, Asia. The China experience is very well known throughout Australian industry; less well known is the Latin American experience, particularly in places like Colombia which have had—and still do have—some difficulty in terms of the operating environment. I think Mr Connolly was pointing out that there are opportunities there and that we should start looking at them now.

**Senator NASH:** Okay. And has there been any consideration of incentives in any way, shape or form?

**Mr Grey:** The EMDG scheme will apply there as elsewhere but we do not really do specific incentives, although we have taken various trade missions through Latin America, and are engaged in other normal Austrade type activity.

**Senator EGGLESTON:** I have a few questions about the Trans-Pacific Partnership Agreement, which I gather is being regarded as fairly important by the United States. Where are we at with that Trans-Pacific Partnership Agreement?

**Mr McCormick:** We began negotiations on the Trans-Pacific Partnership in March 2010. We have had 12 rounds of negotiations to date, so we have been negotiating for a little bit over two years. Last November in Honolulu, the APEC leaders of the TPP parties—that is, nine of them—declared that they were intent on trying to

bring the TPP negotiations to a conclusion as soon as possible, and we have been working on that. We hope to be in a position later on this year to have completed substantial parts of the text of the Trans-Pacific Partnership Agreement—in any FTA negotiations, you have the legal text and you also have schedules of market access outcomes, whether they are services, goods or government procurement and investment. We are hoping to get a big chunk of the negotiations finished, at a minimum, later this year.

We are also talking to three countries who have indicated a very strong interest in possibly joining the Trans-Pacific Partnership negotiations—that is, Japan, Mexico and Canada. The leaders of those countries announced last year that each of the current nine TPP parties would be discussing the agreement bilaterally with those three countries. The final decision will then have to be a consensus of the current nine members. We will be working to see whether or not there will be a consensus later on this year for an expansion of the membership of the negotiations.

**Senator EGGLESTON:** I understand there are some issues about intellectual property recognition in this agreement. The United States wants a very liberal approach and that might affect, for example, medications and the cost of medicines in Australia. Would you like to just expand on that a little?

**Mr McCormick:** Certainly the US agenda on intellectual property is well known, but what I can say is that, whatever the US agenda is, the Australian government has made its position very clear: our public health system and our Pharmaceutical Benefits Scheme are not up for renegotiation as part of a trade agreement.

We are trying to find an outcome between nine countries at very different levels of development, and at very different stages in their intellectual property development, to find suitable standards that will lift the protection that is afforded to Australian producers of intellectual property and to those businesses and consumers that are affected by the imports, or even the production locally, of counterfeit or other intellectual property-impaired goods or services. We are trying to seek a balance in these negotiations to provide the appropriate level of intellectual property. It is a very complicated set of issues under negotiation but, as I said, the Australian government has made very clear—and this is an issue that others in the negotiations share—that there is no suggestion that our health system is up for negotiation in any way.

**Senator EGGLESTON:** I might just leave it at that point and perhaps come back later. I think my colleague Senator Edwards has got a deadline in terms of catching a flight, so I defer to him.

**Senator EDWARDS:** On 30 April, the Premier of South Australia announced the closure of seven trade offices. His trade minister was reported on 1 May saying:

"This is by no means a withdrawal from our overseas markets," he said.

"In fact it's probably a larger investment with the same amount of money because we can do more with more people.

"It's about having people embedded in Austrade offices and leveraging off already-big federal investments in property, equipment and contacts."

Can somebody explain what that actually means?

**Mr Grey:** There has been a model in Austrade which has been around for some time, where state governments and indeed other agencies like Wine Australia will embed, put, one of their staff members inside an Austrade office overseas. We are quite happy with that. There are some protocols in terms of how they act and the sharing or non-sharing of information, but it is a model which has been around for some time. They have had some preliminary discussions or informal discussions with us on that, but there are other examples already of other states doing that.

**Senator EDWARDS:** Have you absorbed those people already?

**Mr Grey:** No, I do not think so.

**Senator EDWARDS:** When is that scheduled to occur?

**Mr Grey:** I think it is a still a little way off. Mr Beresford might be able to add a little bit more.

**Mr Beresford:** I think that is referring to the Hartley report that was commissioned.

**Senator EDWARDS:** Correct.

**Mr Beresford:** Where they are at is they are now going through a consultation process throughout South Australia and further afield into their international markets that are actually in question. My understanding is that they are due to reach finalisation on that consultation in August or September. Then, at that point in time, they will look to re-engage with Austrade as to what they intend doing, but at this stage they are in a process of consultation within the state.

**Senator EDWARDS:** What are they consulting on? They have announced they are closing their offices and they are embedding their people in your offices. What are they consulting on?

**Mr Beresford:** The Hartley report has come down, but our understanding is that they need to obviously consult within the state and with their overseas officers and other representatives of South Australian interests in those offices to ensure that they are comfortable with the decision and the outputs of that report. Then, as I understand it, they will seek to make their findings upon the South Australian government's perspective clear to all later this year.

**Senator EDWARDS:** So there is a possibility that these seven offices will not close and you will not have those people embedded. Is that what you are saying? This announcement by the Premier seems fairly clear. They are consulting with industry groups or they are consulting with you and industry groups. What is there left to be said?

**Mr Grey:** I think, with all respect, that is something that we would need to ask the South Australian government. We are only at the end of the process.

**Senator EDWARDS:** With all due respect, you are being told that you are getting these staff embedded in there and surely you as the CEO would want to know when those people are coming, how many, how much they are getting paid and what their KPIs are—all of those things—if you are going to take responsibility. Essentially it is going to contracting services, isn't it? So are you just sitting around waiting for the South Australian state government to come to you one day with 35 people?

**Mr Grey:** No. When they are ready to come to us, we will have further discussions and the sorts of issues that you are talking about, in terms of the conditions. In some cases, for example, our accommodation might not allow for the embedding of additional people there. We will have to consider those when they come to us. We have, as a general model, an ability and a practice over many, many years of trying to be helpful to a range of state governments to embed their people if it is something which works for us. It is not something which we have to do.

**Senator EDWARDS:** So you have not accepted all of these people coming to Austrade as yet, from all of these offices which it has been announced are going to close?

**Mr Grey:** No.

**Senator EDWARDS:** The offices are Shanghai, Hong Kong, Chennai, Singapore, Ho Chi Minh City, Dubai and Santiago.

**Mr Grey:** No, there is no agreement at this stage.

**Senator EDWARDS:** Do you have a presence in all of those locations?

**Mr Grey:** Yes, we do.

**Senator EDWARDS:** So you have a capacity to take them?

**Mr Grey:** We have offices there, but I would have to check. Austrade operates very small offices. In some cases, we may have the additional capacity to take them on board; in others it may be more complicated. It is something we have to negotiate with the state.

**Senator EDWARDS:** So it may be that there are also skill sets duplicated.

**Mr Grey:** Yes, but in general terms we have found that the system works quite well. We have, as I said, pretty much a template as to the ability they have to access information, and we do of course charge; it is not something we do for free. There is a service level agreement which we will have with other agencies to do that sort of work.

**Senator EDWARDS:** What skills and qualifications and market access do these people in these offices slated for closure have that you do not have?

**Mr Grey:** There are more of them and it adds additional people at a time when we are under resource pressure. But Mr Smith, who was until recently the regional director in Shanghai and has direct experience of operating this type of model, might be able to give you to more information.

**Mr L Smith:** In Hong Kong, there is, I guess, a precedent of some sort for what the South Australian government and the consultant to the government contemplated in the report. Until perhaps five or six years ago, South Australia had a freestanding office and then, following discussion with us, we relocated that person and employed a specialist focusing 100 per cent on South Australian related work in our office, under close direction by our experienced senior trade commissioners there but working very closely with companies coming out of South Australia into those markets. It has been quite effective and it really did provide extra capacity to the work that we would otherwise be doing, where of course we would want to be supporting companies from all states

across Australia, but the addition of a dedicated resource increased the support available to South Australia. From the South Australian side, I think that was found to be a cost-effective way of working. So we would expect that it is the expansion of a model such as that, which we also use in other locations, that is being contemplated by the consultant, by the report, and referred to by the officials and others in the media.

**Senator EDWARDS:** I have a number of other questions, but I will move on, because I just want to cover a few things before I have to leave you.

**Senator Bob Carr:** Excuse me, Senator, may I apologise to Madam Chair for leaving now to address an Australia-India function. My place is being taken by my colleague Senator Conroy, if that is acceptable to you and the committee.

**CHAIR:** Yes, of course. Thank you again.

**Senator Bob Carr:** Again, I have enjoyed the experience very much and learnt a great deal from it.

**Senator EDWARDS:** We were just about to talk about Wine Australia, Minister, so I hope that does not reflect your interest in it! Wine Australia's objective to build a more profitable wine industry by extending Australia's fine wine presence and reputation globally is one of their KPIs—and to facilitate an increase in Australian wine exports by addressing market access barriers. They state that Austrade is one of their partners. How is that partnership going to come to the fore with the new Malaysian free trade agreement which has just been announced? Are you actively now trying to leverage Wine Australia and its objectives in the context of its KPIs? Can you give me some understanding of that?

**Mr Grey:** We certainly have worked with Wine Australia in a number of markets—in the US market and in China. Again, maybe Mr Smith, who was dealing quite extensively with Wine Australia both in Shanghai and in Hong Kong, can give you an example there. I am not aware specifically of what we have in mind in Malaysia at this point in time, but I am happy to come back to you on that one.

**Senator EDWARDS:** Mr Smith, if you have some detail on it, I am quite happy for you to take it on notice and provide it to us. It may be that you do have a plan that you would rather put on notice, would you?

**Mr L Smith:** In terms of follow-up work with Wine Australia to take effect in the run-up to the Malaysia-Australia Free Trade Agreement coming into force, I would like to take that on notice. But I would say that there is a wide range of locations in established markets such as Canada and the USA and in growing and now very large markets such as China and Hong Kong where we have very active programs of collaborations with Wine Australia hosting staff who we employ on their behalf in both North America and Asia. In the case of Malaysia, clearly it is a market with growing levels of affluence and consumption. So, to the extent that Wine Australia sees growing opportunities there, we would certainly be looking to work with them to help Australian wine producers to expand their presence in that market.

**Senator EDWARDS:** I will put other questions on notice. Thank you.

**Senator RHIANNON:** Australia's current commitment on temporary movement of people in mode IV of the WTO GATS does not include semiskilled and unskilled workers. Is Australia intending to include commitments on temporary labour mobility of semiskilled and unskilled workers in the PACER Plus Agreement?

**Ms Rawson:** Senator, as you know, the PACER Plus negotiations are still ongoing. Labour mobility is certainly one of the issues that is of interest to the Pacific island countries in those negotiations. From the broader perspective, in terms of our trade negotiations—and I am subject to correction from Mr McCormick here—that issue is not normally a feature of such an agreement.

**Senator RHIANNON:** You are saying it is not normally a feature of such an agreement but it is being discussed?

**Ms Rawson:** Yes. It is not part of the PACER Plus negotiations.

**Senator RHIANNON:** It is not part of it. So it is not on the table. Okay, that makes that one easy. I would like to go to some questions about EFIC and, firstly, developments in PNG. In January there was a fatal mudslide at the Tumbi quarry in the Papua New Guinea highlands. It killed 62 people—and maybe even more. There have been suggestions of a link between the mudslide and the use of the quarry by the operators of the Australian backed PNG liquefied natural gas project Esso Highlands. I want to start with the report of the independent consultant D'Appolonia. I understand it was finalised in March last year. It included comments on Exxon's quarrying operations and found they did not meet the environmental and social standards expected by the project financiers. The report suggested workers had been under pressure to meet project deadlines and 'circumvented correct procedures in the interests of schedule'. What investigations has EFIC undertaken to confirm whether the Australian backed PNG LNG project was responsible or partly responsible?

**Mr Parsons:** The report from D'Appolonia that you are referring to was in March 2011. D'Appolonia subsequently prepared, I think, two other reports during the course of that year. The March report referred to concerns related to associated facilities, and there was some discussion with the project about how the project was managing associated facilities, of which the quarries were one. During the course of that year the project re-evaluated how it was examining that type of facility, and by the November 2011 report of D'Appolonia they reported back to the lenders that the project had implemented satisfactory arrangements for that type of facility, including quarries. It was an environmental and social consultant who was examining those issues for the lenders and who, in the course of that year, became satisfied that the project was handling those adequately.

**Senator RHIANNON:** Sorry, what was that last phrase? That it was satisfied that it had been done adequately?

**Mr Parsons:** It was satisfied that the project was managing that type of facility adequately.

**Senator RHIANNON:** If I understood correctly, the tense of your sentence sounds like it is being managed adequately now, but I was trying to ascertain the assessment about the period leading up to the mudslide, considering the comments from that report. That is why I was asking if EFIC has investigated to confirm whether the Australian back project was responsible or partly responsible. Those are the specifics I was after.

**Mr Parsons:** D'Appolonia was requested by the lenders to look at the issue of the landslide in its last site visit, which was in March of this year. We are still waiting on their written report from that. The landslide occurred in January of this year and, as I understand it, that particular quarry had not been used by the project for at least five or six months, and had been closed in accordance with the closure plan. The quarry is also a third-party facility: it was operated by a local landowner group previously. But the project was not using it at the time the landslide occurred.

**Senator RHIANNON:** Would you acknowledge that activities that could have been carried out at that quarry may have destabilised land prior to that six months over which it was closed, so there could still be a link there?

**Mr Pacey:** We understand the PNG government is conducting an investigation into that landslide and will report its findings. It is premature for us to speculate on the outcome of that investigation.

**Senator RHIANNON:** So do I take from that that EFIC has been involved in discussions with the PNG government about this matter?

**Mr Pacey:** No, we have not been involved; the PNG government is conducting that investigation. We have been in discussions with the project.

**Senator RHIANNON:** Have there been any discussions about any aspect arising from this mudslide between EFIC and the PNG government?

**Mr Pacey:** Not between EFIC and the PNG government; we have had discussions with the project, which is cooperating fully with the government. After the landslide the project provided a great deal of assistance to the government in its rescue efforts, including providing rations and clean water, making equipment available and providing helicopters for the transport of medical supplies, and it is continuing to offer assistance to the government where necessary.

**Senator RHIANNON:** With regard to the events leading up to the mudslide and the involvement of EFIC with the project, have there been any discussions with the PNG government? There are two aspects to that question: maybe I will separate them so we can be clear. Has EFIC been in discussions with the PNG government about this project?

**Mr Pacey:** No, EFIC does not have discussions directly with the PNG government.

**Senator RHIANNON:** Has EFIC had discussions with the PNG government regarding the status of an independent investigation into the cause of the mudslide?

**Mr Pacey:** No, we have not. The PNG government is conducting that investigation and we will consider those findings when they are available.

**Senator RHIANNON:** Is EFIC aware of any attempts by the PNG LNG project to dissuade the PNG government from making a full independent investigation into the disaster?

**Mr Pacey:** No.

**Senator RHIANNON:** There has been a report that the PNG government has paid three million kina to those who lost relatives in the landslide at the Tumbi quarry. Are you aware of this, and is there any indication that the payments were made by the PNG government—perhaps in place of ordering an independent investigation of the landslide?

**Mr Pacey:** I am not aware of that. I will take that on notice.

**Senator RHIANNON:** In your annual report of 2010 there was no mention of the social or environmental aspects of the PNG LNG project. Should that have been included? Why was it not included?

**Mr Pacey:** EFIC does provide a register of its category A transactions on its website. As part of the approval for that project we did disclose—we went through a 30-day disclosure period, in line with the OECD common approaches and our own environment policy.

**Senator RHIANNON:** On this project?

**Mr Pacey:** Yes.

**Senator RHIANNON:** Sorry—whereabouts is that information?

**Mr Parsons:** We originally disclosed our potential involvement in this project during 2009, in about the middle of the year. We can get the exact dates if you like. And it would have been, I think, discussed in our 2009-10 financial year annual report, because it was signed during that financial year.

**Senator RHIANNON:** I actually could not find it in your report. So could you take it on notice and supply us with a copy of your social and environmental impacts on the project?

**Mr Pacey:** We will take that on notice.

**Senator RHIANNON:** Would you also take on notice where they were published. So, at the moment, you are confident that you have published details of the social and environmental assessment of the project? That has been done and published somewhere?

**Mr Pacey:** No, we do not publish that. We publish our categorisation of the project.

**Senator RHIANNON:** So, to understand: it is not published—that means it is not publicly available?

**Mr Parsons:** EFIC's own internal analysis of the project is not published. But the project's environmental and social impact assessment is available on the project website, as are the environmental and social management plans—they are available on the website—and as are the independent environmental and social consultant reports of the lenders; they are all available on the project website.

**Senator RHIANNON:** No, I was after your assessment. So that is not publicly available?

**Mr Parsons:** No.

**Senator RHIANNON:** In light of the fatal mudslide, does EFIC have plans to reassess how you make social and environmental assessments of such projects?

**Mr Parsons:** When we have got the government's reports on the cause behind that, we will make an assessment then.

**Senator RHIANNON:** I would like to move on to the Tenix vessels in the Philippines. Just going back—this was 2001-02—there was a Tenix deal to supply six search and rescue vessels for the Philippines Coast Guard, underpinned by a \$109 million guarantee from EFIC. There was a report that the Tenix deal was suspected to involve bribes to officials and politicians. Can you provide an update on the outcome of the investigations into bribery associated with this project that was commenced in January 2010?

**Mr Pacey:** As you would be aware, this project is subject to an AFP investigation. It would not be appropriate for me to comment further on that.

**Senator RHIANNON:** When do you understand it will be concluded?

**Mr Hopkins:** We have been given no indication by the AFP as to when their investigation will conclude, but we have been cooperating fully with the AFP in terms of the investigation.

**Senator RHIANNON:** When EFIC became aware of the allegations of bribery, was the project reassessed at that point? When you became aware of the charges of corruption, what changed with how you were managing the project?

**Mr Hopkins:** We are guided by the AFP in a lot of respects as to what our response should be, so we take that—

**Senator RHIANNON:** But surely you have some guidelines such that, when there is corruption involved, you have to do something as EFIC?

**Mr Hopkins:** Absolutely. In relation to an allegation of bribery, we would follow our corruption allegation procedure. That procedure normally would involve an assessment of the relevant allegation for passing on to a body like the Australian Federal Police. But, in an instance where the Australian Federal Police comes directly to

us, obviously it is inappropriate for us then to pass that back to the Australian Federal Police, so we essentially cooperate with the police at that point in time.

**Senator RHIANNON:** Could I just understand clearly then: were you saying that it was the Australian Federal Police who first raised the issues of corruption with you?

**Mr Hopkins:** Yes.

**Senator RHIANNON:** From what I have been reading about this, it appears that there is a discrepancy between some accounts about this and EFIC's testimony to the Productivity Commission about an EFIC supported transaction between Tenix and the Philippines. This might be part of the police investigations but, as I am still trying to track this, I thought that I would ask. One of the reports suggested that the Philippines stopped repaying its loan, leaving the Australian public via the EFIC guarantee facility liable for almost \$100 million in unpaid loans. What is the status of the EFIC guarantee to ANZ in the first instance?

**Mr Pacey:** We can confirm that the Philippines has not defaulted on any payments. The loan is current.

**Senator RHIANNON:** Did they default for a period?

**Mr Pacey:** Not to my knowledge.

**Senator RHIANNON:** Do you need to take that on notice?

**Mr Pacey:** I can take that on notice.

**Senator RHIANNON:** Thank you. The status of the ANZ loan to Tenix is on track; is that what you are saying?

**Mr Pacey:** Yes—sorry, the loan is to the Philippines government.

**Senator RHIANNON:** Yes, but you understand that that is all in order?

**Mr Pacey:** Yes.

**Senator RHIANNON:** Why is EFIC continuing to provide ongoing support under the guarantee, considering the bribery allegation?

**Mr Pacey:** I do not think it is appropriate for me to comment on that pending the outcome. It is only an allegation, Senator.

**Senator RHIANNON:** But, considering that it is Australian public money involved, it sounds like EFIC is totally staying on track with a sizeable amount of Australian public money while there are serious allegations of possible corruption. Maybe this is the way to start. Within the process that you have for dealing with corruption, do you have some process to manage what you do with your activities if there are allegations of corruption?

**Mr Pacey:** As you said, this is an allegation, so we have not, until the AFP concludes—

**Senator RHIANNON:** So nothing changes? You do not put anything on hold?

**Mr Pacey:** I can talk generally about our risk management framework in terms of anticorruption policies and procedures, if you wish—

**Senator RHIANNON:** No, I was just interested in—

**Mr Pacey:** which is a factor.

**Senator RHIANNON:** Even just leaving Tenix out of it, if you want to do that, if allegations of bribery and corruption are made, do EFIC have a process where you will then respond or change in response to the allegations so that Australian public money is not at risk?

**Mr Hopkins:** Yes. If an allegation is made regarding any of our particular clients, there is a process internally that we go through to acknowledge that fact. Obviously the name of that particular entity is placed on a list and it is given special attention in the circumstances of whatever the allegation may be. Obviously, if the allegation were serious enough, we would be looking to report that to the proper authorities.

**Senator RHIANNON:** Has that happened in this case with Tenix?

**Mr Hopkins:** The Australian Federal Police came to us first, so—

**Senator RHIANNON:** But doesn't that also kick-start your internal processes?

**Mr Hopkins:** Obviously, in terms of that particular customer, that name is very apparent to us and we are treating it in a way that would be appropriate in respect of our relevant anti-bribery-and-corruption guidelines.

**Senator RHIANNON:** But, in terms of the use of Australian public money for this project, nothing has actually changed?

**Mr Hopkins:** Not that I am aware.

**Senator RHIANNON:** What have EFIC done to improve your standards enforcement and corporate vigilance at EFIC in the light of this or any other allegation of corruption involving Australian public money that EFIC are using?

**Mr Pacey:** We do have a well-developed framework of anticorruption policies and procedures to ensure alignment with Australian law and also our international obligations under the OECD and United Nations conventions. We have a full-time compliance counsel who administers those policies. Those policies are subject to review by our internal auditors periodically, and the findings of those reports are made to EFIC's audit committee. All staff are subject to mandatory annual training on corruption and bribery. An important part of that policy is that we have a policy on anti-money-laundering and counter-terrorism financing. For each transaction a risk transaction assessment is conducted, again on an annual basis. In answer to your question, these policies are a live suite of documents. We receive review and advice from external advisers such as PwC and Deloitte on those documents and training is conducted by an external law firm. Those documents are constantly being reviewed and improved.

**Senator RHIANNON:** Has the AFP approached EFIC about any other possible projects involving bribery and corruption?

**Mr Hopkins:** It is on the public record that there is a current investigation regarding Leightons.

**Senator RHIANNON:** That is right, sorry; I forgot. Thank you. Ian Knop, a former EFIC board member and Tenix lobbyist, declared a potential conflict of interest involving his client Tenix Defence and the government of the Philippines, in your 2003 annual report. Has EFIC reconsidered the practice of allowing corporate lobbyists to sit on the EFIC board?

**Mr Pacey:** I will take that question on notice.

**Senator RHIANNON:** Can none of you remember? It would seem to be something you might—

**Mr Pacey:** My understanding is that he declared a conflict of interest at that time and that that loan to Tenix was approved some years before he joined the board.

**Senator RHIANNON:** My question was much broader than that.

**Mr Hopkins:** Senator, I am happy to answer that. Who is appointed to our board is at the discretion of the minister.

**Senator RHIANNON:** The board itself does not discuss or give any advice to the minister about the status and the background of people who sit on the board?

**Mr Hopkins:** Ultimately, it is at the discretion of the minister.

**Senator RHIANNON:** The Productivity Commission, I understand, is currently conducting an inquiry into Australia's export credit arrangements. Did EFIC approach any companies or people that EFIC works with to make submissions on the Productivity Commission's draft report released in February this year?

**Mr Pacey:** My understanding is that we made our customers aware that there was a Productivity Commission report available.

**Senator RHIANNON:** How did you inform them?

**Mr Pacey:** I believe it was by email.

**Senator RHIANNON:** You informed them that the Productivity Commission report was out and suggested that they make submissions?

**Mr Pacey:** I would have to take that on notice. I was not personally involved with that.

**Senator RHIANNON:** Who would have undertaken that work?

**Mr Hopkins:** The managing director has provided the Productivity Commission with a statement on this. We would appreciate being able to go back and reflect on his comments and refer them back to the committee, if that is possible.

**Senator RHIANNON:** I understand from Mr Pacey's response that an email was sent. Can you table that email?

**Mr Pacey:** I will take it on notice.

**Senator RHIANNON:** If you cannot table the email, perhaps you can table the contents and who it was sent to. You can take that on notice. Can any of the EFIC people give us a general idea of what was in that email? Can you add anything more, or do we have to wait—

**Mr Pacey:** I will take that on notice.

**Senator LUDLAM:** My apologies for holding everybody back. Do we have the right people here to talk about the Trans-Pacific Partnership Agreement?

**Mr McCormick:** Yes.

**Senator LUDLAM:** Beaut, thank you. Firstly, can I get some details of expenditure related to Australia's participation in the TPPA—travel and accommodation expenses and the cost of consultations.

**Mr McCormick:** I will take that on notice.

**Senator LUDLAM:** I figured you might. That is no trouble. As a separate line item, could I get the costings of hosting the Melbourne round of negotiations, including administration, secretarial support and that kind of stuff?

**Mr McCormick:** I can tell you that now. It was effectively \$600,000.

**Senator LUDLAM:** If you could maybe just provide us on notice with some disaggregated figures when you get the opportunity—

**Mr McCormick:** We will take that on notice.

**Senator LUDLAM:** What are the anticipated economic gains for Australia from the TPPA?

**Mr McCormick:** Before the government decided to participate in the negotiations they set out in a parliamentary statement a whole range of issues they were interested in relating to the trans-pacific partnership negotiations. I think there were three broad areas. One is that this is meant to be a very high-quality, ambitious free trade agreement. Therefore, it is an important part of trying to further multilateral trade liberalisation as well. Secondly, it is designed to expand over time and provide a pathway to the APEC objective of a free trade area in the Asia-Pacific. It is, if you like, a strategic agreement or set of negotiations because it has this broader, longer term expansion approach—that we want to bring in as many members as possible. That, in itself, turns on building on multilateral trade liberalisation objectives as far as we can. Then of course there are specific market access outcomes for Australian exporters of goods and services that we would be issuing through the negotiations.

**Senator LUDLAM:** When you say 'expand over time', you do not just mean expanding in scope but expanding the number of countries that will join it?

**Mr McCormick:** Both. We have set this out quite clearly. Leaders met in Honolulu last year and they set out their vision for the statement and a range of issues that were under discussion. As I said, there are all these different elements that go to what the government sees as its potential benefit for Australia.

**Senator LUDLAM:** Have you or anybody done a sector-by-sector cost-benefit analysis of signing on to such an agreement?

**Mr McCormick:** In terms of modelling, do you mean?

**Senator LUDLAM:** In terms of being able to quantify the benefits.

**Mr McCormick:** No, we have not sought to quantify in that sense the benefits of the TPPA negotiations.

**Senator LUDLAM:** I asked before—maybe it was slightly loose language—what the anticipated economic gains are for Australia from signing the TPPA. If I asked you to estimate the actual economic gains—employment growth, GDP growth or however you want to quantify it—you would not be able to say?

**Mr McCormick:** Not to come up with a modelled number. You would be aware that the government released its trade policy statement in March last year. There had been a practice before that there would be a study which also did modelling to predict what the economic gains would be from an agreement. Having looked at that previous practice, the government said that they were not going to pursue that anymore, because there were questions about the assumptions built in to modelling. We have a system where we go out very broadly to all sorts of stakeholders who identify the sorts of things that they would be interested in pursuing and identifying. We obviously have some FTAs with some of these parties already. We can see some of the benefits coming out of those bilateral or subregional FTAs, and this provides an opportunity to build on some of those areas as well.

**Senator LUDLAM:** I was going to come to that. We have bilateral trade or regional trade agreements with all but one of the TTP negotiating countries, Peru. Is this not a case of doubling up somewhat?

**Mr McCormick:** No.

**Senator LUDLAM:** I understand that emerging world economic superpowers China, India and Brazil have openly condemned TPPA negotiations in the World Trade Organisation council and have no intention of joining. How can trans-Pacific partnership be considered a model for regional integration when you have serious emerging economies hoping that it will not happen?

**Mr McCormick:** I am not aware of those statements.

**Senator LUDLAM:** That is interesting. If I provide some of those statements to you after the committee has concluded, or once you have had a chance to look at what I am referring to, maybe you can provide us with a rebuttal.

**Mr McCormick:** What I can say is that we have discussions on a semiregular basis with China about the TPP. We are in discussions with anybody who wants to know about TPP. For example, we brief through APEC. We also talk to them bilaterally. There is certainly an interest in China in the TPP. They are interested in knowing more about it, but they certainly have not said that they are never interested or that they do not ever want to join the TPP. I think they have expressed an interest in knowing more about it.

**Senator LUDLAM:** Is Australia hoping they will join? Is that the purpose of those discussions?

**Mr McCormick:** We would hope over time that, consistent with the objective of a free trade area of the Asia-Pacific, the membership would expand to all members of APEC and potentially beyond that as well.

**Senator LUDLAM:** What is the view of the Japanese government?

**Mr McCormick:** The view of the Japanese government about what?

**Senator LUDLAM:** As to the agreement. I will give you some context: ASEAN, as I think you alluded to, has proposed an East Asian economic partnership agreement which would include Japan, China, India, South Korea and Australia. I understand the Japanese government has indicated it would prefer that, rather than the TPP, to proceed through the ASEAN forum. Are we seriously at risk of doubling up or going down a blind alley here?

**Mr McCormick:** No. These are separate enterprises. There are separate discussions going on—and there are a number of them—and some of them have overlapping memberships, but I do not think your portrayal of the TPP is accurate.

**Senator LUDLAM:** Are you aware of whether or not the foreign minister has seen the current negotiating texts for the agreement?

**Mr McCormick:** The Australian foreign minister?

**Senator LUDLAM:** Yes.

**Mr McCormick:** I do not believe he has.

**Senator LUDLAM:** Is that because he is relatively new to the job? Should he have? Will he?

**Mr McCormick:** No. The agreement is the responsibility of the minister for trade. Obviously, we have not got a text that is agreed; therefore, the text has not been shown to the foreign minister. It is a text that is under development rather than a text that exists at this moment. The negotiations are ongoing.

**Senator LUDLAM:** Has the trade minister seen it?

**Mr McCormick:** An FTA agreement, when completed, will be approximately 1,000 pages long. As I said, it is not an agreement that is on the table for anybody to have a look at. We are negotiating in different negotiating groups on text when we have not yet agreed on text. It is not something that exists physically where you can say, 'Here, have a look at the text.' That is not the way these negotiations proceed.

**Senator LUDLAM:** That is fair enough. Very few members of the public have seen the text, so we are all in the dark. I am just wondering to what degree the minister has been brought into the loop. Perhaps DFAT could share the anticipated economic benefits, or the justification, for permitting provisions in the IP chapter of the agreement restricting parallel importations.

**Mr McCormick:** There is no agreement on that outcome. We are involved in a negotiation in which different parties have different objectives, and we are discussing those, but there is certainly no agreement.

**Senator LUDLAM:** The reason I am referring to that—and the only reason we know about that—is that there was a draft text that was leaked to the public last year that included language on rigid parallel importation restrictions. Is that missing from the versions we are negotiating now?

**Mr McCormick:** What I can say is that the text of the agreement is confidential between the parties. I know there are claims that there has been text released. We do not talk about claims of that, but certainly nothing is agreed until all the current nine—or more if we move to 10, 11 or 12—members have agreed to it. Nothing has a status until it has been agreed at the end of the negotiations, so anything that people talk about is purely speculation.

**Senator LUDLAM:** So there was no draft text leaked? You are not acknowledging that some of the language of at least the IP chapter was released?

**Mr McCormick:** Again, as I said, there is an agreement, as you know. We have discussed this before, I think, in a briefing in JSCOT.

**Senator LUDLAM:** That was an off-the-record briefing, so I am trying to pull a little bit of information into the public domain.

**Mr McCormick:** The text and the proposals that people put in the TPP are confidential between the parties.

**Senator LUDLAM:** That does not help if you are trying to do any kind of public interest analysis, if the public has been left on the other side of the door. That is kind of the point that I am making. Is Australia proposing ACTA-style language in the TPP and specifically in the IP chapter? Are you able to tell us about the negotiating positions that we are bringing?

**Mr McCormick:** What I can say is that we are not proposing to change our intellectual property system, and we are not proposing that there would be changes as a result of the TPP to our IP system as a whole.

**Senator LUDLAM:** Okay. I could go on all night, but I know people are keen to get home. And without any copies of the draft text available it is difficult to have this discussion in the abstract, so I will leave it there.

**CHAIR:** There are no further questions, so that concludes the examination of the trade portfolio. I thank the officers of the department, of EFIC and of Austrade for appearing before the committee today and for your assistance. It is appreciated. That concludes this budget estimates session. I thank Ministers Carr and Carr, and Minister Conroy, for their attendance, as well as the officers of all the departments and agencies. Thank you to Hansard and Broadcasting, to the secretariat for your assistance, and to other senators for your cooperation.

**Committee adjourned at 18:08**