



### **Joint statement on zero tolerance to fraud in Australia's aid program to PNG**

During the Ministerial Forum in Canberra on 12 October 2011, the Australian and PNG Government Ministers agreed to a '**zero tolerance**' approach to fraud and corruption in Australia's aid program in PNG:

"The Forum agreed that fraud and corruption presented a significant impediment to development.

Ministers welcomed the Papua New Guinean Government's strong public commitment to fight corruption, acknowledging efforts in areas such as the procurement and distribution of medical supplies, and within the Department of National Planning and Monitoring.

Papua New Guinea and Australia noted that measures were in place to minimise the likelihood that fraud could occur in the aid program and agreed they would take action to prosecute fraud where it is uncovered. The Government of PNG undertook to investigate any allegation of fraud in the aid program vigorously and in a timely manner, to ensure the accountability and effectiveness of Australian development assistance."

Both parties acknowledge the negative effect that fraud and corruption can have on the effective delivery of crucial services to the people of PNG and on economic growth and poverty reduction. It often impacts on the poorest members of PNG society. Fraud and corruption directly impact the level and quality of services by diverting funds away from essential services. It also undermines the quality and relevance of the processes, impacting on people's capacity to do their jobs in an effective and efficient way. Fraud and corruption can result in fewer drugs and medical supplies in hospitals and health posts, fewer textbooks in schools, and a lack of confidence in the rule of law.

Any fraudulent use of funds provided through Australia's aid program has the potential to undermine the credibility and relevance of the program in the eyes of the Australian public, and stakeholders and beneficiaries in PNG. The Government of Australia welcomes the strong political commitment of the PNG Government to take action against fraud and corruption especially through formulation of the PNG's first Anticorruption Strategy.

The Government of Australia acknowledges PNG's Medium Term Development Plan (MTDP 2011-2015) commitment which states: "joint capacity will be built within

strategic government agencies to fight corruption at the highest level and to ensure a high rate of disposition of fraud and corruption cases in court.”

The Government of Australia also acknowledges the PNG Government’s commitment to “improve transparency and accountability to ensure the resources of both Papua New Guinea and Australia are used effectively for their intended purpose” which is confirmed in the Partnership for Development.

Both Governments therefore jointly agree that:

- any suspected fraud within the Australian aid program in PNG be thoroughly and comprehensively investigated with perpetrators prosecuted to the full extent of PNG’s laws;
- PNG’s investigative bodies will provide progress updates to AusAID on investigations within one month of receiving reports of suspected fraud;
- every effort is accorded by PNG authorities to recover any funds lost due to fraud or corruption;
- we jointly commit to improving PNG procurement and financial systems to ensure that aid funds are disbursed effectively and efficiently providing the greatest possible value for money and improve the lives of people in PNG, including the poorest; and
- Australia will provide assistance to PNG agencies to fight corruption.

Both Governments pledge to ensure that the aid programme is transparently programmed, managed and effectively delivered for the benefit of every citizen in PNG. In an effort to make aid delivery more effective, the Government of Australia agrees to use PNG Government systems and procedures where these processes are suitably robust to minimise the risk of Australian aid funding being lost to fraud or corruption; and where there is a demonstrated development benefit for PNG. Both Governments reaffirm the aid effectiveness principles to which they are equal signatories including the localised version which is the PNG Commitment on Aid Effectiveness (2008-2012).

Agreed and signed at: Port Moresby 21 February 2012

For the Government of  
Papua New Guinea

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Hon. Sam Basil, MP  
Minister for National Planning  
And Monitoring

For the Government of  
Australia

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Peter Baxter  
Director General  
Australian Agency for International Development