



Australian Government

Department of Foreign Affairs and Trade



Aid Investment Plan

Papua New Guinea

2015-16 to 2017-18 (extended to 2018-19)

Strategic priorities and rationale

This Aid Investment Plan (AIP) sets the strategic framework for the provision of Official Development Assistance (ODA) administered by the Department of Foreign Affairs and Trade (DFAT) to Papua New Guinea (PNG). Other Australian Government agencies will provide strategic input to policy development and oversight programs in particular sectors in consultation with DFAT. The purpose of this AIP is to inform discussions between the Government of PNG and the Government of Australia to develop an Aid Partnership between our two countries. This AIP will be updated to reflect the finalisation and the signing of the Aid Partnership where appropriate.

Australia implements an integrated set of foreign, trade, security and development policies to advance our interests in PNG. It is in Australia's interest to support PNG's development to economic prosperity.

Australia values its longstanding ties with PNG – we have a shared history and a shared geography. As our nearest neighbour and close regional partner, a stable and prosperous PNG is clearly in Australia's interest. In 2015, PNG celebrates the 40th anniversary of its independence. Over time, our relationship has matured into one of economic and strategic partnership, and in March 2014 we signed a new Economic Cooperation Treaty.

Australia has consistently been PNG's largest aid donor but our relationship is evolving, reflecting a more mature, focused and innovative response to PNG's development needs. In line with the recommendations of a 2014 PNG Aid Assessment (*A new direction for aid in PNG: refocusing Australian aid to help unlock PNG's economic potential*), and consistent with the objectives of the Economic Cooperation Treaty, Australian aid will be aligned with PNG and Australian Government priorities to ensure our aid program delivers assistance that supports sustainable economic growth and equitable development in PNG.

Context

PNG has experienced robust economic growth for over a decade, with expanding formal employment opportunities and strong growth in government expenditure and revenues. This economic performance has been driven by high international prices for PNG's mining and agricultural exports, and in more recent years construction activity related to the liquefied natural gas (LNG) project. In 2015, PNG's gross domestic product (GDP) growth is estimated at 11 per cent on the strength of the first full year of LNG exports, although non-mining GDP growth estimates remains more subdued at a forecast 3.3 per cent.

Given PNG's dependence on the natural resources sector, it now faces significant fiscal challenges with declining international commodity prices and increasing public debt levels.

PNG's strong overall growth has not translated into equitable development for Papua New Guineans. PNG's poor law and order, lack of infrastructure, complex governance arrangements, weak public service, inequality between men and women, poor health and education services, and rapidly growing population are challenges to its future prosperity. PNG is vulnerable to natural disasters including earthquakes, volcano eruptions, and extreme weather events, such as droughts. Natural disasters can take a severe human toll, reverse development gains, and impede economic growth. Disaster risk is taken into consideration for decisions on aid investments, and Australia is ready to help PNG respond to emergencies should it request our assistance.

PNG will not meet any of the [Millennium Development Goals](#). Over three million people – or 40 per cent of the population – remain poor and/or face hardship:

- Around 80 per cent of the population reside in traditional rural and remote coastal communities and secure their livelihoods from subsistence farming, fishing and small-scale cash cropping.
- Life expectancy is only 62 years and infant mortality is 47.3 per 1,000 live births.
- Women and girls suffer unacceptably high death rates related to pregnancy and childbirth, and the majority experience sexual and family violence.
- Women are less likely to be employed in the formal sector, receive lower pay, and occupy few positions of leadership in communities and in government.
- It is estimated that around 15 per cent of the population have some form of disability.

Despite these development challenges, PNG is seeking to achieve upper middle-income country status by 2050 ([Vision 2050](#)). Sector priorities, as set out in the PNG Government's [2012 Alotau Accord](#), include education, health, law and justice, infrastructure and sustainable economic growth. PNG's economic growth agenda focuses upon investments in 'high impact infrastructure' – key roads, ports, power, and hospitals; job skills development; and partnering with the private sector, including supporting its role in service delivery.

PNG has a strong focus on improving service delivery at the local level through the introduction of District Development Authorities (DDAs). While this process is intended to consolidate greater financial resources at the district level, providing effective assistance at the sub-national level may be challenging.

PNG's decade of economic expansion has led to a reduction in the comparative size of Australian aid. At independence in 1975, Australian aid represented 40 per cent of PNG's budget, but today it represents around 8 per cent, even as Australia remains PNG's largest bilateral aid donor. As such, Australia's aid investment must increasingly focus on assisting PNG to mobilise its own resources for equitable growth and human development.

The Australian Government contribution to development in PNG is valued at approximately 68 per cent of total Official Development Assistance. The other bilateral donor countries are New Zealand, Japan, the European Union, and the United States of America. It is likely that China will play a more significant and active role as an emerging donor in the future. Multilateral partners are critical to development in PNG including, the Asia Development Bank, the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Strategic directions

The Australian aid program in PNG is currently implemented in accordance with the *PNG-Australia Partnership for Development* and the *Joint Understanding between Australia and Papua New Guinea on further bilateral cooperation on Health, Education and Law and Order*. Together, these set out the mutually agreed priorities and commitments for Australia and PNG to work together to improve development outcomes for all Papua New Guineans. The *2014 PNG Aid Assessment* considered ways in which Australia's aid program could more closely align with both Governments' priorities. This included options to better address key constraints to economic growth and equitable development in PNG. The recommendations of this assessment were agreed by the Australian and PNG Governments and represent a strategic shift in Australia's approach to aid in PNG. Consistent with the directions as set out in Australia's aid policy *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, this shift in Australia's aid investments will guide where and how Australian aid is spent in PNG in the coming years.

Given PNG's sovereign responsibility and financial ability to undertake basic service delivery, Australia is increasingly focusing its efforts in the health, education, infrastructure and law and justice sectors to further develop PNG's own capacity to deliver services to its population using its own resources.

As part of the shift in Australia's aid investment agreed between our two Governments, we will increase initiatives focused on private sector-led growth and aid for trade to 30% of the program over the next three years.

We are also increasing partnerships with the private sector. This will include increased engagement with business. Australia is also increasing support to initiatives that empower women to take on greater leadership roles in public and community life, and participate in the economy.

Recognising the importance of the rule of law and effective governance to PNG's prosperity, we will augment our policing and public sector capacity building assistance.

Our aid investments in the Autonomous Region of Bougainville will support the effective implementation of autonomy arrangements under the Bougainville Peace Agreement. As agreed between the Australian and PNG Governments, aid investments in Bougainville will rise.

Australia's aid objectives

From 2015-16 to 2017-18, Australia's aid program in PNG will encompass the following three strategic, and interlinked, objectives which are in line with PNG's priorities and where Australia can add value:

1. Promoting effective governance
2. Enabling economic growth
3. Enhancing human development

As a cross-cutting issue, all programs will effectively integrate gender equality.

Objective 1 – Promoting Effective Governance

Governance affects virtually all aspects of a country's prosperity. An effective public sector and functioning, predictable institutions provide the foundations for economic growth, private sector investment and trade.

PNG continues to experience weak capacity at all levels of the bureaucracy, severely limiting its ability to set policy and implement high priority programs. This impacts the achievement of outcomes across all sectors. There is little accountability and transparency in planning and budgetary decision-making. State-society relationships are weak, with limited opportunities for civil society engagement with government. There are an estimated 110,000 public servants in PNG across the national, provincial, district and local government levels, but the capacity of government to deliver services is being challenged at all levels.

Australia will continue to assist PNG to build an effective public service by partnering with the PNG Government to establish a new [Pacific Leadership and Governance Precinct](#), and investment in government-to-government advisory support.

The [Precinct](#) will see support provided to the University of PNG and the PNG Institute of Public Administration, with a view to establishing high performing professional PNG institutions that promote and strengthen the core capabilities and ethical behaviours of the public sector in PNG. In particular, the Precinct will support the Government of PNG to progress its commitments to gender equity and social inclusion.

Australia will complement this by increasing engagement with PNG champions who support reforms for more accountable and better functioning national and sub-national governments. The Australian Bureau of Statistics is assisting the PNG National Statistics Office to improve its governance and leadership, and the collection and release of economic data. Support will also be provided to the PNG Government to prepare for the General Elections in 2017.

Australia will also support more effective partnerships and working arrangements between the PNG Government and the private sector, civil society, NGOs, and churches, to help meet communities' needs.

An effective law and justice system is fundamental to the authority of the state. Weak governance and under-resourcing means that the capability of law and justice agencies, including the police, has not kept pace with population growth and increasing criminal caseloads. PNG ranks 145th out of 175 countries in [Transparency International's Corruption Perceptions Index](#) for 2014. Community and business surveys indicate low levels of trust in law enforcement and the judiciary. PNG businesses consistently identify law and order as their highest reform priority and insecurity imposes high costs on businesses.

Family and sexual violence is endemic, with some of the highest rates of violence against women and children in the world. It is the most common form of violence experienced by women, many of whom live in fear of attack. Violence appears to be increasing as a feature of criminal activity, as does the use of firearms.

Australia has provided direct assistance to PNG's law and justice agencies for over 25 years and is the major donor to the sector. Australia has a strong national interest in supporting justice and law enforcement outcomes in PNG. We share a border, economic interests and common legal frameworks with PNG. As the two largest countries in the Pacific, we share security interests and are committed to working together to address regional law and justice challenges.

Australia will continue to support the building of strong institutions that have a direct role to play in promoting stability, economic growth and poverty reduction through the work of a number of agencies including the Australian Federal Police, the Attorney-General's Department and the Australian Transaction Reports and Analysis Centre (AUSTRAC). This will include continued support for PNG's efforts to combat corruption and to implement the recommendations of the Financial Action Task Force, which will improve investor confidence in PNG.

A reshaped Australian Federal Police engagement in PNG aims to increase the professionalism of the Royal Papua New Guinea Constabulary. Australia will maintain a strong program of support for building the capacity of the Royal Papua New Guinea Constabulary to manage law and order including through the deployment of Australian Federal Police officers in advisory, training and mentoring roles and expanding the training opportunities for Royal Papua New Guinea Constabulary members in Australia.

Australia's renewed investments in the law and justice sector will continue to focus on strengthening access to justice and local conflict resolution mechanisms to promote community safety and security and address family and sexual violence.

Objective 2 – Enabling economic growth

Despite a sustained period of high economic growth in PNG, the country ranked 133 out of 189 economies on the [World Bank's 2015 doing business ranking](#) and has rated particularly poorly in the category of 'enforcing contracts' (181 out of 189). PNG's growth is heavily dependent on the mining and petroleum sectors and needs to diversify if it is to withstand future price shocks.

Australia's aid can be a strong catalyst for more inclusive economic growth in PNG. This includes assisting the PNG Government to implement an effective Sovereign Wealth Fund to manage the returns from natural resources, and by fostering an environment conducive to private sector development, led by both women and men.

In recognition that inadequate and poorly maintained infrastructure creates significant costs to doing business, and constrains economic growth, Australia's aid investment in economic and social infrastructure in PNG is set to increase, from 37% of the program in 2014 to approximately 50% by 2017. Our infrastructure investments may include both construction and maintenance activities as appropriate to the context of the sector and local environment.

As PNG moves towards larger scale infrastructure investments we aim to move towards a greater focus on provision of infrastructure policy and analytical support. Recognising PNG's growing capacity to provide routine road maintenance services, this will be accompanied by an increased focus on high impact, complex capital works.

Within the PNG transport sector, Australia will focus its support predominantly on the rehabilitation of PNG's priority roads; improvement of aviation and maritime safety and security standards; and operational reform of the transport sector agencies.

Australia will increase support for the rural livelihoods of both women and men in recognition that about 80 per cent of Papua New Guineans reside in traditional rural communities and secure their livelihoods from agriculture (including crops, livestock, fisheries and forestry).

The Australian Centre for Agricultural Research (ACIAR) will invest in agricultural research to lead to enhanced livelihoods and to provide a means to increase agricultural productivity,

reduce post-harvest losses, and make supply chains more efficient. This will enable PNG to increase its participation in domestic and international agricultural trade.

A new [Private Sector Development Framework](#) identifies a range of investments to help reduce costs, reduce risk and increase the productivity of the PNG economy. Australia will improve the enabling environment for business through infrastructure support, including a new phase of the Incentive Fund open to the private sector, and a competitive Innovation Facility to encourage social entrepreneurship and business-led investment.

Australia will also support technical and vocational training to address gaps in key technical skills identified by the private sector. Opportunities should exist to partner with the private sector to provide targeted support to develop markets, generate new economic opportunities and improve access to finance, particularly for women.

PNG has valuable offshore tuna resources and is successfully developing its onshore processing capacities. However, transparency and governance in the sector has been variable leading to real concerns over lost revenues and poor controls over foreign and domestic fleets. Australia will seek opportunities to advance this agenda through more regular dialogue and targeted support where appropriate.

Australia will provide targeted aid-for-trade support to build PNG's capacity to deal with cross-border trade issues such as quarantine and customs to help PNG access international markets. This will be undertaken through the [Pacific Agreement on Closer Economic Relations \(PACER Plus\)](#) negotiations and support to PNG to comply with agreed mutual international trade and investment obligations, to which PNG is a party. We will also support PNG's preparations to host the Asia-Pacific Economic Cooperation (APEC) forum in 2018.

Australia will increase aid investments in youth skills training and job placements, technical and vocational education and training, and higher education, responding to businesses' and government's need for more skilled employees.

Australia and PNG will continue to work together to further our shared interests in the Kokoda Track, including keeping the Track open and safe, supporting economic and social development, and protecting the local environment and heritage.

Objective 3 - Enhancing human development

Economic growth is a necessary pre-requisite for poverty reduction, but its impact on poverty reduction is not assured. Measures to improve people's access and participation in quality health and education services can help ensure that growth is shared. PNG continues to face enormous challenges in providing access to quality health services and education opportunities for all Papua New Guineans.

Australia's support for human development in PNG will progressively shift towards building PNG's capacity to deliver services to its citizens, and away from direct service delivery.

Australia will assist PNG to achieve a more effective system which can deliver health services that are responsive to all people's health needs - targeting improvements in maternal and child health and communicable disease control.

We will continue to support essential maternal, newborn and child health interventions including through increasing the quality and quantity of skilled birth attendants, and developing capacity to deliver routine immunisations. We will work with PNG to strengthen

tuberculosis (TB control and prevent the spread of drug-resistant TB through maintaining investments in Western Province, and expansion of our support into the National Capital District, which is the primary TB ‘amplifier’ in PNG. Our investments in HIV will progressively shift to PNG Government responsibility; however, we will maintain a focus on most-at-risk populations.

We will continue to work to make inroads against malaria, including through partnerships with other donors, (including the Global Fund to Fight AIDS, Tuberculosis and Malaria), and the private sector. We will maintain partnerships with multilateral agencies, develop a stronger engagement with the private sector and the faith-based health services, and explore co-funding approaches to maximise the recent programs in priority health areas.

Australia’s health assistance will continue to focus on a number of priority provinces and districts based on need to maximise the influence of our investments and demonstrate their impacts on health service improvements.

Australia recognises the value of quality education in creating a thriving economy and in developing PNG’s future leaders. Our efforts will support more students, particularly girls and children with a disability, to enrol in and complete school, to further their education through university or technical college, and to enter the workforce with the skills that they need. We will encourage gender equality in education in PNG.

We will continue to support students to have better access to primary school by increasing the number of accessible school classrooms, teacher accommodation and ablution blocks. We will identify and work with well performing secondary schools to expand opportunities for girls to complete their education and to progress to tertiary studies. We will also work with PNG to improve teacher training colleges, implement education quality standards, and strengthen education management so that students benefit from more well trained teachers and stronger school leaders.

We will seek opportunities to work with business, including other education institutions, in the higher education and the technical and vocational training sector. We will facilitate further twinning arrangements between PNG and Australian universities. We will collaborate with the private sector to revitalise and expand PNG’s technical colleges in Port Moresby, Lae and Bougainville to build capacity and raise training standards to enable more graduates to gain accredited trade qualifications that meet industry requirements.

[Australia Awards](#) scholarships will continue to be a key element of Australia’s education investment. These scholarships will assist Papua New Guineans to obtain higher education qualifications at Australian institutions, and for the priority areas of health and education, at PNG training institutions. We will ensure that women and people with disabilities are given increased opportunities for education through scholarships and fellowships. Australia will assist the expanding alumni base to remain active in building networks, mentoring new students and recent alumni, and in furthering their own leadership development.

Australia and PNG people and institutional links will be complemented through the roll out of the [New Colombo Plan](#) in PNG.

Australia recognises that gender equality and women’s empowerment are critical to PNG’s economic and human development. The Australian-funded Pacific Women Shaping Pacific Development program has added critical investments to support these objectives. The Business Coalition for Women has been developed to support the mentoring of women business leaders and to facilitate connections across the Pacific. We will expand support to

improve women's leadership, economic opportunities and safety in PNG. This includes through the Australia-Pacific Women Parliamentary Partnerships program, supporting access to services for survivors of family and sexual violence, and by addressing constraints to women's effective participation in labour markets and agribusiness through financial literacy, microfinance programs, and building safe markets.

Australia has strongly advocated for disability inclusive development with the PNG Government and our implementing partners. We will continue to do so in line with our new [Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program](#) and the [PNG National Policy on Disability](#).

Australia is committed to integrating disability-inclusive measures across Australia's aid program to PNG, addressing the vulnerabilities of people living with disabilities. Australia will also work with the private sector to identify ways in which workforce participation for those with disabilities can be further supported.

We will also increase our focus on children and young people. PNG's population is highly youthful, with 41 per cent of the population under 15 years old and 59 percent of the population under 25 years old.¹ The development challenges for children in PNG are stark: 13,000 children a year die before the age of five, more than half of the survivors of sexual assault are under 15 years old, an estimated 40 per cent of children are stunted, and one in five children are not enrolled in school. Youth (young people aged 15 to 25 years old) face their own development challenges, particularly around gaining employment. Australia is committed to integrating approaches that are sensitive to children and youth into our investments in PNG, including developing a PNG Youth Strategy, enhancing our focus on child protection issues and supporting the PNG Government's implementation of the *Lukautim Pikinini Act* (2015).

Autonomous Region of Bougainville

The Autonomous Region of Bougainville, as elsewhere in PNG, faces a range of constraints to economic growth and human development. Bougainville continues to face additional challenges as a result of its nine year (1989 to 1998) civil conflict. The five-year window (2015-20) in which Bougainville will hold a referendum on its future political status, as mandated by the [Bougainville Peace Agreement \(BPA\)](#), will present a range of challenges for the PNG Government and the Autonomous Bougainville Government (ABG).

In consultation with the PNG Government and the ABG, Australia is increasing its aid to Bougainville to support stability throughout this period by strengthening governance and service delivery, promoting social cohesion and economic growth, and empowering women and youth.

Supporting effective governance remains a priority for Australia's aid to Bougainville, as we aim to improve the capacity of the ABG to implement the BPA.

We will expand our economic assistance for Bougainville to support private sector engagement in agriculture. As part of a new program of research for development on transformative agriculture and enterprise development in PNG, we will support the

¹ PNG Household Income and Expenditure Survey (HIES) 2010.

strengthening of rural communities through the restoration of profitable cocoa production on Bougainville.

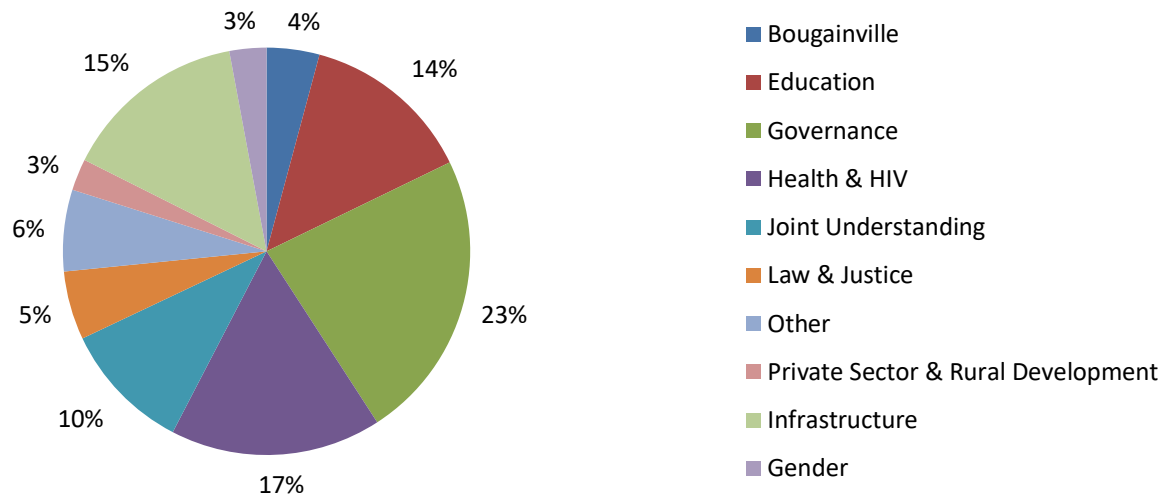
We will also enhance our investments in health, education, transport and law and justice. Increasingly, these sector activities will aim to build capacity within the ABG to take a greater role in service delivery.

Australia will continue to support the implementation of the Bougainville Gender Investment Plan, which aims to reduce gender-based violence, strengthen women’s leadership and improve women’s economic opportunities. We will work with NGOs to increase the positive social, economic and political participation of youth and people with disabilities in Bougainville’s society and their contribution to its peaceful future.

Australia will continue to support the Bougainville Peace Building Program recognising its important contribution to reconciliation through traditional approaches and dialogue.

Australia will continue to support the PNG Government and ABG in their efforts to coordinate donor assistance to Bougainville.

Expected bilateral program expenditure 2015-16



Implementation approaches

Aid delivery in PNG is complex. Decisions on delivery mechanisms will be based on an assessment of how Australian aid objectives can be achieved as efficiently and effectively as possible, taking into account technical and political economy considerations as well as the long term focus of development work in PNG.

A range of Government departments and agencies are involved in implementing elements of Australia's aid investment in PNG. Led by the Department of Foreign Affairs and Trade (DFAT), key Australian Government departments and agencies will continue to play essential roles in delivering Australia's Official Development Assistance to PNG. This is particularly the case in the governance sector, where a range of agencies make important contributions to PNG public sector reforms policy and the delivery of law and justice. See Table 1 below for a list of whole of government partners and further information.

Australia will work with the Government of PNG, regional organisations and private sector to deliver the aid program. Australia will look for opportunities for PNG to fully benefit from the [Pacific Agreement on Closer Economic Relations \(PACER\) Plus](#), when finalised.

Australia intends to consolidate the number of PNG aid program investments where possible. Consolidation will primarily be achieved through the introduction of the PNG Governance Facility (PGF), which will implement multiple, high priority governance activities through a single aid investment. While the law and justice, education and health sector programs have already been consolidated, further attempts will be made to reduce the number of investments being implemented (where appropriate).

Our key implementation approaches include:

- **Managing contractors** - The majority of the program is delivered through managing contractors who help us provide technical assistance, infrastructure and other services.
- **Working through PNG Government systems** - Australia provides funding through PNG Government systems only where there is a strong rationale and robust controls in place.
- **Multilateral organisations and other donors** - We will continue to work with other donors and regional organisations including the Asian Development Bank, the World Bank Group and the United Nations to provide support in areas where they have expertise and local knowledge. Key donor partners in PNG also include New Zealand, the Global Fund to Fight AIDS, Tuberculosis and Malaria, GAVI the Vaccine Alliance, and the Global Partnership for Education.

- **Civil society partners** - We collaborate with civil society organisations, including churches, women’s organisations and international and PNG non-government organisations, to deliver inclusive assistance where they have expertise and local knowledge.
- **Regional and global programs** – We work with the PNG Government to ensure Australia’s regional and global programs complement Australia’s bilateral assistance and promote achievement of Australia’s aid objectives in PNG.

Working regionally with the island countries has proven to be a highly effective complement to mainstream bilateral programs, and has enabled us to test innovative approaches before they are more broadly integrated into country programs.

- **People-to-people links** - Australia will continue to develop people-to-people links through both the Australia Awards and Australian Volunteers for International Development programs. The Australia-Papua New Guinea Network, the Emerging Leaders Dialogue and the New Colombo Plan will also foster and strengthen people-to-people links between Australia and PNG.
- **A greater role for the private sector** - There will also be an increase in partnerships with the private sector, including increased engagement with business to guide improvements in the legal, regulatory and policy environment and to support more effective, committed development partners. The Australian High Commission hosts regular PNG business and development roundtable meetings and we also engage with the Australia–PNG Business Council, which focuses on developing and supporting trade and investment between Australia and Papua New Guinea.

To minimise risk and ensure the delivery of an effective aid program, Australia will continue to consider a number of safeguards when planning, designing, delivering and evaluating all Australian aid investments in PNG. Safeguards are mandatory requirements that apply to all of Australia’s aid investments to ensure potential adverse social and environmental impacts are identified and adequately addressed. Mandatory safeguards requirements are in place for environmental protection, displacement and resettlement and child protection. Safeguards such as these are a key risk mitigation facet of the program to prevent harm to individuals or the environment, adverse legal consequences, and reputational damage.

Policy dialogue

The annual Australia and PNG Leaders’ Meeting and Ministerial Forum shape the bilateral agenda and enable dialogue on key strategic issues. This meeting is preceded annually by Senior Officials Talks between Australia and PNG on the development program and broader bilateral issues.

The Australian and PNG Governments currently set agreed priorities for the Australian aid program to PNG and also agree mutual obligations for both Governments through the *PNG-Australia Partnership for Development*. A new bilateral Aid Partnership is expected to be developed in 2015. Australia and PNG will annually agree sectoral based schedules, which will be attached to the Aid Partnership, to record sectoral priorities, intended outcomes, targets, benchmarks, indicators for success and mutual obligations.

The PNG Government has released its [Medium Term Development Plan 2 \(2016-17\)](#). The PNG Government is also developing a new Aid Policy 2015-20 that seeks to coordinate the engagement of donor partners across the development sectors. Australia will align our investment with these strategic frameworks.

Australia's consultations with business on development and the aid program, including with the [Australia-PNG Business Council](#), will encompass broader economic policy issues in PNG.

Expected Bilateral Program Commitments by Partner Type 2015-16

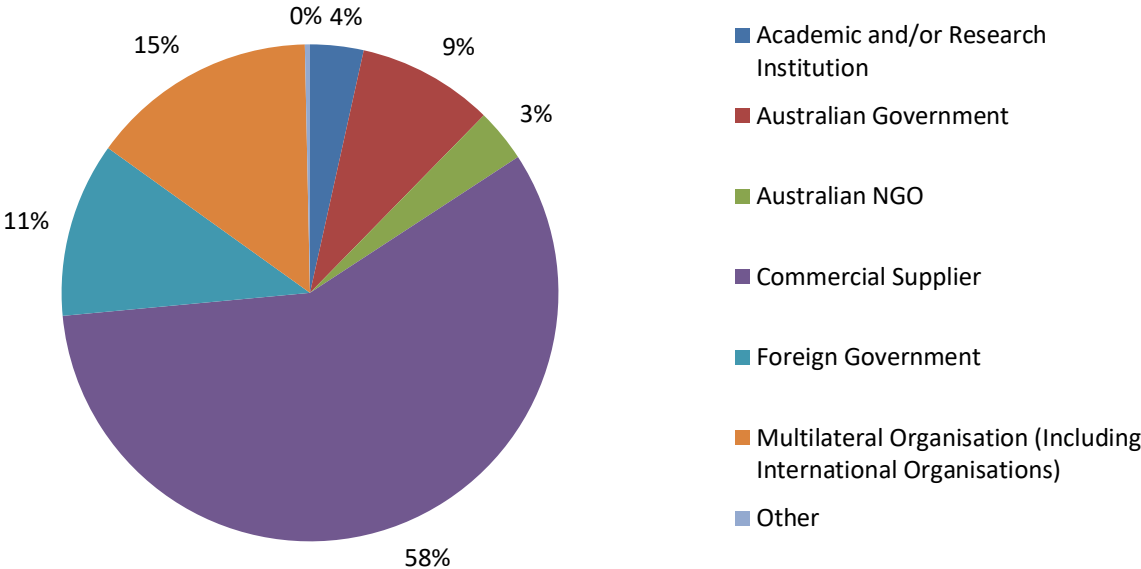


Table 1 - Whole of (Australian) Government partners
Air Services Australia - www.airservicesaustralia.com
Australian Bureau of Statistics - www.abs.gov.au
Australian Centre for International Research - www.aciar.gov.au
Australian Electoral Commission - www.aec.gov.au
Australian Federal Police - www.afp.gov.au
Attorney-General's Department - www.ag.gov.au
Australian National Audit Office - www.anao.gov.au
Australian Public Service Commission - www.apsc.gov.au
Australian Taxation Office - www.ato.gov.au
Australian Trade Commission - www.austrade.gov.au
Australian Office of Financial Management - www.aofm.gov.au
Australian Transaction Reports and Analysis (AUSTRAC) - www.austrac.gov.au
Civil Aviation Authority - www.casa.gov.au
Commonwealth Ombudsman - www.ombudsman.gov.au
Department of Finance - www.finance.gov.au
Department of Health - www.health.gov.au
Department of Immigration and Border Protection - www.border.gov.au
Department of Infrastructure and Regional Development - www.infrastructure.gov.au
Federal Court of Australia - www.fedcourt.gov.au
Geoscience Australia - www.ga.gov.au
The Treasury - www.treasury.gov.au

Performance management

Performance Benchmarks

Australia proposes the following performance benchmarks be used to assess progress towards the strategic objectives of the Aid Investment Plan. Australia will report on progress against these benchmarks through [annual Aid Program Performance Reports \(APPRs\)](#). Future year performance benchmarks will be determined following the review and analysis of the APPRs.

Outcomes	Performance benchmark	2015-16
Promoting Effective Governance		
Outcome 1.1: Improved services delivered by the public sector	<i>Number women and men in the public service trained in core skills*</i>	Women: 2,680 Men: 4,000 Total: 6,680
Outcome 1.2: Improved law and justice services	<i>Number of survivors of violence receiving services, such as counselling**</i>	Women: 13,720 Males: 280 Total: 14,000
	<i>Number of police and law and justice officials trained</i>	Women: 1,139 Men: 2,942 Total: 4,081
Enabling Economic Growth		
Outcome 2.1: Private sector plays a greater role in economic development	<i>Increase to 30% of the aid program focused on private sector led growth and aid for trade***</i>	28%
	<i>Number of poor women and men who increase their access to financial services</i>	Women: 12,900 Men: 17,100 Total: 30,000
Outcome 2.2: Improved road infrastructure increasingly connects producers with consumers	<i>Targeted investments contribute to sustained improvements in the national road network. (Assessed by distance (km) of roads that are subject to design/routine maintenance / periodic maintenance and rehabilitation)</i>	Routine/Periodic: 423km Rehabilitation: 27km Design: 60km Total: 510km
Outcomes	Performance benchmark	2015-16
Enhancing Human Development		
Outcome 3.1: Improved infrastructure provides access to education services	<i>Number of school buildings constructed, maintained, refurbished or rehabilitated</i>	30
Outcome 3.2: The quality of key services in health and HIV/AIDS are improved	<i>Number of additional births attended by a skilled birth attendant</i>	9,250
Outcome 3.3: The quality of key services and access to education are improved	<i>Number of additional girls and boys enrolled in school</i>	Girls: 71,000 Boys: 84,000 Total: 155,000

	<i>Improve Gross Enrolment Rate (GER) at Grade 5 (six years of schooling) for girls and boys, ensuring more girls in particular are reaching the upper primary education levels</i>	Girls GER: 80.5% Boys GER: 93%
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* Excludes number of police and law and justice officials trained.

** These benchmarks reflect results from Australia's programs across PNG, including in the Autonomous Region of Bougainville.

***This performance benchmark captures not only our aid for trade investments but also our investments in private sector led growth, such as support to the Asia Pacific Technical College-PNG .

Mutual obligations

Australia will deliver development assistance in support of the aid objectives and performance benchmarks identified in this AIP. We propose Australia and PNG agree a set of mutual obligations for the aid program, to be confirmed through discussions on a future Aid Partnership. These mutual obligations will be updated in PNG's Aid Investment Plan once agreed.

Australia commits to progress development priorities identified in [PNG's Medium Term Development Plan 2 \(2016-17\)](#). This will include supporting ongoing reform efforts, led by the PNG Government. Australia and PNG will discuss the Aid Partnership on an annual basis, to review progress against performance benchmarks and determine performance benchmarks for the following year.

1. Papua New Guinea and Australia will establish a five year Aid Partnership, based on the recommendations of the Papua New Guinea Aid Assessment, in 2015
 - a. Papua New Guinea Government establishes and implements its new foreign aid policy and [PNG's Medium Term Development Plan 2 \(2016-17\)](#)
 - b. The Australian Government implements its new development policy and this Aid Investment Plan (2015-16 to 2017-18).

2. Papua New Guinea and Australia maintain their commitment to fight corruption and fraud
 - a. Papua New Guinea continues to support a strong anti-corruption institution/agenda
 - b. Australia maintains a zero tolerance on fraud in the aid program.

3. Papua New Guinea and Australia work together to promote gender equality and women's empowerment in Papua New Guinea
 - a. Australia implements the flagship program [Pacific Women Shaping Pacific Development](#), focusing on increasing women's leadership and influence in decision-making, increasing economic opportunities for women, and strengthening the national response to violence against women
 - b. PNG Government implements the [Gender Equity and Social Inclusion Policy](#).

4. Papua New Guinea and Australia increase resources and implementation efforts to address TB in Papua New Guinea
 - a. Papua New Guinea Government supports the response to Drug Resistant (DR)-TB in the National Capital District (NCD), Central, Gulf and Western Provinces; creates TB health workforce positions in provinces and districts; manages the effective procurement and distribution of quality-assured TB medicines; convenes an annual Ministerial Taskforce meeting on TB (commencing 2015); and appropriately funds the response
 - b. The Government of Australia supports ongoing efforts towards TB control in Western Province and NCD, with a focus on managing DR-TB, TB treatment and prevention

programs in community settings, laboratory services, patient support services and engaging the private sector.

5. Papua New Guinea and Australia implement the *Joint Understanding on further bilateral cooperation on Health, Education and Law and Order*
 - a. Australian Government provides up to \$420 million of assistance to:
 - i. Fund support for the master plan and scope of works for the redevelopment of the Lae ANGAU Hospital, fund 50 per cent of the capital costs associated with redevelopment and contribute to the costs of senior management personnel at Lae ANGAU Hospital
 - ii. deploy an additional 50 Australian Police in Port Moresby and Lae
 - iii. rehabilitate essential infrastructure at University of PNG (UPNG) and support twinning and exchange programs between UPNG and Australian institutions
 - iv. the scoping and design of the Lower Courts Complex in Port Moresby
 - v. a scoping and design study of the Madang–Ramu Highway
 - vi. the recruitment of senior positions in the Royal Papua New Guinea Constabulary, and the National Departments of Health and Education and Correctional Services, at PNG’s request.
 - b. Papua New Guinea Government
 - i. meets its commitment to fund 50 per cent of the redevelopment of Lae ANGAU Hospital and funds ongoing recurrent operational costs
 - ii. undertakes to increase funding to expand and better equip and train the Royal Papua New Guinea Constabulary.
6. Papua New Guinea and Australia maintain their commitment to strengthening the core capabilities of the public service in Papua New Guinea through the Pacific Leadership and Governance Precinct:
 - a. The Government of Papua New Guinea provides leadership for public sector capacity development, supporting integration of Precinct activities by identifying and selecting high performing participants from across government departments and levels, and encouraging, recognising and rewarding the application of learning through career progression in workplaces
 - b. The Government of Australia provides support that enhances ethical and values based leadership and debate in PNG through course development, teaching and infrastructure construction.

Monitoring, review and evaluation

Australia's aid in PNG is aligned with the Government's performance framework for Australia's aid program *Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid*. This approach ensures effective and efficient use of Australia's aid and enables a stronger focus on results and value for money. It will strengthen the way performance is assessed at all levels. Under the new performance framework, program performance will be assessed against 10 strategic targets, PNG program specific benchmarks and mutual obligations. Australia will systematically review and report on the performance and results of Australia's aid program and investments in PNG, to continually improve aid effectiveness.

Australia will review the performance of PNG program contractors, investments, sectors and the overarching program annually, using Partner Performance Assessments, Aid Quality Checks, Sector Performance Reports and an Aid Program Performance Report. These reports will continue to provide frank, evidence-based assessments of progress and include management actions. This approach will help the Governments of Australia and Papua New Guinea understand what works and what does not, informing decisions made by departmental staff and delegates, and promoting public accountability for the use of taxpayer funds.

Australia has 44 significant investments in PNG, 24 of which are valued at \$10 million or more. Appropriately, we have scheduled up to 25 investment reviews or evaluations to occur over the life of this Aid Investment Plan. To enable the efficient and effective review and evaluation of the program and its investments, DFAT and our implementing partners will continuously monitor program and investment performance and collect data to verify success.

Program management

Governance and resource management

Overall responsibility for the strategy and the Pacific aid budget will lie with DFAT's First Assistant Secretary, Pacific Division. Australia's High Commissioner to Papua New Guinea will have responsibility for in-country leadership and delivery of the bilateral aid program against the objectives of this Aid Investment Plan.

DFAT in Canberra is responsible for policy development and guidance, drawing on the expertise of thematic specialists, as well as the DFAT PNG Development and Solomon Islands Branch, Papua New Guinea and Fiji Branch and Post. Staff at Post will have primary responsibility for program analysis, design, management, monitoring and evaluation. Roles will be adjusted over time to reflect new investment priorities, with resources following functions. Other Australian Government agencies, including the Australian Centre for International Agricultural Research, Austrade, the Australian Federal Police and the Attorney-General's Department, will provide strategic input for aid investment in particular sectors and have programming responsibility for their contributions on those sectors in consultation with DFAT. Designing, implementing and evaluating aid investments requires highly skilled staff. We will maximise our capability through innovative and flexible use of resources and by investing in staff training and development. Where appropriate we will procure specialist expertise to assist with our changing program.

Risk management

Australia's aid to PNG is delivered in a challenging environment. By their nature, aid investments contain a high degree of risk, which require careful management. The PNG program will monitor and manage risks at the implementing country level. Staff in Canberra and in PNG will be responsible for identifying and managing risks and elevating risks to the attention of senior management when appropriate. Australia will continue to review risks and treatments for all investments at every stage of the aid management cycle. Australia remains open to accepting a reasonable level of risk in order to achieve on objectives and effective outcomes, and we acknowledge that it is not possible to seek to eliminate all risk before embarking on an aid investment.

In PNG, governance fraud and corruption continue to be challenges. As outlined in the DFAT Anti-corruption and Fraud Control Strategy for the PNG bilateral program, DFAT is committed to preventing, detecting and rapidly responding to fraud and corruption through Australia's aid program in PNG. DFAT's longstanding zero tolerance approach to fraudulent and corrupt actions against Australia's development program in PNG requires that for all instances of alleged, suspected or detected fraud DFAT will: investigate the matter to determine the nature and extent of the fraud; apply appropriate administrative or contractual penalties, including termination of engagement; seek prosecution of offenders and the application of appropriate penalties, including through referral to local police

overseas and/or the Australian Federal Police; and seek the recovery of misappropriated funds or assets. Disaster risk will also be factored into our decisions on significant investments.

The following is a summary of the risk management documentation and monitoring requirements that will be implemented by the Australian aid program in PNG:

- The PNG aid program Fraud and Anti-Corruption Strategy will be reviewed annually
- Risk reporting will be documented through the annual PNG Aid Program Performance Report (APPR)
- PNG sectoral program risk registers will be updated to identify the risks to achieving objectives outlined in this Aid Investment Plan and they will be monitored and reviewed regularly
- Investment risk registers that identify the risks to achieving the objectives of investments will continue to be developed as part of the design process and then monitored and reviewed regularly.