



Reflections on the relationship between Australia and Papua New Guinea

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In reflecting on the relationship between Australia and Papua New Guinea, I don't intend to provide a comprehensive list of what the Australian aid program has done or is doing in Papua New Guinea. Rather, I think it is more appropriate to focus on the broader aspects of our relationship with Papua New Guinea before making some remarks about the future directions the Australian aid program will take there. At such an auspicious moment in Papua New Guinea's history it is constructive to look ahead with optimism.

The importance of Papua New Guinea to Australia

Why is Papua New Guinea important to Australia? The reasons are self-evident. As our closest neighbour, what affects Papua New Guinea usually affects Australia too. It is obviously in our interests to have a stable and prosperous neighbour.

Papua New Guinea is also very important for commercial reasons. We have substantial trade with Papua New Guinea

as they do with us. We cooperate closely in a number of regional forums and while our two countries may often have different perspectives on a range of issues, we have little difficulty working constructively together.

While trade and investment are important in our relationship, there is also a fundamental human element. When in Papua New Guinea in May this year, I was repeatedly reminded of the close links between the people of Papua New Guinea and Australia. Of course the war years forged a strong link, but these links have been renewed and strengthened by succeeding generations.

The strength of these connections was clearly revealed during the recent drought and tsunami. Many of you here today will recall the immediate response by Australians to those events. The speed with which the Australian Government responded to requests for assistance combined with spontaneous acts of support from ordinary Australians underlined the special relationship that exists between our two countries.



Progress since 1975

And this special relationship was forged most deeply during the events surrounding Papua New Guinea's independence in 1975.

Helping Papua New Guinea to independence was certainly one of the most significant international commitments Australia has ever embarked upon and moreover has remained firmly committed to ever since.

Twenty-five years ago, with Papua New Guinea on the verge of independence, some Australians claimed that the territory was not ready to manage its own affairs. Even today there are still those who believe this. According to this view, Papua New Guinea would have been better to have remained as it was—a colony of Australia with important decisions about its future being made thousands of miles away in a foreign capital.

Thankfully those views did not carry the day. Independence for Papua New Guinea was widely viewed by Australians as not only inevitable but the right thing to do. This is reflected in the fact that, as early as 1970, independence for Papua New Guinea was a matter of bipartisan political support in Australia.

The bottom line is that compared to many other former colonies, Papua New Guinea is a success story. It is a little known but profound fact that Papua New Guinea is one of the few developing nations to have remained under continued democratic rule from the day of its independence. Tens, even hundreds of millions in other countries can only look at that record with awe.

Problems remain, that is true, but we shouldn't allow the obvious development challenges that remain to obscure the positives in the Papua New Guinea story. The economy has expanded significantly—averaging three per cent growth a year over the last quarter of a century. Many social indicators are trending in the right direction. Civil society has flourished too. Papua New Guinea has some

of the most independent media in the region and a growing network of active and outspoken non-government organisations. As I said, a remarkable success story.

The future aid relationship

Despite these successes much more work remains to be done. This is why Australia, through the aid program, will continue to be involved in Papua New Guinea's national development in the future.

The new Treaty on Development Cooperation between our two countries was signed in October last year in order to come into effect in the current financial year.

Underlining the special relationship between our nations, Papua New Guinea is the only country with which Australia has a Treaty solely focused on development cooperation. The value of the Treaty lies in the certainty it provides to both parties about the new directions the aid program will take. And these new directions are groundbreaking.

First, the new Treaty confirms the end of budget support to the PNG Government and its replacement with jointly programmed activities.

There are a number of advantages associated with this new direction. Most importantly, it now means that aid can unambiguously focus on activities consistent with the PNG Government's Development Strategy. It also means that there are improved accountability procedures governing the way aid is spent. This helps to ensure that both Australians and Papua New Guineans can be confident that aid money is being properly allocated.

In the current financial year, aid flows from Australia to Papua New Guinea will once again be A\$300 million, or almost 20 per cent of the total Australian Government's aid program. However, in spite of this significant commitment to the government and people of Papua New Guinea, money is not the only answer. AusAID's own experience confirms



international research findings that the success of an aid program is critically linked to the existence of an appropriate policy environment and competent, accountable administrative systems.

Development assistance that is delivered outside the appropriate policy context and without strong local commitment and capacity tends to have less impact, and is often unsustainable.

Development assistance that is not highly supportive of a locally owned product will be of marginal use.

The reform program of the current PNG government is one that Australia is glad to support and the two governments' joint decision making on the nature and directions of our aid program in Papua New Guinea certainly helps reinforce local commitment and capacity. We will continue to assist the PNG government in its efforts to improve its own governance arrangements, and in developing the policy frameworks and systems needed to implement them. It is these improved capacities that are critical to the future development and prosperity of the people of Papua New Guinea.

Another major direction established by the new Treaty is the introduction of new benchmarks for the aid program against which the performance of both Australia and Papua New Guinea can be measured. For Australia, we have committed ourselves to increasing the amount of aid money spent via PNG agencies. This approach will help the PNG economy as well as improve the capacity of local producers and suppliers of goods and services. For its part, the Government of Papua New Guinea has agreed to challenging performance benchmarks for the key sectors of health, education and infrastructure.

This new direction reflects international best practice and is a watershed in our aid relations with Papua New Guinea. The fact that both parties have agreed specifically to link the type and volume of aid to

performance confirms the high level of trust existing between our two countries.

Finally, the new Treaty established an Incentive Fund. This new funding mechanism is a major departure from the way that Australia and Papua New Guinea have traditionally undertaken aid, and is a tribute to the PNG Government's preparedness to work with us on a new approach.

This innovative project is designed to support those public and private PNG organisations that can demonstrate successful records of achievement. The Fund has already generated enormous interest in Papua New Guinea.

Conclusion

All of these new directions are aimed at better assisting Papua New Guinea in its task of nation building.

In a country as geographically varied and culturally diverse as Papua New Guinea, nation building will only succeed if a comprehensive approach is taken to the development process.

We can be confident that Australia will continue to help Papua New Guinea to meet its challenge of nation building. But the only lasting solutions will be the ones that Papua New Guineans apply themselves and it is those sensible solutions that we wish to support.

We in Australia still have a great deal to learn about the land of the unexpected, but today as we reflect on twenty-five years of independence we are reminded that significant progress has been made—that challenges remain—and that our abiding interests in the welfare of the people and institutions of Papua New Guinea are as strong now as ever.

On behalf of all Australians involved in our government's aid program, may I pay tribute to this important moment in Papua New Guinea's history and wish its people all peace and prosperity for the future.