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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Thursday, 14 February 2013

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Senator Bob Carr, Minister for Foreign Affairs
Senator Feeney, Parliamentary Secretary for Defence

Department of Foreign Affairs and Trade
Mr Peter Varghese, Departmental Secretary
Mr Chris Moraitis, First Assistant Secretary, Corporate Management Division
Ms Ann Thorpe, Chief Finance Officer
Mr Bryce Hutchesson, Assistant Secretary, Executive Planning and Evaluation Branch

Outcome 1

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:
Ms Libby Schick, Acting First Assistant Secretary, Americas and Africa Division

Africa:
Ms Libby Schick, Acting First Assistant Secretary, Americas and Africa Division
Mr Dave Sharma, Assistant Secretary, Africa Branch

Europe:
Mr Jeremy Newman, First Assistant Secretary, Europe Division
Mr Peter Doyle, Assistant Secretary, European Union and Western Europe Branch, Europe Division
Mr Jeff Roach, Assistant Secretary, Southern and Eastern Europe Branch, Europe Division

South and West Asia, Middle East:
Ms Jennifer Rawson, First Assistant Secretary, South and West Asia and Middle East Division

Pacific:
Mr Stephen Gee, Acting First Assistant Secretary, Pacific Division

International organisations and legal issues:
Mr Richard Rowe, First Assistant Secretary, International Organisations and Legal Division, and Senior Legal Adviser
Mr Craig Chittick, Ambassador for People Smuggling Issues, International Organisations and Legal Division
Mr Paul Robilliard, First Assistant Secretary, Head of UNSC Task Force
Dr Greg French, Assistant Secretary, International Legal Branch, International Organisations and Legal Division
Ms Amanda Gorely, Assistant Secretary, Domestic Legal Branch, International Organisations and Legal Division

Mr Noel Campbell, Assistant Secretary, International Organisations Branch, International Organisations and Legal Division

Mr Bassim Blazey, Assistant Secretary, Environment Branch, International Organisations and Legal Division

Ms Penny Williams, Global Ambassador for Women and Girls

**National security, nuclear disarmament and non-proliferation:**
Dr Robert Floyd, Director-General, Australian Safeguards and Non Proliferation Office
Ms Caroline Millar, First Assistant Secretary, International Security Division
Mr Peter Shannon, Assistant Secretary, Counter-Terrorism Branch, International Security Division

**Services to other agencies:**
Mr Kevin Nixon, Executive Director, Overseas Property Office and Services

**Services to diplomatic/consular representatives:**
Mr Justin Brown, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division
Ms Sally Mansfield, Assistant Secretary, Protocol Branch
Mr Mark Donovan, Director, Protection Privileges and Immunities Section, Protocol Branch

**Program 1.2 Payments to International Organisations**
Mr Richard Rowe, First Assistant Secretary, International Organisations and Legal Division, and Senior Legal Adviser

**Program 1.3 Public Information Services and Public Diplomacy**
Mr Justin Brown, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division
Mr Simon Merrifield, Assistant Secretary, Parliamentary and Media Branch, Consular, Public Diplomacy and Parliamentary Affairs Division

**Outcome 2**

**Program 2.1 Consular Services;**
Mr Justin Brown, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

**Program 2.2 Passport Services**
Ms Penny Williams, Executive Director, Australian Passports Office

**Outcome 3**

**Program 3.1 Foreign Affairs and Trade Operations**
Mr Tuan Dao, Chief Information Officer, Information Management and Technology Division
Program 3.2 Overseas Property
Mr Kevin Nixon, Executive Director, Overseas Property Office and Services

Trade Portfolio
DFAT (Trade Programs)

Bilateral, regional and multilateral trade negotiations
Trade development/policy coordination and Asia-Pacific Economic Cooperation
Mr Bruce Gosper, Chief Executive Officer, Australian Trade Commission
Mr Hamish McCormick, Acting Deputy Secretary
Mr John Fisher, Acting First Assistant Secretary, Trade and Economic Policy Division
Ms Rhonda Piggott, Assistant Secretary, International Economy Branch, Trade and Economic Policy Division
Mr John Larkin, Assistant Secretary, Resources, Competitiveness and Trade Analysis Branch, Trade and Economic Policy Division
Ms Frances Lisson, Acting First Assistant Secretary, Free Trade Agreement Division
Mr Michael Mugliston, Special Negotiator, Free Trade Agreement Division
Ms Alison Burrows, Assistant Secretary, North Asia Investment and Services Branch, Free Trade Agreement Division
Mr Christopher de Cure, Acting First Assistant Secretary, Office of Trade Negotiations

Export Finance and Insurance Corporation
Mr Angus Armour, CEO and MD, Export Finance and Insurance Corporation
Mr John Hopkins, General Counsel and Board Secretary, Export Finance and Insurance Corporation
Ms Amelia Joyner, Government and Industry Relations Officer, Export Finance and Insurance Corporation
Mr Jan Parsons, Director, Environmental and Technical Review, Export Finance and Insurance Corporation

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
Mr James Batley, Deputy Director General
Mr Ewen McDonald, Deputy Director General
Mr Gary Dunn, Chief Operating Officer
Mr Rob 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 Policy 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 Paul Wood, Chief Financial Officer
Ms Lisa Rauter, Assistant Director General, Africa Branch
Mr Mark Tattersall, Acting Assistant Director General, Afghanistan and Pakistan Branch
Ms Caitlin Wilson, Assistant Director General, Papua New Guinea and Solomon Islands Branch
Mr Dereck Rooken-Smith, Assistant Director General, Office of Development Effectiveness
Mr Alistair Sherwin, Assistant Director General, Risk Management and Fraud Control Branch
Mr Andrew Cumpston, Assistant Director General, Budget Branch

Outcome 2—Australia's national interest advanced by implementing a partnership between Australian and Indonesia for reconstruction and development
Mr James Batley, Deputy Director General
Mr Roderick Brazier, First Assistant Director General, East Asia Division

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
Mr Bruce Gosper, 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
Ms Marcia Kimball, Chief Human Resources and Change Management Officer
Mr Ian Chesterfield, General Manager, Programs, Consular and Business Services
Mr John Angley, General Manager, International Education
Mr Rob O'Meara, Chief Finance Officer
Ms Carolyn Lloyd, Group Manager, Governance Analysis and Planning
Mr Michael Vickers, National Manager, Policy and Scheme Development
Committee met at 09:00

CHAIR (Senator Stephens): Good morning. I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee and welcome Senator the Hon. Bob Carr, Minister for Foreign Affairs, Mr Peter Varghese, departmental secretary, and officers of the Department of Foreign Affairs and Trade. The committee would like to welcome Mr Varghese to his first estimates as secretary of DFAT. Congratulations on your appointment as secretary. We certainly look forward to working with you.

Today the committee will examine the additional estimates for the Foreign Affairs and Trade portfolio. Topics will be considered in the order set out in the agenda, copies of which are on the table. Friday, 12 April 2013 has been set as the date by which answers to questions on notice are to be returned, please. Senators are asked to provide their written questions on notice to the secretariat by close of business Friday, 22 February.

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, but if you need assistance the secretariat has copies of the rules. I particularly draw the attention of 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 into 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)

Again, there are copies at the table. Minister, do you or an officer wish to make an opening statement?

Senator Bob Carr: Thank you, Madam Chair. It might be useful if I made a statement on the case of Mr Benjamin Zygier/Alon. In response to a request I made yesterday for a report, I am advised in the form of an interim report that the Australian government was informed in February 2010 through intelligence channels that the Israeli authorities had detained a dual Australian-Israeli citizen, and they provided the name of the citizen, in relation to serious offences under Israeli national security legislation.

The Australian government specifically sought assurances from Israel that (1) the individual's legal rights would be respected (2) he had legal representation of his own choosing (3) the individual's family members had been notified of his arrest and detention and (4) he was not being mistreated. The Israeli government further advised the Australian government that the individual would be treated in accordance with his lawful rights as an Israeli citizen. The Australian government relied on these assurances. At no stage during his detention did the Australian government receive any request from the individual or his family to extend consular support.

The Australian government was advised through intelligence channels on 16 December 2010 of this individual's death on the previous day, and the deceased's family had been notified by Israeli authorities. The Australian embassy in Tel Aviv provided assistance in the repatriation of the body to Australia in December 2010. I speak with respect for the grieving of this man's family; I respect their grief at this news. I hope we can all discuss this matter, if there is further discussion, with that in mind.

CHAIR: Thank you, Minister. Mr Varghese, do you wish to make an opening statement?

Mr Varghese: No; I am looking forward to working with the committee.
CHAIR: Then we will move directly to questions and will follow the program that has been made available.

Senator FAWCETT: In October last year the Joint Standing Committee on Foreign Affairs, Defence and Trade completed its inquiry into Australia's overseas representation. Recommendation 12, in particular, went to some suggestions as to how increased representation could be funded. Has the department presented the government with a draft response?

Mr Moraitis: No, we have not provided the government with a response.

Senator FAWCETT: Do you have a time frame as to when you plan to provide the government with a response?

Mr Moraitis: It will be in the next month or so.

Senator FAWCETT: So, two months at the outside?

Mr Moraitis: I would prefer one month at the outside.

Senator FAWCETT: That's even better! Thank you. Minister, has your office directed the department to look into options other than those recommended by the committee in recommendation 12 to meet the costs of the increasing consular demand?

Senator Bob Carr: I remember the committee recommended that the funding for the department be linked to GDP growth. Is that the suggestion you are referring to?

Senator FAWCETT: No, this particular recommendation was about increased passport fees and an indexed travel levy, because the evidence was that the requirement for increased consular activity was linked to the increase in travel by Australians overseas.

Senator Bob Carr: I said at the time that I did not think it would be acceptable to the Australian people to hit them with extra charges when they are travelling overseas. I thought the Australian people would want us to meet demands for extra services within our means.

Senator FAWCETT: Perhaps I could go to the Secretary. Congratulations on your appointment. The coalition has formally welcomed your appointment, and we reiterate that today. Perhaps you could just outline what your priorities are as Secretary for the department.

Mr Varghese: Thank you, Senator, and thank you for your warm words. On my first day in the job I spoke with all of our staff about the outlook for the department and about my priorities. The priorities of a secretary of Foreign Affairs and Trade are the priorities of the government, obviously; that goes without saying. I think over the last year or so that has been sketched out in some detail by the government, including in the white paper on the Asian century and more recently by the Prime Minister in the National Security Strategy. I did indicate in my remarks to all staff that I would be paying particular attention to our major bilateral relationships, that the East Asia Summit and the objectives of the G20 were very important formative institutions which Australian diplomacy would like to see bedded down and made effective, and that the demands and the challenges and the opportunities of the neighbourhood would of course be a continuing priority for this and I suspect every Australian government. That in the broad are the priorities that I sketched out. There are obviously many other very important issues that the department will be dealing with, and that list was not meant to be in any way exclusive.
**Senator FAWCETT:** Sure. In the period that you have been the secretary, have you implemented any changes of note within the department?

**Mr Varghese:** I had the very good fortune to inherit a department that was operating at a very high level with a group of staff that are highly committed and dedicated. It was neither my intention and nor did I see a requirement to make major changes right at the outset. I have been in the position two months. I will give careful consideration to any changes that need to be made. But there have been none that I have felt I needed to do in my first two months.

**Senator FAWCETT:** Are there any particular challenges that you are aware of that you believe will need your attention?

**Mr Varghese:** On the policy front, there will always be very big challenges, some of which I have already indicated. Managing the department within our existing resource allocation will be a continuing challenge. I do not think that there is any secret about that. We will address those challenges as best we can. I have every confidence that we can.

**Senator FAWCETT:** I want to take you back to your previous role as the High Commissioner in India. Obviously, there is a link there now as you still have oversight of that position. With the Prime Minister's visit during which the topic of uranium was discussed at length, would it be a fair assumption that you provided briefs to the Department of Prime Minister and Cabinet or to the Prime Minister directly regarding the visit?

**Mr Varghese:** The normal course of events means that a head of mission will regularly be reporting back to Canberra the major issues in the bilateral relationship, and obviously uranium was a major issue in the bilateral relationship for the period that I was in Delhi. Yes, I provided analysis and advice to the government on that issue, including to the Prime Minister.

**Senator FAWCETT:** Thank you. Coming back to the department, in the 2011-12 annual report, expenditure on consultancy contracts increased from $328,000 to over $1.1 million. That is on page 197. Could you give the committee some sense as to why the spending on consultancies tripled in that year.

**Ms Thorpe:** I will look at the information that I have. The total consultancy expenditure in 2011-12 represents a 2.3 per cent increase from 2010-11. Over the period of several years, it goes up and down a bit. It reflects some increased activity in IT, security and our Smart Traveller campaign. In 2010-11, because we were putting a whole lot of new things in place, we ended up having to defer some of the expenditure that we had planned to do to 2011-12. That would have caused the kick up compared to the previous year. But we have normally quite a flat structure in terms of spending each year. Nothing in particular has caused that increase. It was probably primarily that Smart Traveller campaign and not having spent much money in that 2010-11. Quite a lot of it then hit 2011-12.

**Senator FAWCETT:** The inference from your comment there is that expenditure on consultancies or contractors is for projects as opposed to ongoing activities. Is that an accurate statement?

**Ms Thorpe:** That is correct.

**Senator FAWCETT:** I want to take you now to reports of workplace bullying within the department. How many cases of workplace bullying were reported in 2011-12?
Mr Moraitis: I will have to take on notice the number of actual cases or approaches to our workplace diversity unit about cases. From recollection, it is a very low figure by APS standards. I will take the question on notice and give you the exact figure.

Senator FAWCETT: Could you also include in that how that compares to previous years?

Mr Moraitis: Sure, we can do that.

Senator FAWCETT: Can you also tell me whether there have been any changes to the system of reporting, and how incidents in the workplace are classified?

Mr Moraitis: We can do that. I do not think there have been any changes in how they are reported and how they are classified, but I can confirm that for you.

Senator FAWCETT: Does the department use the matrix whereby the severity of an incident can be assessed by whatever inputs to a matrix?

Mr Moraitis: We do not have a matrix, as such. We have an officer who receives complaints about workplace bullying and harassment and on a case by case basis we will examine those based on their understanding of the concept, and also in the context of our APS values and code of conduct.

Senator FAWCETT: Is every complaint that is raised reported, regardless of severity or outcome, or are only those that meet a certain threshold of what the responsible officer believes to be a substantive case reported?

Mr Moraitis: Reported by the officer or by the workplace unit's management?

Senator FAWCETT: In terms of what is rolled up into DFAT's reports, is that representative of every incident that is raised, regardless of the substantive nature of it, or is it a subset where somebody has drawn a threshold and said, 'It is more serious than this so we report it'?

Mr Moraitis: There has been no black and white practice, but my experience of it has been that the workplace officer would assess the situation and basically decide where there has been a prima facie issue of workplace harassment as distinct from issues of performance management or dialog between managers and officers that can be resolved at the management level between those officers.

Senator FAWCETT: Would you take on notice to provide the committee with an indication of how many reports have been made that have not been rolled up into the departmental-level reporting?

Mr Moraitis: We can do that.

Senator FAWCETT: Also, could you give us an indication as to how many reports have been made that have resulted in some kind of action against an employee, whether it be a fine, a demotion or even termination of employment?

Mr Moraitis: We can do that.

Senator FAWCETT: According to the 2011-12 annual report, $60,500 was spent on market research on a bilateral relationship—that is on page 226. What bilateral relationship was that referring to?
Ms Thorpe: We would have to take that on notice and check it. I have not got that with me.

Senator FAWCETT: Of all the officers here there is nobody who can tell me how you spent $60,000-odd on research on a bilateral relationship? Can you give me an indication as to what kind of research you might be conducting, even if you cannot tell me whom you spent it on.

Mr Varghese: I do not think we have the relevant person in the room and I think it would be better to take it on notice rather than give you an incomplete or misleading reply.

Senator KROGER: Given that we are here all day maybe that person could join us so that they could give the relevant information while we are here?

Mr Varghese: I am happy to try to arrange that.

Senator FAWCETT: The other thing I would like to know—when that person is briefed for their appearance—is what the results of that market research were and whether similar research has been conducted for other bilateral relationships. If so, which countries, what were the outcomes and, particularly, what were the benefits to the taxpayer of that research being conducted?

CHAIR: Could you take that question on notice and we will come back to it.

Senator KROGER: Firstly, I thank the foreign minister for his opening statement in discussing the situation as it affected Mr Zygier/Alon, but I have to say that it provided the catalyst for more questions than answers. If I could firstly go to the information that you just provided us, Senator Carr. Given the information that you just provided telling us that the government was advised in February 2010 that an Australian citizen was detained and was told the name of that person, why did you originally state that the Australian embassy in Israel knew nothing about this?

Senator Bob Carr: I sought information from DFAT on Friday, I think. That was from the consular section of the department, and they were unaware of the case.

Senator KROGER: Can you then take me through the process in relation to ascertaining the veracity of the information that has come to light?

Senator Bob Carr: Simply that. I was informed by the consular branch of the department that they had no familiarity with this case. Yesterday I received advice from the secretary that there had been contact. The secretary might like to describe the nature of that contact.

Mr Varghese: If I may, the processes that were in play here were slightly different to what you would normally expect with a consular case. The advice we received on this case was advice we received through intelligence channels. As the minister indicated in his statement, on receipt of that advice we did seek certain assurances from the government of Israel—

Senator KROGER: Can I just clarify, was this back before February 2010 or during the month of February?

Mr Varghese: This was in February of 2010. So the conduit for this advice was not our embassy in Tel Aviv.

Senator KROGER: So at no stage was our Australian ambassador in Israel advised of this situation?
Mr Varghese: The embassy was not informed in February of 2010. The information was conveyed through intelligence channels and the embassy's involvement in this tragic incident was really only at the end, when arrangements need to be made for the repatriation of the body, and the embassy was able to provide some assistance.

Senator KROGER: So, through intelligence channels, who was advised of the case of Mr Zygier. Was the department advised at this time?

Mr Varghese: We were advised in February.

Senator KROGER: So the department was advised. Who did the department then advise of the situation? Was the foreign minister advised?

Mr Varghese: I have provided the minister with an interim report based on my examination of this issue in the short time I have been asked to look into it. I will be providing the minister with a fuller report, which would go to all of the questions of detail that I currently do not have an answer to. I cannot tell you now whether in 2010 the foreign minister had been briefed on this, but as soon as I have obtained an answer to that question it will be part of the additional information I will provide to the minister.

Senator KROGER: Thank you, Mr Varghese. I do acknowledge that this is your first estimates and I congratulate you on your appointment.

Senator FAULKNER: It is only Mr Varghese's first estimates for this department, of course—as secretary.

Senator KROGER: Indeed. I am reflecting as I am sitting here in the FADT estimates.

Senator FAULKNER: He has been a regular attender over the years, with many interventions. In fact, I have asked Mr Varghese many questions over many years, and I can confirm he is a very good witness!

Senator KROGER: I appreciate that you are not new in the job, but—and if I do have to accept it, it begs more questions—are you informing the committee that you have no knowledge at this point in time of who in the government was advised, whether it was the Prime Minister or the foreign affairs minister, back in February 2010?

Mr Varghese: I have what I would characterise at this stage as incomplete advice, which I need to examine more carefully. They were officials in the Department of Foreign Affairs and Trade who were advised. Because this issue was handled through intelligence channels, there would also have been others advised. But I cannot give you a definite answer because I have not been able to see the written records, if they exist, on whether the foreign minister was advised at the time.

Senator KROGER: You have pre-empted my next question, which is: in relation to any Australian citizen, and in particular in a case like this, is it not the case that a file is opened to record and document the factual evidence that is happening at the time?

Mr Varghese: I have what I would characterise at this stage as incomplete advice, which I need to examine more carefully. They were officials in the Department of Foreign Affairs and Trade who were advised. Because this issue was handled through intelligence channels, there would also have been others advised. But I cannot give you a definite answer because I have not been able to see the written records, if they exist, on whether the foreign minister was advised at the time.

Senator KROGER: You have pre-empted my next question, which is: in relation to any Australian citizen, and in particular in a case like this, is it not the case that a file is opened to record and document the factual evidence that is happening at the time?

Mr Varghese: It is indeed. I think one of the reasons we are having this conversation is that because the advice we received on this case came through intelligence channels it meant that the normal process of recording consular cases was different in this case. My initial judgment about the advice that was given to the minister initially about not having information on this, was, I think, a result of the fact that when information is received through intelligence channels, and it obviously does not find its way into your normal consular filing
system, when we were checking our consular files there was not that particular relevant information. We have since, of course, pieced more of it together.

Senator KROGER: But was there a file on Mr Zygier? You are saying there was not that particular information, but there actually was a file opened on this man?

Mr Varghese: The consular information about this case on the consular files would have related to the repatriation of the body and not to the earlier advice we received. That is obviously an issue that I need to look at in terms of processes in the department and how we cross reference information. But I am trying to give you as full a picture as I can of what I know.

Senator KROGER: I appreciate that and I am sure the committee does, as well. I do not want to understate this, because there are a lot of clearly very concerned people who share these concerns. Given the critical nature of this—and clearly there is a file, an intelligence file, but there is a file on this—can I confirm that you are telling me as head of the department you have not seen that file and nor have you accordingly had the capacity on the basis of that to be able to properly brief the foreign minister or the Prime Minister?

Mr Varghese: I have seen the papers relating to the advice we received and to the response we conveyed.

Senator KROGER: What is the date on the advice you have received that you have seen?

Mr Varghese: The department was advised on 24 February 2010.

Senator KROGER: And are you telling us that that advice was only in relation to the repatriation of the body?

Mr Varghese: No, let me be clear about this: the advice of 24 February 2010 was about the detention, not about the repatriation. The repatriation occurred later.

Senator KROGER: Yes, thank you. So could you clarify where that advice you received came from?

Mr Varghese: It came through intelligence channels.

Senator KROGER: Australian intelligence channels or Israeli intelligence channels?

Mr Varghese: Australian intelligence channels.

Senator KROGER: Was that advice then provided to the foreign minister of the day.

Mr Varghese: Senator, that is what I cannot confirm yet. I hope to be able to as soon as I can.

Senator KROGER: It really is extraordinary that we have a situation here where—and I appreciate the difference of when something comes through intelligence channels—there seems to be no capacity to provide us with assurances as to who has been across this within the government. The foreign minister, in his opening statements, advised us that he had been advised of this matter very recently—and yet, what you are telling us is that the advice that has been given, in essence, to the foreign minister to date is very limited. Is that a fair assumption?

Mr Varghese: I would not characterise it as 'limited' advice. We are talking now about current advice, not about what may or may not have happened—

Senator KROGER: Indeed.
Mr Varghese: In 2010. The advice that we give to the minister is as complete as we have.

Senator KROGER: I would suggest that you may have a very accommodating—and it is the first time I have ever suggested this—foreign minister, if you have clearly not been able to give him chapter and verse on what has actually happened here, given that some days have elapsed since this has come to light. Why is it that you have not been able to, then, satisfy yourself as to the entire sequence of events in relation to this matter in the last couple of days? You have a huge department to support you. Clearly, if intelligence channels have this information and they open the file, why is it not a question of being able to share information and provide appropriate briefs to the ministers in a timely manner? It actually does beggar belief, I have to say. It reflects on the competency of a number of individuals that we are having this conversation but that it actually raises more questions than it answers.

Senator FAULKNER: That is an editorial comment—and that is your view, which is fine. But my question to Mr Varghese would be: it appears to be true, from what you are saying, that your investigations are ongoing—can you confirm that? Because it might get to the substance of what Senator Kroger is speaking about.

Mr Varghese: That is correct, Senator. We have provided the minister with an interim report but there are still a number of issues that we do need to examine, some of which go to the points that Senator Kroger has raised. So it is very much an ongoing—

Senator FAULKNER: Yes. So are you giving the ongoing investigation a high priority—as far as you are concerned, as secretary—and throwing any necessary resources at that endeavour?

Mr Varghese: Yes, we are: it is a high priority and I recognise that it is an issue of considerable interest. We are trying to get as complete a picture as we can.

Senator KROGER: Mr Varghese, can you give us a time frame of when you believe that you will be across the relevant material for us all to be fully informed of the situation?

Mr Varghese: I hope that we can be in that position in the not-too-distant future. I would hope towards the end of next week that we would be able to answer, one way or another, the questions you have raised and other questions that still remain to be addressed.

Senator FAWCETT: Mr Varghese, can I first take you to your comment that the Australian government sought assurances with respect to the rights of the individual concerned. I completely understand that information may come to us through intelligence channels, but are you telling the committee that it is also normal practice for intelligence channels to be used to seek assurances from another government around the rights of an individual in a case of detention?

Mr Varghese: No, it is not normal practice—and this is not a normal case. The initial advice that came to us on this case was through intelligence channels and the communication on this case has essentially remained through intelligence channels.

Senator FAWCETT: Is it normal practice that an ambassador of a country would not be informed of activities, even though they were occurring through intelligence channels?

Mr Varghese: That would depend on the circumstances.

Senator FAWCETT: Can you give the committee an assurance that the Ambassador of Israel at the time had no knowledge—
Mr Varghese: Our ambassador?

Senator FAWCETT: our Ambassador to Israel—had no knowledge of this case?

Mr Varghese: That is my understanding: that the ambassador was not briefed.

Senator KROGER: Mr Varghese, is the advice that you were given in February 2010 now documented in the file?

Mr Varghese: There is documentary evidence of the advice we received in February 2010.

Senator KROGER: So it is all recorded in that file?

Mr Varghese: There is a record of that advice.

Senator KROGER: That was not my question. Is all the advice that was provided in February 2010 documented in a file—in Mr Zygier's file?

Mr Varghese: We have a record of the advice that we received in February 2010, yes.

Senator KROGER: And when was that file actually opened?

Mr Varghese: I could not give you a date as to when the file was opened. The advice was received in the department on 24 February and a record would have been done.

Senator KROGER: If you could take this on notice, Mr Varghese: I would be very interested to know when that file was actually opened—whether it was opened on the 24th or before or after that date. That would be very helpful. I have no further questions on this, thanks.

CHAIR: Senator Milne on the same issue?

Senator MILNE: Thank you, Chair. I would like to go back to your answer a moment ago, Mr Varghese. I thought I heard you just say that the minister was not briefed. Is that was you just said—that, in relation to this matter, the minister was not briefed?

Mr Varghese: I think what I was saying, Senator Milne, was that I have not yet been able to establish whether or not the then foreign minister, in February 2010, had been briefed by the department.

Senator MILNE: Okay, so that is the point I want to get to: how is it possible that a minister would not be briefed, when our embassy in Israel had been informed by the Israeli government or agencies or whoever that a dual-citizen Australian was being held and had no legal representation et cetera? How is it possible that, given the fact that in 2006 Israel promised not to hold prisoners in secret outside of legal norms, and that this person was clearly being held in secret outside legal norms, a minister would not be briefed?

Mr Varghese: Senator, can I make two points? One is that our embassy in Tel Aviv was not advised about this incident. The advice came to us in another form, in another channel, not through the embassy in Tel Aviv. That is the first point. The second point is that I am not advising you that the foreign minister was not briefed. I am saying that I do not know, on the basis of the records I have examined, whether or not the foreign minister was briefed. It is entirely possible that the minister may well have been briefed orally and, given the nature of this case, that would not surprise me. But since I do not have proof one way or another, I am simply saying that I am investigating that further.
Thursday, 14 February 2013

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Senator MILNE: Can you tell me whether the Department of Foreign Affairs and the minister were aware that ASIO was investigating Mr Zygier at that time?

Mr Varghese: Senator, I am not going to get into the substance of any intelligence issues. I am not going to get into whether there were investigations. I am not going to get into the role that any of our intelligence agencies may or may not have played.

Senator FAULKNER: Just on the earlier question if I can, it is not possible for the minister to be briefed by normal departmental processes by the post if the post is not aware of the issue, is it?

Mr Varghese: Exactly. No, that is absolutely correct.

Senator FAULKNER: It is not possible—I think we need to be really clear about that. I accept what you are saying, and that is why I am coming to the next point.

Senator MILNE: You say you are not going to talk about intelligence matters, but it is widely reported that ASIO was investigating this person or prior to the time they were taken prisoner in Israel. What is the relationship between ASIO and the Department of Foreign Affairs and the minister when you have a situation like that? Does ASIO brief the department that there is a potential risk to security—and clearly he was arrested for treason in the Israel context. He was a dual passport holder, presumably—dual citizenship at least. Just as a matter of process, what is the relationship between ASIO and the department and, then, the department and the minister in that context?

Mr Varghese: I will not go into whether or not there was an ASIO investigation. I am not in a position to do that, and it would not be appropriate in these circumstances. The minister has explained in his opening statement that the initial advice that we received on the detention came through intelligence channels. In other words, it came through intelligence channels to the Department of Foreign Affairs and Trade. So that was the connecting point, if you like, between the advice we received and DFAT's knowledge of it.

Senator MILNE: Once that advice was received in the department, what action did the department take, through the embassy in Tel Aviv, with the Israeli government, to act on behalf of an Australian citizen?

Mr Varghese: Senator, we did not deal with this case through the embassy in Tel Aviv. The substantive communications on this case continued to be through intelligence channels.

Senator MILNE: That is the question I am asking. Once the Australian government officially became aware in the department that an Australian citizen was being held in secret with no legal representation, why was not it taken up through proper channels with the Israeli government?
Mr Varghese: We did seek assurances from the Israeli government. The minister has outlined the nature of those assurances, which go to four different areas. We were given those assurances relating to the individual's legal rights, to his right to legal representation of his choosing, to ensure that family members had been notified of his arrest and detention and an assurance that he was not being mistreated. In other words, we sought the assurances about the welfare of the detainee that we are required to do under our consular responsibilities.

Senator MILNE: Having done that then, why did no one go to see him especially since you had received this information through intelligence channels. The government would be well aware of Israel's previous holding of prisoners in secret locations without representation and outside the legal norms. Why would not the Australian embassy have asked to see or did they ask to see him? Was there any attempt made to visit him?

Mr Varghese: To the best of my knowledge, there was no visit arranged by the Australian embassy. Indeed, the Australian Embassy, as I have already indicated, was not involved in this case. As a dual national, Mr Alon is not under the relevant conventions nor is there an obligation on the Israeli government to commit to prison visits. We sought and received assurances about his treatment. His family was aware and notified about his detention. At no point did we receive any request from the family to conduct or to request a visit so we continued to operate on the basis that the assurances that we had received were being observed.

Senator MILNE: My question was: why was there not a proactive strategy to go and visit him since you would have known the danger he would be in because of the nature of the way that you got the information. I accept what you are saying is that the embassy made a decision not to do so on the basis of the assurances they received.

Mr Varghese: The embassy was not at this stage involved in the case.

Senator MILNE: Why were the normal diplomatic channels in the representation of an Australian citizen not observed in this case? The government sought the assurances. When an Australian citizen was being held without legal representation and so on, how did you seek assurances and why was the embassy not then involved in looking after the interests of this person?

Mr Varghese: He did have legal representation.

Senator MILNE: From whom?

Mr Varghese: The Israeli justice ministry overnight has issued a statement which does confirm that there was legal representation. I am happy to provide you and members of the committee with a copy of that statement.

Senator MILNE: I have no doubt at all they will be providing all sorts of support that was supposedly provided at the time. However, that is clearly something that raised questions in the Israeli parliament, as you are well aware, because of concern by members of parliament there, that a person was being held in secret without the legal norms applying. So, whatever the Israeli government is giving you, they are giving you in this context, and I will come back to that in a moment. But my concern here, and that is why I asked about the relationship with ASIO and the relationship with the department, is that when it was brought to the attention of the Australian government through intelligence channels that an Australian citizen was being held for treason in Israel—and presumably they would have been aware—was it a decision of
ASIO and the government not to then employ normal diplomatic channels and involve the embassy in Tel Aviv in engaging on behalf of that citizen? Was a decision taken to deliberately not include the embassy in this and to just continue to deal with it through security or intelligence channels?

**Mr Varghese:** Perhaps I could just clarify a couple of things. You referred to a secret arrest. In fact, the arrest and the detention was notified to the family and was notified to the Australian government through intelligence channels. The statement by the Israeli justice ministry provides the names of the three attorneys that represented the individual. So, let me just clarify that. The decision to continue to communicate through intelligence channels rather than to deal with this as you would a more normal consular case I can only assume—because I was not there—reflected a judgement that, given the nature of this case and that the charges pertained to national security issues, the more effective means of continuing to communicate would be through intelligence channels. I think that was a judgement that made sense at the time.

**Senator MILNE:** I suppose that is the judgement that I am referring to in terms of other Australian citizens who might find themselves in a similar situation. However, the investigation will clearly go to that and go to why the decision was taken. And I certainly would ask that you take that on notice—that there is some response given to that to the Australian parliament. I want to go on to ask you, Minister, about how you intend to progress this, apart from the issues of how this was dealt with from the Australian side. What are you going to do now in relation to seeking answers from the Israeli government? In particular, I understand that there was an investigation that went on for quite some time into the circumstances of the death, conducted by a judge. I am asking what action you are going to take now in terms of seeking answers from the Israeli government in relation to this case.

**Senator Bob Carr:** The first step is the full report from Mr Varghese. He has given me an interim report and I will be receiving a full report. With the benefit of that full report I will determine what representations to the government of Israel are most useful. I will also want time to read fully and to analyse a statement that came from the Israeli government overnight. I would prefer not to venture further into this territory until I receive the full report from the Secretary of the department.

**Senator MILNE:** Have you received the report from the judge investigating the circumstances surrounding the death?

**Senator Bob Carr:** No.

**Senator MILNE:** Is that something you are asking for?

**Senator Bob Carr:** Again, I would only make a decision about representations to Israel after I had received a full report from my departmental secretary.

**Senator SINODINOS:** My only point about this, and it is partly an observation, is that I guess I assume that from a whole-of-government perspective there would be an investigation of the interaction between elements of the Australian government and the Israeli authorities on this matter, not just in the context of providing diplomatic and consular assistance but, more broadly, what role, if any, Australia has played in this case prior to 2010. I am not asking you to answer that, because you may not be able to answer that. I am just making the
point that I assume there would be a more whole-of-government process around this, rather than just the focus on consular assistance in the context of DFAT or any other agency.

Mr Varghese: Let me take that on board.

Senator SINODINOS: Okay. Perhaps I could now turn to something else, to do more with policy and planning within the department. We had asked the former secretary, the late great Dennis Richardson, about this, and he had talked about the policy and planning expertise within the department. I had asked him specifically in the context of international economic developments, but that was not really the area where DFAT was mainly focused. He referred to the policy and planning area, and PM&C did so at estimates the other day. I was just wondering: does your policy and planning area do scenario planning? Does it prioritise issues for government in terms of the areas in which you think issues are arising or are likely to arise in the near future or the medium term? Can you just take us through the work that you do in those areas?

Mr Varghese: Policy planning is done essentially at two levels. It is done in the relevant division, which looks at the policy issues down the track and the policy challenges, and whether policy reviews or re-sets would be useful. It is also handled in a dedicated policy planning branch. Typically, we have not in the past engaged in much scenario planning. Scenario planning has a very particular methodology associated with it. It tends to look at a range of possible futures. Our policy planning is much more restricted to looking at where we think an issue is heading and what the policy response should be. So, rather than imagining a range of futures, we kind of zero in on what we think the trend lines are showing us and what the best response is.

The way we do that, typically, would be to try to have a cooperative approach between the action division and the policy planning branch, although there are cases where we commission the policy planning branch to do an analysis of a particular policy issue and they produce, in effect, a freestanding report. Obviously we draw on as wide a range of sources as possible in doing that. We have our diplomatic reporting, which includes a lot of economic reporting. We have access, obviously, to open source material, and we have access to intelligence material. So it is an all-source analysis.

Senator SINODINOS: So, at the moment, what would be the sorts of issues that the policy and planning branch in particular would be looking at and that would be high on your list of priorities?

Mr Varghese: We would be looking at the issues that are currently the focus of attention across a policy spectrum. For instance, we have been doing a bit of joint work on security issues in the Asian region, obviously looking at questions such as the South China Sea and the East China Sea and looking at the architecture of the region and the extent to which is can be strengthened to deal with some of the security challenges. We are doing quite a bit of work on multilateralism—the future of multilateralism and the challenges of multilateralism, given that at the moment a number of the big multilateral negotiations are not making very much progress. Obviously we analyse the major power relationships, particularly the ones that are most relevant to the strategic stability of Asia. We do our own analysis of the global economic outlook. Obviously many other agencies in government do that as well. And we look at the operations of some of the major multilateral institutions and the reform agendas there. They are some examples of what we would be doing.
Senator SINODINOS: So, with an area like the world economic outlook, we have the ongoing discussions in the US around the debt ceiling. Your focus there would not necessarily be to predict the outcome of that but to predict the implications of potential outcomes, including geopolitical implications?

Mr Varghese: That is right. Our posts obviously would be providing a lot of reporting on how they see the economic outlook in their country or in their region. A lot of that is material that is drawn on by agencies such as Treasury or the Office of National Assessments. They have their own focus, but our focus tends to be more on the implications for the politics and the economics of that country and also for broader regional—

Senator SINODINOS: In the case of the US, say, if there are implications arising from any particular budgetary agreement for, say, US defence posture—the question of what happens to the pivot towards the Pacific—is that the sort of stuff you would be looking for?

Mr Varghese: Clearly the trajectory of the US defence budget is something we would be interested in. The follow-through on the so-called pivot are all issues that are of obvious interest to any Australian government.

Senator SINODINOS: Circling back more towards the Middle East, there is so much discussion today about the state of play in relation to Iran, and what stage they are at. I think Netanyahu, in a speech to the UN late last year, said he though they were at the second stage when it came to the enrichment of uranium and getting close to the third stage. He was talking about drawing a red line. Obama, in his State of the Union speech, was talking about the importance of having discussions with Iran around this issue. Part of the reason for asking about the policy and planning is that it is obviously a serious issue that potentially could blow sooner rather than later, depending on the views of other actors in the world, some much bigger than us. So, what role do we play in thinking about how an issue like that plays out?

Mr Varghese: I think in terms of analysis of where Iran may be at any particular stage we would probably rely on the work of other agencies, including the Office of National Assessments, which is probably best placed to make judgements drawing on all sources. We would contribute to that work, including, very importantly, through the reporting out of our mission in Tehran, and we would be doing our own work on what is happening and what we think the implications may be.

Senator SINODINOS: As part of that, do you take potential contingency steps, like looking at our diplomatic assets in Iran and in the region and the potential impact of fallout from whatever may happen there? How much planning do you do on that sort of thing?

Mr Varghese: The security of our missions is obviously a very important focus for the department. We keep the security of our missions under constant review and try to ensure, as best we can, that they are able to deal with any likely developments.

Senator SINODINOS: This may be more a question for the minister, but it is in the same context. Given the role we are now going to be playing in the security council, how has that influenced your thinking about how Australia approaches this particular issue?

Senator Bob Carr: First of all, being on the security council is an opportunity to be in close contact with like-minded countries on the threat posed by Iran's nuclear weapons development. We are taking responsibility from Germany for a range of sanctions responsibilities. Australia's credibility on nonproliferation runs very strong. We have chaired
meetings with my Japanese colleague. We have expanded the base of the forum in which we pursue nonproliferation. It is seen very much as an Australian priority.

Senator SINODINOS: In that context, given that we have that role in the Security Council and also certain traditional alliances, particularly with the Americans, do you think we sometimes find ourselves in a situation where we are trying to balance the obligations when they come from those different sorts of relationships?

Senator Bob Carr: I do not think there are any stresses on this issue. With our position on sanctions, for example, against Iran, a series of decisions has been taken in consultation with the United States and the countries of the EU. We are second to none in the abhorrence with which we view any unravelling of the nonproliferation regime.

Senator SINODINOS: Part of the reason I ask that question is that, I think, on the surface there is no doubt that the US is following a line which is consistent with what we are saying and doing, including in the UN context. But there will be pressure from Israel—and this is why I mentioned the red line—potentially to take action against what is happening in Iran. The US is caught in a situation where it has those, if you like, more public obligations and then these other obligations potentially to one of the countries in the Middle East that wants to take action on the matter. Do you understand what I am getting at?

Senator Bob Carr: Yes. Our position, though, has been very clear in response to developments in Iran that defy IAEA policy and UN Security Council resolutions. We argue (1) for the continuing applicability of sanctions and (2) for negotiations, which does require the Iranian side to be serious and consistent.

Senator SINODINOS: In a context where, for their own reasons, the Iranians wish to defy either the IAEA or the UN and other countries want to take action outside that context, as a member of the Security Council where does that leave us if the Security Council is unable to resolve the matters or bring the Iranians to the negotiating table?

Senator Bob Carr: It may be hard slog, but we continue to be guided by adherence to the effectiveness of sanctions and the role of negotiations.

Senator SINODINOS: Given the faith we place in the role of negotiations, are we saying that we would not sanction any action outside the context of the IAEA or the UN?

Senator Bob Carr: By 'any action', do you mean—

Senator SINODINOS: Any action that other countries may take in order to pre-empt—

Senator Bob Carr: Yes, our position is absolutely consistent: negotiations and sanctions.

Senator KROGER: As a point of clarification, in past estimates we raised the issue of Melinda Taylor, who, as you are no doubt aware, was arrested for allegedly carrying documents that were deemed to be of a national security nature. Yet I understand that Minister Carr flew over to help secure her release in Libya. Given that that was a national security matter where the allegation was that she was carrying documents for Mr Gaddafi, why is that different to this case? Clearly, it was an intelligence matter that she was arrested on the basis of. Would you explain the difference between the two.

Senator Bob Carr: Absolutely; it would be a pleasure. The Belinda Taylor case was sui-generous. Firstly, she was an employee of the International Criminal Court. She was travelling in Libya on behalf of the International Criminal Court. We support the statute of
Rome, under which the court was established. This had an international resonance. Secondly, she was not arrested by the government of Libya but, given that postrevolutionary flux and confusion in Libya, she found herself detained by the militia in Zintan. So there was considerable threat to her safety that would not apply in a circumstance where she was being held by a sovereign government. Thirdly, I visited there because I was in the neighbourhood. I was travelling from Istanbul to a neighbouring country. It would have invited severe criticism if I had not, being so convenient, stopped in Tripoli.

Senator KROGER: Thank you for that clarification, Minister. I appreciate that. In relation to talking about intelligence channels here, are we talking about ASIO or are we talking about ASIS?

Mr Varghese: I do not want to go into that sort of detail.

Senator KROGER: Given that we are talking about the embassy, who was the ambassador at the time that this happened in February 2010? Who was our ambassador in Israel?

Senator Bob Carr: I can answer that question: Andrea Faulkner.

Senator KROGER: Thank you very much. That is all on that matter. I want to go to the AUKMIN communique. I will read it out. It says:

We call on Israel to stop settlement activity. All settlements are illegal under international law and settlement activity undermines the prospects for peace.

I am interested to know whether the department was consulted on that communique and the tone of the language of that communiqué.

Mr Varghese: Yes, we were involved in the drafting of the communiqué, as is normally the case.

Senator Bob Carr: Senator, I am happy to release the departmental advice on precisely that point: the illegality of settlements. I should have that to you in 10 minutes.

Senator KROGER: That would be great. When did that consultation take place? When you were drafting this communique, what was the timing of that?

Mr Varghese: The way this works is that normally officials have a go at drafts of a communiqué and then ministers consider it and obviously are responsible for the final product. It is an iterative process. Typically, communiqués go through many more drafts than any of us would like. Work on a communiqué such as AUKMIN would probably begin several weeks before the meeting is held and finalised in the course of the meeting.

Senator Bob Carr: I can help on this. I am happy to give to the committee departmental advice on the legality of all settlement activity if there is a means for having that copied and put before members of the committee. I think it will expedite discussion.

Senator KROGER: Thanks, Minister. Does the consultation process include the Department of the Prime Minister and Cabinet?

Senator Bob Carr: It did in this case.

Mr Varghese: Typically, where there is an issue which would engage the interests of other agencies, we would seek to consult with them and in this case we did consult with the department.
Senator KROGER: Did the Department of PM&C express any concern about the language of that communique?

Mr Varghese: I think it is fair to say that the language of the communique was agreed language across the government.

Senator KROGER: Did they express any concern about it?

Senator Bob Carr: No.

Senator KROGER: Did you seek legal advice from the Attorney-General's Department in relation to any possible implications of that communique?

Senator Bob Carr: Any concerns with that language would be answered by the document we are seeking to distribute.

Senator KROGER: Was the embassy of Israel informed about that communique upon the formalisation of it?

Senator Bob Carr: Was the embassy of Israel informed about—

Senator KROGER: Did we give any advice to the Israeli embassy and give notice of that communique?

Senator Bob Carr: Are you suggesting the language of the communique communicating a meeting between the Australian foreign minister and the UK foreign secretary be cleared with the Israeli embassy?

Senator KROGER: No, I did not ask that at all, and I did not suggest that at all. I just asked whether we had actually consulted and advised the embassy of the nature of the communique that we were proffering.

Senator Bob Carr: You mean before the communique was issued?

Senator KROGER: Before, yes.

Senator Bob Carr: We would not for a moment consider consulting other governments about a statement based on a meeting between the United Kingdom and Australia.

Senator KROGER: I will move on from there. There are many responses that I could make in relation to that, but I am going to hold back for the moment. Have any countries expressed concern about the nature of the language that was used in that communique?

Senator Bob Carr: No.

Senator KROGER: Absolutely no country whatsoever?

Senator Bob Carr: No.

Senator KROGER: Have there been any informal communications expressing concern about that communique?

Senator Bob Carr: Not to my knowledge.

Senator KROGER: You just seemed to qualify yourself, Minister. Are you aware, Secretary, of any informal communications to the department expressing concern about that language?

Mr Varghese: No, I am not.

Senator KROGER: So you have had no representations from anyone suggesting that the language used may have been better worded?
Mr Varghese: I have not, no.

Senator KROGER: Has the department—

Senator Bob Carr: Of course it is noteworthy here that the language was agreed to by a conservative party foreign secretary of the United Kingdom. It was common language of a Labor government in Australia and a coalition government in the United Kingdom, the foreign ministry of which is a member of the conservative party.

Senator KROGER: I will just ask my final question again on this matter. Did the department receive any formal or informal advice, communications, verbal, oral or written—I am now happy to be quite prescriptive—in relation to this matter?

Mr Varghese: Not that I am aware of. And I think I probably would have been made aware if we had.

Senator KROGER: It would be appreciated if you could ascertain that that is the case.

Mr Varghese: I will double-check for you.

Senator Bob Carr: Chair, I am interested in the view of Senator Kroger that somehow statements between a sovereign government—that is, Australia—and the government of a strategic partner of ours on the Middle East, the United Kingdom, need to be cleared with another embassy. I find that remarkable.

Senator KROGER: I think you are trying to draw the dots in a way in which I am not suggesting, Foreign Minister. But if you are feeling like you are a bit scratchy because you have not had enough sleep, that is fine. But I think you are drawing the dots in the wrong direction.

Senator Bob Carr: I will leave it to the people who are looking at the transcript to make that decision.

Senator KROGER: Thank you. Just for the record, we have had the minister's statement formally moved and adopted so it can be incorporated into the Hansard minutes. On another matter, I am interested in understanding the process and guidance given to ministers, in this particular case, foreign ministers, in relation to the accompaniment of partners on overseas travel. I have read reports that between late March and early September 2012 the foreign minister's wife took eight of the nine trips overseas with him. Can you confirm that that is the case?

Mr Varghese: Mrs Carr has accompanied the minister on 14 of his official overseas visits.

Senator KROGER: So that is current up to today?

Mr Varghese: I think it includes the minister's latest trip.

Senator KROGER: So that is 14 out of?

Mr Varghese: Sixteen.

Senator KROGER: Fourteen out of 16 trips. At what cost?

Mr Varghese: The costs are not met by the Department of Foreign Affairs and Trade. The costs are met by the department of finance. I could follow that up for you, or you might want to follow it up with the relevant department.

Senator KROGER: Have those trips that Mrs Carr accompanied the foreign minister on been at the request of the department, or the hosting countries?
Mr Varghese: The process for approving travel by ministers is one that involves the Prime Minister and the Prime Minister's office. It is not a process that is recommended or necessarily initiated by the department.

Senator KROGER: So I understand ministerial guidelines state that ministers are generally not accompanied on official overseas travel by his or her spouse or de facto partner. Given those guidelines, what is the rationale behind Mrs Carr travelling 14 out of 16 times with the foreign minister? Perhaps the foreign minister himself might like to address this.

Senator Bob Carr: Yes, I would. It is precedent. It is an entitlement. It is an entitlement that was exercised, it was drawn on, by coalition foreign ministers, as Alexander Downer and his wife, Nicky, were gracious enough to say for the public record when this matter was previously raised. I will quote what Alexander Downer said, and I will quote what his wife told me. Amanda Vanstone was generous enough to say the same thing. So my wife is there, invited by organisations and attending the functions, as she did in the South Pacific, visiting women's refuges, speaking to refugee women and performing other functions that are useful. But I rest my case simply on the fact that it is an entitlement, it is a practice and, as the Leader of the Opposition said in October last year when this was raised, 'I'm not going to get into the business of being critical of the foreign minister for taking Helena Carr overseas. I'm sure he has done it with entitlement.' I would not have done it without entitlement. The view was shared, as I said earlier, by former foreign minister Alexander Downer, who said he was regularly accompanied by his wife Nicky Downer on overseas travel. The guidelines say a minister is entitled to be accompanied by his or her spouse when the spouse is travelling for official purposes. And Helena performed official functions when she travelled with me.

Senator KROGER: I go back to my initial question. You have just said, Minister, that it is an entitlement that she can travel with you. Yet the ministerial guidelines on this say 'where spouses are travelling on official business', which you have clarified. You raised former foreign minister Downer and his wife. As we know, Alexander Downer was the foreign minister for close on 10 years. It would be interesting—I am happy to put it on notice, Secretary—if you could provide the number of times that Mrs Downer travelled with the then foreign minister, including the number of trips out of how many.

Senator Bob Carr: I can do that now. Mr Downer's wife, Nicky, travelled with him on 38 overseas trips. In the last two years of his term as foreign minister Mrs Downer accompanied him to France, Germany, the UK, Indonesia, Malaysia, the US, Turkey and New Zealand.

Senator KROGER: My question—I am happy to take it on notice—is: out of the total number of trips he had when foreign minister, how many of those did his wife, Nicky Downer, travel with him? I do not want to know about just the last year, but in total. Likewise, how many times did Mrs Smith travel with foreign minister Smith. When Kevin Rudd was foreign minister, how many times did Ms Rein travel with foreign minister Rudd during his time? Include the total number of trips each foreign minister had along with the number of times that their partners accompanied them.
In relation to your wife's official capacity, and being invited in an official capacity, which countries extended invitations to your wife for her to be involved in official activities?

Senator Bob Carr: I am happy to provide that information, with the other information. But I just challenge you with this response: Mr Abbott, speaking for the coalition says he has no criticism of my wife travelling with me. The second point I make is, given that there is an election in September, I would be interested to know if you are prepared to make a commitment for the coalition that there will be no spouse travel should the coalition win the next election and that a foreign minister in the coalition would be bound by the commitment not to have his or her spouse travel with them.

Senator Kroger: I find it remarkable that you are very sensitive about this. I am sure the Australian public would like us to ascertain and confirm what the protocols are in relation to this—whether it is a coalition government or an ALP government. There is nothing wrong in seeking the protocols in relation to travel because at the end of the day the taxpayer picks up the costs.

Senator Bob Carr: Absolutely. And the guidelines have been adhered to here, as Mr Abbott has recognised.

CHAIR: Further questions, Senator Kroger?

Senator Kroger: Indeed, in overview. This goes to reports, Senator Carr, that you will present a four-point action plan to world leaders in an attempt to reduce Muslim anger towards an anti-Islamic movie, and your plan in relation to that. Could you outline what that four-point plan proposal is?

Senator Bob Carr: Yes. This has to be seen in the context of the anger that gripped the Arab world.

Senator Kroger: Yes, in relation to that movie.

Senator Bob Carr: That plan is on the record. I refer you to the record. I received a positive response when I raised that in various circles.

Senator Kroger: So you have raised that plan with world leaders, already.

Senator Bob Carr: That is on the record.

Senator Kroger: It has been presented. When was it presented?

Senator Bob Carr: We will give you a list of all the meetings I presented at. I will take that on notice.

Senator Kroger: Could you give me a list of who you have raised it with, which leaders and the date of when that took place. Have you communicated that plan with any foreign ministers?

Senator Bob Carr: Yes.

Senator Kroger: Do you have the details of that with you?

Senator Bob Carr: We can do that. One of them—this is on the public record; it was announced in the media—was Laurent Fabius, the foreign minister for France. And I have raised it with others.

Senator Kroger: Could you also give us, on notice, which foreign ministers you have raised it with, whether it was in correspondence or a direct communication, the date of that
and whether you have received any responses or communications back to that plan? Have you received offers of support for that plan?

Senator Bob Carr: It was done in the context of anger that gripped the Arab world. That anger receded very quickly, I am happy to say. Laurent Fabius is one example of a foreign minister who found it very helpful in the context of what was taking place in the world at that time.

Senator KROGER: Has it required any associated funding?

Senator Bob Carr: There are things that we are doing to address the issue of interfaith relations that we have committed funding to get to.

Senator KROGER: How is that being determined? Have you actually announced what level of funding is going to be directed to it?

Senator Bob Carr: I refer you to the announcement that I made in Malaysia, for example, of an exchange between moderate mainstream Islamic youth in both of our countries as part of the Australia-Malaysia relationship.

Proceedings suspended from 10:31 to 10:47

CHAIR: For the information of those following the proceedings, and for committee members, we are still in portfolio overview and about to move to outcome 1, but I understand, secretary, you wish to make some additional comments.

Mr Varghese: Just two points. One is that I want to slightly correct an answer in relation to who the ambassador was, in Israel, in February 2010. We were actually between ambassadors at that point, the previous ambassador having left at the end of January and the new one only coming in in March. The post was actually headed by a charge, Nicoli Manning-Campbell.

CHAIR: Thank you very much.

Mr Varghese: Secondly, at your convenience, we are now in a position to respond to Senator Fawcett's question about the money that was spent on marketing, whenever that is convenient to you.

CHAIR: Let us finish this set of questions and before we go to outcome 1 we can get that updated.

Senator KROGER: I am happy for this to be taken on notice. Could we qualify how much funding is being allocated to the minister's four-point plan and, in relation to your comment that things were not really available, has a website been launched?

Senator Bob Carr: No. We did not say we would launch a website; we said website activity by Arab governments that feel aggrieved at the way they are portrayed in the Western media are an alternative to demonstrations and acts of violence.

Senator KROGER: So you were not proposing to set up a website.

Senator Bob Carr: No. There is no funding allocated with the implementation of this four-point plan, but we do fund activities that can be said to be related to it. There has been Australian support for a body known as the Alliance of Civilizations, for example. And, under the work of the Australia Malaysian Council there is, for example, that exchange I referred to earlier, which I announced when I was in Malaysia.
Senator KROGER: So we are supporting moderate Islamic organisations in relation to this.

Senator Bob Carr: Yes. The best adjective might be 'mainstream' Islam.

Senator KROGER: Someone very efficient has just provided me with an article that was in the Daily Telegraph dated 26 September 2012, which says you seek to 'fund the promotion of moderate Islamic institutes in Australia'—as you have just been suggesting—'and other Western nations, and fund a website for Muslims'. So that is not the case; you are—

Senator Bob Carr: No, that is a misquote.

Senator KROGER: I turn our attention now to the funding, the resourcing, of the United Nations Security Council seat. I know that we initially asked questions about projected budgeting for this at the last estimates. Secretary, could you confirm that $27.5 million has been budgeted for this for 2013-14?

Mr Varghese: Yes, that is correct—$27.5 million through the addition estimates.

Senator KROGER: And that includes capital expenditure from 2012-13?

Mr Varghese: Yes.

Senator KROGER: What does that amount to?

Mr Varghese: There is $1.7 million over three years for capital expenditure and $25.8 million, again over three years, for operating expenditure.

Senator KROGER: I asked questions of Ms Bird in the last estimates in relation to the bid that the department was going to put in, if you like, in relation to what you projected the costs of resourcing this were going to be. Is that the amount that you put in a request for?

Mr Varghese: It is pretty close, but not quite.

Senator KROGER: Were you more ambitious?

Mr Varghese: Let me say this. I think the $27.5 million will enable us to do all the things that we need to do to ensure that we maximise our term on the Security Council.

Senator KROGER: Will existing resources be utilised to support that resourcing to support the seat?

Mr Varghese: Inevitably we will draw on some existing resourcing, but what the $27.5 million does is enable us to, firstly, substantially, increase our staffing levels in New York, secondly, set up a dedicated UN Security Council task force in the department here in order to coordinate the entirety of involvement in the council; thirdly, supplement some areas of the department that would be placed under particularly heavy burdens as a result of the Security Council agenda; and, fourthly, to provide some addition resources in our African posts, given that something like 70 per cent of the agenda of the Security Council is Africa related.

Senator KROGER: If you could just take me through that? Once again, I refer to the evidence that Ms Bird provided last time and how, under the Howard government, we had a designated unit. How many people, and at what level, are you planning on having in that designated unit, and will they all be based here?

Mr Varghese: The head of the task force, Paul Robilliard, is here; I am sure he will be able to answer questions of details. The unit itself is all in Canberra, and it includes some secondees from other agencies. So you have a unit in Canberra, which is about 14 people
strong, which will be the central point of coordination for all of the issues that we have to deal with in the Security Council.

Senator KROGER: Mr Robilliard, would you like to share further information on the construct of the task force?

Mr Robilliard: Certainly. As the secretary said, we will have approximately 14 people working in this team, which I will be heading. There will be three secondees from other government agencies in the team. We will be responsible, as the secretary has said, for coordinating the day-to-day issues with our post in New York, coordinating the department's engagement on Security Council issues and coordinating across the whole of government here in Canberra.

Senator KROGER: What departments are the secondees from?

Mr Robilliard: They are from AusAID, the Australian Federal Police and the Department of Defence. They are the three agencies which have ongoing engagement on a whole range of UN Security Council related issues.

Senator KROGER: Do we have an actual number of increased personnel that are required to support this—not just the task force? You mentioned that there will be added resources in African nations. Former Senator Trood was prosecuting the case for this for some time. Have we got numbers in relation to those?

Mr Varghese: I will stand to be corrected by Mr Robilliard. We are looking at seven additional positions in New York, the 14 positions that Mr Robilliard explained will be part of his task force, three additional positions in parts of the department where the workload will be heavier, three positions in Africa and an additional position in our international legal division to deal with sanction decisions.

Senator KROGER: So you are looking at 28 in total, of which three are secondees—does that sound right?

Mr Robilliard: That sounds about right.

Senator KROGER: Can you put it on notice to provide us with a breakdown of the classification level of each of those positions? When is Australia going to hold the rotating presidency?

Mr Varghese: In September, and it is conceivable that we might have a second month as president at the end of next year, depending on the alphabetical order of the incoming new members of the Security Council.

Senator KROGER: I read in the paper that we are co-chairing the sanctions committee. Is that right?

Mr Varghese: We are chairing the sanctions committee on Iran, and we are chairing the sanctions committees on al-Qaeda and on the Taliban. So we are chairing three committees.

Senator KROGER: They are separate committees?

Mr Varghese: Yes.

Mr Robilliard: If I could just add to that answer, Senator. There are 13 sanctions committees under the Security Council.
**Senator KROGER:** Thank you. Are the 28 personnel that we have just talked about sufficient to support the work of those committees—we are not looking at having to engage more people to support the work?

**Mr Varghese:** No. We think we will be able to manage the chairing role of those three committees with this additional resourcing. Bear in mind that the UN Secretariat provides the chair with assistance as well.

**Senator KROGER:** As a nation, what are our priorities for our role on the United Nations Security Council?

**Mr Varghese:** I will ask Mr Robilliard to go into the details but, obviously, the Security Council is the single most important institution that we have on matters of international peace and security. We would want to do what we could in the two years that we have to enhance the effective operation of the council in the way in which it works and puts together mandates for operations to support international peace and security. We have a particular interest in issues such as the protection of civilians and also the way in which the Security Council and regional organisations work. I am sure Mr Robilliard will be able to give you a more detailed view of our two-year priority list.

**Mr Robilliard:** A clear priority for us over the next two years will be in relation to Afghanistan and the United Nations’ engagement there, particularly the lead that the Security Council plays in that. In addition to the three sanctions committees that we chair, in United Nations parlance we ‘hold the pen’ on Afghanistan. That means we have particular responsibility for the process by which the relevant United Nations mandates for Afghanistan are renewed. We will have an important role to play that is very much in relation to our strong national interest in what takes place in Afghanistan over the next two years and succeeding years.

The situation in North Korea, and North Korea’s nuclear program, clearly is a very high priority and that has been demonstrated over the last couple of days with the latest North Korean nuclear test. In response to that, Australia was amongst those countries that called for an urgent meeting of the Security Council. We continue to call for a strong and robust Security Council response to the North Korean test. Iran, which was a subject of discussion before we broke for morning tea, is also a very high priority for us. The situation in Syria, and the Middle East more generally, also has a high priority.

There are a whole range of issues in relation to Africa which bear on our strong interest in ensuring the United Nations responds appropriately, particularly on the humanitarian front, with support for some very serious and difficult humanitarian situations in Africa. As the Secretary mentioned, issues such as the protection of civilians and the promotion of international humanitarian law and respect for those concepts is a very important priority for us.

**Senator KROGER:** Have you read any of the material that ASPI, the Australian Strategic Policy Institute, has put out on their considerations of this matter?

**Mr Robilliard:** Which particular matter is that?

**Senator KROGER:** They have suggested areas of focus that should be seriously considered, including international cyber security, the Indian Ocean, the Pacific Rim.

**Mr Robilliard:** I cannot recall specifically reading ASPI material.
Senator KROGER: It might be something that you would be interested in. Finally, on this matter, I understand there are some reforms that we have suggested should be made.

Mr Robilliard: Thank you very much for raising that. There are issues that go to the, if you like, work practices of the Security Council, which we believe can continue to be improved, particularly the need to ensure that there is an appropriate degree of transparency in the Security Council's consideration of various issues and that there are effective processes of engagement and briefing of non-council members. A high priority for us is to ensure that the council's relations with key regional organisations are sustained and, where possible, improved. The African Union and the other African subregional bodies are obviously very important issues—only today, the council was holding an open meeting on the relationship between the council and the European Union, so there is a set of issues there in relation to regional organisations, we believe, need to be adequately addressed. These are all issues that go to the council's work practices. It is an ongoing process that has been taking place over many years, but we think it is important that that be sustained and the momentum be continued.

Senator KROGER: With the three sanctions committees, how did we find ourselves in a position that we were chairing those? Do we put up our hands and say: 'We are interested in this.' What is the process?

Mr Robilliard: My recollection is there are 20 or so subsidiary bodies of the council of which 13 are sanctions committees. There is a process of consultation that goes on within the council amongst council members following the elections in October to determine which countries might be the most appropriate to chair which particular committees. They are allocated accordingly.

Senator KROGER: So it is not a voting system.

Mr Robilliard: It is not a voting system. There is a process of consultation and allocation which takes account of different countries particular qualities.

Senator KROGER: That is all Chair, for overview.

CHAIR: An opportunity to provide additional information, Ms Thorpe?

Mr Brown: Senator Fawcett, to respond to your earlier question: you, I think, asked about the subject of a $60,500 research project. I am able to advise that that was some polling that was done in the public diplomacy area of my division and it was specifically a Newspoll survey commissioned on the attitudes of the Australian community towards Indonesia. The poll was done as a means of giving us a better understanding of some of the key issues that we would then tackle in terms of our public diplomacy program. We are, for example, planning a major cultural diplomacy effort with Indonesia in 2014, so the results of the survey are an important diagnostic tool for us in designing the elements of that program. We are still in the process of analysing the data, and it is not yet in a form that we are able to release the results.

Senator FAWCETT: Thank you for that response. Have you conducted similar activities in the past on Indonesia—on any country?

Mr Brown: This is the first of its kind that we have done in the public diplomacy area. Other areas of the department may have done other kinds of polling but, in this particular

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area, it is a reflection of our view that we need to have a fuller understanding of domestic attitudes towards some of our major relationships to shape our public diplomacy programs.

**Senator FAWCETT:** Thank you.

[11:08]

**CHAIR:** We are going to move now to outcome 1.

**Senator RHIANNON:** I want to ask some questions about the direct aid program funding. Can you provide a complete list of projects that have some connection with the Australian African Mining Industry Group—either direct involvement or undertaken in an area adjacent to where mining companies are operating?

**Mr Sharma:** Senator, in the financial year 2012, there were nine projects where we used the direct aid program which was in cooperation or partnership Australian mining companies operating in Africa. I do not have the breakdown of whether these companies were AAMIG members or not, but we could certainly take that on notice and provide it to you.

**Senator RHIANNON:** Could you take that on notice and include the name of the project, the location, the company involved and the name of any NGO that had been hired to facilitate the project and the nature of the project?

**Mr Sharma:** Certainly.

**Senator RHIANNON:** Have any applications to DAP been denied?

**Mr Sharma:** Yes, they are frequently denied. It is a competitive process. Community groups, NGOs, human rights organisations and the like apply. The DAP budget is quite small so more often than not projects are turned down rather than accepted.

**Senator RHIANNON:** You say, 'frequently denied'. That suggests that quite a few mining companies have applied for DAP money. Is that the case?

**Mr Sharma:** When I say, 'frequently denied', that means across all applicants. I do not have figures in front of me as to which particular applicants have been denied.

**Senator RHIANNON:** Just to ask that again: were any applications from mining companies denied?

**Mr Sharma:** I do not know for sure but I would expect so. We can take that on notice.

**Senator RHIANNON:** Thank you. How are the funds allocated under DAP monitored and evaluated? I understand that a report is required at the completion of the project, but that is from whoever receives the money. How do you interact with the use of that money?

**Mr Sharma:** Normally, an application is received which needs to meet certain guidelines and these DAP guidelines are available on DFAT's website. My colleague Mr Hutchesson can provide a bit more detail. These applications are then assessed by a DAP committee at our overseas post and assessed on the basis of whether they will alleviate humanitarian hardship, what sort of benefit they would deliver to the local community and consistency with our other development objectives, or not. If the application is approved—normally it would depend upon the particular project—a purchase order might be raised to buy particular materials that are going to be used in the project. The community group would then use that to purchase materials, be that desks for schools, perhaps, or solar panels for an aid post, things like that. Once that is done, an acquittal needs to be performed by the community group.
Senator RHIANNON: Sorry, what needs to be done by the community group?

Mr Sharma: An acquittal. This means they show how the money is being spent and dispersed, and then they will normally send in a report on the project. Then, where possible, our heads of mission or diplomatic staff would normally seek to travel to the project, if it is an accessible location, to see for themselves firsthand how that has gone.

Senator RHIANNON: In summary, is it fair to say that there is a process: at the beginning you have your guidelines, you make the assessment, you handover the money and then whoever receives the money gets on and implements it, and then you come back in at the end of the process?

Mr Sharma: I think it is fair to say that.

Senator RHIANNON: What would be the repercussions for an organisation or a company that misused the funds?

Mr Hutchesson: The Executive Planning and Evaluation Branch within DFAT has broad coordination responsibility for the Direct Aid Program. In the event that there was found to be or suspected to be a misuse of DAP moneys, there is a formal process whereby the post would alert DFAT in Canberra. DFAT, in turn, would consult with AusAID on the steps that should be taken in response to the alleged irregularity.

Senator RHIANNON: Can you elaborate on the steps that would be taken?

Mr Hutchesson: It would really depend on the circumstances of the particular case. We would certainly want to be in possession of as full an account of the situation as we possibly could. That might require that we ask the post in question to seek further information on the ground. It would really depend on the circumstances of the case.

Senator RHIANNON: Have companies or organisations that misuse funds, or where you have had some concerns about the project, been involved in a subsequent project?

Mr Hutchesson: I am not aware of—

Senator RHIANNON: Do you want to take it on notice?

Mr Hutchesson: I am not aware of any of the projects that Mr Sharma was talking about in which DAP funds were used in parallel with funding provided by mining companies. I am not aware that, in any of those instances, there have been reports that have come to our attention of irregularities that have required follow-up action.

Senator RHIANNON: Could you take that on notice?

Mr Hutchesson: I am happy to do that, Senator.

Senator FAWCETT: Can I take you to the incident in Bulgaria in July last year where an Australian was involved in a terrorist attack. Does the department have any updates on either the incident or subsequent actions that have been taken in Australia after that incident, given the involvement of an Australian national?

Senator Bob Carr: I will seek advice on that, but no information that has been reported to me. Of course, you would understand that I would be constrained from sharing information about investigations by any one of our security agencies. But let me see what I can share with you, Senator.
Senator FAWCETT: On a broader but related issue, your department's website has quite a comprehensive page talking about our obligations under United Nations Security Council resolutions in terms of counter-terrorism that goes both to the freezing of assets but also the prescription of organisations as terrorist organisations. Other countries such as the US, Canada, the Netherlands, Egypt and Bahrain have all banned Hezbollah as an entire organisation—a step that Australia has not taken. In fact, Mr Brennan, the US counter-terrorism chief, has told his EU counterparts that a failure to designate Hezbollah as a terrorist organisation makes it harder to defend our countries and protect our citizens. In light of this incident where there has been clearly interaction between Australia and its citizens and Hezbollah and terrorist activities and those statements from the US plus pressure from other stakeholders, is Australia reconsidering its 2003 decision to not list the whole of Hezbollah as a terrorist organisation?

Senator Bob Carr: I am interested in the arguments about it and I am interested in what implications this case has for Australia moving our policy from what you say is a 2003 position, and I will seek further advice.

Senator FAWCETT: The department's website gives some quite explicit examples in one organisation that we have listed, which is the PKK, and talks about the kinds of activities that lead to it being proscribed. Many of the reports that are available about Hezbollah's activities in different parts of the world indicate that similar awareness and community building and fundraising activities do occur. So I am just wondering whether there are parallels or precedents there that you believe should be examined in terms of Hezbollah versus groups we have already proscribed, such as PKK?

Senator Bob Carr: I am happy to have the PKK precedent taken into account.

Senator FAWCETT: Previous Attorneys-General have talked about the fact that once an organisation is proscribed then association with that organisation becomes illegal. Is that a position you would still support?

Senator Bob Carr: Sorry, I missed something in that sentence.

Senator FAWCETT: Previous Attorney-General, Robert McClelland, when talking about the proscription of terrorist organisations, made the comment that the effect of that proscription was to make association with those organisations illegal. Is that still an intent or an outcome that you would support?

Senator Bob Carr: I would take whatever the legal advice is on that.

Senator FAWCETT: Your website also talks about the fact that the strength of our approach to national security involves close cooperation, coordination and consultation between the federal government and the states and territories. Is that something that is vital to the strength of our national security?

Senator Bob Carr: Yes, and I observed that cooperation when I was Premier of New South Wales. It was, I would think, indispensable to some of the police investigations that resulted in convictions and rendered Australia a lot safer from terrorist threats.

Senator FAWCETT: Given the requirement of that cooperation, do you think the ministers of state governments should knowingly associate with the proscribed terrorist organisation?
Senator Bob Carr: I would be surprised if any would. Perhaps you could provide me with the examples? I am sure you are on the point of it.

Senator FAWCETT: There is the example in South Australia of two MPs attending memorial services for people from the Kurdistan Workers Party, which has been the subject of a fair bit of media coverage recently.

Senator Bob Carr: Let me get legal advice on that, Senator.

Senator FAWCETT: I would appreciate that. The National Security Strategy, which was released recently, is a welcome measure in that it seeks to align the security interests of Australia from both a foreign policy perspective and also place Defence within that. Who led the DFAT input into the creation of the National Security Strategy?

Mr Varghese: The overall process was coordinated by the National Security Adviser and the Department of the Prime Minister and Cabinet. Within DFAT, the lead division was the International Security Division so it was responsible for coordinating the DFAT input into the paper.

Senator FAWCETT: I realise that you cannot go into detail but can you outline the kinds of considerations that they would be looking at in the sorts of military effects and employment that would then form part of the National Security Strategy?

Mr Varghese: I am not sure I understand your reference to military effects and employment?

Senator FAWCETT: Clearly our national security would hopefully in the first instance rely on diplomacy and engaging with people in a constructive manner. But history tells us there are certain roles that the military would need to have. I am interested to know how DFAT is contributing to the whole-of-government discussion around the size, shape and capacity our military needs to have for it to dovetail into our foreign-policy-led approach to national security?

Mr Varghese: Our frame for thinking about these issues is obviously that an effective national security strategy needs to integrate a number of different threads of which diplomacy is one, and I was pleased to see that the role of diplomacy was given due emphasis in that National Security Strategy. The question of our force structure and how we go about deciding on that is essentially one that is addressed through the Defence white paper, which is currently being drafted. DFAT, like other agencies, has an input to that.

Our input typically tends to concentrate on our views about the international and regional environment in which we will be operating and analysis of the challenges and threats that there may be to Australian interests that flow from that. I think the more fine-grained decisions about force structure and capability are ones where, as you would expect, Defence would take the lead.

Senator FAWCETT: The next step for Defence, which they are currently working through, is obviously the white paper, where they take that guidance and then start looking at the kinds of military capabilities and approaches that they will employ to address the threat. One of the criticisms raised in the recent Senate inquiry into Defence procurement was the apparent lack of a feedback loop. When the cost of acquisition and ownership of certain military capabilities proves to be larger than Australia wishes to bear, is there feedback from Defence to the department of foreign affairs as to the fact that the desired military capability
to dovetail with what has initially been agreed may not be achievable? Can you give the committee any examples of where there has been an iterative loop between that strategic foreign-policy-led approach and subsequent discussions around affordability, prior to a white paper being issued?

**Mr Varghese:** The white paper process itself, which is now very well established, has a certain discipline to it in terms of the way in which your analysis of the global and regional environment links into specific force structure decisions, and we are part of the whole-of-government process that contributes to that. We also—through our participation in the Secretaries' Committee on National Security, through our attendance at the National Security Committee of cabinet—have visibility of Defence procurement implementation and budgeting issues. So the sorts of questions that you have raised would obviously emerge in the course of those discussions. I am not familiar with the particular Senate report to which you have referred.

[11:27]

**CHAIR:** We are moving now to program 1.1. Minister, could you, to begin, give us an update about progress on the announcement that North Korea was proposing to re-establish a diplomatic presence in Australia?

**Senator Bob Carr:** There are several points to make. I spoke yesterday to my South Korean counterpart, Foreign Minister Kim, and expressed our solidarity with the people of South Korea as they contemplate the threatening, provocative, unsettling behaviour of their northern neighbour. I spoke the day before to Japanese Foreign Minister Kishida to express our solidarity with Japan—with both those nations, especially with South Korea; I committed us to work very closely at the security council. South Korea is chair of the council. Speaking to our mission at the United Nations, I underlined the importance of getting the strongest possible resolution and as soon as possible, invoking chapter 7 of the United Nations charter. Our mission in the United Nations is working strongly on that. We would be there with Korea and Japan in the front rank of nations seeking to give this the highest priority. Tomorrow at midday I will speak to the Secretary-General of the United Nations, Ban Ki-moon, to indicate Australia’s firm support for the statement he made on this and underline that we believe only a strong response from the international community would be of value. I am looking for an opportunity to convey to the representatives of Beijing that we understand the sincerity and strength of their intervention with North Korea as the only nation likely to have influence on the behaviour of that country.

**CHAIR:** Do you perceive that the activities of this week will influence decisions around the re-establishment of a diplomatic presence in Australia?

**Senator Bob Carr:** We still adhere to view that there is value in having a North Korean diplomatic presence here, in particular, firstly so we can speak directly about these concerns for peace and security and stability in East Asia; and secondly, so we can convey to them directly a concern about human rights in North Korea, which is a focus and priority for me. Beyond that, we need to be alive to the possibility that, distant as it might seem at the present time, there is a scope for creative engagement with North Korea, perhaps reflecting some political changes within that country. We postponed the arrival of North Korean diplomats in Australia as a gesture following this detonation. They were due to arrive this weekend.
CHAIR: Can you, or perhaps Mr Varghese outline, the process to establish a diplomatic presence, that the North Koreans will have to pursue.

Mr Varghese: They have approached us about reopening their diplomatic presence in Canberra, because they did, of course, have a diplomatic presence in the past. At that time, which obviously preceded recent events, we had indicated an agreement to them reopening, for the reasons which the minister has explained. They then have to go through the processes of identifying property and setting up a diplomatic mission. They were planning to send a scoping team out this weekend to continue with that process. We have asked them not to. That is where things currently stand. A lot of logistics go into opening a post and that can take some time.

CHAIR: Do you have a sense of how long that process might take or how soon they might actually be able to re-establish their presence?

Mr Varghese: Not yet, and I think it will depend on how long the logistics chain is for them because they have to make the decisions about property and so on.

Senator KROGER: The department suggested that they defer looking for property or positions at the moment in light of what has transpired—is that what you just said?

Mr Varghese: It was a decision by the government.

Senator KROGER: Yes.

[11:33]

CHAIR: We will now move to program 1.1 and North Asia.

Senator FAWCETT: In regard to the annual leadership meetings between Australia and China, could you give us any updates on what progress has been to establish those?

Senator Bob Carr: I think we need the leadership transition in China to be settled, as it will be next month.

Senator FAWCETT: Assuming that is then settled, what time frame do you have or what steps are you planning to progress that issue?

Senator Bob Carr: None. We have made a submission, a presentation, through Dennis Richardson acting as envoy of Prime Minister. The Prime Minister's initiative for regular consultations at the leadership and ministerial level is before the Chinese, but realistically we accept that proper consideration for that in China is unlikely until the new people are in their positions, which they will be in March.

Senator FAWCETT: Sure. I would like to go to the recent Australia-Japan talks. Was anything raised by Japanese during those talks about the recent appointment of previous Senator Bob Brown as the director of Sea Shepherd?

Senator Bob Carr: I do not think so. Let me check the record. Not to my recollection.

Senator FAWCETT: Have Japan raised any concerns about the interaction of vessels that are based out of Australian ports with their fleet?

Senator Bob Carr: I raised the question of whaling. I underlined our commitment to seeing that protests against whaling be conducted a peaceful and legal manner. I am happy to produce the wording of my contribution and share it with the committee.
Senator FAWCETT: Sure. Staying with Japan, with the election of the new government there, the media has been reporting as a shift to the right. Is that a sentiment that the government shares?

Senator Bob Carr: I recall from one of the cables from Tokyo—and they are very considered and very authoritative—a cautionary warning about seeing the new government in Tokyo as 'a nationalistic' government. That cautionary warning from our mission addresses some media comment. It is worth noting as well that statements by Prime Minister Abe have been very considered and very conciliatory, particularly when it comes to the territorial disputes that Japan faces with China and South Korea.

Senator FAWCETT: Thanks.

Senator KROGER: I understand that an Australian journalist, Chris Buckley, was expelled from China either late last year or the beginning of this year. What can you tell us about that? Did we make official representations on his behalf to the appropriate authorities in China?

Senator Bob Carr: Are we talking about the journalist who was—

Senator KROGER: He worked with the New York Times.


Mr P Rowe: Not as far as I know.

Mr Brown: We will take that on notice.

Senator KROGER: I appreciate that he was working for the New York Times. Did he seek any interference from us in terms of the matter and any support?

Senator Bob Carr: I am not aware of it.

Senator KROGER: I am happy for you to take that on board. I was also reading recently about re-education camps in China and the country's slightly different focus in terms of how they are going to manage and deal with those from a policy perspective. Do you have any further information about that? Do you have anything that you can share with us about that?

Senator Bob Carr: I am happy to respond by saying that I found encouraging the references by the new leadership to rule of law in China and reports that were confirmed by the government of a reform of at least one aspect of the system related to what I think is accurately described as extra-judicial detention.

Senator KROGER: There are some hundreds of thousands of people still detained in those camps, aren't there—allegedly?

Senator Bob Carr: The allegations about the operation of both re-education camps and extrajudicial detention as a responsibility of the Communist Party—I think we are talking about two distinct categories here—would seem to invite the attention by a new Chinese leadership focused on the rule of law.

Senator KROGER: In relation to Tibet, I see that my colleagues who normally ask these questions are not here at the moment, so I thought I would touch on it. There have been a number of self-immolation reports again. Do you have any information that you can provide on that—any updates?
Senator Bob Carr: Unfortunately, I am not able to share encouraging news with the committee with respect to a request by us, which is I think nine months old, to have our ambassador visit Tibet to talk with people and inspect Australian aid projects. Our ambassador has revisited that. It may again be frozen because of the drawn-out process of leadership transition in the People’s Republic of China, but I regret that I cannot report progress.

Senator KROGER: With that request, are they denials or are they just left on the table for the moment? Are they straight-out rejections?

Senator Bob Carr: No. An absence of agreement.

Senator KROGER: Absence of response.

Senator Bob Carr: Yes.

Mr Varghese: In relation to the self-immolations, of which there have been 98 by our count since March 2011, we have consistently conveyed to the Chinese authorities our concern about the situation. We have made representations on 11 occasions, in Canberra, Beijing and in provincial regions where most of these protests have occurred.

Senator KROGER: I will leave it there, thanks, Chair.

Senator FAWCETT: During the AUSMIN talks there was an announcement about US-Australian radar systems being able to accurately track objects launched into orbit by China or Russia. Have either of these countries—China in particular in this part of the inquiry—made any comment to Australia in relation to that?

Mr Varghese: I am not aware of any comment to us by the Chinese. Let me take that on notice in case something has happened that I am not aware of.

CHAIR: I know that Senator Madigan had some questions about China. He also has some questions about East Timor. So let’s move on to South-East Asian group and we can allow Senator Madigan some time when he gets here. Senator Kroger, you have questions on South-East Asia?

Senator KROGER: I understand that the Prime Minister visited Burma on what I understand was a six-day visit and met with the President during November last year. Is that correct?

Senator Bob Carr: No.

Senator KROGER: Was there a visit last year?

Mr Varghese: To Myanmar by the Australian Prime Minister—no.

Senator KROGER: I have not been correctly informed. Could you give us an update on the situation in Venezuela. I understand that the inauguration—

CHAIR: Can we hold that over? We are on South-East Asia at the moment.

Senator FAWCETT: In relation to Myanmar, I am just wondering if you have any updates on the situation in the north of the country—the Kachin in particular. Following up on previous estimates meetings, where I have asked questions about the Koren people, I will have some questions for AusAID later about those who are known as refugees, but I am interested in DFAT’s view of the current situation of those who are outside of the aid sphere but displaced within their own country.
Senator Bob Carr: I will get assistance from Rod Smith. I raised, some weeks ago, with a minister from Myanmar, the continuing conflict in Kachin province, and received assurances that the government of Myanmar was committed to reconciliation—a ceasefire and reconciliation. I will ask for assistance with further details.

Mr Smith: The situation in Kachin still concerns us. As you said, there has been conflict between the Myanmar government forces and Kachin independence groups. There is, consequentially, a humanitarian issue of some concern to us. But there has been some progress recently, which we very much welcome. There was a recent commitment by both the Myanmar authorities and the Kachin independence organisation to reduce tensions in the state and to work towards a ceasefire. The situation obviously remains volatile, but that level of the political commitment to work towards a ceasefire is very much welcome.

The conflict in Kachin is one of the only conflicts that is not yet subject to a ceasefire. We have discussed in previous hearings that the government has, since 2011, concluded ceasefires or cessations of hostilities with 10 of the 11 main ethnic groups in Myanmar.

The Koren, which you asked about, is one of those that is subject to a ceasefire that continues to be in place. We would very much like to see Kachin included in that group, and the process, not just of cessation of hostilities, but of reconciliation between the government and those ethnic groups, proceed.

Senator FAWCETT: Are there any specific elements of our intended engagement with the government of Myanmar or aid moneys being targeted at developing that reconciliation process and the rebuilding of those northern communities?

Mr Smith: The specific questions on the directions of the aid program are better directed to AusAID, but in general terms we are obviously very supportive of the efforts of the government towards reconciliation. We are very supportive of the efforts of other organisations that are working with the government, and indeed with the ethnic groups, to try and improve the environment for an enduring peace. We work, for example, with UNICEF, who are supporting government efforts to strengthen the juvenile justice system to better protect child rights. And that goes, obviously, to the very important issue of the recruitment of child soldiers. We are doing work in support of the Myanmar National Human Rights Commission to support its work in promoting regional cooperation. We are also providing assistance to help communities recover from conflict and, as I said earlier, support those political processes of reconciliation. We are also providing assistance to help communities recover from conflict and, as I said, support those political processes of reconciliation.

Senator McEWEN: I wanted to get an update on travel advisories to places popular with Australia's young people and the problem of spiked drinks in Bali and Thailand.

Mr Brown: In relation to the methanol poisoning incident in Lombok in January, we updated our travel advisory for Indonesia on 9 January 2013. It now includes explicit advice on ways to minimise the risk of methanol poisoning. It also highlights the importance of immediate medical attention if there is suspected methanol poisoning. There are a number of other details on the travel advisory, and that really responds to the tragic circumstances surrounding the death of Liam Davies.
Senator McEWEN: Is there any evidence that young people who are travelling to those regions actually read those travel advisories? How do you know that they are getting the message?

Mr Brown: We do monitor the number of hits we receive on the smartraveller website—quite extensively. So far the results suggest that we are receiving some very good penetration, particularly into the younger demographics of the travelling public. You might also be aware of our smartraveller campaign, which has had several different phases. The most recent was late last year. It focused very heavily on encouraging the public to take out travel insurance and drew attention to the travel advisories on the site. We have also established a smartraveller Facebook page. So we are seeking to use social media mechanisms to try to ensure that our messaging is as effective as possible, particularly for those younger demographics.

Senator McEWEN: And there is a smartraveller app, as well.

Mr Brown: There is a smartraveller app. You are very well informed, Senator!

Senator McEWEN: Is this problem of cheap and dangerous alcohol likely to be detected in other countries in South-East Asia as more and more young people travel to what were once more exotic regions—for example, Cambodia is now the new Vietnam and Laos is becoming the new Cambodia.

Mr Brown: Certainly adulterated alcoholic drinks are not unique to Indonesia. There are a number of countries where we have had instances reported to us of alcoholic drinks being adulterated—for example, in India and in Cambodia, as you mentioned, and even in the Czech Republic. So, we have endeavoured to keep our travel advisories up to date to ensure that those warnings on the risks of adulterated alcoholic drinks for those countries and any others that come to our attention are made available to the travelling public in a timely way.

Senator McEWEN: I have just one other question, about the Philippines. What is the travel advisory there at the moment, particularly given problems with insurgencies et cetera in some areas of that country?

Mr Brown: Certainly in the southern Philippines it is 'do not travel'. If you would let me have five or 10 minutes I can give you the full details of the countrywide travel advisory, but for Mindanao it is 'do not travel'.

Senator McEWEN: And it has been for a while.

Mr Brown: For some time, yes.

Senator KROGER: I want to raise just one quick issue on that, which was brought to my attention last week, and it was raised in relation to Indonesia. I understand that if people do not have international licences for vehicles but they take out travel vehicle licences—for instance, in Indonesia a lot of young people are hopping on motorbikes and mopeds and the like—they are not covered by insurance, and the insurance is bought if they do not have an international licence. Are you aware of that? Do we cover that on smartraveller? It is something I had not heard of, and it was raised last week, specifically in relation to someone in Bali, I think it was.
Mr Brown: Yes, it is a very serious problem. Our basic advice is for all members of the travelling public to be absolutely certain of what is covered and what is not covered by their travel insurance. Different insurance companies offer a range of different policies—

Senator KROGER: This is more about vehicle insurance in country, not travel insurance.

Mr Brown: I understand, but—

Senator KROGER: When in country, they are doing the right thing and being encouraged to take out insurance for a bike or whatever they are renting, but they are not advised that it is not covered, because they are not being asked to provide international licences.

Mr Brown: Yes, I understand. I guess what I am saying is that we try to send the message about travel insurance from Australia, at the point of departure, that the individuals should understand fully what is covered by their policy. When they do rent or hire a vehicle or a motorbike or whatever it might be, they should do so from reputable establishments and ensure that the conditions of any policies are completely clear to them at the time. That is the best advice we can give. Where we have particular establishments that are brought to our attention—where there are difficulties or instances that are brought to attention, where there have been problems of the kind that you have mentioned—we do seek as much information as possible so that we can reflect that in our travel advisories.

Senator RHIANNON: I have some questions about Burma. The UN Special Rapporteur's mandate is up for renewal in March. In his last report he expressed significant concern about the ongoing violation of human rights in Burma. Will Australia support the extension of the mandate of the UN Special Rapporteur for human rights in Burma for a further year?

Senator Bob Carr: Let me take that question on notice.

Senator RHIANNON: You cannot provide me with background on where that is up to?

Senator Bob Carr: No, but I should be able to do so before long.

Senator RHIANNON: Today?

Senator Bob Carr: Today.

Senator RHIANNON: Thank you very much. I understand that the USA has implemented a reporting requirement for American companies investing in Burma. Under this requirement, companies will have to disclose their due diligence processes with regard to human rights and land acquisition. Has the government here looked at a similar process? And has there been any discussion on adopting a similar program?

Mr Varghese: That is an issue that the government has addressed.

Senator RHIANNON: When you say it is an issue that the government has addressed, do you need to take it on notice?

Mr Varghese: I am happy to take it on notice.

Senator RHIANNON: Thank you. So, if you could take on notice whether we are considering doing it or whether there has been any consideration or any talks on this possibility, that would be appreciated.

Mr Varghese: Sure.
Senator RHIANNON: Thank you. I understand that Australia still has an arms embargo against Burma. Given some of the recent fighting, it is certainly understandable that it is needed. What benchmarks would Burma have to meet for Australia to consider lifting the arms embargo?

Senator Bob Carr: I think one of them—not the only one—would be demonstrating beyond argument that no element of the Myanmar military has contact with North Korea.

Senator RHIANNON: You said that was one. It sounded like there were others. Could you share the others with us?

Senator Bob Carr: I think we would be interested in the steadfastness of ceasefire arrangements and of reconciliation processes in those provinces of Myanmar where there has for decades been conflict between the central government and regional forces.

Senator RHIANNON: So you are particularly speaking about some of the issues around the border or in the north there, with the minority Muslim communities?

Senator Bob Carr: With both those categories.

Senator RHIANNON: Given the terms of the arms embargo, would Australian companies be breaching the arms embargo if they were to engage the Burmese military in any aspect of their projects?

Senator Bob Carr: I would want to get legal advice on that.

Mr Varghese: I think it would depend on the nature of the contact. The arms embargo ultimately is about preventing the provision of arms. Whether companies are talking to people is a separate issue. I do not think we can give you answer in the abstract, I guess is what I am saying.

Senator RHIANNON: I do not think it is the abstract. It has often been written how extensive non-military operations of the Burmese military are, and the logging industry is one example, and also the Burmese military has been written into oil and gas contracts as security providers. It would seem that we are then entering a grey area with regard to provision of weapons. I would say that the question is still relevant and seek your response.

Mr Varghese: I think the issue is: is the arms embargo triggered or not triggered, and dealing with the military which may be engaged in economic activities may not, depending on the circumstances, be a breach of the arms embargo.

Senator RHIANNON: If Australian companies involved in projects in Burma did have Burmese military involved in security operations on those projects, would that be a breach of the arms embargo?

Mr Varghese: I am not aware of any Australian company operating in Burma that is using the Burmese military for security arrangements.

Senator RHIANNON: If they did, would it be a breach?

Mr Varghese: I think I would have to take legal advice on that.

Senator RHIANNON: So if an example came to your attention you would take legal advice on whether it was a breach?
Mr Varghese: If there was any suggestion that the arms embargo might be breached, then certainly we would want to take legal advice to establish what the facts are and where it sits in relation to the interpretation of the arms embargo.

Senator RHIANNON: Thank you. Is Australia providing any support, financial or otherwise, to the Australia-Myanmar Chamber of Commerce?

Mr Varghese: Could I take that on notice? I am not aware that we are but I can take it on notice.

Senator RHIANNON: That is okay. Is so, what support is being provided? I want to move on to the situation in Laos with regard to the disappearance of Sombath Somphone, a Lao NGO campaigner. I understand there has been some correspondence with the minister's office on this matter. He disappeared on 15 December and there was some footage of that occurring. The issue has been taken up with UNHCR, the European Union and various politicians and other people who have met him. What has the department's advice to the minister been on this matter?

Senator Bob Carr: I have not seen advice. I would need to take that on notice.

Mr R Smith: If it would be helpful, I can provide some general comments about this issue, which is a matter of concern to us. Mr Sombath is well known to us. He has in fact been a partner of ours in some work the embassy has done in support of human rights in Laos. We were dismayed, as others were, to hear of his disappearance in December. We have taken this up with Lao authorities. Our ambassador in Vientiane has done so, we have done so here in Canberra with the Lao ambassador, and we have expressed our concern about the issue. We have registered with the Lao government our expectation that they will properly investigate his disappearance and the circumstances of his disappearance and that they will do what they can to locate him. At this stage, they are telling us that they are dealing with the case as a possible kidnapping case, but beyond that we do not have any further information.

Senator RHIANNON: So a possible kidnapping by government authorities, or unknown, or is there any further information about that?

Mr R Smith: They simply said that they were dealing with it as a possible kidnapping case. They have said to us that they are not aware of his whereabouts.

Senator RHIANNON: Minister, you received a letter about this on 4 February from a number of Australians. I was wondering if you have had an opportunity to respond to that.

Senator Bob Carr: I do not recall the case, so I will need your advice.

Senator RHIANNON: If I could draw to your attention that I was CCd in on a letter signed by a large number of people, and it is dated 4 February. One, did you receive the letter? Two, will you be responding?

Senator Bob Carr: Let me check the file.

Senator RHIANNON: Thank you.

Senator KROGER: I note that when I referred to 'Burma' earlier on I was picked up, and I think the minister referred to 'Myanmar', and I have been listening to the evidence you have been providing. Could you go back. I understand the government and the department made the decision last year to refer to 'Burma' as 'Myanmar' and recognise it as such. I am also aware that Aung San Suu Kyi here expressed her disappointment that we had made that
decision and in fact said that she would always refer to the country as 'Burma' until the Burmese people themselves wished to be called otherwise. Can you just explain the decision that was taken last year?

Senator Bob Carr: Happily. Firstly, ASEAN refers to the country as 'Myanmar'. The country itself wants to be called 'Myanmar'. That is the position of the country. When I was there I had the opportunity to take soundings from different forces in the opposition, not just Aung San Suu Kyi, as much as I valued my meeting with her. The meeting with the other opposition forces included representatives from civil society but also representatives of ethnic minorities and political parties based on those ethnic minorities. Changing nomenclature is not something they opposed. I do not think they registered any opposition at all. My advice is—I do not want to generalise about all of them—that they are happier with 'Myanmar' than 'Burma', 'Burma' being ethnically specific. To the extent that it came up in my long meeting with Aung San Suu Kyi, she certainly would not have registered a strong opposition. And in fact—

Senator KROGER: She was quoted as being disappointed.

Senator Bob Carr: She did not say that to me, although I am not sure whether we dwelt on nomenclature. I have just been handed a quote from her during her visit to Washington to the effect that the question of nomenclature was 'entirely a matter of choice', which would suggest she is not that emphatic. But I think a fundamental consideration for us here as we contemplate our future in the Asian century and try to align ourselves, where it makes sense, with ASEAN thinking and ASEAN sensitivities, is that ASEAN uses 'Myanmar', the country uses 'Myanmar', and ethnic minorities within the country prefer that.

Senator KROGER: America uses 'Burma' doesn't it? They have it up on their website.

Senator Bob Carr: There was a visit, it might have been by Hilary Clinton, on one occasion where she did not use either.

Senator KROGER: Because on the website they refer to 'Burma', I think.

Senator Bob Carr: They could, but—

Senator KROGER: It is a bit hard when you are flying into a country and you are not prepared to call it anything.

Senator Bob Carr: I do not detect a high degree of agitation one way or the other. The country wants 'Myanmar'; ASEAN uses 'Myanmar'.

Senator KROGER: You do not think there is a great sensitivity on the ground that is it being called 'Myanmar', by the people of Burma.

Senator Bob Carr: No.

Senator HEFFERNAN: Minister, with our trade negotiations in Asia and the like, with the live cattle export et cetera, is your department aware of the difficulty a lot of our trade negotiations, our people wanting to do the trade, come into with the culture of facilitation money—in other words, bribery? It is a big issue. The issue with the sheep over in the Middle East was all about a misdirected bribe by someone. And, as you know, you can get a signature on any piece of paper you like if you have enough money, in a lot of places. Is that, in terms of trade and foreign affairs, something that comes on the radar regularly?
CHAIR: Senator Heffernan, those questions are probably most appropriately put in the trade programs this afternoon at 4.30.

Senator HEFFERNAN: Yes, but it is really the bribery issue I am after.

Senator Bob Carr: It has certainly not been raised with me, no—not in my meetings. Everywhere I go I try to meet the relevant Australian business organisations.

Senator HEFFERNAN: You would be aware of what I am talking about, though.

Senator Bob Carr: Yes, you have made it pretty explicit. I do not recall any Australian businesses raising it.

Senator HEFFERNAN: I have had a delegation come to see me—actually, to the farm—from an Asian country which shall remain nameless, a fairly big one. They were saying they could not understand some of the difficulties they were having in negotiating facilitation money in Australia, which is a good thing. They actually said to me that by 2070 this particular country has to feed half its population from someone else's resource, from Africa on the mainland, one or two countries there. For some of the acquisitions they are making there they are spending more on the facilitation than the asset. But you do not see that as an issue?

Senator Bob Carr: No. All I can say, again, is that Australian businesses have not raised with me this as a problem when it comes to investing or trading with Asia.

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Senator Bob Carr: No. All I can say, again, is that Australian businesses have not raised with me this as a problem when it comes to investing or trading with Asia.

Senator HEFFERNAN: Madam Chair, thank you very much. I would like to raise in the Americas a couple of issues.

Senator XENOPHON: Minister, I have some questions in relation to democracy in the region, in particular in Malaysia and Fiji. I think the Pacific is dealt with at a later time, so I will confine myself to Malaysia. Minister, you previously said in the context of Fiji, but it could apply equally to Malaysia, 'Australia have reiterated our willingness to support a credible electoral process.' You have also said, 'Promoting democracy helps to secure peace, prosperity and stability in our region.' They are statements you stand by?

Senator Bob Carr: Yes.

Senator XENOPHON: Last November, as you are aware, Labor's opposition leader Anwar Ibrahim provided me with a handwritten letter that he asked me to hand to you, which I did, and you gratefully accepted, asking for help from Australia to play a role to ensure that Malaysia's elections were clean and fair, because there is concern from Malaysia's official opposition and from the Bersih, the clean elections movement, that elections will not be clean and fair. What role do you see Australia could play in respect of that? For instance, if the Australian government was invited by the opposition and leading NGOs to lend observers for the Malaysian elections, is that something that the Australian government would consider?

Senator Bob Carr: Yes.

Senator XENOPHON: Last November, as you are aware, Labor's opposition leader Anwar Ibrahim provided me with a handwritten letter that he asked me to hand to you, which I did, and you gratefully accepted, asking for help from Australia to play a role to ensure that Malaysia's elections were clean and fair, because there is concern from Malaysia's official opposition and from the Bersih, the clean elections movement, that elections will not be clean and fair. What role do you see Australia could play in respect of that? For instance, if the Australian government was invited by the opposition and leading NGOs to lend observers for the Malaysian elections, is that something that the Australian government would consider?

Senator Bob Carr: No, we would not consider it. We would only consider a request from the government of Malaysia.

Senator XENOPHON: But isn't there a catch-22 in respect of that? Because if the allegations are that there is a real risk of widespread electoral fraud, if there are concerns about a gerrymander—and I think I did forward to you a report of a group I was part of in last April that looked at the electoral process—and if there are concerns raised by not just the observer group that went last year but by other observer groups and the European Union that the election process is fundamentally corrupt and flawed, then you will not get that invitation
from the government because it is not in their interests to support objective international
observers to look at the electoral process.

Senator Bob Carr: We are not in a position where we can monitor an election in
Malaysia. I understand the government must call an election there by April. Our High
Commission in KL observes domestic politics very carefully, but there is no question of
Australia dispatching election observers unless it were requested by the government of that
country.

Senator XENOPHON: I don't want to get into a semantic argument with you, but if they
were not formal election observers in the sense that they could not get access to see what was
happening in the polling booths—by virtue, say, of Malaysia's electoral commission not
giving that access—you are saying that there is no role for Australia to play as a result of a
specific invitation from Malaysia's opposition to at least make observations, rather than
observing, about the state of the electoral process and to make inquiries of the electoral
commission and other issues relating to electoral fraud?

Senator Bob Carr: No, we cannot run Malaysia's elections for them—

Senator XENOPHON: I am not suggesting that you run them. I think you retorted to
Sabra Lane in an interview on 21 November, 'Do you want us to bring in amphibious
vehicles?' I am sure that was tongue in cheek. But, in broader terms, leaving aside Malaysia,
 isn't there a catch-22 if you say the only circumstances in which Australia can advocate or
promote democracy in the region is if we are invited by the government of the day, and there
are fundamental questions raised about the integrity of the electoral process and the
government's vested interest in keeping that process as it is? Doesn't that mean that we will
never get to a situation where Australia could play a constructive role despite it being asked
by the official opposition?

Senator Bob Carr: The opposition in Malaysia could ask us to send teams up there to
observe their election, but our policy would be that it would only be conceivable that we
would do that where it was requested by the government.

Senator XENOPHON: But there is a catch-22—you would acknowledge that?

Senator Bob Carr: We live in a world of paradoxes. It is not our job, as I said in that
ABC interview you quoted, to run their election for them. It is not our job to observe their
election—on behalf of whom, I don't know. I note that the last election in Malaysia saw the
government of the day lose its two-thirds majority, so one has to acknowledge there is some
vigour about the multi-party system in Malaysia.

Senator XENOPHON: Yes, and the government controls some seats with 7,000 votes
and the opposition with 120,000 votes.

Senator Bob Carr: But we are not in a position such that we can address that or alter that.
As a member of the Australian Senate, you are entitled to make observations on the pattern of
electoral distribution in Malaysia, but it is not a matter the Australian government can pursue.

Senator XENOPHON: So when you say, 'promoting democracy helps to secure peace,
prosperity and stability in our region', that promotion does not extend to taking an active
interest, even at the invitation of key groups in Malaysia to make observations as to the state
of the Malaysian electoral system?
Senator Bob Carr: We talk to all groups in Malaysian politics, as we engage with all
groups in the countries where we are represented—it is how we gain a knowledge of the
politics and society of the nations in which we have Australian missions. You mentioned Fiji
earlier. There is no comparison, of course—Fiji suspended elections as a result of the military
coup. It has an interim government comprised of military figures, and we have a keen interest
in them returning to democratic norms in holding elections—elections that are so fair that
even the losers will recognise that it was a fair process. It is not comparable with Malaysia.

Senator XENOPHON: So, if there are reports of widespread electoral fraud or rigging
and intimidation of voters in the Malaysian elections, that is something that would not
concern the Australian government.

Senator Bob Carr: We have a healthy interest in democratic processes around the world.
We will take a keen interest, from our high commission, in the conduct and the contest of this
year's election in Malaysia.

Senator XENOPHON: So the paradox is that, unless we are invited by the government of
a country, we will not have anything to do with observing or commenting on the electoral
system?

Senator Bob Carr: I think the key verb is 'observing'—we will not have election
observers there. We had election observers—

Senator XENOPHON: I think in Georgia recently.

Senator Bob Carr: in Timor and in Papua New Guinea. Australia was involved as part of
a Commonwealth observer team. In those cases, it was at the request of the government.

Senator XENOPHON: Without a request of the government, it means that, if there is
widespread concern in Malaysia as to the result of the forthcoming elections, that is
something that will not be commented on by the Australian government. You will not look
behind the election processes.

Senator Bob Carr: I do not think we are in a position to act as the court of appeal—

Senator XENOPHON: I am not suggesting that.

Senator Bob Carr: or the court of disputed returns for a neighbouring country.

Senator XENOPHON: When you say 'promoting democracy', that has a fairly narrow
view in terms of Australia's role.

Senator Bob Carr: We cannot walk into another country and make decisions about the
fairness of their electoral practice. We can have observers there at the request of the
government.

Senator XENOPHON: Presumably, the high commission in Kuala Lumpur would keep
you regularly briefed as to the concerns being expressed by Bersih and the opposition leader's
office.

Senator Bob Carr: Yes. The high commission is in contact with the forces that represent
the spectrum of opinion in Malaysia, and the quality of its reports are very good. Our
engagement with opposition forces in Malaysia, as well as government forces, will be robust
and thoroughgoing.

Senator XENOPHON: But no comment on how the election system works?
**Senator Bob Carr:** We are not sending observers.

**CHAIR:** We are moving now to the Americas.

**Senator KROGER:** I will ask for an update on Venezuela, but, before I do, I am absolutely stunned by the intensity of the interest in Mr Zygier's personal circumstances and what surrounds them. I am being flooded with comments and questions from people who have heard all sorts of things. So I, firstly, encourage you all to expedite confirmation of what has taken place, because there is an extraordinary amount of interest. One particular matter has been raised with me and I think it would be negligent of me not to raise it now: whether his body when repatriated was escorted home from Israel. Do you have any detail about that?

**Mr Varghese:** The repatriation arrangements were not made by the embassy. The embassy assisted the group that was handling the repatriation, and so I do not have information on whether or not the body was escorted, but I will certainly look into that as quickly as possible.

**Senator KROGER:** But there must have been some degree of coordination between authorities in terms of the receipt of the body here when it was brought home.

**Mr Varghese:** But it was not an embassy initiated repatriation—I guess that is the point I am making.

**Senator KROGER:** I understand. It clearly was an Israeli government initiated repatriation.

**Mr Varghese:** I think it was actually an organisation that is not a government organisation that had the lead on it. But let me see if I can get you any more information.

**Senator KROGER:** Are you aware of whether an official or representative from the Israeli government accompanied the body home to Australia?

**Mr Brown:** I do not know; I will try and find out as quickly as I can.

**Senator KROGER:** I am happy to leave it there. Thank you very much for that indulgence. Back to Venezuela very briefly, given that we hear that Mr Chavez has been ill for some time, there has been speculation about whether there are going to be new elections there—has there been any advice or further update on the political situation there?

**Ms Schick:** Yes, I have a brief update here for you on Venezuela. President Chavez was re-elected president in October 2012 at the presidential election for a fourth term. He won in the order of about 55 per cent of the vote at that time. Subsequently, he was hospitalised in Cuba for ongoing cancer treatment, we understand, and that is where he remains. He was not able to attend the formal inauguration which was scheduled to take place on 10 January in Caracas and, under the constitutional court, there has been a ruling that the presidential inauguration can take place at a later date. President Chavez has nominated Vice-President Nicolas Maduro as the acting president for the moment, so that is about all the information I have got. I hope that is enough for you.

**Senator KROGER:** Thank you very much. Staying on the Americas: this is in relation to the AR15 weapon that was used in the recent US school shootings. I understand that there was a statement made by your minister on 24 October 2012 whereby you suggested that no weapons were produced in Australia. I quote:
There are no arms manufactured in Australia so the weapons that people use in crimes here are all imported and often imported illegally.

Did you receive an advice from the department before you made that statement, specifically in relation to require arms?

**Senator Bob Carr:** I certainly would not have made that statement without advice.

**Senator KROGER:** Do you recognise that that statement was wrong?

**Senator Bob Carr:** No. If it is wrong, I am happy to stand corrected but I will check on where that advice came from. There is no way I would have ventured into talking about weaponry without a piece of paper in front of me from someone in the government.

**Senator KROGER:** Because I understand that the AR15 is exported to the US under very strict guidelines as one could imagine—

**Senator Bob Carr:** Can we check that quote?

**Senator KROGER:** Absolutely. I am happy to put this on notice, Senator. We can take it up later. That is perfectly fine.

**Senator Bob Carr:** Please do.

**CHAIR:** We will now break for lunch.

**Proceedings suspended from 12:28 to 13:31**

**CHAIR:** I advise that we have one more set of questions on the Americas, then we will go to the Pacific to accommodate Senator Macdonald, and then we will come back to South and West Asia and the Middle East. I hope that is of some assistance to the officers.

**Senator HEFFERNAN:** Three years ago I was in Canada. When they discovered I was there, they did not deport me but invited me to the rural committee of the parliament to discuss why Australia would not import beef from Canada. As I said to them in very simple language: 'If you could guarantee us that you do not have any BSE in your herd, we would talk to you. Until you have not, we may not talk to you.' Given that we very nearly agreed to import beef from the United States, and BSE has been reacting there—and there have been many reactors in Canada which has an open border, or did have. It is the same with Mexico—no national livestock identification from birth to death, et cetera. There is no such thing as a BSE-free herd because the only way to know if someone has not got BSE in a cow is to kill it. As you know, there is probably up to a 30-year incubation period for CJD in humans. It is endemic in Europe. Given that we have recently announced that we have agreed to take beef from some countries in Europe that have had BSE, and I will be dealing very ferociously with that, in a diplomatic sense and in terms of diplomatic pressure to accept these importations of beef from countries that have had BSE, is there a risk from your perspective, Minister, that the pressure to come to a trade arrangement could be more powerful than the arguments on biosecurity, which have to be based on science and the vagaries of science and health? Given that we have never had a BSE reactor in Australia, and given that there are no such things as BSE-free zones in the United States, at a DFAT level have you or DFAT had discussions as to how they could facilitate diplomatically the entry of such products into Australia.

**Senator Bob Carr:** I thank the senator for his question. I have had no such discussions, which means that it has not been raised with me by representatives of other countries. I acknowledge that the Australian agricultural sector practises what it preaches—it lives with
open markets. I do not think it could reasonably be accused of having protectionist instincts; it survives in a free market because of its competitive advantage. I acknowledge the senator's concerns about biosecurity. I think we can say that in exploring trade negotiations with any of those countries with which we are eager to lower trade barriers we would never run the risk of trading off Australia's legitimate concerns of biosecurity. It is not strictly my area, so let me take it on notice and come back with the more comprehensive answer that the question deserves.

Senator HEFFERNAN: To put that into context, I have to confess I misbehaved one day down in the courtyard by interrupting a press conference of Mr Crean's—the Minister for Trade at the time—because he was not aware, when we were about to agree to this American thing, what the American importation ask was all about. Really, every time they or Canada get a reactor, because they have an open border situation, they would lose market share in Korea and in Japan, and we would gain the market share. The logic was that if we could agree to take American beef when they got a reactor they could argue to Japan and Korea, 'Australia takes it; why are we losing market share?'

Those sorts of considerations, given that the US is technically insolvent, and has been for a while—and we will have to alter our terms of trade as a result in the value of our currency—are against us in a trade sense for exports. One of the key premiums we have is if you buy Australian beef you know you are not going to get BSE. It has only just come to light; the science is still developing in the UK with their BSE and CJD journeys, but it can take 30 years. I realise there is a battle between free trade and protecting your biosecurity status, and from the point of view of human health we are pretty happy with where we are.

You may be aware that today I am having a meeting with FSANZ and Biosecurity Australia with DAFF to talk through what has been in the press the last couple of days; the importation from the Netherlands, which has endemic BSE. I do not think we should go down that road, and I would be interested to know what pressures there are. The rural committee, which includes all persuasions—and we all work together and tend not to play politics with people's livelihood—would be interested in being in the loop on the pressures that we come under as a nation to facilitate trade versus our wellbeing.

CHAIR: The minister has agreed to take those questions on notice. If you want to raise them again in the trade portfolio you are welcome to join us again.

Senator HEFFERNAN: Thank you for your indulgence, Madam Chair.

CHAIR: As I advised, we are going to move out of the Americas and go directly to the Pacific.

Senator IAN MACDONALD: My questions mainly relate to PNG. Minster, you are aware that there is some legal action in PNG about the Australian refugee camp on Manus Island. Has the Australian government become a party to that particular PNG court case? Can you give me any advice on it? What is our view on the legality or otherwise, with PNG law, of the Manus Island detention camp?

Mr Chittick: We are not a party to the constitutional challenge in PNG. It is a challenge that has been brought by the opposition leader of PNG and it will be defended by the government of Papua New Guinea.
Senator IAN MACDONALD: The outcome of the court case is of great significance to Australia. Do you have a view on it? Have we been getting advice from good legal sources on the likelihood or otherwise of the success of that claim?

Mr Chittick: We are following that case very closely. It is a case that is taking place in a court in Papua New Guinea under Papua New Guinea law. We do not have any particular views at this point. The Papua New Guinea government has said very clearly that it will defend the case vigorously. We are continuing to follow it very closely.

Senator IAN MACDONALD: My discussions with PNG officials give me the impression that they do not think there is a lot in it. They indicate to me that they have a very good defence. I appreciate this is not necessarily for foreign affairs—it is probably a bit more for the immigration department—but the outcome of the case could have major significance for Australia’s refugee program. Is there any concern that it might be successful and if so what would happen to the proposals for use of Manus?

Mr Chittick: You are correct that both the Australian and PNG governments are very strongly committed to the regional processing centre on Manus. For that reason we are following it very closely, and for a similar reason the PNG government has said it will defend very vigorously the action that has been brought in its courts.

Senator IAN MACDONALD: Again, perhaps this is not your department, but are you aware of the status of the Manus Island detention centre?

Mr Chittick: Status in what sense?

Senator IAN MACDONALD: Is it operational? How many people are there? What buildings are being done? What is Australia doing? What money is going to it? Those sorts of things.

Mr Chittick: It has been operational for a number of months now. I am not across the fine details of its operations. I understand that DIAC covered those in Senate estimates earlier this week.

Senator IAN MACDONALD: Has any approach been made to the Australian government in relation to a refugee camp in the Western Province for the PNG government to deal with possible refugee immigrants from Irian Jaya, or West Irian, or whatever it is called these days?

Mr Chittick: Not to my knowledge, but the immigration department may be aware of discussions of that nature. But I am not aware of those.

Senator IAN MACDONALD: So that would not come through foreign affairs?

Mr Chittick: I am personally not aware of those discussions, should discussions like that exist.

Senator IAN MACDONALD: If immigration were involved in that court case, would you know about it?

Mr Chittick: Yes. At this point the Australian government is not a party to that case. It is a case that has been brought by the opposition leader of Papua New Guinea and it is being defended vigorously in a Papua New Guinea court by the Papua New Guinea government.
Senator IAN MACDONALD: Sure, and I understand that sometimes strange things are done in PNG politics. But was it ever thought necessary for the Australian government to try to become a party, even with a watching brief on what might happen there?

Mr Chittick: We are not a party to the legal action, but we are monitoring it very closely.

Senator IAN MACDONALD: For my next question, again, I do not have a named source for this information. Are you conscious that there is a thought, and it may well be in your area, too, Mr Chittick, that there are foreigners coming into PNG and in some way or another getting PNG citizenship papers and then coming into Australia and then 'disappearing'—that is how it was told to me so I will put it in inverted commas—within Australia? Has that sort of issue ever been raised with you?

Mr Chittick: It has not been raised with me directly, no.

Senator IAN MACDONALD: Or anyone in the department? It is something that PNG has raised with you?

Mr Chittick: Not that I am aware of. It is possible that the Department of Immigration and Citizenship may have been involved in such discussions or had issues like that raised with them, but not to my knowledge.

Senator IAN MACDONALD: More broadly, in relation to foreign aid—and I appreciate AusAID is the place to raise that—it has been suggested to me in many places right throughout the western Pacific that Australian aid does a hell of a lot of good work that is really appreciated, but nobody knows about it. Has that ever been raised with you, Mr Varghese or Minister?

Senator Bob Carr: I am speaking with a bit more authority than I would have been able to do otherwise, having just returned from Kiribati, Samoa and Vanuatu. My impression was, especially in Vanuatu, that Australian aid had a big profile. People were very conscious of it. I think—

Senator IAN MACDONALD: To be more frank, there is another big foreign donor into the Pacific islands these days. They are building big buildings on the main street with signs saying that it is a gift of this government and these people, whereas Australia—I am thinking of Samoa in particular—is doing some fantastic work with deaf kids who would not otherwise have a chance in life, yet I think there is a sign on the front door as big as I am indicating. Now we do not want to go around with banners saying 'We are helping all the deaf kids in Samoa'—I might be confusing it with the Solomons or some other place—but the point I am making is that while we do fantastic stuff a lot of the population in those areas, where sometimes it is important to win hearts and minds, do not really know about it. The people involved in the program know, of course.

Senator Bob Carr: What you are raising is of great interest. In Samoa I saw technical colleges where youngsters in wheelchairs, for example, at the Australia-Pacific Technical College were learning, with Australian support, how to run programs for disability services. It is a scene I will never forget as long as I live. On Kiribati I saw youngsters learning English and getting Australian-level trade qualifications. Interestingly, half the people getting motor mechanic qualifications were women—and also in carpentry. Nothing can beat this sort of assistance.
To be candid, when it comes to the approach of China, which is to build presidential offices and sports stadia, it was said to me by someone observing Chinese thinking on aid, in Beijing, that it is only a matter of time before the profile of Chinese development assistance resembles that of OECD countries like Australia. The Chinese are studying it. They consider that heavy handed approaches to development assistance do not work in the end—namely, a big Chinese port, a Chinese road leading to a Chinese build mine with Chinese employees. China will one day modernise its approach to development assistance and its profile will resemble that of a country like Australia and other OECD countries.

Senator IAN MACDONALD: Minister, I agree with most of what you have said in relation to our programs. My point was that very often most of the population of these places where we give aid do not understand that Australia is helping in that way. Those involved do, but the wider population do not. I am just wondering—

Senator Bob Carr: Yesterday I stood in Port Vila with the Prime Minister announcing our assistance, which will enable them to fix up the sanitation and the roads of the city of Port Vila. The harbour will be protected from the sewage overflow, which, if it worsens, will be a terrible disincentive to cruise ship visits. The roadworks will be improved, the whole area will be rendered more attractive and safer and the infrastructure ungraded. There are three settlements around the city that are not sewered. So we are doing all of that. I would think that big announcement, with me and the Prime Minister in the heart of the city, would be very well publicised, and I think it will get more publicity at every stage of the development.

Senator IAN MACDONALD: What I am suggesting is that you would not think that on the boundaries around the work, if they have them, there might be a little sign saying 'This project is being assisted by the Australian people.'

Senator Bob Carr: I have seen the AusAID emblem on blackboards in schools in the delta in Myanmar. I saw it again yesterday—with Helena I might add, to the distress of Senator Kroger—at a women's shelter we visited in Port Vila. As a result of Australian aid, this women's refuge, this women's counselling centre, is being properly set up with separate rooms for counsellors and all the rest. All the people involved with that and all the NGOs clustered around it were aware that this was possible only with Australian aid. To answer your question specifically, the emblem of AusAID was there. I agree that we should work harder at it. It is a fine goal, and let's put it to the AusAID team when they are here.

Senator IAN MACDONALD: That was really my question. Are you satisfied that enough publicity in a general sense is being given to Australian aid, because as you know from your travels, Minister, there are many who say 'There is a lot of aid coming in from China but we do not see any from Australia,' whereas you and I know that there is more. But the people in the villages do not know it.

I am sure that while you were there, Minister, you were given a lot of publicity, because you are a guy who attracts publicity. But the question really was: are you satisfied that we are doing enough to let the populations of countries that we support know that Australia is interested and is lending a helping hand?

Senator Bob Carr: Let's absorb that challenge. I will certainly discuss it with my AusAID people.
Senator IAN MACDONALD: Finally, does the Australian government have any involvement in a number of projects that are being discussed for taking power and water from PNG into Australia? These are issues that I clearly know are being discussed within the PNG and Queensland governments, but does the Australian government have any watching brief or ongoing interest or association with that?

Mr Gee: No. There are discussions from time to time about commercial arrangements that might be made. In the past there have been suggestions of gas coming to Australia, but that did not come to fruition. I am not aware of any current projects that are being discussed and are likely to eventuate into any actual arrangements.

Senator IAN MACDONALD: There is a memo here signed with Queensland and Origin Energy, I think. Does that not involve the Department of Foreign Affairs and Trade at all?

Mr Gee: Not necessarily. That is largely a commercial matter or a matter for the state government.

Senator IAN MACDONALD: There must be intergovernmental relationships that come into play?

Mr Gee: There can be.

Senator IAN MACDONALD: You could not refer me to a person in your department who might be keeping a watching brief on these sort of things?

Mr Gee: We do keep a watching brief on all of the developments in the Papua New Guinea economy and how they might relate to the Australian economy, but we are not actively engaged on the kinds of projects that you were describing.

Senator IAN MACDONALD: If that did come to the notice of the department, would that be your area?

Mr Gee: That is right. It could be our area or it could be one of the trade areas.

Senator IAN MACDONALD: I would like to talk about TB in the Western Province, but that is perhaps for later.

Senator McEWEN: We all noted in the last week or so you that have been visiting our near neighbours in the Pacific and have made some announcements about what we are doing to assist those countries deal with the pressing issue of climate change and the effect it is having there. Of course, there are some people in this parliament who deny that climate change exists. What is the attitude to climate change of those governments that you have been talking to and those countries that you been visiting? What is Australia doing to help them?

Senator Bob Carr: Your question is very apposite. The most key concern was felt in Kiribati. Kiribati is an atoll, a narrow strip of land, a lagoon on one side and the ocean on the other. President Tong took me to a village which he said now suffers minor flooding due to rising ocean levels. The tides are getting more forceful and bigger. He talks in terms of two decades left for the country if rising ocean levels continue to manifest themselves. We are forced, firstly, to work with them on mitigation measures—the planting of mangroves, for example, to reduce the effect of those tides surging in and the strengthening of the causeways, with sandbags being very visible along parts of the ocean and the lagoon. Secondly—and this is a superbly strategic example of Australian aid at work—we are lifting the technical qualifications of the youngsters of this society. We are seeing that they get English language
training and a qualification in carpentry or motor mechanics or electronics at Australian standard so that when an evacuation occurs, which would have to be considered a high possibility, they would come to these shores or to New Zealand or somewhere else not as desperate environmental migrants but as people with skills that are sought after and which give them value. It is very sad to reflect when encountering the signs of this Kiribati culture—the singing of the young people, the artwork, their links with the ocean and fishing—to consider that it could become extinct due to climate change, and its people be forced to emigrate to the cities of other countries—ours or New Zealand's. President Tong joined me in recording a message to the UN Security Council, saying: 'Climate change is with us now. It's not prophecy. It's not speculation. This is it, on the ground, here, around us in this village.'

Senator McEWEN: In terms of natural disasters in the region, particularly the Solomon Islands recently, are those governments attributing those kinds of natural disasters to climate change as well?

Senator Bob Carr: One has got to be more careful about the cyclone in the Solomons or that which produced the savage flooding in Samoa. Certainly, these would need to be assessed as evidence of more erratic weather patterns, the underlying cause of which may be that very distinct warming of the earth's average temperature.

Senator McEWEN: Just going back to the Kiribati example of Australia assisting people there to prepare for what sounds like, almost inevitably, a very sad future when they have to leave their country, what is the attitude of the local people there to Australia's assistance to skill up the young people? Are they responding positively?

Senator Bob Carr: Yes, very positively. The government there sees us—I think this is a fair description that would not embarrass them—as natural partners and friends. We have made a commitment to fix up the single road that runs through the country, with a lagoon on one side and the ocean on the other. It badly needs repairing. I think the commitment to technical education is quite an inspiring example of strategic Australian aid.

Senator McEWEN: Very good. I have some questions to do with the Pacific but they are to do with the Pacific Women's Parliamentary Partnership Forum, which I suppose could be dealt with here or in the next area. I would dearly like to hear from our Global Ambassador for Women and Girls about what we are doing to assist women's representation in the parliaments of our Pacific neighbours. I understand there was a pretty good forum here over the weekend.

Ms Williams: As you know, last year in the Cook Islands we saw a very historic declaration on gender equality made by pacific island leaders, recognising that increased political participation, economic empowerment and reduction of violence were critical to the Pacific's development. Parliamentarians in Australia and across the Pacific are very committed to working together. There was a seminar in Sydney on the weekend, with bipartisan representation, talking about the ways in which politicians could mentor their colleagues in the Pacific.

Senator McEWEN: How many people attended the forum—from how many countries?

Ms Williams: I do not have the exact number. I must admit when I welcomed everybody on the first day I was pretty impressed by how many politicians there were from Australia, at the end of the first parliamentary sitting week in Australia. I think we had about 25 from the
Pacific, three from the Cook Islands and two recently elected parliamentarians, including Governor Soso from PNG. The Solomon Islands had a potential candidate because they only have one parliamentarian who was recently elected in a by-election. There was a woman from the Marshall Islands, who is the Minister for Education; the Vice-President of Kiribati; and a number of other politicians from Kiribati. It was an incredibly good turnout.

The important thing is the commitment on both sides—as I said, politicians were incredibly busy and they have all these other responsibilities—to drive this together as one of the very first parts of the Pacific Women Shaping Pacific Development initiative that Prime Minister Gillard announced at the forum last year. Interestingly, not only is that commitment $320 million but it is $320 million over 10 years. It recognises that this is a generational change in terms of shifting attitudes towards women in leadership positions, shifting attitudes and participation in economic activities and also, critically, eradication of violence. As I said, the policy declaration by leaders last year at the forum was historic. It was a really important marker. Then we saw not only Australian assistance come in but also women in Australia and women in the Pacific actually working together.

I should also say that male advocacy has been critical to that. We have been talking to the White Ribbon Foundation who are organising an event later this year. It is particularly focused on male advocacy. While the story is still not a fantastic one to tell about the position of women in the Pacific, it is very optimistic in terms of where we are at the moment.

Senator McEWEN: Excellent. Is it likely there will be a repeat kind of forum in the future?

Ms Williams: I did not stay for the last day because that was a day of parliamentarians talking to parliamentarians. My sense was that there was a lot of enthusiasm in terms of the next step. Parliamentarians in Australia and from the Pacific would come together. There was also a sense of having smaller subsets and also one-on-one meetings. I think there has been a tradition of Australian parliamentarians in a private capacity actually mentoring women in the Pacific. That is across all sides of politics. As I said, it is quite important and, importantly, that has been one of the early initiatives under the Pacific Women Shaping Pacific Development programs.

Senator McEWEN: And of course mentoring can be provided by telephone, computers or stuff like that. It does not necessarily have to be an expensive way to invest in ensuring our sisters in the Pacific get elected to parliament.

Ms Williams: I guess it is also worth making the point—and I suppose this follows on from the comments that the minister was making about the visibility of Australian aid—that we have been working very hard to make the work that we are doing with women's organisations and around women's participation highly visible, including visits made by me. I was in the Solomon Islands for White Ribbon Day. We tried to get a lot of media and it was a fantastic demonstration there in terms of an acknowledgement of Australia's assistance and Australia's willingness to walk side by side, both physically and in terms of funds. It was great for me to go to Parliament House that day and see the parliamentarians in Solomon Islands take an oath to stand up against violence against women. I think the minister was mentioning to me in the Solomon Islands recently that there is a real sense of commitment there. The Solomon Islands is also on the executive board of UN Women, along with us. There is a real sense of momentum at the moment.
Senator McEWEN: Excellent. Thank you.

CHAIR: Senator Milne, do you have questions about the Pacific?

Senator MILNE: No.

Senator KROGER: On the Pacific, very briefly on PNG and the poor woman who was burnt at the stake and was an accused witch. I read that recently. Can you give me a bit of an update on that?

Mr Gee: That incident, as reported in the media, was really quite a reprehensible act. Australia's High Commissioner in Papua New Guinea has publicly condemned it. Australia opposes any kind of violence against women but violence of that nature is especially repugnant.

Senator KROGER: I thought it was particularly noteworthy, just hearing the evidence provided, that we have an incident of this nature that has happened and I am pleased to hear that representations were made expressing our concern about that particular action. At what level was that concern expressed?

Mr Gee: That was expressed publicly, so not in the form of representations to the PNG government. The Papua New Guinea Prime Minister and the chief of police have both made their abhorrence at this crime very clear and said that they are committed to doing whatever is necessary to ensure that the perpetrators are brought to justice.

Senator KROGER: Have the perpetrators actually been arrested?

Mr Gee: Not to my knowledge.

Senator KROGER: Certainly, on behalf of the coalition, I would like to table our total abhorrence that this sort of behaviour and activity and, if you like, culturally incited activities still continue in an age when we should be doing everything to further the rights of all, including women, and ensuring that they have the same opportunities, including economic opportunities, in these countries.

CHAIR: Thank you. We are now moving to South and West Asia, and the Middle East. Senator Milne has questions on Sri Lanka.

Senator MILNE: I would refer, Mr Varghese, to an article that was on the front page of a national daily in Australia on 1 February 2013 which stated that Australian intelligence agencies identified a senior official in the Rajapakse regime being personally authorising the departure of boats carrying asylum seekers destined for Australia. The question I ask goes to Minister Carr's visit to Sri Lanka as well. The first question I have is: is it true that DFAT is aware of bribery or corruption in the Sri Lankan's navy handling of the asylum seeker boats leaving Sri Lanka for Australia?

Senator Bob Carr: I have not been advised on it. I was briefed extensively before my visit and our contact with the government in Sri Lanka was very positive, including with the commander of the navy in the south of the country.

Senator MILNE: Okay, but I am actually asking Mr Varghese in this case: is it known to DFAT that there is a senior official in the Rajapakse regime who has been authorising which boats can leave and which cannot, particularly in relation to the navy?
Mr Varghese: Senator, I think you preface your question with a reference to an article which was purporting to refer to intelligence judgements or intelligence assessments, and I do not intend to comment on anything to do with intelligence.

Senator MILNE: I am asking about DFAT. Is DFAT aware that there is a person in the Sri Lankan navy related to the Rajapakse regime who is accused—or it is reported or it is known to the department—to be engaged in corrupt activities?

Mr Varghese: In order to answer that question I would have to go to the intelligence information that you were initially drawing on, which I am not prepared to do, Senator.

Senator MILNE: So how are we going to deal with the fact that it is widely rumoured and widely reported that there is a senior person associated with the Rajapakse regime influencing which boats leave Sri Lanka and which boats do not? I am very clear about this in the sense that this was reported before the minister's visit. Australia is going money to Sri Lanka on the management. We have had a huge number of asylum seeker boats and a huge number of accusations that they are economic refugees and therefore may be able to provide bribes. The question is: does DFAT know anything about it?

Senator Bob Carr: I want to say that we could not have had more corruption than we have since my visit to Sri Lanka from the authorities in Sri Lanka when it comes to stopping people-smuggling activity. That positive view is entirely incompatible with the speculation in that newspaper report. That is all it was—it was an unconfirmed, speculative bit of reportage. If Senator Milne assumes it is right, how then does she explain the very impressive progress made by Sri Lanka in stopping people-smuggling in recent months and, more to the point, disrupting almost 3,000 potential irregular immigrants seeking ventures to Australia since the beginning of 2012? We are very pleased with the level of cooperation we are getting from Sri Lanka and that level of cooperation contradicts the assumptions that Senator Milne is making.

Senator MILNE: So I come back to this and the before and after scenario. Before your visit to Sri Lanka, how many Sri Lankan boats had made their way to Australia?

Senator Bob Carr: That is a question best addressed to the Minister for Immigration.

Senator MILNE: You have got the figures in front of you it would seem for after your visit. What about the befores?

Senator Bob Carr: Again, that is a matter best addressed to the Minister or Immigration.

Senator MILNE: Minister, is the reason that you did not raise this issue with the Sri Lankan government that you say you had no knowledge of this before you left?

Senator Bob Carr: Yes. I am saying that I was not told that there was a senior figure in the government, as you describe, accepting bribes for allowing people-smuggling activity to proceed. That was not something presented to me.

Senator MILNE: If this is known to intelligence agencies, how would those intelligence agencies share that with government?

Senator Bob Carr: Why are you assuming that that report is correct?

Senator MILNE: I am assuming it because it is widely reported both here and in Sri Lanka.

Senator Bob Carr: We do not comment on matters of intelligence, in line with the longstanding policies of all governments in Australia. When I went to Sri Lanka it was
without anyone telling me that a senior official in the Sri Lankan government was accepting bribes to allow people-smuggling activity to continue. As I said, that it is contradicted by the high level of cooperation we have had from Sri Lanka in disrupting people-smuggling.

Senator MILNE: So I come back to this issue of how the intelligence agencies engage with the Department of Foreign Affairs and Trade in relation to providing information.

Senator Bob Carr: Chair, in line with longstanding government practice, no-one in government is going to comment on matters of intelligence.

Senator MILNE: You do not have to comment on the substance; what I am asking about is the level of engagement. Clearly ASIO officers are in Australian embassies overseas in a physical sense. Surely, you are not suggesting that the intelligence agencies have no responsibility to report to government matters that government ought to be concerned about.

Senator Bob Carr: We will not comment on matters of intelligence. We are not going to talk about the work that is done by Australian security agencies. I have to record again our satisfaction with the high level of cooperation we enjoy with Sri Lanka, especially since my visit, when it comes to our common goal of stopping people-smuggling.

Senator MILNE: What level of confidence can you give me that the $45 million that you have just provided to Sri Lanka to assist their maritime operations will not end up in corrupt hands?

Senator Bob Carr: I am not sure what announcement you are referring to. But, again, I have got to record our pleasure with the disruption of almost 3,000 potential irregular immigrants seeking ventures to Australia since the beginning of 2012.

Senator MILNE: On the cooperation with the Sri Lankan government on asylum seekers, how does that work with Australia's representations in terms of human rights abuses in Sri Lanka?

Senator Bob Carr: When I met the government of Sri Lanka at each of the meetings where it was relevant—my meeting with President Rajapakse and my meeting with Foreign Minister Peres—I raised Australia's continuing interest in progress on the government's own lessons learned and reconciliation report. If there had been any risk of me overlooking that, our very forceful high commissioner would have corrected me. In each of those meetings I not only referred to our interest in progress on implementation of that report but also said that it was the Australian position that we wanted accountability for the crimes committed at the end of the civil war. Moreover, you would be aware of the Australian role in the human rights commission in Geneva in airing all the issues related to human rights in Sri Lanka. We do not retreat from that and we do not apologise for it. That is compatible with the cooperative working relationship on people-smuggling.

Senator MILNE: Did your discussions with the Sri Lankans and your very satisfied response regarding their cooperation on asylum seekers extend to you going and seeing what has happened to the asylum seekers who have been returned to Sri Lanka? Did you go and visit any of them or any facilities where they are being held?

Senator Bob Carr: No, but the government told us that returned asylum seekers were being treated in accordance with the law of Sri Lanka and they were not being detained.

Senator MILNE: So you were satisfied that none of them was tortured on return?
Senator Bob Carr: I have seen no evidence to the contrary. And I do not believe it is in the interests of the government of Sri Lanka to allow any of their security forces to do that.

Senator MILNE: But you did not go and meet any of the asylum seekers who have been returned, while you were there.

Senator Bob Carr: There was no capacity to do that, but I have seen no evidence that returned irregular maritime arrivals are being discriminated against, let alone detained. I have not heard that suggested by anyone.

Senator MILNE: Is there going to be any investigation of the claims that there is corruption in terms of the Sri Lankan authorities, for example, in the Ministry of Ports and Aviation, or anywhere else in Sri Lanka? Are you going to conduct an inquiry or is one underway? Or are you choosing to suggest that this is not happening?

Senator Bob Carr: That is a matter for the government of Sri Lanka.

Senator MILNE: It is a matter for us if we are giving them money, surely.

Senator Bob Carr: We have no capacity to investigate matters of governance within Sri Lanka. When it comes to our overseas development assistance it is subject to the effectiveness reviews that we apply to our overseas aid in any circumstances.

Senator MILNE: Are you saying that with regard to the cooperation on asylum seekers and the so-called disruption activities that are taking place to stop people coming to Australia, that you choose not to investigate allegations of this kind about people facilitating some boats leaving and others not? You will not investigate that?

Senator Bob Carr: I am not sure what you mean by 'investigating' but we are very happy with the recent signs of a confirmation that policies on reducing people smuggling have proved effective.

Senator MILNE: I hear you saying how happy you are. I am asking: are you going to investigate these allegations or not?

Senator Bob Carr: If you show me any evidence, or bring to my attention allegations of corruption in the process our people will look at them with all justified interest. But I have not seen those allegations.

Senator MILNE: And you can confirm there is no investigation currently being undertaken.

Senator Bob Carr: We do not investigate complaints of corruption made against the government of Sri Lanka. I do not see how we could do that. I do not see how we could call witnesses or call for the production of documents.

Senator MILNE: Given these allegations that have been made, have there been any changes to the way that DFAT engages with the government of Sri Lanka around issues of people seeking asylum?

Senator Bob Carr: I have not seen the allegations. I do not know what allegations you are referring to.

Senator MILNE: So there is no DFAT investigation of that, or changed practices.

Senator Bob Carr: I would need to see the allegations and—
Senator MILNE: But I am asking whether there are any changed practices. I am asking the secretary of the department: has the department changed its practices in engaging with the Sri Lankan government in relation to the management of this issue of people leaving Sri Lanka seeking asylum?

Mr Varghese: Our mission in Colombo deals with a wide range of agencies in the Sri Lankan government and they will continue to deal with a wide range of agencies in the Sri Lankan government because they are pursuing our interests in the country and they are pursuing some very important issues. I do not see a reason for them to adopt a different approach to what they have been doing in the recent past.

Senator MILNE: Thank you.

Senator Bob Carr: Could I just add one thing, Senator Milne. I am reminded in a note here that our high commission in Colombo follows up with the Sri Lankan authorities in the event of any claim of abuse of a returnee, and I am advised that a complaint was lodged with the high commission in 2010. It was followed up but the high commission could find no evidence to support the claim of abuse of that returnee.

Senator RHIANNON: The latest Human Rights Watch report on Sri Lanka in 2012 says: Tamils who returned to Sri Lanka, including deported asylum seekers, reported being detained and accused of having links to the LTTE or taking part in anti-government activities abroad. A number reported being tortured by the Central Intelligence Department and other security forces.

The report went on to say:
Local rights groups reported arbitrary arrests, new enforced disappearances, abductions, and killings in the north and the east in 2012. The government lifted its restrictions on travels to the north, although it maintained a high security presence. Tamils with alleged links to LTTE were increasingly at risk of arbitrary arrests and torture. In April, nearly 220 Tamil men and women in the Trincomalee area were arrested and held for several days without charge in military detention camps.

Are you aware of this report, Mr Varghese?

Mr Varghese: Firstly, I am not aware of it but I will check whether my colleagues are.

Senator RHIANNON: While you are checking, do you recognise that Human Rights Watch is an internationally respected organisation and that its reports are based on thorough research?

Mr Varghese: I think it is an organisation in good standing. I do not know enough of its actual reports to answer the second part of your question.

Ms Rawson: Although I am also aware of Human Rights Watch as an organisation, I am not familiar with that particular report.

Senator RHIANNON: Considering it does have such standing internationally, and Human Rights Watch has a very thorough report about Sri Lanka, this an issue that the government is clearly putting a lot of effort into in terms of relations with that country. This report has come out, but you have not looked at it. What sort of material do you look at that comes out from international organisations? What determines that?

Ms Rawson: We would look at a range of reports, including those coming out of the Human Rights Council in Geneva, the Office of the High Commissioner for Human Rights in Geneva, and there may be some people working in this area in the division who have looked at that particular report. I have not personally done so. The sorts of issues that you have read
out there—the issues that are raised, in general terms—are canvassed in a number of areas. As the minister has said, the Australian government has made clear to the government of Sri Lanka on many occasions the issues that are of interest to us that we wish to see progress on, particularly in terms of the accountability issues arising out of the conflict. Although I am not familiar with that particular report, those concerns are known and they are addressed by the government in our relationship with Sri Lanka.

Senator RHIANNON: You said the concerns are known and they are addressed, but earlier, as I understood it, a lot of these issues that are occurring now are dismissed. Will you acquaint yourself with that report?

Ms Rawson: Certainly, I will look at it. I was speaking generally there. The earlier questions were related to issues around people who have been returned to Sri Lanka from Australia. As the minister said, the last case where such allegations of mistreatment were made was in 2010. That was looked at and we could not see any basis for those.

Senator RHIANNON: So that was in 2010. Two years later, we have a report from Human Rights Watch, where they do talk about arbitrary arrests, new enforced disappearance, abductions and killings. That is 2012. Would you accept that it would seem surprising that you are not acquainted with this report, considering that there appears to be close monitoring of the situation in Sri Lanka and reports on that situation from external bodies?

Senator Bob Carr: I would like to spell out that notwithstanding what might be in the report of Human Rights Watch, Australia is actively involved in the review of human rights in Sri Lanka. We participated in Sri Lanka's Universal Periodic Review of its human rights record at the UN Human Rights Council in November last year. We posed questions in advance to Sri Lanka regarding specific human rights concerns, through our ambassador in Geneva on the issue of Sri Lankan human rights. In September, we included Sri Lanka in its statement of human rights situation that required the UN Human Rights Council's attention. So we listed it.

In March 2012, Australia supported a successful resolution on promoting reconciliation and accountability in Sri Lanka at the UN Human Rights Council. We have urged the Sri Lankan government to implement the LLRC Action Plan and make tangible, practical improvements on issues of reconciliation and accountability. We are engaged on this agenda and we will continue to be engaged on this agenda in Canberra, in Colombo and in Geneva.

Senator RHIANNON: Picking up on one of the points you just made about the Human Rights Council, I think you are probably referring to the Universal Periodic Review of the UN Human Rights Council in Geneva? That is the one last year in November 2012—I think we are talking about the same one.

Australia recommended that Sri Lanka—I have two points here that you recommended on—‘take action to reduce and eliminate all cases of abductions and disappearances’ and ‘take action to reduce and eliminate all court cases of abuse, torture or mistreatment by police and security forces.’ Now I think it would seem to somebody reading that that if you are making those recommendations that there is an assumption that that is what is occurring. I go back to the questions from my colleague Senator Milne and my own questions, and here we have you making those recommendations. Is this, in your judgement, an admission by Australia that persecution of people continues in Sri Lanka?
Senator Bob Carr: We regard the work of advancing human rights in Sri Lanka as very much a work in progress. We present our concerns to the government of Sri Lanka. They know that this is active on our agenda, I raised it when I was there with the president, with the foreign minister. We believe that engagement is a better course than isolation when it comes to Sri Lanka. One has to acknowledge that the country has been through three and a half decades of a traumatic civil war in which terrorism at a very advanced degree was deployed against the people of this country. It is moving beyond the trauma of that civil war, three years behind it. We will continue to work on the human rights agenda in Sri Lanka, we will work on it in our engagement in Canberra, in Colombo and in Geneva. No-one could fault the level of our involvement in this in the Human Rights Council.

Senator RHIANNON: On 16 December last year when you were interviewed on ABC radio, you said: 'I am very happy with the assurances we have received from the Sri Lankan government, about the people who have returned being treated in accordance with Sri Lankan law. I accept absolutely the assurances we have received. We have observed no evidence of forces to review that.'

Again, I take you back to what Australia puts in in November 2012, just one month before you made that statement, where you are calling on the Sri Lankan government to take action to reduce and eliminate all cases of abduction and disappearances, take action to reduce and eliminate all cases of abuse, torture or mistreatment by police and security forces.

You would not have put that—nobody would write that—unless it was occurring. One month later, you say that you are 'absolutely happy' with the assurances that you are getting from the Sri Lankan government. How do you reconcile those two positions?

Senator Bob Carr: They are two separate issues.

Senator RHIANNON: How are they separate?

Senator Bob Carr: The first one is a reference to general civil rights, human rights, concerns across the country. The second one was a reference I made to the treatment of returnees. I repeat, as I said a moment ago in answer to a question from your colleague, our high commission in Colombo follows up with the Sri Lankan authorities in the event of any claim of abuse of a returnee. One complaint was lodged with the high commission in 2010. It was followed up. The high commission could find no evidence to support that claim. Since 2010, there has been no evidence of returnees being discriminated against or arrested, let alone tortured. The earlier question and the earlier comments were references by Australian spokespeople to the broader human rights situation. I still have no evidence of a returnee being abused.

Senator RHIANNON: Are you aware that a Tamil national alliance MP Mr Shritharan—and I understand he spoke to the coalition delegation of Scott Morrison, Julie Bishop and Michael Keenan on 4 February and this has been reported on Canadian radio and then played on 3CR in Melbourne—met with them for 90 minutes. He said that he told them that his office was raided by Sri Lankan intelligence two weeks earlier and two of his staff members had been jailed by the terrorist investigation division and they were still behind bars. He said he also told them that Tamil refugees fled to Australia because they lived in fear in Sri Lanka not for economic reasons. He said he had challenges to exercise his rights as an MP. Are you aware of those comments?
Senator Bob Carr: No, but I met Tamil representatives on my visit, members of parliament, and I think it is wrong to say that Tamils live in fear and are fleeing their country. What is striking in the recent irregular maritime arrivals is the number of non-Tamils. In my visit, short as it was, I was able to see many situations where Tamils and Sinhalese were mixing, cooperating and working together. I do not think one can look at the position of Sri Lanka today without giving adequate weight to the fact that for over three decades it was torn apart by a civil war in which there was monstrous terrorism, including women and children being forced into the firing line, children being used to walk across minefields and some astonishing examples of suicide bombing and the destruction of religious monuments. This was a vicious civil war.

Senator RHIANNON: Are you talking about terrorism on both sides?

Senator Bob Carr: I do not think it is Australia’s role to look at a 3½-decade-long civil war and make adjudication on who is responsible for which crimes. We are not in a position to do that. What we can do in engaging with Sri Lanka is point to that country’s own document—their own pathway, their own benchmark—the Lessons learnt and reconciliation commission report, and say we have a reasonable interest in that government meeting the standards in that report.

Senator RHIANNON: With respect to the document Lessons learnt and reconciliation commission, you would be aware that there was considerable international criticism, that there was inequity in many areas and that there are continuing calls for there to be an independent international investigation into the war crimes on both sides. Have you given consideration to that call?

Senator Bob Carr: I am not sure how that was canvassed in the discussions of the Human Rights Council in Geneva. I am happy to take that on notice.

Senator RHIANNON: Do you periodically brief the coalition on the situation in Sri Lanka?

Senator Bob Carr: No, I have not had a meeting on Sri Lanka, but I did offer. I have met the leader of your party on Sri Lanka, and I did offer to meet the shadow foreign minister when I saw her last week.

CHAIR: That concludes our questions on South and West Asia and the Middle East.

[14:40]

CHAIR: We are moving now to international organisations and legal issues

Senator Faulkner: I wanted to ask some questions, having been referred to the Department of Foreign Affairs and Trade in other estimates committees including by the Department of the Prime Minister and Cabinet and the Attorney-General's Department, in relation to Australia joining the Open Government Partnership. Could I begin by asking the minister or officials to confirm that the Secretary of State, Secretary Clinton, wrote to Australia in August 2011 inviting our country to join the Open Government Partnership?

Senator Bob Carr: I support in principle Australia joining the Open Government Partnership. It is under active consideration by the government. The Attorney-General's Department is coordinating this process. I might ask Richard Rowe to provide further information.
Senator Faulkner: Thank you, Minister, and perhaps Mr Rowe could begin by just confirming the communication that Australia received from the US Secretary of State in August 2011.

Mr Rowe: Yes, there have been communications that have been sent to the Minister for Foreign Affairs in relation to the Open Government Partnership and, as the minister has just said, Australia takes, in principle, a very positive, supportive approach to this initiative. We have, at officials level, been participating in the interagency process which has been led by the Attorney-General's Department, which has been considering how to develop a coordinated, whole-of-government approach. As you may be aware, the Office of the Australian Information Commissioner has now put forward a proposal about how Australia's membership of and contribution to the Open Government Partnership might be pursued. That has just recently been circulated. We are going to consider that in the interagency process. The point that I would like to emphasise, though, is that we have certainly been very actively involved in the working group in support of the initiative.

Senator Faulkner: Well, that is helpful and I appreciate that information, but what I was actually asking was: can you confirm that the United States Secretary of State wrote, in August 2011, inviting Australia to join the Open Government Partnership? I do appreciate that background but my first question was: could you just confirm that for me please?

Mr Rowe: I can confirm that I am aware that such a letter was sent by the Secretary of State, yes.

Senator Faulkner: I appreciate that; thank you. In the information that you provided then you used not 'that communication' but the plural 'communications'. Have there been other communications from Secretary Clinton, and if so, when?

Mr Rowe: I am not aware of any other communication by the former US Secretary of State. There has been another communication, though, to the minister very recently—last month—from the United Kingdom's Minister for the Cabinet Office.

Senator Faulkner: What was the date of that minister's communication?

Mr Rowe: 16 January 2013.

Senator Faulkner: I am going to ask you, Minister, if you can facilitate the tabling of the Secretary of State's letter of August 2011, and I am going to ask you if you could also now facilitate the tabling of the UK minister's letter. I will come back to that. But perhaps before we do that, Mr Rowe, are you able to inform the committee what the substance of the UK minister's letter was? Was that also a letter encouraging Australia to get involved?

Mr Rowe: Yes, it was. And, of course, there was a very positive reference, I would point out, in the AUKMIN communiqué to 'Australia values the leadership shown by the United Kingdom and others in the establishment of the Open Government Partnership, which Australia is currently considering joining'.

Senator Faulkner: Yes, that is true, and I was going to get that. It is positive, and I appreciate that, and I am positive that the government is positive. But I am not positive about how long it is taking for us to get our act together on this issue. The Secretary of State wrote in August 2011. Has that letter been responded to and, if so, when and by whom?

Mr Rowe: No, Senator, that letter has not been responded to.
Senator FAULKNER: That is still in the in-tray, is it?
Mr R Rowe: That is, but can I explain why?
Senator FAULKNER: Sure.
Mr R Rowe: It is because this is a relatively new initiative. It is a whole-of-government initiative. DFAT is not the lead coordinator on this. There is a process that has been launched by another agency, which we have been party to, and we have been actively involved. So the reply has been held pending the identification of a coordinated, whole-of-government response.
Senator FAULKNER: Yes, but while Australia has been doing all that terribly valuable work, how many other nations of the world have signed up?
Mr R Rowe: At the moment, 47 countries have joined the initiative, and 11 have indicated their intention to join.
Senator FAULKNER: I do not think those figures are up-to-date, and I would commend you to the evidence given in the Attorney-General's Department on this issue. So there has been no response to the US Secretary of State's letter of August 2011, and I assume the UK minister's letter is still in the in-tray too, as it was only received on 16 January this year. It has not been responded to, but you made the point about what occurred at AUKMIN, and I appreciate that. That is the only response at this stage, is it?
Mr R Rowe: The letters have not been responded to for the reasons that I have said: that we have been waiting to develop a whole-of-government position so that we are in a position to, you might say, prepare a draft reply for the minister's consideration to formally respond to those letters. We have not been in that position up until recently because of the interdepartmental process.
Senator FAULKNER: Could the two letters from the Secretary of State and the UK minister be tabled and provided?
Senator Bob Carr: Indeed, yes.
Senator FAULKNER: I appreciate that. Thank you very much for that. That will be helpful. Would we have to do that this afternoon?
Senator Bob Carr: Yes, in a New York minute.
Senator FAULKNER: Good. Would you like to define your understanding of a New York minute?
Senator Bob Carr: I think, through the force of telepathic power, the letters are winging their way to towards this building now, even as I complete the sentence. In fact I can confirm that they have just arrived.
Senator FAULKNER: You said, Mr Rowe, the Department of Foreign Affairs and Trade is serving on an IDC. What sort of level of representation does your department have on the IDC?
Mr R Rowe: The interagency group has met once. The representation has been, my understanding is, at director level in the department. I personally have not attended. I would have to seek further information on the level of representation both by our department and by other departments.
Senator FAULKNER: You could take that on notice. You said the IDC met several times. Is the Attorney-General's Department the lead agency? Is that your understanding?

Mr R Rowe: That is correct. They chair the interagency process.

Senator FAULKNER: Do you have available to you, and I appreciate you may not, a record of the meetings of the IDC?

Mr R Rowe: No I do not.

Senator FAULKNER: Do you have a record of the dates, times, places and attendance?

Mr R Rowe: No I do not. I would have to get that information. I can inform you that to my knowledge the interagency group met most recently in August 2012. That was the most recent meeting.

Senator FAULKNER: If you could take that on notice, I would appreciate it. That would be helpful to understand. I heard the minister's positive statement, which I very much appreciate. I know that other ministers in the government have expressed similar positive sentiments to Australia joining the OGP. Do you think there would be any resource implications for DFAT if were to do so? I do not know if that is best directed to you, Mr Rowe?

Mr R Rowe: As you are very familiar with the mandate and scope of the proposed partnership, we in DFAT, I would suggest, have a contribution that we can make but, given the breadth of scope and the focus of the partnership, it would not be the Department of Foreign Affairs and Trade that would have the capacity to carry the coordination and involvement in a whole-of-government sense in the partnership. That is why there has been consideration in the interagency process to the possible lead role that the Information Commissioner's office might play. I am sure you are aware of the response that the Information Commissioner has made in relation to that aspect in the letter that he has sent to agencies. I understand it has been referred to in estimates hearings this week.

Senator FAULKNER: The tabled letter from Secretary of State Clinton is certainly not an original letter, is it? Is there any reason?

Mr R Rowe: It is not the original, no.

Senator FAULKNER: Why is that?

Mr R Rowe: This is the copy I have. I do not have the original with me.

Senator FAULKNER: No, but someone has gone to the trouble of providing the letter, which is very much appreciated. I certainly appreciate it. The one from the UK Cabinet Office is a photocopy of an original. The copy of the Secretary of State's letter is just retyped. You can assure me that the substance is the same, can you? I just wondered why it would be retyped when someone has gone to the trouble, which I really appreciate, of preparing to have the letters tabled, or at least having them available for tabling if a senator asked. I am just interested. I am not suggesting there is a conspiracy. I do not believe there is but I just wonder why anyone would do that.

Mr R Rowe: Let me assure you, Senator, that there is no conspiracy.

Senator FAULKNER: I knew that.
Mr R Rowe: This is the form of the letter which I have with me. It is the only version I have seen. If you wish, we can check to see if there is some other version but, subject to double checking that, if there is another version I have no doubt that the text is entirely consistent.

Senator FAULKNER: Well, there is no way in the world that the Secretary of State has sent a letter not on letterhead, not signed and appears to have been retyped. I think it is unlikely that that is the letter Secretary Clinton sent. However, if the content is the same that is fine.

Mr R Rowe: It depends on how the letter was transmitted. I would have to check but it may have been transmitted electronically in which case it was like this and therefore did not have the seal of the Secretary of State, for example, or an original signature.

Senator FAULKNER: It would be doubtful if it was like that, but anyway. Of course, it may have been transmitted electronically, as you say. After all, the letter has asked Australia to be part of the launch of the OGP on 20 September 2011. Minister, would you agree that it is a long time between drinks?

Senator Bob Carr: It seems a long time.

Senator FAULKNER: It does. Is someone able to say—I do not like asking questions that might be considered hypothetical or predictive in nature—whether we have a target date to conclude the internal processes of government and signing up, given the positive statement of Minister Carr, which I very much appreciate. I know other ministers in correspondence have shared these same positive sentiments. What are we planning for?

Mr R Rowe: If I can comment as an official of Foreign Affairs and Trade, we are ready to proceed as expeditiously as possible on this matter.

Senator FAULKNER: But you might have been ready to proceed expeditiously since, for all I know, 2011 because nothing has happened since then. It might have been many things; expeditious it has not been.

Mr R Rowe: Can I just recall that there is an interagency process which we are not leading which brings all the relevant agencies together. In terms of you might say bringing this to the pointy end of actually proceeding, I think it must be through that process, and as I understand it the chair of that process will be taking it forward.

Senator FAULKNER: I appreciate that. I have learned more about the interagency process from you that I heard from the lead agency, so I appreciate that. You appear to know more about what is happening with the IDC than the Department of the Attorney-General. I appreciate the information you have provided and that is why I have asked you to take this information on notice and I am not going to place a question on notice at this stage to the Attorney-General's Department. They do not appear to be the answer these sorts of questions. I wonder if you are able to assist us in terms of when Australia, given the clear intention that has been indicated, including today, by Minister Carr of support for the initiative and the intention to join the initiative, on whether there is any firm plan about timing. You may not be able to help me. I know you are not the lead agency; there is no need to qualify that again. I have got that on board and I understand it and accept it. Nevertheless, I assume that when an answer goes to the Secretary of State it will probably go from Senator Carr; won't it?
Mr R Rowe: That is correct. I would suggest that the next steps would be for recommendations to be put forward in a formal sense to the government. That would seem to me to be the next step in the process.

Mr Varghese: May I suggest that at the next meeting of this committee we reiterate the need to conclude the process as soon as possible, because clearly it has taken a long time and perhaps we should have an open and fast government initiative and not just an open government initiative.

Senator Faulkner: Perhaps not fast but perhaps quicker than we have managed to date. After all, the then Attorney-General, Ms Roxon, indicated in a letter that has been made public under FOI processes, a letter to Professor McMillan, the Australian Information Commissioner, that she had written to the Prime Minister, the Minister for Foreign Affairs and Trade and the Minister for Broadband, Communications and the Digital Economy proposing that Australia join the OGP on 27 June last year. So you could confirm, Mr Rowe, that the Attorney-General did write sometime before 27 June 2012 proposing that course of action.

Mr R Rowe: Correct.

Senator Faulkner: Okay. Thank you for the information you have provided. Thank you, Minister, for indicating your support for the proposal and thank you, Secretary, for indicating to the committee your view that it would be possible to move that something slightly faster than a snail's pace on this issue. I appreciate that.

Chair: Is it the wish of the committee that the document that has been circulated be part of the proceedings? There being no objection, it is so ordered. Over to you, Senator Fawcett.

Senator Fawcett: Minister, could I take you to the UN vote on Palestinian observer status. It is fairly obvious through media reporting that members of your own party, indeed members of your own cabinet, are disappointed by the fact that the PM ended up having to change her initial position to that which was finally decided on. Media reports also indicate that there has been disappointment internationally and that that involved communication of disappointment from the United States government to our ambassador. Can you just confirm if that was the case and how was that communicated.

Senator Bob Carr: There has been no international disappointment. Indeed, the endorsement of what we did has been ringing from many parts of the world. I think what is striking about the American response is the absence of any expression of disagreement. I know there are many in the US administration who would have welcomed this message sent to Israel that around the world people are very distressed by settlement activity. The communiqué settled on by us and the United Kingdom made the point that our positions on this were identical. The position of United Kingdom government, a coalition government with a conservative foreign minister, were identical with those of Australia. I have got nothing more to add to it, because it is all on the DFAT website. The numerous interviews I have given about this are all there.

Senator Fawcett: The fact that the Prime Minister felt the need to go into the parliament the next day and state very strong support for Israel indicates there is obviously a sensitivity to the response. Was Israel advised ahead of our vote as to the way Australia was intending to vote?
Senator Bob Carr: I refer you to the DFAT website which comprehensively presents all the information on this.

Senator FAWCETT: Could you confirm what consultations took place between DFAT and the Department of the Prime Minister and Cabinet, or the Prime Minister's office, on the vote before the cabinet—

Senator Bob Carr: Again, all of this is on the DFAT website.

Senator KROGER: So you are suggesting that every meeting and every bit of advice and every communiques that were communicated from the department to you is actually on the website?

Senator Bob Carr: I refer you to the DFAT website.

Senator KROGER: So, Minister, you think you can come along here and just flick us off to a website all the time because you cannot be bothered answering questions. I find the whole tone quite insulting to Senator Fawcett. Chair, I think you should draw the minister to the questions and perhaps Senator Fawcett would like to redirect his questions, because I am sure the details of internal departmental meetings are not on any public website.

CHAIR: Senator Kroger, I am quite aware that some of Senator Fawcett's questions go to matters that are on the public record and the information is clearly available. If the minister has other information that he is able to provide in response to Senator Fawcett's questions, then I encourage him to do so. At this stage, we are still in international organisations and legal issues.

Senator KROGER: I would like to turn to the matter that has been ongoing in the UAE in relation to a couple of detained Victorian businessmen. I note that the Prime Minister caught her counterpart in Dubai last week. Can you just confirm when the Prime Minister Spoke to Sheikh Mohammed bin Rashid Al Maktoum, please.

Senator Bob Carr: The Prime Minister had that telephone conversation.

Senator KROGER: What date was that conversation?

Senator Bob Carr: We will check the date. It is the latest in a string of very vigorous representations that we have made: two Australian prime ministers and three Australian foreign ministers have made representations about this case. I think it is very, very, distressing that it has gone on so long. I have dwelt in my representations on the relevance of the case in the Victorian Supreme Court.

I made representations through the foreign minister, Sheikh Abdullah, asking for a delay in the court case so that there would be time for the judge to take into account what was said, the evidence given and the judgement handed down in the Victorian Supreme Court. I think it is extremely disappointing that this case has gone on so long. I will continue to make representations when I have spoken to the foreign minister of the UAE. He, of course, has referred to the fact that it is before their courts and has stated or implied that he is constrained in intervening as foreign minister in the affairs of the courts of his country. He made the point as well that the courts are of the emirate while he is a figure in the national government. I will not detain the committee with the list of representations that have been made by the Australian government—again, as I said, through two prime ministers and three foreign ministers.
Senator KROGER: Thanks for that, Minister. You mentioned that you had been in communication with Sheikh Abdullah. When did that take place? Was that following the Prime Minister's conversation with Sheikh Maktoum?

Senator Bob Carr: I can give you the dates, but I have raised the case on three occasions with the UAE foreign minister.

Senator KROGER: Do you have the dates in front of you?

Senator Bob Carr: I have. 31 July—

Senator KROGER: These are your—

Senator Bob Carr: These are my representations: 31 July, 11 July, 13 June.

Senator KROGER: All 2012. The findings of the Victorian Supreme Court judgement were brought down in July 2012, and I do not have that date in front of me. Were the two times that you made representations post the Victorian Supreme Court judgement?

Senator Bob Carr: I cannot help you. I have not got the date of the judgement. But I went out of my way. I am not retreating from it. I went out of my way to make representations to say there has been a judgement in an Australian court. I do not want to say that a foreign government necessarily going to be guided by a decision by a court in another jurisdiction.

Senator KROGER: I understand.

Senator Bob Carr: In fact, I have just been handed a note that reminds me that on 13 June I phoned the UAE foreign minister to draw his attention to the Victorian judgement. He said he fully understood that Australia could not intervene and do those legal processes, but I wanted to be confident there would be time for the Victorian judgement to be considered by the Dubai court. Sheikh Abdullah undertook to contact the prosecutor. That is on 13 June. On 11 July I wrote to the UAE foreign minister drawing his attention to the letter provided to Mr Lee by Sunland. Mr Lee regards that letter of 10 April as being critical evidence.

Senator KROGER: Next week, as you undoubtedly aware, the Dubai authorities have appointed an independent investigator to provide advice to the presiding judge. I am going over stuff that I know that you are fully aware of. Because they have had four judges over four years, there has been considerable inconsistency in the way in which it has been handled and hence they have appointed an independent investigator to help give advice on this matter. Are you assured that the appropriate Dubai authorities, at whatever level, are fully aware of the findings that were brought down by Justice Croft with the Victorian Supreme Court findings—are they fully aware of it? I understand it is a foreign judiciary and the implications of that but, given that we have a matter here which is essentially between two Australian businesses that has already been tested in the Australian law courts—

Senator Bob Carr: It is not; it is a decision of an Australian court.

Senator KROGER: I appreciate that. Are you sure the appropriate authorities in Dubai have been made aware of that outcome?

Senator Bob Carr: I can assure you that Pablo Kang, our Ambassador, could not have entered more offices or engaged with more officers letting them know of the Victorian court decision. Every time I have flown through there I have asked him about this case as he has greeted me getting off the aircraft; we have discussed his latest representations even as we have been walking away from the plane. He was there following the Prime Minister's call. He
spoke to Lee and Joyce and briefed them on what the Prime Minister had done. I have seen his cables. He could not have been more attentive in walking this material through the corridors of the UAE. I could not imagine anything else he could have done on the ground to socialise them with this report.

**Senator KROGER:** Given the circumstances, I am happy to leave it there, although I do note that many of these questions have been raised in the past and we have not had a full response to the ways in which this has been tracked.

**Senator Bob Carr:** If there is anything else the Australian government could do—

**Senator KROGER:** I am happy to leave the status of it there—given the timing of it as well.

**Senator Bob Carr:** I received a cable that I did not ask for from our post that measured our interventions on this up against the interventions by the UK and Canadian governments in comparable cases where commercial cases had morphed into criminal cases and nationals of those countries had found themselves in prison in the UAE. I have got to say that the high level of attention Australia has given this case outweighs anything that those other jurisdictions have brought themselves to do.

**Senator KROGER:** And that possibly has something to do with the fact that it reflects on the reasonable concern about their detainment.

**Senator Bob Carr:** It has gone on too long; there will be no argument about that.

**Senator KROGER:** I am very happy to leave it there. I would just like to ask the secretary—

**Senator Bob Carr:** Can I just answer your earlier question. The Prime Minister spoke to the UAE prime minister on 5 February.

**Senator KROGER:** Mr Varghese, I want to ask about the status of a freedom of information request that has been sent through to the department. I believe there are two. One was forwarded by the Department of Defence—they gave evidence to that effect yesterday. There is another freedom of information request through the department from an organisation called Detained in Dubai, which was signed by a Rahda Stirling.

**Mr Varghese:** I will have to take advice on that, unless anyone at the table is in a position to respond. Richard?

**Mr R Rowe:** The Department of Foreign Affairs received a request on 29 January from a representative of the organisation you refer to. It was a very large request; it had 11 sections in it. We have considered that in our freedom of information section in the international organisations and legal division. In a formal sense, consistent with the Freedom of Information Act, we have responded with a practical refusal on the basis that the processing of the request in its current form would constitute an unreasonable diversion of resources. That said, again consistent with the FOI Act, we have been in touch with the applicant and we are working with the applicant on how the request might be rescoped or rephrased so that we can deal with it and respond to it. I might just add that we do occasionally, like other agencies, get very large requests in a single request and we need to break them down.

**Senator KROGER:** And it may be that that is redefined to three or four of those points that you referred to before.
Mr R Rowe: Precisely. But we are engaging directly with the applicant in a very positive way to try and facilitate this request. We do take FOI requests very seriously.

Senator KROGER: Is that the same request which was directed to the Department of Defence, or was it a different request that they have forwarded on to you?

Mr R Rowe: My understanding is that it is the same request.

Senator KROGER: Thank you.

Senator McEWEN: Ms Williams, I want to ask a few questions about the upcoming 57th session of the UN Commission on the Status of Women. Are you going?

Ms Williams: I am going.

Senator McEWEN: Can you tell us a bit about the themes this year and Australia's representation at that forum?

Ms Williams: The theme is a very important one. It is on the elimination and prevention of all forms of violence against women and girls. The delegation will be led by the Minister for the Status of Women. I will be accompanying her, as will senior staff from the Office for Women, the Sex Discrimination Commissioner and NGO advisers, which is critical. This includes the president of Women with Disabilities, an Indigenous representative, the YWCA and a woman of migrant background from Victoria.

Senator McEWEN: Is Australia providing any support to our Pacific neighbours to help them attend?

Ms Williams: Yes. It is really important for us, in the context of what I was talking about previously, that we engage with the Pacific not just in the Pacific but also in international fora. We have done that over many years. Given the importance of this theme to them, the Office for Women is providing support for their participation. We will also be organising some side events with Pacific countries. When you talk about the Commission on the Status of Women the negotiations are incredibly important in terms of the agreed outcomes. It is also a chance for government representatives, diplomatic representatives and NGOs to talk about the issues and share practical experiences about what works for them.

Australia's national plan to reduce violence against women and their children has received worldwide acclaim in terms of the way it differentiates responses to violence against different women; it is not one size fits all. There is real interest in what we are doing domestically but also internationally, particularly in the Pacific. It is a great opportunity for us to be able to share what we are doing but also to learn from other governments and other organisations what they are doing. It is obviously a very important topic and a very important theme. The last time violence was a theme of the Commission on the Status of Women there were no agreed outcomes. There are elements that are quite controversial in terms of what represents violence against women and girls.

Senator McEWEN: Last year's session also had a bit of controversy with regard to the definition of gender and other matters like that. What preparation or groundwork do we do to overcome those potential difficulties in reaching agreement?

Ms Williams: There is a range of work that has been going on in New York in terms of working with other delegation since the last Commission on the Status of Women in our
discussions, in my discussions when I travel internationally and in the engagement of the International Organisations Branch of the department. AusAID also has been working on this. We have quite a strong, coordinated intergovernmental team of AusAID, DFAT and the Office for Women. It is quite hooked up and also takes advice from NGOs. It has been a very active process in the lead-up to this year’s CSW. The Minister for the Status of Women will be leading the delegation. She will be engaged with bilateral meetings as well in the lead-up to the start of the official negotiations. Those negotiations are starting in New York at the moment, before we actually arrive for the opening of the commission.

Senator McEWEN: Thank you. I certainly look forward to hearing a report at the May estimates about how we went.

Senator KROGER: I am interested to know what role the department has in organising and coordinating the G20 meeting in Brisbane.

Mr Varghese: The lead on the G20 meeting is with the Department of the Prime Minister and Cabinet. They have set up a special task force. We have seconded departmental officers to that task force. There is also a secretaries level committee that oversees preparations, and I sit on that, together with all the other relevant agency heads.

Senator KROGER: But it is actually structured out of PM&C?

Mr Varghese: PM&C has the lead on it.

Senator KROGER: Given the pre-eminence of the G20 and the importance it is becoming globally, it is something you would hope to have the leader of the nation at.

Mr Varghese: The G20 meeting is held at leaders level. So we are certainly working on the basis that the Brisbane meeting will be a leaders meeting.

Senator KROGER: And before that is St Petersburg?

Mr Varghese: Russia is the current host, so this year's G20 meeting will be held in Russia, St Petersburg, in September.

Senator KROGER: So that would be something that the Prime Minister would be attending or one would be recommending?

Mr Varghese: The G20 meeting is in September.

Senator KROGER: I understand.

Mr Varghese: There may be one or two other things happening in September.

Senator KROGER: What date is it in September?

Mr Varghese: I would have to check. I think it is the week before the proposed election date. Sorry, it is 5 and 6 September.

Senator KROGER: Ah, the weekend before.

Senator Bob Carr: I have one clarification which would answer Senator Rhiannon's question. I can confirm that we received the letter about the alleged kidnapping of the Laotian NGO leader, Mr Sombath Somphone, on 15 December. We have raised our concerns with the Lao authorities, both in Australia and in Laos. I will have an opportunity to raise this further when I am in Laos next week.

Proceedings suspended from 15:28 to 15:46
CHAIR: We are proceeding now to services to diplomatic and consular representatives.

Senator KROGER: I am interested in knowing what advice has been given by consular staff to Laura Garrett, the ex-wife of Italian national Tommaso Vincenti, who fled Italy with her four daughters.

Mr Brown: Would you mind repeating your question please?

Senator KROGER: My question was: what engagement, what dialogue, did you have with Ms Garrett and what advice was given to her in relation to her situation with her four daughters?

Mr Brown: I think we have provided evidence previously of the assistance provided between 2007 and 2010. I am happy to go through that again. The four children are now in Italy, as you are probably aware. Consular officials in Rome are continuing to offer assistance to the family through the father's lawyer. The department last spoke to the mother on 22 December 2012.

Senator KROGER: Was support given for her to leave the country, even in terms of assisting with the purchase of airline tickets or the logistics that her departure would have required?

Mr Brown: That occurred in 2010. I will need to take on notice the precise assistance that was provided for her departure. I assume you are talking about her departure from Italy?

Senator KROGER: Yes, I am. On what date did she actually leave?

Mr Brown: According to my chronology, the family arrived back in Australia in Brisbane in June 2010.

Senator KROGER: Could you take on notice if any support was given, and whether any financial support was given and, if so, to what extent? Was it on a loan basis? Has that been reimbursed? Essentially, what is the status of that now?

Mr Brown: I am just reading the file here. When the family departed in 2010 the embassy in Rome provided the following assistance. They liaised with Emirates airlines to amend the family’s travel dates, and there was a traveller emergency loan—a consular loan was provided to Ms Garrett and her four children. That was limited to the cost of one night’s accommodation in Rome, and to assist them with transfers from the hotel to the airport. I am also noting that the Emirates airlines offered the family complimentary use of their airport hotel during their stopover in Dubai. As I mentioned earlier, the family arrived in Brisbane on 25 June 2010.

Senator KROGER: Did that loan extend to the airfares themselves?

Mr Brown: No, it was simply for one night’s accommodation.

Senator KROGER: What is the normal process in relation to that? Do we seek reimbursement? And have you received that?

Mr Brown: Yes, we do. We typically agree with the recipient on the terms of a repayment schedule.

Senator KROGER: Thank you. If I could turn to Australian citizens who are currently imprisoned in China. In past estimates we have talked about specific individuals. I wanted to broaden the questions a little in terms of getting an understanding of how many Australian
citizens are—I was going to say detained, but that would not be the right word—actually imprisoned in China at the moment?

**Senator Bob Carr:** I think the last figure I saw was 40 or 50—is that right, Justin?

**Mr Brown:** The latest figures—these are current as of 8 February—show there are 57 Australians detained or imprisoned in China. I think your question was specifically on China?

**Senator KROGER:** Yes, it is.

**Mr Brown:** Thirty-five are serving prison sentences and 22 are in detention. Eight Australians are currently out on bail pending their trial outcome, and four Australians entered China on a non-Australian travel identity document. I mention that because Chinese authorities do not extend consular rights to us for those individuals.

**Senator KROGER:** You have actually mentioned that in past estimates. I understand that. Have any Chinese citizens applied to be transferred back to China, that you are aware of?

**Mr Brown:** Do you mean any Australian citizens?

**Senator KROGER:** Yes.

**Mr Brown:** The Attorney-General's Department is responsible for the international transfer of prisoners agreement. Our agreement with China came into force last November. There have been 15 applications made under that agreement. Seven have already been rejected by the Chinese government, five due to unpaid fines, one due to national security issues—in other words, national security cases being not eligible—and one due to a current life sentence.

**Senator KROGER:** Is it correct that DFAT policy is that—and you provide this advice to Australian citizens who have been arrested in China—they are not to speak to the media or approach the media? Is that formal advice given?

**Senator Bob Carr:** My understanding is that it is not, that it is emphasised that is a matter for the choice of the family. There was some suggestion in that recent case that the embassy might have said that, but the embassy is emphatic that it leaves that choice to the family.

**Senator KROGER:** Thank you. So our policy has not changed in that regard.

**Senator Bob Carr:** No.

**Senator KROGER:** It stands as it once was.

**Senator Bob Carr:** The family has to make the choice about whether they want to live with any consequences that might have.

**Senator KROGER:** This may have been covered before, so I beg your indulgence if it was asked before. In relation to Australian students who are studying and undertaking educational exchange programs overseas, do you provide specific advice to them, or is it in terms of the Smartraveller website, or is it incorporated on the advice that is given depending on which country they are actually studying in? Is there anything specific for overseas students?

**Mr Brown:** I will take that on notice. I do not believe there is, but it would be incorporated into the individual country advisories.

**Senator KROGER:** I am interested to know if there is any exchange-student-specific information that is particularly pertinent for students. I move now to embassies, which is still
covered by consular support. I know Senator Eggleston raised this at the last estimates or at the estimates before, but what is the extent of pressure on available diplomatic real estate here in Canberra?

Mr Brown: That is a matter for our chief of protocol.

Ms Mansfield: We work very closely with the National Capital Authority on the issue of diplomatic land here in Canberra. You will probably be aware that the committee that covers the National Capital is holding hearings at the moment, and I and colleagues from the NCA and the AFP will be appearing tomorrow morning on this question. I am happy to answer questions if I can.

Senator KROGER: I am interested in knowing to what extent limited land availability is a problem for nations who might be visiting.

Ms Mansfield: It is primarily an issue for the National Capital Authority because they are the Commonwealth agency that manages the Crown land in Canberra, and that includes the leases that the diplomatic missions enter into either to lease or rent the land that is possibly available or, in some cases, to buy a 99-year lease. There has certainly been pressure in recent years because of some difficulties with two parts of the estate that have been set aside as diplomatic land. In O'Malley, some of the land, although currently available and tentatively allocated, is very steep, and it is quite difficult for a number of the missions to build the sorts of embassy structures that they normally would like to. In other parts of O'Malley that has not been a problem, so there is a substantial number of embassies, high commissions or ambassadorial high commissioners' residences in that area. There has also been an issue in the Deakin estate, so not as many embassies have been able to be built there as had initially been intended. There has been that further pressure on land under the care or stewardship of the National Capital Authority, and that is one of the reasons the committee wanted to look into what sort of land should be available, and what the needs are of the diplomatic corps here in Canberra, and how they might be resolved in the long term both for those requirements and to meet the needs of the people of Canberra.

Senator KROGER: What are the primary prohibitive prerequisites in sourcing and making land available for diplomatic missions?

Ms Mansfield: One of the main constraints is that the National Capital Authority has only a certain amount of land available that is designated as a diplomatic estate. Some of these issues go back a long time to when the planning of Canberra was arranged, and there were also arrangements when most of the land within Canberra was moved under the ACT government's authority and only certain amounts remained with the National Capital Authority. So some of the difficulties are budgetary ones, whereas had Canberra remained completely under the national umbrella some of those issues might have been resolved a little more easily.

What the National Capital Authority has found is that they do not have as much land available to them for diplomatic estate as may have been envisaged. That is why consideration is being given to trying to find a new area where additional embassies and high commissions might be built. But again, probably, questions of more detail would be better directed toward the National Capital Authority.
Senator KROGER: Do you have a list of countries who are seeking to establish embassies here? Do we know what the demand is?

Ms Mansfield: We do. It is not always a matter of public record, though. In some cases there are missions that have said that while they have a site now they would prefer a bigger site or a site that is located somewhere else. So I think the National Capital Authority has more detail on that. There certainly have been a number of new missions that have opened in the last two years. And we would expect, on current forecasts, another one or two each year for the next couple of years. It is always a bit unpredictable. It does of course depend on the economic situation of countries and the ebbs and flows in their own priorities. But certainly there has remained a steady interest in land by these missions in Australia.

Senator KROGER: Are there issues in relation to the construction of an embassy for China at the moment?

Ms Mansfield: There are no real issues. Certainly the building that is going up at the moment is being done in accordance with Australian standards and under the terms of an agreement between Australia and China. It is something that we monitor but to my knowledge at present there are no particular issues.

Senator KROGER: I think there was an article late last year that talked about work-place safety issues and concerns about foreign workers and so on. You are not aware that there are ongoing issues in relation to these matters?

Ms Mansfield: The issue of workplace safety on the embassy site is something that we have discussed both with ACT authorities and with the Chinese embassy to make sure that the embassy is fully aware that we expect good standards of occupational health and safety to be met. And we have arranged meetings for them in order to understand what the regulations are and what the standards are that they should be meeting.

Senator KROGER: What is the legal status of the likes of Comcare in relation to building on an embassy site? Does the same legal status apply?

Ms Mansfield: It does depend, somewhat, on which building site you are talking about. The Chinese site is primarily being worked on by workers from China under this particular agreement. So in terms of the conditions for those workers we ask that the standards that we expect in Australia be met. In terms of Comcare I think it would be better to direct that to them.

Senator KROGER: In relation to the workers themselves, that is for DIAC, as well.

Ms Mansfield: There is an unusual arrangement in that we have agreed that, for the purposes of the Chinese workers, the set of visa arrangements is also covered by DFAT. So we are monitoring those workers who come in from China to work on the site.

Senator KROGER: Was that agreement part of a negotiated settlement, if you like?

Ms Mansfield: That is right. It is a bilateral agreement between the Australian and Chinese governments.

Senator KROGER: Who monitors, then, the status of those foreign workers?

Ms Mansfield: They are Chinese workers working on a Chinese site, so the onus is on the Chinese embassy. But we have made it very clear to them on a number of occasions that we expect that standard to be met. And we have had discussions in terms of the requirement to
have the sorts of benchmarks that you would normally get in a building whereby you ensure that issues such as public safety and so on around the site are met. The Chinese embassy does have a consultant who works closely with project management to try and make sure that the standards are adhered to.

Senator KROGER: Do those workers have diplomatic immunity?

Ms Mansfield: They are on diplomatic visas, so they are covered by certain levels of immunities. Different diplomats have different levels of privileges and immunities, depending on their status. So, although we talk about the 'diplomatic visa', that in fact can cover a number of different levels of privileges and immunities. The extent of privileges and immunities that, for example, the ambassador will get will not be the same as someone who is what we would call a service worker or indeed a consul who might be working in Sydney or Melbourne. There are degrees of difference between those.

Senator KROGER: Excuse my ignorance here, but does that diplomatic immunity cover service workers—is that what you would classify them as—for civil law, for instance? What is the breadth of that diplomatic immunity?

Ms Mansfield: We expect any people on diplomatic visas within Australia to abide by Australian rules and regulations to the extent that that is possible. The Vienna conventions dictate a lot of what we can do in terms of drawing lines. Something that has been in the press recently has been the issue of speeding fines and so on. Although technically we cannot detain a person who is on a diplomatic visa, we can ask that the embassy insist that those individuals abide by Australian rules and regulations.

Senator KROGER: How many Chinese workers do we have on that site?

Ms Mansfield: I cannot tell you exactly how many are working there at the moment but I think we have given visas to approximately 130 Chinese workers at the current moment.

Senator KROGER: A big construction.

Ms Mansfield: It is a big site. It is an important project for Canberra. It is a big relationship.

Senator KROGER: A very big construction.

CHAIR: On that point, Ms Mansfield, if those people who are on diplomatic visas or other foreign visas like that, do rack up traffic fines, are they required to pay them?

Ms Mansfield: Yes, we do expect them to pay their traffic fines or speeding fines. Absolutely. I do not always know exactly which members of the corps may have racked up what sorts of fines, but certainly in terms of serious traffic offences, if an individual gets to a point that we regard as a serious threshold, I will write to that head of mission and ask that they counsel in strong terms the individual who has done those offences.

CHAIR: So the notion of double demerit points heading down the coast over Easter?

Ms Mansfield: That exists.

CHAIR: We could easily see some members of our diplomatic corps accumulating enough points to lose their license?

Ms Mansfield: That is certainly a possibility. We do write to them before Christmas, reminding them of the double demerits and that they should be particularly careful.
CHAIR: It is very easy to accrue them.

Senator KROGER: But we are not talking from personal experience.

CHAIR: No, but it is easy. You are reminded how quickly they clock up when they are doubled up.

Senator KROGER: Whilst Mr Brown is still at the table, I would like to ask him: what are the guidelines in relation to consular loans? We were speaking earlier about a loan. Is there a guideline that you can table for us? Or is that something that is informally determined?

Mr Brown: So-called 'travellers' emergency loans' are issued according to need, essentially. A judgement is made on a case-by-case basis. A very important factor that we take into account is whether all viable alternative sources of funding have been exhausted. So, if we are approached by an individual in distress or in trouble overseas, our first effort is directed at finding or assisting that individual to find alternative sources of funding from family members.

If we do make the decision to extend a loan, recipients are asked to sign an undertaking to repay, as I mentioned earlier, and the loan must be repaid before another passport can be issued, so it does have real teeth. Repayment is actively pursued by the department; we contact clients. We are open to different repayment options if that is necessary. During the 2012-13 financial year, a total of $87,000 was recovered from outstanding loans, so we do make progress in that respect. The timing of every payment varies, again, from client to client; it depends very much on their circumstances and capacity to pay. It is of course an unfortunate fact that some loans may never be repaid; again, that is a reflection of the circumstances facing some clients.

Senator KROGER: Is there a cap on the level of loans that we offer? Here I am thinking of someone who may not have comprehensive travel insurance, may find themselves in a hospital and may need to be repatriated out with medical attendance, for instance, which is very costly. Do we provide loans for those sorts of things?

Mr Brown: Again, the loans are covered for a variety of circumstances. So we often have clients who are destitute and living in homeless shelters, for whatever reason, and they approach us seeking assistance with return flights to Australia. There are others in the circumstances you have just mentioned—unforeseen hospitalisation. If it is serious enough and if their insurance is inadequate then we are often approached to provide assistance with funding. We are conscious this is taxpayers' money, so our approach is to be quite strict and disciplined in the way we respond to these requests. We do have a number of tools at our disposal. We have these travellers' emergency loans. We also have a small contingency fund in my division which can be deployed for exceptional cases where we do believe there is a strong and compelling case to assist individuals.

Senator KROGER: So there is a budgeted contingency fund for such a draw-down on the budget?

Mr Brown: As I mentioned, there are two instruments. There are the travellers' emergency loans and there is the so-called consular emergency services contingency fund, which currently stands at $200,000.
Senator KROGER: Turning to Thailand for a moment, given the volume of tourism traffic in Phuket and the number of Australians that seem to find themselves in dire straits and, in fact, have died there, is there consideration for a permanent presence in Phuket itself?

Mr Varghese: In terms of where we would see the pressures on the system, that would be one. If resources were to enable us to do so, I think we would like to do so. But I think, at the moment and for at least the short-term future, that is unlikely.

Senator KROGER: Certainly this year it looks unlikely. What is your staffing level in Bangkok?

Mr Varghese: I would have to take advice on that.

Senator KROGER: I am presuming that what you do is to move one or more people out of Bangkok on a very regular basis to deal with whatever is happening on the ground in Phuket.

Mr Moraitis: On the consular front, my recollection is that in Phuket we actually have an honorary consul and consular staff in Bangkok whose full-time job is to do consular work. From my recollection of visiting Bangkok last year, there were two or three officers of the mission working on consular issues who would of course visit Phuket and other places where there were consular incidents.

Senator KROGER: On a very regular basis, I would suggest.

Mr Moraitis: That is correct—very much so, unfortunately.

Senator FAWCETT: I would like to take you to an article released late last month. The article is about fake documents, and passports are listed amongst a number of documents that are easy to procure. I would like some comment from the department on the accuracy of that article. If it is accurate, what steps are you taking to make it inaccurate?

Ms Williams: Are you talking about the article that referred to fake documents available on the internet, from online sites?

Senator FAWCETT: It was in the Sunday Age of 27 January 2013.

Ms Williams: There were a couple of articles earlier this year. Was it relating to buying fake documents or generally about fake licences? In any event, it is something that we are very, very focused on. I have explained in previous estimates that we are very pleased with the technical security features in the Australian passport. In fact, last year we had an ANAO audit which endorsed our passport, our ePassport. We are in the process of developing our next series of passports; we do that every five years. We continually enhance our passport security features. We think that we are at the leading edge, particularly when we compare ourselves with our international partners. But we also cannot rest on our laurels. We need to be constantly aware of what is happening in terms of the potential to use passports fraudulently. We take the integrity of our passport very seriously. We work very closely with law enforcement agencies in Australia across a range of issues to do with document fraud, including attorneys-general on the national identity system.

To put it into three categories: we work across agencies, in terms of strategies and learning about how to deal with potentially fraudulent documents; we work on the document itself, constantly improving the technical capacity and features within the passport; and we have a
very extensive fraud program, including working with our Five Nations partners—the US, the UK, Canada and New Zealand.

Senator FAWCETT: The outcome that is potentially most measurable is when false passports are identified as being used. There are high-profile cases like the incident in the Middle East that included assassinations. I am assuming there are many other incidents that are just criminal in nature. So as to have this on record, please give us an indication of how many Australian passports over the last five years on an annual basis have been identified to be fake passports, whether it is through AFP, Customs or international agencies.

Ms Williams: That would be at any border around the world. I do not have the numbers on me, but I can assure you the number is reasonably low. We do come across cases of very bad attempts at trying to do something to an Australian passport, and they are picked up very quickly. Going back to my earlier point, we are very comfortable and satisfied with the technical features in our passport. But you can never say, as we saw a couple of years ago, that it is completely impenetrable. I am happy to take on notice providing some statistics for you.

Senator FAWCETT: Thank you. When you see an article like this that makes some fairly bold claims about how easy it is to obtain fake passports, what specific investigations do you do in the light of a specific claim such as this?

Ms Williams: We are constantly working with attorneys-general and the Federal Police to keep up to date. In cases of specific claims we follow up immediately with them.

Senator FAWCETT: In a case like this, would you follow up the journalist?

Ms Williams: We would follow up through the police in most cases.

CHAIR: We move to 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.

Senator KROGER: Has there been any reduction in the number of security personnel employed to guard Australian embassies or high commissions?

Mr Moraitis: Not that I am aware of. There might be changes across the board. Are you talking about any particular mission or just generally?

Senator KROGER: Generally.

Mr Moraitis: It may have occurred in some places, but they are generally low and we pretty much maintain those levels.

Senator KROGER: Please take on notice whether there has been any change to the security personnel. I would like to verify the security clearance process for overseas missions, in particular whether the security checks on potential staff include their families.

Mr Moraitis: We will take that on notice.

Senator FAWCETT: Last estimates I had some questions about the new embassy in Indonesia. There was a media release quoting the cost of $230 million. I put a question on notice and the cost has come back as being $407 million. I would like you to explain the
discrepancies between the figures that were announced in the media release and what came back in the answer to a question on notice.

Mr Nixon: There is a total budget for construction which is the $407 million. The media release referred to the value of the headworks contract that had been executed with a Leighton joint-venture company at $237 million. The difference between the two relates to additional elements associated with IT design, project management et cetera. Those additional costs reflect the difference between the $237 million and the total approved budget.

Senator FAWCETT: The total approved budget includes the fit-out et cetera?

Mr Nixon: Correct.

Senator KROGER: That is a significant difference. I have the contract notice CN981661 before me which is the tender document for the original price. As Senator Fawcett said, he asked for the real cost on notice. That is a difference of just under $200 million. You are saying the difference is for IT, fit-out of the embassy and managing the project. Isn't management of the project included in the contract itself?

Mr Nixon: The headworks contractor has an element of its own direct site supervision. Then there is an overarching project management role that is required in addition to that which the headworks contractor itself delivers.

Senator KROGER: The contractor who won this tender does not have to include its overall management costs?

Mr Nixon: They are included within the contracted sum of $237 million.

Senator KROGER: They contracted out some of that work. Is that what you are saying? It is PT Leighton Contractors Indonesia and Total Bangun Persada who won the $237 million contract, isn't it?

Mr Nixon: Correct.

Senator KROGER: I am trying to understand how you can account for an extra $200 million in the total cost of this embassy.

Mr Nixon: The total cost of $407 million includes an element of capital costs and operating costs.

Senator KROGER: Capital costs being?

Mr Nixon: Capital costs would include the value of the headworks contract at $237 million, the architectural and design contract that was awarded to Denton Corker Marshall and the project management contract which was awarded to Thin Projects. In addition to those areas of cost there is the component of our own IT installations. There are also elements of direct security costs that would be capitalised and be part of the project. Then there is a level of operating costs that would also be incurred in the delivery of the project.

Senator KROGER: Would it be reasonable to assume that when you are looking at a major construction like this there is a very rough formula and that whatever the cost given in tender can be doubled to reach the total cost of the project?

Mr Nixon: No, that would not be correct.
**Senator KROGER:** Would you consider this to be a fairly expensive project, with its extra close to a couple of hundred million dollars—I grant you it is under that, but not by much.

**Mr Nixon:** This project is unique and very complex. It is technically sophisticated. We are not talking about the delivery of a standard office building.

**Senator KROGER:** Is it true that a lot of the construction material is being sourced locally?

**Mr Nixon:** Some of the construction material is sourced locally and some of it is being provided from Australia.

**Senator KROGER:** Of the material being brought in from Australia, is duty applied to it, given it is for a diplomatic mission?

**Mr Nixon:** We are currently in discussions on the matter with the relevant protocol area of the Indonesian Ministry Of Foreign Affairs.

**Senator KROGER:** It would be reasonable to presume that some of the material has already been imported to Indonesia, wouldn't it?

**Mr Nixon:** One of our colleagues from the protocol area can provide an update on that.

**Mr Donovan:** Customs is exempt under the Vienna Convention. The VAT costs are what we are discussing at the moment.

**Senator KROGER:** I will leave it there. It just seems extraordinary.

**CHAIR:** Throughout the day many questions have been taken on notice. I remind the minister and officers that the date for the return of those questions is Friday, 12 April 2013. Senator Kroger, if it is your intention to put any questions on notice they need to be in writing to the secretariat by Friday, 22 February 2013. I thank the minister, Mr Varghese and your officers for your cooperation today.

[16:28]

**CHAIR:** We are moving to the trade programs. I welcome back Senator Carr, representing the Minister for Trade; Mr Varghese, Secretary; and officers of the Department of Foreign Affairs and Trade. I also welcome Mr Bruce Gosper, Chief Executive Officer, Australian Trade Commission, and officers of Austrade, as well as Mr Angus Armour, Chief Executive Officer of, and officers from, the Export Finance and Insurance Corporation or EFIC. This afternoon until 6.30 pm the committee will hear all DFAT trade portfolios in conjunction with AusAID and EFIC. We will begin with the additional estimates for the department's trade program; bilateral, regional and multilateral trade negotiations; and trade development, policy coordination and APEC. We will then hear from Austrade and EFIC to conclude the trade matters.

**CHAIR:** Minister, do you or any officer wish to make a statement in this regard?

**Senator Bob Carr:** No, I do not.

**CHAIR:** Then I will call on questions on trade.

**Senator BACK:** I draw your attention to a situation which is still under way, but largely resolved: the significant loss caused by Australian beef exporters as a result of hundreds of containers sitting on the wharf in Jakarta in the last three months as a result of licensing and
quota disputes. Can you explain whether or not the Australian government has launched a complaint against Indonesia with the World Trade Organisation over the activities surrounding the inability of those exporters to have their product enter Indonesia?

**Mr McCormick:** On the issue of the WTO complaint, the first stages of which have been launched by the United States: Australia has requested that we become a third party to those consultations. This is the first stage of the WTO dispute settlement process. We are working very closely and directly with Indonesia to try and resolve outstanding issues.

**Senator BACK:** Given the fact that the USA is a competitor with Australia into that market—and the USA would dearly love to get into it—and that they export a mere four per cent of the beef that goes into Indonesia and Australia exports in excess of 50 per cent, can you tell me why it was left to the United States rather than Australia in the first instance to raise these matters with the World Trade Organisation?

**Mr McCormick:** In fact, our concerns about bilateral impacts on our trade relationships with Indonesia have been raised in the WTO previously, but what you are talking about here is the start of a formal dispute settlement process. The government has been working assiduously to try and resolve issues as they arise in Indonesia, and obviously the government weighs a number of different factors when they decide whether or not to initiate a WTO dispute settlement process.

**Senator BACK:** It does remain the fact that a very minor exporter of beef to Indonesia seems to have taken the running and the predominant and pre-eminent exporter of beef seems to be coming in on the coat-tails. Is that a fair assessment?

**Mr McCormick:** No. It actually reflects an assessment by the government that the efforts we are making bilaterally to resolve issues are likely to be the most effective. When you have to make a decision about whether you initiate dispute settlement processes, it is a process that can take some time and obviously you take into account a whole range of factors, including industry views, in reaching a decision on it.

**Senator BACK:** Is our soft approach out of embarrassment?

**Mr McCormick:** I do not believe that we have a soft approach.

**Senator BACK:** The facts that we did not initiate it and have come in behind the Americans must surely suggest to the Indonesians that we did not have the nerve to take them to the WTO. I am asking: was that out of embarrassment?

**Mr McCormick:** I do not believe that we have a soft approach. I think we are working to the best of our ability to deal with issues and there is an assessment about what are the most effective means to produce an outcome. What we are doing is focusing on outcomes and making sure that the strategy we use is the one we think will be most capable of producing the best outcome.

**Senator BACK:** Given the brevity of the time, could you take on notice and come back to the committee and advise us: what were the trade agreements or commitments or other obligations, including those under WTO, that Australia broke with Indonesia when we imposed the ban on the export of live cattle to Indonesia in 2011? I do not expect you to have that information, but it was obviously done without consultation with the Indonesians. I would be appreciative if you could provide that on notice for me.
My only other question is to the minister. Minister, it goes to the decision of the Prime Minister to appoint Mr Kelvin Thomson as the Parliamentary Secretary for Trade recently. You would be aware, as I am, that Mr Thomson has probably been, on your side of politics federally, one of the most vocal critics of the live export trade. On 29 November, he introduced a petition into the Australian parliament to end the export of all live animals from Australia and has led that activity. Could you explain to us how our trading partners, both in Asia and in the Middle East region, should view that decision by the Prime Minister?

Senator Bob Carr: Chair, I have had no expressions of concern with that decision by the Prime Minister from anyone in Asia, or trading partners of Australia anywhere in the world.

Senator BACK: Are you aware of concerns expressed by the livestock industries, particularly in the Northern Territory and throughout Western Australia, about the decision to appoint Mr Thomson as the Parliamentary Secretary for Trade?

Senator Bob Carr: I think it is the practice in every known Westminster democracy for a Prime Minister to appoint ministers.

Senator BACK: Yes, I am aware of that. I am not suggesting that the Prime Minister has broken with any tradition. I am asking you whether you or your colleagues are aware of concerns expressed from Northern Territory and Western Australian producers and exporters as to the decision that Mr Thomson be appointed effectively as their trade representative, at a time when sales of both beef and live cattle into Indonesia have more than halved and the Western Australian sheep industry is on the point of collapse as a result of the decline in trade to most, if not all, of our Middle East customers—some 40 to 45 years in existence, with Kuwait for example.

Senator Bob Carr: You are trying to make a political point.

Senator BACK: I am asking you a question.

Senator Bob Carr: I will not respond. I am not aware of any concern from the industry. The promotion and marketing of the live export industry and the chilled meat trade is being carried out by Meat and Livestock Australia.

Senator NASH: Can I take you to our beef trade with South Korea. I notice on your website that you have listed beef exports between Australia and South Korea at $770 million. Over what period was that?

Mr McCormick: The export statistics are being updated on a regular basis so it depends on what the latest statistic is.

Senator NASH: That is exactly what I am after.

Mr McCormick: I am afraid I do not have the figures. I have not seen the most recent figures on the website. We will check it up and come back to you in the next 20 minutes or so.

Senator NASH: It is a little disappointing that you cannot tell me that straight away. I would have thought that would have been something easily obtainable. The MLA has stated that beef exports are at $632 million. I am trying to determine if the disparity in figures is simply a measurement assessment issue from each of the parties, or if there is an actual discrepancy in one of the figures—one of them is not actually correct. Could you look at that for me?
Mr McCormick: If we cannot, I am certainly happy to take that on notice and explain any differences between statistics that have been used. But, as you know, there are different statistics available and it may just be a difference in the time period or the definition of what is covered.

Senator NASH: That is exactly why I was asking the question, because I would hate to assume anything. It is always best to ascertain the correct answer. Earlier in the week I was discussing this with the department of agriculture: what is the process for the Department of Trade in terms of cross-portfolio discussions—particularly with foreign affairs—when it comes to the potential impacts on a trade? Is there a certain process that is followed from the department in ensuring the oversight of that information?

Mr McCormick: Certainly. If it is a trade negotiation, the Department of Foreign Affairs and Trade are the lead negotiators—

Senator NASH: Sorry; I think you might have misunderstood me. My question was on terms of trade in general. We have various trade relations with various countries. My question went more to: what sort of process is in place—say, with the relationship with the department of foreign affairs—so that you can keep track of any of those potential impacts that may have an impact on current trading relationships?

Mr McCormick: We work very closely with the Department of Agriculture, Fisheries and Forestry. We work on a daily basis with them, and the cooperation with them on market access issues extends across negotiations; it extends to the role that DFAT posts and heads of mission—and, in a number of posts, the role that DAFF counsellors or minister counsellors—play in managing and pursuing our agricultural trade interests.

Senator NASH: In terms of foreign affairs issues, do you view it differently when there is unrest within a particular company in another country, or do you only pay attention if a government has raised concerns about a particular issue?

Mr McCormick: I am not sure what you are getting at.

Senator NASH: It is fairly straightforward. If there is an individual corporation in another nation that has a problem with the Australian government in some way, shape or form, is that of a concern to you on potential impacts on trade, or do you only pay attention if the government of that foreign nation itself raises concerns?

Mr McCormick: No, in bilateral terms we would assess whatever issues arise to see what the possible impacts would be.

Senator NASH: Then I will turn to the issue I have been raising, of the cancelled self-propelled howitzer bid from South Korea by Samsung Techwin. Even though that is not a government to government concern, as I have been led to believe, and taking into account what you have just said—that individual entities' concerns are also taken into account by the department of trade—is that something that you have taken into account since I last raised it, when it was not a concern to the department of trade?

Mr McCormick: I was in the last estimates hearing, and I do recall the exchange. I think that the answers that we provided then are the same as today: this issue has not been raised in the context of other trade issues.
Senator NASH: I think we did have an initial discussion around this basis, and I am just clarifying this—though I suspect you are going to give me the same answer: unless a corporation or a foreign government directly raises an issue with you it is not of concern to the department of trade in terms of potential impact on our trade relations?

Mr McCormick: We are always very conscious of potential impacts on our trade, so we try and deal with and manage those issues—either predicting them or managing them when they emerge.

Senator NASH: As to being conscious of the potential impacts on trade, would a South Korean company pulling out of a bid with Australia citing sovereign risk—and I quote the Poongsan Corporation: ‘The sovereign risk the Australian program represents to Korean companies has become too large to ignore’—be something that you are conscious of as to the impacts on trade? Is that something that has rung any alarm bells for you?

Mr McCormick: As I said, what we do is look at the facts. In this case we have not seen any broader threat to other trade issues. They have not been raised with us in a sense, and our assessment is that this is an issue. We understand that the company was disappointed, but if you are asking us—

Senator NASH: I just need to clarify that I am not talking about Samsung Techwin here, I am talking about Poongsan. They withdrew from a bid—that is a separate issue entirely—and they have cited sovereign risk.

Mr McCormick: I am not personally familiar with that particular case.

Senator NASH: It is on page 3 of the Australian Financial Review and you are not aware of it? Does nobody read the paper in the department? Anyone?

Mr Varghese: I think many people in the department read the newspapers.

Senator KROGER: The minister likes websites.

Senator NASH: Thank you for the assistance, Senator Kroger. Seriously—this was an article that was page 3 of the Financial Review and you are not aware of the issue. How many people work in your department?

Mr McCormick: I said that I am personally not aware of that.

Senator NASH: I realise that. What is your position? I genuinely am asking that. I cannot see your nameplate. I am as blind as a bat.

Mr McCormick: I am the Acting Deputy Secretary.

Senator NASH: How many staff do you have your department?

Mr McCormick: Can I just say—

Senator NASH: No, that is a number question. How many staff do you have in your department?

Mr McCormick: The total number in Canberra is approximately 800.

Senator NASH: There are 800 people in your department and nobody alerted you to a page 3 Financial Review article with a company citing the difficulties they saw with Australia as a sovereign risk—seriously?

Mr McCormick: Yes. I am afraid that is the case.
Senator NASH: Wow. Could you could take on notice to ask somebody in your department to bring this to your attention, and could you provide the committee with your response as to the significance of that particular article. Do not feel too bad, because the minister did not know about it either when I asked him in question time. He had missed page 3 of the Financial Review as well, so do not feel too bad. Can I ask about where the free trade agreement with South Korea is at, at the moment?

Mr McCormick: We are continuing to work towards concluding the bilateral FTA with Korea as soon as possible. As we have explained before, there are a number of sensitive issues still unresolved. In December, there was the election of a new South Korean President, and the transition to the new administration following Ms Park's inauguration on 25 February has had an impact, obviously, on our capacity to engage with the new government, because the new government has not come into force yet.

Senator NASH: When did South Korea sign their free trade agreement with the US?

Mr McCormick: The issue is not actually when it was signed, but when it came into force.

Senator NASH: No, my question was when it was signed. My next question was going to be: when did it come into force?

Mr McCormick: KORUS actually entered into force on 15 March 2012.

Senator NASH: The US now has an obvious advantage; I think the tariff has dropped to something like 34 per cent. What were the assumptions at the time about what effect that agreement would have, given the competitive advantage that the US would have over Australia when that come into force? From the department's perspective, what was the assessment of the impacts that agreement would have on our trade into South Korea?

Mr McCormick: Clearly, as in any case where somebody has an FTA that another country does not have, it results in reductions or elimination of tariffs for one particular country—or two particular countries if it is a bilateral FTA—and if you do not enjoy the same thing because you do not have an FTA, then there will be tariff differentials that apply.

Senator NASH: Now that we are nearly a year down the track, in a practical sense what have you seen as the results of that? Have there been particular instances where we have been at a disadvantage because of the advantage that the US has?

Mr McCormick: There are a range of products where the US will have a tariff advantage over Australia because we do not have an FTA with them.

Senator NASH: Can you take on notice for me, then, what you see those advantages as being and what those advantages have been over the last 12 months for the US, and provide that to the committee? I ask that specifically as a farmer from New South Wales. While I do not farm beef, I certainly have a particular interest for my colleagues out in regional Australia who do. They are very important questions for a lot of people and, I recognise, in Senator Heffernan's communities as well. The investor state dispute settlement mechanism that South Korea wants to be in the FTA—is that the sticking point? Is that what is holding it up? What is our view on that?

Mr McCormick: There is a handful of issues. That is one of the issues at play. The actual terms of access for beef into the Korean market is another one. Tariffs on automotive products
for imports of cars from Korea into Australia is another one of the issues that are still outstanding.

Senator NASH: Minister, did you want to add anything to that? Why doesn't the government want the mechanism to be included? Can you explain that for us?

Senator Bob Carr: I will take that on notice.

Senator NASH: You will take it on notice? Surely you would be able to answer that now. Is it that you cannot answer it, or you will not answer it?

CHAIR: Minister?

Senator NASH: It is a very important piece of paper you are reading there, Minister, isn't it?

CHAIR: Minister?

Senator Bob Carr: I have nothing to add, Chair.

Senator NASH: You have actually not got anything to add, Minister, because you did not actually have an answer to add to. I think it is extraordinary that you cannot give us an indication of why the government does not want that mechanism included in the FTA. That is extraordinary. Thank you very much, gentlemen. Could I ask if you could look at the particular issue, as I said, of Poongsan Corporation's sliding sovereign risk, and perhaps everyone might be a little bit more diligent about passing on what is in the papers to those a little higher up the chain in the department. Thank you very much for your accommodation, Chair.

Senator HEFFERNAN: We have a free trade agreement with the United States. It was agreed to in 2006 and initiated in 2007, Mr McCormick?

Mr McCormick: No, I believe it came into force in 2005, if I am not incorrect.

Senator HEFFERNAN: And we, in that generous agreement, did away with some tariffs, did we not?

Mr McCormick: Yes.

Senator HEFFERNAN: Can you describe some of the tariffs we did away with, the five and 15 per cent tariffs?

Mr McCormick: Both sides have agreed to eliminate the vast majority of tariffs.

Senator HEFFERNAN: That is what I wanted you to say. So do you think tariffs mean anything these days?

Mr McCormick: I think they are in some areas still significant.

Senator HEFFERNAN: So we sign up to a free trade agreement with the United States and we are supposed to be pretty big winners out of this, allegedly. What was the dollar at?

Mr McCormick: I think you will probably have an answer to that.

Senator HEFFERNAN: I do: 67c. And we did away with five per cent and 15 per cent tariffs, which seemed a bloody good deal at the time. And we now have a 45 per cent tariff against us in our terms of trade because of currency. And we have that because the US is technically insolvent, which is an argument I am sure the minister would know, but would surprise him. I went over there and had a blue with the Harvard think tank, describing the fact
that in my view at that time, which was four years ago, they were technically insolvent. You are aware that they have $3 trillion approximately of warehouse public debt, approaching $16 trillion on the book. They have borrowed four or five trillion from their pension funds to keep the cash flow alive, which is pretty crazy. General Motors did the same. Then they had to buy a bit of General Motors to prop up General Motors. We have a free trade agreement which now disadvantages us as exporters by 40-odd per cent from when we signed up to do over the tariffs.

Is there nothing we should think about when we are signing free trade agreements that takes into account a country like China, which has a non-market currency and which is helping to prop up the US with its investment in there? They should, in any terms, revalue their currency. They are not going to because they do not want to lose their trade advantage, on one hand, or their capital investment in the US, on the other. Do you take into consideration any of those things when you are negotiating the free trade agreement with China? How the hell can we have a free trade agreement with China when they have a non-market currency?

Mr McCormick: I believe we have discussed this in Senate estimates before. Essentially there are different mechanisms to address issues and I do not think that really the thought is that a free trade agreement is a way to address concerns about the exchange rate.

Senator HEFFERNAN: I have talked off the book to some of the people that are involved. Do you really think it is feasible to have a free trade agreement—bear in mind the terms of trade are pretty important—with a country that will not bring their currency to the market? I can see all sorts of reasons why we should have a free trade agreement. But we are going to get slayed unless we bring them to the market.

Mr McCormick: You have just raised an interesting issue. If our exporters were facing a 10 or a 15 per cent tariff into the US market before the negotiation of a bilateral free trade agreement, for example, and then the exchange rate moved, in fact I think it is quite clear that you would be worse-off if you still faced the 10 and 15 per cent tariff and had a higher exchange rate than you would be with a lower tariff and the same higher exchange rate.

Senator HEFFERNAN: What I am saying, though, in considering the free trade agreement, is that the terms of trade is more important than a tariff. Anyhow, that is just a difference of opinion. What I really wanted to ask was something I think Senator Nash was approaching. In the consideration of trade there is the challenge between the Geneva red-glass-of-wine arrangements, where you gather around and come to an arrangement to do trade with another country, and the importance for Australia because of the difficulties we have and will continue to have for some years because of their solvency situation in our terms of trade—in other words, the value of the Australian dollar—and the pressure through the World Trade Organisation and everyone else to have this trade. I have been subject to it in Canada and America with beef—that is, the pressure for us to agree to trade beef out of America, which you are familiar with, and which we nearly did. What consideration in the trade negotiations do you give to the one thing that we have got going for us in trade with our livestock—that is, our herd status with our clean, green feed, no foot-and-mouth, no BSE? I have been to Canada and had a blue with them about their status. As you know, they have had plenty of reactors. We nearly signed up to it. When we nearly signed up to it the government and the minister at the time, without putting him through misery again, did not know we have

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open borders with Mexico and Canada, and didn't know there is no such thing as a BSE-free region. You are aware of that, aren't you?

Mr McCormick: Yes.

Senator HEFFERNAN: He did not know that the only test for BSE is when you kill the beast, so to have a BSE-free herd it had to be a dead herd. There is trade, some legal and some illegal, across the borders from Mexico et cetera. We nearly signed up to that. They brought that proposition into this parliament. The Cattle Council of Australia agreed to it and one or two of us did not.

In the consideration of that, it appeared to me that the trade side of things was more important than the biosecurity side. According to the press in the last few days, we have just signed up to meat coming into Australia. You know the outcome of the Japanese and American applications. They eventually forgot about it, because they do not have traceability. The American Cattlemen Association does not want to have traceability for a whole range of reasons and Japan said that they did not have the resources to go through with it. I am sorry to do this to you. What that was really all about was that they were trying to neutralise the health status of our herd in sales to Japan and Korea. They told me this. Every time they got a reactor, we got a bigger share of the Korean and Japanese beef markets. They have now negotiated some other arrangements. Do you figure that stuff out when you are negotiating this stuff—the game on the side? They are all likeable rogues.

Mr McCormick: There are two separate issues. One is the Australian government's policy on biosecurity and the procedures that we put in place. WTO rules make it quite clear that it is up to governments to set their own appropriate level of protection.

Senator HEFFERNAN: Based on science.

Mr McCormick: Yes, to set measures based on science. None of that affects our capacity to do what is necessary to protect our biosecurity status. We need to find a the balance because—as you would know—we export more than 50 per cent of our agricultural production. We know that there are problems related to so-called biosecurity and that people use it to restrict our exports as well. Clearly, in trade negotiations we try to make sure that people have systems and biosecurity policies that are justified. I do not see that there is a conflict between the two at all.

Senator HEFFERNAN: Our government and some of our industry people thought that it was a good idea to bring in beef from America. I talked to them and they were colourful in describing me back to myself because of the interference we ran. They did not know, for instance, that you cannot sterilise the prion that converts to the human variant. Do you know that?

Mr McCormick: I am not a biosecurity expert.

Senator HEFFERNAN: Trade needs to understand this stuff so that they know when we are getting done over. You cannot actually sterilise for the CJD variant. You cannot even give blood in Australia if you were in the UK at a certain period. If you go to a dentist he has to destroy the instruments. He cannot sterilise them. The incubation period—and we have just discovered this in the last two years—for CJD can be 30 years. I am wondering what real thought goes into a decision like we have just apparently taken to allow beef in on the advice of FSANZ—and we are take this up Monday week, Minister, in a big way—from the
Netherlands and Croatia. Sure Vanuatu and New Zealand are in clear space, but why the hell would we agree to bring beef into Australia that will give us the same BSE status as them for CJD purposes? Why would we agree to that?

Mr McCormick: I do not think that these issues are ones that we are responsible for.

Senator HEFFERNAN: But they are. There needs to be cross-fertilisation into the thinking of trade negotiators. And there is not.

Mr McCormick: I do not agree with you that there is not close coordination between agencies in trade negotiations.

Senator HEFFERNAN: The American BSE experience was quite an experience. They conned our officials. They did not particularly want to bring beef in here. It was about their trade opportunities elsewhere. They just wanted to neutralise the excellent status of our herd. The same goes for the OIE certification of Brazil. We gave a tick to bringing beef in from Brazil. You may recall that. Things were quite colourful at the time. I went out to the Wagga tip and discovered that when they finished testing it after brining it in they just took it to the tip. That was fresh beef from Brazil. The OIE for trade purposes said that they had BSE-free zones, and they do not. They have open borders with Uruguay and Paraguay et cetera. The trade people just said, 'The OIE has given it a tick, so that is good.' We allowed it. Heinz nearly fell out of their chairs when they got approval for importation. And it was them trying to compete back into the US with bully beef in tins. They wanted to get a cheaper source of beef into Australia, which would have put the cow market in Australia down.

Fortunately for us, Dateline—George Negus and company having had a call from me—went over there to inspect a foot and mouth free zone. They went to the border of a foot and mouth free zone. One side of the road was declared foot and mouth free and the other side as foot and mouth infected and there was a mob of cattle walking straight up both sides of the road. That was the end of the arrangements with Brazil. And that was based on trade knowledge and OIE certification. I would like to think that we can cooperate, people in the paddock like me and people with the science and the theory like you, to protect our status. We have a huge discount. Cattle are cheaper now in real times than they were back in the 1960s. And there was a crash of cattle in the 1970s that I am very familiar with. The one advantage that we have in the market is our herd status—as long as we do not get foot and mouth. The soft entry point to Australia for foot and mount—and no doubt you know this—is Cape York Peninsula, which has 800,000 feral pigs. Is it possible for us to get a briefing on how you manage these thoughts? I talk to people in background and they tell me that these thoughts do not get managed.

Mr McCormick: That is because we do not negotiate those sorts of issues in trade agreements.

Senator HEFFERNAN: I agree. But you should. How the hell is it fair to have a free trade agreement with a country that does not have a market currency? How can we win out of that? It is a bigger deal than any tariff. Don't you agree? Is there someone else who would like to have a crack, Minister?

Mr McCormick: What I would agree with is that China is a huge market. It is our largest export market and our largest trading partner.

Senator HEFFERNAN: I am very conscious of that.
Mr McCormick: Despite currency issues, clearly it is of huge benefit to—

Senator HEFFERNAN: Just as important as the currency issue is our health status. That is equally important. One of the great problems facing us in looking after the human race and feeding it et cetera into the future is that they have allowed the interpretation of gene patents to be so broad that they patent discovery. You will not get Monsanto and Syngenta and people like that and all the scientists and the lawyers wanting it any other way. But patent law clearly says that you patent inventions. It has to be an inventive step with a commercial purpose. You cannot patent discovery. But we let them. That is clearly playing against us, because it is tying up seed supplies globally. People like Monsanto then have a chemical regime that suits their seed supply. They are the sorts of things that we need to become aware of, because by 2050—

and I am very conscious of all this stuff—barring a human catastrophe, there will be nine billion people on the planet and an estimated 50 per cent of the planet water poor, with 30 per cent of the productive land of Asia having gone out of production and two-thirds of the world's population living there. The food task will have doubled. There will possibly be 1.6 billion people on the planet displaced. We are facing a serious problem feeding ourselves globally. By 2070 there will be 12 billion people on the planet, barring a human catastrophe. China will have nearly two billion and will have to feed half its population from someone else's resources. We ought to equip ourselves for that task.

Absolutely we should form a relationship with China. But I do not think that we should be the tenants of the farm; we should be the owners of the farm and sell the produce rather than the means of production. I encourage foreign investment, but in terms of negotiating trade arrangements with sovereign investors as opposed to corporate foreign investors, we need to be careful. Written evidence to the committee that I am chairing on foreign investment says that if you are a sovereign investor with a passive investment you do not pay tax and if you declare that the production is for a humanitarian purpose—which I would if I were them—you bypass the revenue base as well. I notice that the government is now tuning in, as is the rest of the world, because there is about $3 trillion of tax avoided globally because of the incapacity of countries, including us, to audit transfer pricing. The Americans miss out on between $600 billion and $800 billion annually in tax. All this sort of stuff needs to be given thought to in trade arrangements.

I thank you for your indulgence, Madam Chair, but, Minister, I would like to at some stage take this up with the department of trade. I want to put the thinking of we poor simple folk from the bush into trade arrangements. I would like this to be seriously taken up. We have invited FSANZ and DAFF in on Monday week so that they can try and explain to us why they would agree to allow the importation of beef from countries that have BSE. Thanks.

Senator FAWCETT: I spoke with DAFF during the week in estimates about tariffs in India. We touched on this last estimates briefly. Speaking with DAFF, who have a whole area looking at market access, they confirmed that in New Delhi they have a permanent staff member who looks at market issues. When I pursued with them the fact that the 100 per cent tariffs that are charged on our horticultural products make quite an unfair playing field, they acknowledged that. They said that is why we look at FTA negotiations et cetera. They also made it very clear that it was not their job to brief PM&C or the PM in particular before a visit such as was undertaken last year. They said that that was very clearly DFAT's role. I come back to my question, therefore: was there any attempt to bring together the strands of
thought on this? On one hand we are telling our horticulturalists that there is this big and expanding market in Asia and the subcontinent for their produce. We have a product that they are very keen to purchase from us. The Prime Minister was going there to discuss and sign deals with them. Was there any thought within DFAT to briefing PM&C or the PM directly that the tariffs were an issue that potentially could be used to extract concessions from the Indian government that would be of benefit to our horticultural sector in part of the process that was already underway in agreeing to sell uranium?

Mr McCormick: I believe that we provided written answers to questions on notice on these issues. I am not really sure that we have much more that we could add to them.

Mr Varghese: Do I take the end of your question to suggest that we should have linked the two issues—the sale of uranium and our discussions with the Indians on tariffs?

Senator FAWCETT: My suggestion was that there was a very clear opportunity there to link the two. My question is: was there any consideration given to doing that and if not why not? If there was and it was discarded, why so?

Mr Varghese: The uranium decision stood on its own merits. It was a decision that reflected our national interests as well as going to the future of the bilateral relationship with India. The question of tariffs is obviously one to be addressed within the context of our closer economic cooperation agreement negotiations with India. We are addressing that. I do not think there would have been much of a dividend, tactically, to link the two. In any event, I think it would be a little bit odd not to proceed with the decision, which was clearly in our national interest, on the basis that there may, down the road, be some tactical advantage in linkage. So, while I do not think that issue was something that necessarily received a lot of attention at the time, it does not seem to me to be a particularly attractive proposition.

Senator FAWCETT: I accept the fact that you do not agree with it, but I take from your answer that it was not considered at the time and that there was no attempt by DFAT to link it in the discussions.

Mr Varghese: Our history with negotiations on trade agreements is not to create linkages between trade and other issues.

Senator FAWCETT: The result is that we still have 100 per cent tariffs in India.

Mr Varghese: That is why we are going for a closer economic cooperation agreement—to bring those tariff levels down.

Senator FAWCETT: I accept the fact that you do not agree, but can I take out of your answer the fact that it was not considered and it was not put to PM&C as part of their brief going into New Delhi?

Mr Varghese: It was not a proposition that we fed into PM&C; that is right.

Senator FAWCETT: Thank you.

Senator RHIANNON: I wanted to take up some of the recent developments with EFIC. I notice that the Productivity Commission has recommended significant changes to EFIC's mandate and operations. One paragraph reads that 'EFIC's operations will need to focus solely on those firms most likely to be affected by information-related market failures—newly exporting SMEs'. I noted that the response document says that it expects a reduced level of EFIC support to MNEs, 'except for those investing in emerging and frontier markets'. How do
we interpret this response? Are you proposing that investment projects by multinationals in areas of the developing world with great operating risk will continue to be financially supported by EFIC?

Mr McCormick: I might begin on this, Senator, because the government announced its response to the Productivity Commission's inquiry, and it was released, I believe, on 29 January. The government has decided to put more of a focus on particular market failure and also on assisting SMEs with solid export potential.

Senator RHIANNON: I am trying to understand the interaction between all this and the process, but I have some specific questions as well. What is the justification for disregarding this recommendation from the Productivity Commission?

Ms Piggott: Until the beginning of January, EFIC was in my area of responsibility, so I chaired the interagency process that put together the government response.

Senator RHIANNON: It looks like we have the right person. So, my question is this. We have had this clear recommendation from the Productivity Commission, but the government is disregarding this recommendation. What is the justification for that?

Ms Piggott: Which particular recommendation was that?

Senator RHIANNON: That 'EFIC's operations will need to focus solely on those firms most likely to be affected by information-related market failures—newly exporting SMEs. Then, the response document says that it expects a reduced level of EFIC support to MNEs, 'except for those investing in emerging and frontier markets'. So, that recommendation is being disregarded, and I am trying to understand how that was arrived at.

Ms Piggott: In arriving at the whole-of-government response, there was an acknowledgement that the core function of EFIC was to assist Australian exporters accessing trade finance in markets that essentially are risky markets. And it is about export opportunities. The reasoning was also not to cut out any particular sector or type of business and, on the understanding that the priority was export related, that EFIC should be able to assist all Australian companies offshore. And there would be a number of criteria that would go along with that, which meant that you are really looking at frontier or emerging markets, not just any overseas market. Part of the discussion was that EFIC had been involved in some large onshore domestic projects, which perhaps were not where its priorities should lie, and so the government response was to give a particular emphasis to assisting SMEs to operate offshore, but all Australian companies if they met the criteria for market failure.

Senator RHIANNON: At the start of the answer you spoke about assisting Australian exporters in risky markets. When you say 'risky markets', I am assuming you are including everything there—economic, environmental and social risk.

Ms Piggott: Essentially it is about access for these companies to trade finance, to be able to put into effect the transaction that they wish to engage in. As we have discussed before in this committee many times, part of EFIC's considerations in looking at projects and agreeing to them or not includes social and environmental considerations along with the financial criteria.

Senator RHIANNON: I also notice that the commission recommended that the EFIC Act should articulate which international obligations aimed at analysing and mitigating the social and environmental risks of funded projects EFIC should comply with and that EFIC's
compliance with those obligations should be publicly reported. We are aware that EFIC has been involved in funding a number of extractive industries, and some of the controversy around those. But it appears that nowhere has it been articulated which international obligations EFIC is required to comply with. That is what I am trying to understand. What I took away from this is that EFIC is not required to report on its compliance with international environmental and social due diligence obligations. Is that accurate?

Ms Piggott: No, Senator. EFIC, as we have discussed many times in this committee, does comply with a number of international guidelines and benchmarks.

Senator RHIANNON: Perhaps you could give us, or take on notice, which ones.

Ms Piggott: We have replied to that very question in the past, but we can do that again if you wish. There are OECD guidelines, and there are World Bank related guidelines. They are the principal ones, and they are the existing international guidelines; there are no others. EFIC complies with the existing international guidelines and benchmarks.

Senator RHIANNON: I understand that one of the things the Productivity Commission had set out was that EFIC should articulate which international obligations were aimed at analysing and mitigating the social and environmental risks. Has that happened? I know you might have told this committee, but in terms of what the Productivity Commission required, did you comply with that recommendation?

Ms Piggott: Yes, in the sense that we maintained and agreed across government that EFIC already meets and complies with the existing international benchmarks—for example, the World Bank and International Finance Corporation Performance Standards; the OECD's Guidelines on Multinational Enterprises; the United Nations Guiding Principles for Business and Human Rights; the Equator Principles; and what are called the OECD Common Approaches. So, there are several of them, all of which are taken into account by EFIC in its consideration of transactions.

Senator RHIANNON: A number of times you have said in your response that you have supplied this information earlier. But why would the commission have recommended that EFIC should articulate regarding the aims of the international obligations? It sounds like they want to get it into the actual EFIC Act. That is not what is occurring. So, is there a reason it is not going into the act?

Ms Piggott: I think the reason for not specifying it in the act is that it then becomes an exclusive list, and if there were evolutions in these standards then that would actually narrow it down rather than expand it.

Senator RHIANNON: But wouldn't it be possible to list those ones that you referred to with regard to the World Bank et cetera and—the delights of the English language—put a catch-all phrase in there: 'and any other standards that will assist this work'? Again, I go back to the fact that you had a clear recommendation from the Productivity Commission that it should be articulated in the EFIC Act. What I am taking from your answers is that that is not going to happen.

Ms Piggott: No, that was not one of the recommendations that the government accepted, and the reasoning was, as I said, that is was agreed that EFIC already does comply with international standards and guidelines. The other part of the consideration informing that government response was that EFIC identifies those standards on its website and in its
publicly available material. So, we understood that the Productivity Commission was essentially seeking full transparency, and in our consideration we thought that already existed.

Senator RHIANNON: Should EFIC ensure that funding applicants implement due diligence processes to prevent or, where prevention is not possible, to minimise and remediate the violation of human rights of individuals and communities and environmental impacts as a result of their operations?

Ms Piggott: As I have said, in applying the existing international standards our consideration is that EFIC does do that.

Senator RHIANNON: So you are just saying that they do do it, but it is not actually set out how they do that. Isn't this why there isn't confidence? You have just said that they do it, but how do they do it?

Mr Armour: As we have testified previously and as Rhonda has just repeated, the international rules that we abide by flow from OECD arrangements. The OECD and the UN have particular guidelines that we follow. We publish our policy, which is to follow those guidelines, and any transaction that we review has to comply with those guidelines. So, the effect of what you are trying to achieve, I believe, we do achieve. The Productivity Commission made these observations but at the same time could not substantiate that there would be any material improvement or in fact any change in our practice in adopting that recommendation.

Senator RHIANNON: So we have that clear recommendation from the Productivity Commission about getting it into the act, but your argument is that it is not required?

Mr Armour: The act already compels EFIC to comply with and respect Australia's international obligations, which of course would embrace the OECD and the UN. So it is already there in form. The PC recommendation that I recollect was to list them, and I think the point Rhonda has made is that the list evolves—and, therefore, to change a legislative instrument to adapt, even in the way that you describe, is a bit of an unwieldy process, given that the current legislation achieves what you are trying to achieve.

Senator RHIANNON: So do you think the Productivity Commission misunderstood the legal process or were just wrong? They have made a clear recommendation, and you are not following it.

Mr Armour: It is not really our position to comment on that.

Senator RHIANNON: In response to the commission's recommendation 9.6 dealing with funding proposals that have significant adverse environmental or social impacts, which includes three separate recommendations, the government's response document says, 'Agree in part' across all three. Could you clarify which parts are agreed to and which parts are not agreed to?

Ms Piggott: Senator, I would have to take that one on notice, because I do not have that document in front of me. There were 90-something recommendations. But I am happy to take that on notice.

Senator RHIANNON: Thank you very much. There might be some more of those. All documents relating to anything done by EFIC under part 4 or part 5—part 4 is 'Insurance and financial service products' and part 5 is 'National interest transactions'—of the EFIC Act are
exempt from disclosure under the FOI Act. I understand that, contrary to the Productivity Commission recommendation, this recommendation will not be accepted. Is that the case?

Ms Piggott: Yes.

Senator RHIANNON: Why is that?

Ms Piggott: Senator, is that the recommendation relevant to the FOI Act?

Senator RHIANNON: Yes.

Ms Piggott: Again, the consideration was that that was not really a priority. Can I just make a general point. There were a number of recommendations that the government did not accept. The Productivity Commission, when it undertakes reviews, obviously makes recommendations; it is up to the government to accept, reject or agree in part. In this particular case, there were a number of recommendations that were not accepted, quite a number of which were partially agreed and some which were agreed in full—so there is the full range of views. The Productivity Commission's review provided the government with a very good opportunity to have a serious think about what it wanted from EFIC and what was the role of EFIC. That is what you saw in the government's response.

Senator RHIANNON: Yes, but not much seems to have changed. And the FOI Act one is very curious, considering you already have that exemption from disclosure—so, again, you have given a general answer, but it is not clear why that one was not taken on board. Surely, EFIC has a responsibility to inform the public adequately on all this range of challenges and risks—economic, environmental, social and human rights—that come up in so many of your projects; and you have an exemption there, that covers you in many ways. So I am interested in why that recommendation from the Productivity Commission was not taken on board.

Ms Piggott: In looking at that one we looked at why the exemption was there in the first place, and principally it is about the transactions that EFIC agrees to or becomes involved in—and the government as well, on the National Interest Account. So there are a number of issues of confidentiality around the commercial transactions that are involved. For that reason the exemption exists and ultimately the government agreed that it was appropriate for it to remain. But, as I have said before with respect to your concerns about environmental and social aspects of specific transactions: those are available on EFIC's website. EFIC's policy on environmental and social review of transactions is on the EFIC website, but the specifics of particular commercial transactions are not normally available publicly.

Senator RHIANNON: Thanks. I want to move on to the National Interest Account. I noticed again the recommendations here, and the official response to the recommendations is that they are 'Agreed in part'. Again, can you advise what is meant by that?

Ms Piggott: I think I need to look at the specific recommendation. As I said, there were quite a few.

Senator RHIANNON: Maybe how we deal with this is, where you have agreed in part, can you explain what part you agreed with and why you did not agree with the other parts.

Ms Piggott: I can do that. But, by way of explanation, if you just look at the raw document, as you are doing, it is not exactly obvious; and for that reason DFAT has put basically an explanatory note on its website, which goes to the decisions that the government took, and a little bit more explanation about why. But we can provide you with—
Senator RHIANNON: Okay, thank you. Moving onto the specifics; picking up on one we have spoken about before, the PNG LNG developments. Which lenders requested that D'Appolonia investigate the PNG LNG mudslide?

Mr Armour: I think you can identify each of the specific institutions through publicly available information but the lenders as a group would seek to have an incident like that investigated.

Senator RHIANNON: So, do we have something more specific?

Mr Armour: Is your question to identify each of the financial institutions who requested the review?

Senator RHIANNON: Yes, that is what the question was.

Mr Parsons: The mudslide you are talking about occurred at a quarry. D'Appolonia, as part of their normal monitoring of the project, had been looking at quarries prior to the mudslide. The quarries that were operated by or for the project were under the scope of D'Appolonia's work, so they were looking at the quarries already. So, after the slide occurred, D'Appolonia would have already planned the next visit, or would already have gone and looked at that, because it was an occurrence within their scope of work. But I think there was a general request from quite a few lenders that they concentrate on that because, for each visit that D'Appolonia makes, there is a general request that goes out for any lenders to raise any particular issues, or lenders can raise in particular issue they may have for D'Appolonia on that visit.

Senator RHIANNON: So can you tell us which lenders?

Mr Parsons: All the lenders go through what is called an 'intercreditor agent', so we do not see what other lenders request particularly.

Senator RHIANNON: So you cannot give that information?

Mr Parsons: No, we do not have that information.

Senator RHIANNON: Okay. I was going to come to this later, but I notice that you said then 'on their next visit'. Because, some of the information I received was that post the tragic mudslide, there was not the visit. Could you provide us with the date for the visit after the mudslide?

Mr Parsons: I could provide that. I do not have on the top of my head.

Senator RHIANNON: You can take that on notice?

Mr Parsons: Yes.

Senator RHIANNON: Thank you. At any time did EFIC receive verbal or written advice that there was a risk of a mudslide, either from the consultant or from any other source?

Mr Parsons: D'Appolonia, in some of their earlier reports, had identified problems with some of the quarries. In a subsequent report, before the slide occurred, they said that the project had responded to those concerns and that those concerns had been adequately managed by the project.

Senator RHIANNON: So you say they identified problems with the quarries.

Mr Parsons: Yes.

Senator RHIANNON: Then you are saying the company responds.
Mr Parsons: The company responded to those concerns and, prior to the slide occurring, D'Appolonia said that the company had responded adequately and that concern, or non-conformance of theirs, had been closed out.

Senator RHIANNON: So what is EFIC's interaction from when you are informed that there is a risk of a mudslide? Do you just wait for the company to come back to you, do you sit down or do you visit?

Mr Parsons: D'Appolonia did not specifically raise any issues about mudslides; they were just concerned with some of the environmental/social management around the quarries.

Senator RHIANNON: Social management?

Mr Parsons: As part of their—

Senator RHIANNON: Environmental management?

Mr Parsons: The issues raised in relation to quarries related specifically to environmental management—things such as erosion control, sediment control and those sorts of things. The process then is that, in each of their reports, which are publicly available through the project's website, D'Appolonia raise a series of comments on the project's performance and they grade their concerns according to a series of grading on non-conformance. For each report in which they raise a non-conformance, on the subsequent visit they go back and review what actions the project had taken in response to those comments. The comments on quarries occurred over a period of two or three visits, I think, and they were closed out over a period of time.

Senator RHIANNON: They were what, sorry?

Mr Parsons: The non-conformance was closed out; the quarries were not closed down. With respect to the incident at the quarry in question: the project had not actually operated that quarry for a period of months before the slide; it was actually closed and rehabilitated by the project, and a period of months elapsed before the slide occurred. So it was not actually an operating quarry when the slide occurred.

Senator RHIANNON: Yes, I appreciate that. I am just trying to understand the process. It has been identified that there are environmental issues. When those reports come to EFIC, do you ask questions? What interaction do you have at that point? Because we know we are going to end up with this very tragic mudslide, so at least we should analysing that interaction and hopefully learning some lessons here.

Mr Parsons: First of all, you don't know there is going to be a mudslide—

Senator RHIANNON: I know you don't—I am saying we now know that there was a mudslide, and we have the ability and the responsibility to look at what happened and whether there was a failure early on to look at this closely.

Mr Parsons: D'Appolonia classifies non-conformance in levels. There are three levels of non-conformance and there is another level just called 'an observation'. An observation is basically just a housekeeping issue. Level 1 is the lowest level and level 3 non-conformance is where there is a potentially significant concern. There have never been any level 3 non-conformance raised by D'Appolonia. That is the level at which the lenders could then institute
other actions under the legal agreement. So there has never been that level of concern raised by D'Appolonia.

Senator RHIANNON: Did it ever get to level 2?

Mr Parsons: There have been 2s, yes.

Senator RHIANNON: When you see that report about a level 2, what do you do? Do you leave it all up to the consultant and the lenders or do you respond or do something?

Mr Parsons: We review each report as it comes in—

Senator RHIANNON: But does it ring alarm bells for you that there is some problem going on and you may actually need to be more hands-on?

Mr Parsons: We look at what D'Appolonia's recommendations are and we look at the company's response to those non-conformances; then we see how they are managed over time. As I say, there has never been the highest level of non-compliance, which is of immediate concern.

Senator RHIANNON: But a level 2 is an intermediate concern; it is just one below. My question is: is your only interaction reading the reports? Do you call them up? Does anybody visit?

Mr Parsons: We have spoken to D'Appolonia on many occasions, yes.

Senator RHIANNON: But to ask specifically: you see a report, it is at level 2. Does that trigger you to say, 'Oh, it's gone up; it's no longer just an observation or a level 1 anymore; it is level 2—we better get more involved'? Does it get to that point? How serious is this? What is a trigger for you?

Mr Parsons: A level 2 is not a serious one. A level 2 is something that D'Appolonia thinks potentially could graduate into something of concern but it is something which is manageable through the normal processes and management systems of the project. So a level 2 alert, if you like, or a nonconformance, is not something that would require immediate action by the lenders. But we keep track of those and we look at what the concerns are, and if we cannot understand what the concern is and what the project is doing, then obviously we go and talk to D'Appolonia about it.

Senator RHIANNON: But that did not happen this time.

Mr Parsons: Not with the quarries, no.

Senator RHIANNON: Thank you. I think you said that D'Appolonia's reports are on the website.

Mr Parsons: They are on the project website.

Senator RHIANNON: All those reports.

Mr Parsons: Yes.

Senator RHIANNON: Is it true that the only mention of the mudslide was that it caused some construction delays? When they do speak about the mudslide is that how they talk about it? I must admit I have not read those reports, so I will catch up on them. But I was just trying to clarify: is that the level of detail that they go into?

Mr Parsons: Issues of concern go into quite considerable detail, but with the mudslide the quarry was not part of the project at the time the slide occurred, and it is the PNG government
that has the responsibility for looking at and investigating the causes of the slide. It is not actually a project responsibility. So it is now in the hands of the PNG government to examine what happened, the responsibilities and what actions to take.

Senator RHIANNON: So D’Appolonia definitely has released all its reports on this.

Mr Parsons: Yes.

Senator RHIANNON: Has any EFIC official ever visited the site?

Mr Parsons: I went on two occasions during the due diligence. And my colleague, who holds the same role within EFIC as I do, visited for a week just before Christmas.

Senator RHIANNON: Could I confirm the date of the last report from the company? Was it October?

Mr Parsons: D’Appolonia’s last site visit, was when they accompanied the team of lenders in December—although there will not be a written report on that one—the last site visit was in October and the report for that is just being finalised now. It is not actually on the website yet but it should be up shortly.

Senator RHIANNON: That will go up on the website?

Mr Parsons: Yes.

Senator RHIANNON: When do you expect that to happen?

Mr Parsons: Normally they are up within this period, but I think the December visit and the Christmas holidays and New Year it has been a wee bit delayed but normally they are up within two or three months of the visit.

Senator RHIANNON: So is October—

Mr Parsons: The actual site visit was towards the end of October.

Senator RHIANNON: So you would expect it to go up soon.

Mr Parsons: Yes.

CHAIR: Thank you. Senator Fawcett, you have a question on EFIC as well?

Senator FAWCETT: Yes, I do. Can you confirm that a $200 million special dividend payment will be made to the government this year?

Mr McCormick: Yes, Senator.

Senator FAWCETT: Is it usual for EFIC to make special dividend payments?

Mr McCormick: No. There was a decision by the government that this would occur.

Senator FAWCETT: So there have been no other special dividend payments made in the past that you are aware of?

Mr Armour: When we divested the credit insurance business back in 2003, we made a special dividend payment representing the profit from the sale of that business.

Senator FAWCETT: How did the government come up with the figure of $200 million? Was that something you offered up to them? Did they ask you what you could afford or did they tell you how much you had to pay as a special dividend.

Mr McCormick: The decision was taken in the context of budget deliberations.
Senator FAWCETT: So they told you essentially what you needed to contribute to the budget bottom line to achieve a surplus.

Mr McCormick: As I said, I am not really in a position to say anything more other than that this was a decision in the context of budget deliberations.

Senator FAWCETT: Thank you.

Australian Trade Commission

CHAIR: We are moving on now to Austrade, and I know that Senator Fawcett has some questions.

Senator FAWCETT: I have some questions on the EMDG scheme, if somebody knows about that.

CHAIR: It is Mr Gosper.

Senator FAWCETT: Mr Gosper, could you outline the proposed changes to the EMDG scheme contained in the amendment bill that was introduced in the House of Representatives yesterday?

Mr Gosper: There are two main amendments, and I will get colleagues to add, because there are a few others that are less critical. The first is to reduce the amount that we are funding by $25 million, which will take it down from some $150 million to $125 million. The second is to do some rebalancing of grants so that we increase the number of grants to eight for applicants to emerging and growth markets and reduce to five the number of grants that might be given to applicants for the so-called ‘mature markets’: Europe, the United States and so forth. That is a particular measure consistent with the recent review of Austrade and the desire to rebalance resources towards those growth and emerging markets, particularly in Asia.

The $25 million represents, amongst other things, a contribution to fiscal consolidation. I will ask my colleague Mr Yuile to add on other changes that are proposed as part of that bill.

Mr Yuile: Besides the realignment of the grants—the numbers that Mr Gosper has just mentioned—there is also a change to the way the administrative budget will be determined. It will be undertaken by the minister as a determination. There are also provisions in relation to preventing further approval of joint ventures, removing event promoters from the EMDG scheme and preventing payment of grants wherein EMDG consultants are assessed to be not fit and proper persons. It is a provision in the act already for the payment of EMDG grants to claimants. It is also preventing payment of grants where EMDG consultants are similarly assessed. It enables grants to be paid more quickly where funding is available and requires applicants to pay directly for eligible expenses.

Senator FAWCETT: Before this bill was introduced in the House of Representatives is it a fair assumption that you would have consulted stakeholders?

Mr Yuile: The decision of the government was to make the change to the realignment. We have been in consultation with the industry, with stakeholders, in relation to the way in which those grants will be administered.

Senator FAWCETT: Have any concerns been raised by any of the stakeholders that you have consulted?
Mr Yuile: They have certainly raised issues, and Mr Vickers has been involved directly in those consultations so it would probably be easier and better for him to answer. They have raised some issues around the manner in which that revised grant arrangement is to be administered, and we have certainly listened to those representations, and the minister has now come to a conclusion about that. Perhaps I will let Mr Vickers tell you, because there has been a range of views.

Mr Vickers: The key change in the bill, and the one which has in a sense provoked a response from industry, is in the way the grants are paid in emerging markets and developed markets. There are two options available. The option in the bill is that you can receive grants in all markets in your first five years but only in emerging and frontier markets in six, seven and eight. The alternative proposition is that you can receive any five grants in developed markets and eight grants in emerging and frontier markets, but you can mix them up. You can have them not in the first five, if I can put it as simply as that.

A number of the industry associations indicated they would prefer more flexibility for their members so that members could have any of their five grants in the developed markets, but this creates a lot of recordkeeping requirements for applicants. One of the arguments against that, and one of the reasons why the government chose the provisions that are in the bill, is that it would vastly reduce the recordkeeping requirements for small businesses.

Senator FAWCETT: So the applicants, who bear the burden of the additional records, wanted the flexibility, but the government chose to dictate that they knew better than small business, who were indeed the ones asking for that flexibility and prepared to wear the burden. Have I got that correct?

Mr Vickers: I think there are some different views. There was not a considered view by all applicants, and I would say that we did not consult applicants directly; we consulted with industry associations. Some associations took the view that it would be better to have variety, but some other industry associations took the view that it would be better to have lower compliance costs. So there was not a consistent view.

Senator FAWCETT: Would you be able to provide the committee with a summary of the positions of various groups?

Mr Vickers: I might have to take that on notice. The discussions with the industry associations are necessarily confidential and I would have to consider that before I could provide their opinions to the committee.

Senator FAWCETT: When did the consultations take place?

Mr Vickers: They took place in January, I think, from recollection. We certainly had some discussions prior to the end of the year, but there were some discussions in January.

Senator FAWCETT: So the analysis of the change of distribution was purely based on previous reviews. You did not do any analysis looking at the current and future markets as opposed to previous reviews of the scheme?

Mr Vickers: We have quite a good quality database that tells us where claims are made each year, but it is historical, as you can appreciate. It looks at what has been the pattern of claims over the last five years. We use that as the basis for the modelling for the changes.
Senator FAWCETT: Looking back over the historical records, do you have any evidence to indicate that, for example, for $1 of grant money given, it generated X dollars of export business activity in Australia?

Mr Vickers: We have done econometric studies previously that looked at the effect of $1 of grant money and the return to the national interest, if I can put it that way. That was done in the Mortimer review, and some work was done in the year following the Mortimer review, so it is several years ago now, but, yes, we have conducted those studies.

Senator FAWCETT: What was the nature of the metrics that came out?

Mr Vickers: I would have to refresh my memory of that, but my general recollection is that, for every $1 of grant that is paid, there is $5.38 in benefits achieved by the national economy if you consider the effect of tax and spillovers and productivity gains by the exporters.

Senator FAWCETT: So it is a five to one ratio, for every dollar spent.

Mr Vickers: That is a very full accounting of all the benefits. I appreciate this is a very technical area and a number of schemes would be assessed not using these spillover—

Senator FAWCETT: But, in broad terms, it is definitely a plus and it is in the order of five to one.

Mr Vickers: Yes.

Senator FAWCETT: So what the Australian taxpayer can take out of that, then, is that, in order to try and achieve a political promise to make a surplus, we have saved $25 million in the short term and cost the economy $125 million in the medium term. You do not need to respond to that. Thank you very much.

Senator KROGER: I will put some of my questions on notice because they go into some detail, but in particular I wanted to direct questions to the Export Market Development Grants. First, I am interested to know what definition Austrade uses for small business.

Mr Vickers: Austrade does not apply a definition that is different from that generally used in government. We generally apply fewer than 20 employees and less than $5 million in turnover, but we do track applicants statistically, so we can apply any particular definition to those applicants.

Senator KROGER: Sorry, what do you mean by ‘track applicants’?

Mr Vickers: When applicants make an application, they provide us with information about their turnover and their number of employees, so we can apply any particular definition.

Senator KROGER: So you are ascertaining the integrity of that information?

Mr Vickers: Yes. SMEs with 20 employees and $5 million is a general rule of thumb applied across government.

Senator KROGER: Thank you, so that is the same as the ABS. What percentage of funding from the grant program would go towards small business?

If you have it on hand, that would be great; otherwise, I am happy to put it on notice for the period 2011-12 and the year before that, 2010-11.

Mr Vickers: I probably have to take it on notice to give you the exact figure but I can tell you it is of the order of 75 per cent.
Senator KROGER: Is that a budgeted forecast?

Mr Yuile: I have an exact figure here: this is for the 2010-11 grant year and the grant year applies to the year—

Senator KROGER: I am assuming that a grant year is the financial year.

Mr Yuile: No, it is not.

Senator KROGER: It is the calendar year.

Mr Yuile: It is the year before. When we say grant year, it is the year in which the activities are undertaken and against which the claims are made. It is paid in the following year.

Senator KROGER: An in arrears type of arrangement.

Mr Yuile: That is right. So in other words the exporter has to expend the export promotion income in one year and then he claims it in the following year.

Senator KROGER: So you account for that as that year for which the claim—

Mr Yuile: The year in which the activity—

Senator KROGER: not the year in which it might be paid out.

Mr Yuile: We can differentiate those two things for you, but in the 2010-11 grant year—that is, it was paid in 2011-12—there were 74.3 per cent of grant recipients who reported an annual income of $5 million or less; and 74.7 per cent—so nearly 75 per cent—of recipients who reported fewer than 20 employees. So 75 per cent is a—

Senator KROGER: So you could consider it would be reasonable to forecast that it would be roughly three-quarters of the grant program.

Mr Yuile: It has been about that—

Senator KROGER: So that is how it falls. What is the total dollar value of goods exported by Australian businesses? Do you have those figures?

Mr Yuile: Sorry: do you mean people who have claimed EMDG grants or do you mean the totality of—

Senator KROGER: In total.

Mr Yuile: It is about $310 billion roughly over the last year—is that right?

Mr Gosper: In 2012, Australian exports were $301.1 billion.

Senator KROGER: Do you have the breakdown of those that participated in the grant program and those that did not as part of that?

Mr Vickers: No. The figures are collected separately. We track some information about sales, but it is not a key part of scheme and it does not accord with ABS data.

Senator KROGER: Is it possible—and I am seeking your guidance here—to ascertain that?

Mr Vickers: No, I do not think it is possible to ascertain which businesses appear in the ABS data. There are two quite different physical exercises. Also, it is not a requirement to have the sales data audited in EMDG, so it is not a dependable number that you could compare.
Senator KROGER: Do you then measure and have return on investment figures for the program?

Mr Vickers: The scheme does not really have a return on investment figure. As I said to the previous senator's question, we have done some econometrics studies that look at all the government's investment in the EMDG, what returns it achieves, and I am quite happy to provide those reports—or summaries of those reports.

Senator KROGER: That would be great. What is the measure, if you like, of the effectiveness of the grant program?

Mr Vickers: The effectiveness of the grant program is the extent to which exporters go on to become sustainable self-supporting exporters in the long-term. The goal of the scheme is to take exporters who are starting out in exporting and support their marketing efforts so they become established in a market. They graduate from the scheme. They no longer receive grants and they go on to become successful exporters earning income and creating employment for Australians.

Senator KROGER: What data do you have available to you or do you collect to be able to make a determination as to whether there is a particular business group or otherwise that may be more successful than others? In other words, how do you measure those small businesses that the grant program probably has a greater value-add benefit to?

Mr Vickers: When we do a review of the scheme, which we are required to do each five years, we do look at those measures. We look at measures such as would the export marketing investment have occurred without the grants scheme? We survey the people who have received the grants and ascertain that. We look at their relative growth rates, we look at their relative exports and we look at their history.

Senator KROGER: Going back to your earlier answer, do you have the value amount of the total export value of the small businesses in the EMDG program?

Mr Vickers: The short answer is that, for each particular year, we do not. That is because one of the features of the grants scheme is that you are not required to achieve any export successes in the first two years. We ask people to report that. We do have some records but we do not audit them so that data is not as reliable as other facets of the scheme. But we do have some data which if you are happy to take it as an estimation.

Senator KROGER: I am happy to take it. I am also quite interested in terms of how you assess more successful business models over others. There may be a pattern or there may not be a pattern, but I would have thought that unless you are collecting that data it is hard to assess that.

Mr Vickers: I can tell you for the 2010-2011 grants year, which is export expenditure undertaken by companies in the financial year 2010 to 2011, those 3,277 applicants have reported export sales of $3.2 billion and the employment of 103,557 Australians.

Senator KROGER: Those figures sound impressive, just off the top.

Mr Vickers: It is impressive. I am stressing that these figures are not audited at the same level as other aspects of the scheme. They are self-reported figures by the applicants.

Senator KROGER: I presume the requirements for the grant program, for people to make submissions to be considered for it are up on a website somewhere. How do I find those?
Mr Vickers: They are on our website and we can certainly prepare a summary and provide that to you.

Senator KROGER: That would be helpful. When you are considering grant applications, what are the market tests that you would apply in considering those grant applications?

Mr Vickers: EMDG is not a discretionary grant. It is a legislated grant, so to receive—

Mr Yuile: May I interrupt. I think ‘grant’ is not the right term. It has been called that for 30-odd years—

Mr Vickers: More than 35 years—

Mr Yuile: More than 35 years but, when you consider grant schemes, typically you are thinking about discretionary grants. But these are not discretionary grants. There is legislated eligibility for which an exporter can apply if they meet the criteria in terms of the turnover of the company. Companies with over $50 million turnover levels are not eligible to apply. That gets back to your point about being directed as an SME, small- to medium- sized enterprise. There are also some limitations. They have to spend a certain amount of promotional expenditure before they can apply for a grant. Again, they have to have skin in the game.

Senator KROGER: I saw that. I think they have to spend $20,000 or something.

Mr Yuile: Correct. If they meet those criteria, then they can apply for a rebate against their export promotional expenditure. This can go to collateral for their marketing, an overseas agent, attendance at an exhibition or a trade fair. Those eligibility criteria are set out in legislation and they apply against those eligibility criteria. We have an EMDG audit team to assess those applications.

Senator KROGER: Does the EMDG program have any crossover with state programs designed to encourage the setting up of businesses and so on?

Mr Vickers: Generally, the state government programs sit below EMDG. There is usually careful consideration by state government programs not to overlap with the EMDG because it would be an ineffective use of state government money. Many state government export assistance programs are more flexible and they focus on the pre-phase before people qualify for EMDG.

Senator KROGER: From your perspective is that a problem? Is it impacting on you?

Mr Vickers: No. There has been a general decline over a few years in the number of state government programs in this area. It is just the policy cycle. I would not describe that as an overlap problem with state government grant schemes at all.

Senator KROGER: The way in which you apply this is very interesting. I will put some more detailed questions on notice. When you talk about determining the spend requirements before the grant can be complied with, whether you include the turnover of a business in the determination of an application—

Mr Yuile: They have to be below $50 million in order to qualify.

Senator KROGER: I will leave it there. Thank you very much. I know Senator Mason wanted to ask some questions but I presume he has been called to another committee.
CHAIR: That is right. You can anticipate some questions on notice from Senator Mason about education. That now concludes our examination of the trade portfolios. I thank everyone for their assistance this evening.

Proceedings suspended from 18:12 to 1930

Australian Agency for International Development

CHAIR: I welcome back Senator Bob Carr, Minister for Foreign Affairs, and Mr Peter Baxter, Director-General of AusAID and the officers from the Australian Agency for International Development. This evening the committee will examine additional estimates for AusAID and the topics will be considered in the order set out in the agenda. Minister, do you or an officer wish to make an opening statement?

Mr Baxter: Yes, I do. I would like to update the committee on two developments: the implementation of the 2011 Joint Adviser Review and the release of the 2011-12 Annual Review of Aid Effectiveness.

The committee will recall that in May 2010 the government announced its intention to review the way advisers are used and remunerated under Australia’s aid program. Under the review AusAID assessed 952 long-term adviser positions across 20 countries jointly with our partner governments. The outcome of that process was a recommendation in February 2011 to phase out 257 adviser positions classified as low priority within two years. I am pleased to report that AusAID has met its commitment to phase out all low priority adviser positions within two years. Of the 257 low priority positions identified, 242 have been abolished. The remaining 15 positions have been reassessed by two partner governments, Timor Leste and Solomon Islands, as high priority and we have agreed with their request to continue funding these positions.

During the past two years we have also been successful in our efforts to cap the remuneration we provide to advisers. The average daily rate AusAID pays for short-term advisers has fallen by 37 per cent since early 2011. The average monthly remuneration package for long-term advisers including allowances has fallen by 22 per cent. The combined savings from our new approach to appointing and remunerating advisers amounts to savings of $92 million over the past two years. AusAID and partner countries have made joint decisions to reinvest these savings. For example, in Timor Leste the savings we have made have invested in providing more people with access to safe water and proper sanitation, and to fund the production and distribution of early grade children’s text books in local languages.

The second issue I want to bring to the committee’s attention is the release by the Minister for Foreign Affairs of the first Annual Review of Aid Effectiveness on 25 January. The annual review of aid effectiveness is a key reform flowing from the government’s new aid policy, Effective Aid and the independent review of aid effectiveness. The annual review was considered by cabinet in late 2012. This is the first time the aid program has reported against a standard set of results with consistent definitions and parameters across the whole of government. The review identifies the results achieved by all agencies delivering the government’s aid program, issues relating to the effectiveness of the aid program, and global trends affecting development. The review follows the release of the Comprehensive Aid Policy Framework in May 2012, five months before consideration of the first annual review by government.
Next year, the 2012-13 annual review will be the first full year of reporting against the Comprehensive Aid Policy Framework. The key findings of the review were: the aid program has provided support for more than two million children to receive immunisations thus reducing child deaths and illnesses; we provided more than 3,700 scholarships in 2011, and 4,300 in 2012 mostly for Indonesia, Vietnam, Papua New Guinea and the Philippines; and over 4,000 kilometres of national roads were rehabilitated, maintained or constructed.

The annual review also highlights the measures introduced to improve the effectiveness of the aid program. To mention a couple: the first Australian Multilateral Assessment was released in March 2012, assessing the effectiveness of 42 multilateral partners and guiding our future policy engagements with these organisations; and potential losses to fraud were reduced by half in 2011-12, amounting to just 0.012 per cent of the Australian aid program. The annual review highlights the increased opportunities for Australians to become involved in the aid program. In 2011-12, 943 new Australian volunteer placements occurred, in countries such as Indonesia, Cambodia and Solomon Islands.

The annual review represents a degree of scrutiny unmatched across the public service. I believe it is a good first product that we can, and will, improve upon next year. With publication of the annual review, 34 of the 38 recommendations from the Independent Review of Aid Effectiveness agreed to, or agreed in-principle, by the government have now been completed. Three more recommendations remain to be implemented in 2013. They are: commencing community engagement by reforming NGO accreditation processes to make it more accessible for small NGOs and implementation of whole-of-government uniform standards for the planning, delivery, monitoring and reporting of official development assistance. The final outstanding recommendation, joining the African Development Bank, is not expected to be finalised before 2014-15.

Recommendation 39 of the independent review set out predetermined hurdles for scaling up the aid program. The 11 hurdles identified for 2011-12 have all been met and five of the seven hurdles for 2012-13 have already been met.

The review found that while some good progress has been made on some MDGs, achievement to date has been unequally distributed within regions and countries. For example, no low-income, fragile or conflict affected state has achieved a single Millennium Development Goal and many are unlikely to do so by 2015 without increased effort. The review also highlight some areas where AusAID needs to improve, particularly the need for greater efforts to collect consistent gender disaggregated data across the aid program and the need to finalise the adoption of whole-of-government uniform standards for the planning, delivery, monitoring and reporting of the aid program. This will assist all agencies to deliver more effective programs and stronger reporting in future annual reviews.

CHAIR: You mentioned that two of the seven hurdles for this financial year had not been achieved. What are the two?

Mr Baxter: I mentioned those. They are the establishment of reforms to the NGO accreditation process to make it easier for smaller NGOs to receive AusAID funding. We have a very comprehensive accreditation process, which the larger NGOs can deal with with ease given their administrative capability but smaller NGOs do find it difficult. So what we are doing is looking at how we can still maintain the high standards of our accreditation
process but tailor it to those organisations who might not be as big as some of the larger NGOs such as World Vision or Care Australia.

The second element is: the government has agreed that all agencies spending ODA will adopt uniform standards for the planning, delivery, monitoring and reporting of ODA, so it is possible to make a comparison across government agencies spending the ODA budget. And the government has agreed with the recommendation of the independent review that Australia join the African Development Bank. That requires a treaty process, so we have to go through all of the relevant parliamentary procedures to be able to do that.

**CHAIR:** In relation to reforming the accreditation process for smaller NGOs, is that being done in consultation and partnership with the new ACNC?

**Mr Baxter:** What we do there is we work very closely with ACFID, the peak NGO body. They are of course accredited, as are all ACFID members, with the ACNC. We work directly with the NGOs working in the international development sector.

**CHAIR:** Thank you.

**Senator WILLIAMS:** I want to deal with Samoa and I want to thank the minister for the visit there recently. Can you give me a brief outline of the aid we are giving Samoa at the moment?

**Mr Baxter:** I will ask my colleague Caitlin Wilson, who is the Acting First Assistant Director, Pacific Division.

**Ms Wilson:** I will give you an overall summary of the key priorities for the Australia-Samoa program. We define those through a partnership for development, which prioritises five key areas: economic stability; improved health with a focus on primary health care and noncommunicable diseases; improved education, which also looks at quality of education and access to education—this includes access for children with disabilities; law and justice as a means of promoting safer communities; and economic infrastructure. Within the economic infrastructure element of our program, we also support the recovery and reconstruction, including following the cyclone. We can give you a more detailed breakdown of funding against those amounts if you would like.

**Senator WILLIAMS:** Do you have any environmental programs for Samoa that AusAID assists in?

**Ms Wilson:** Not that I am aware of through the priority areas—it is not identified through our bilateral priorities.

**Senator WILLIAMS:** So are we not giving any aid to Samoa for tree-planting programs in national parks or anything like that?

**Ms Wilson:** I will have to take that on notice.

**Senator WILLIAMS:** I did hear—but it may be incorrect—that we were giving them some sort of assistance for tree-planting programs in their national parks. I did not know whether it was true or not.

**Ms Wilson:** It is possible, but I will have to seek further details on that, on notice.

**Senator WILLIAMS:** I took my wife to Samoa for Christmas in 2011. It was the first time I had been there. Spending all my life in rural Australia, in my opinion you have to use the land that is available to produce. The thing that I was amazed at in Samoa was that they
have 80 per cent unemployment and thousands of acres producing absolutely nothing except the odd old coconut tree. I was wondering whether you had ever considered looking at promoting industries such as coffee, cocoa or tea. I know they have had a stimulus package just recently, and I met with their agriculture minister while I was over there just recently. I took Nabi Saleh, the owner of Gloria Jean's who helped to establish the coffee and tea industries in Papua New Guinea back in the seventies. I was quite amazed how they were virtually farming in a 1930s manner. They were using coffee that the Germans took there prior to the Second World War—old varieties of coffee where the trees grow high, so that when a cyclone hits the trees get blown over and are destroyed, whereas modern varieties, such as those promoted by the bloke we took with us from CIRAD in France, who had established these industries in the Ivory Coast in Africa, Mexico, Rwanda and Kenya, are very successful. They clip the tops of the trees and because they do not grow so high they do not blow over in cyclones.

I think we need to look at establishing those types of industries in Samoa, because they have 80 per cent unemployment over there, a desperate need for exports and literally thousands of acres producing absolutely nothing. I was wondering whether that would be a consideration in the future that AusAID could look at? In a sample program on 20 hectares, we looked at Arabica coffee grown up in the high country above 500 metres—some 1,615 metres—and land was already there with trees established for the shade for the coffee plantations. Down at in the lower country, like around the airport, they could grow Robusta coffee. I think we need to try to help them farm properly—if I can put it that way—with modern varieties of coffee, tea or cocoa and get them producing. Mr Baxter, would you like to comment?

Mr Baxter: Certainly you have identified a really critical issue for many countries in the Pacific, which is the high levels of youth unemployment. As Ms Wilson said, when we sit down on an annual basis with the Samoan government under our Partnership for Development, they will bring to the table what their key priorities are for funding from the Australian aid program. We have a discussion about which ones we are able to meet, given that we are, obviously, not able to meet all the requests of our partner countries. We identify within that discussion process a series of priorities and then we apply funding to those priorities, and we measure our success jointly against the priorities that we have agreed to. I am not aware of the Samoan government raising with us in our discussions that they see this as a higher priority than the activities that we are already funding in health, education and other areas, but were they to do so then we would be very happy to sit down and look at what we could do, including applying Australia's own agricultural expertise as we do elsewhere.

Senator WILLIAMS: Perhaps we are not all that expert at growing tea and coffee, but there are people in the world who are. I met with the Prime Minister, the Deputy Prime Minister and the opposition leader. They have a coffee processing plant over there called CCK. It is run by an Australian bloke—I forget his name. We met with him and I said to him, 'So how much coffee do you process here in Samoa?' He said: 'None. I import it all from Papua New Guinea.' Yet the Samoan people are so proud of their CCK coffee, thinking it is Samoan, that Palusalue, the opposition leader, said, 'John, are you sure you're correct when you tell me that?' I said, 'Go and ask them; they import it all.'
They now have a stimulus program, which they put out six or eight months ago, encouraging landowners and villagers to plant five or however many coffee trees. They planted them, got the stimulus package, but they will never pick anything. It is like us growing insignia wheat that was around in the fifties and sixties in Australia. It is not rust resistant, it does not store properly, it is prone to falling over and it does not yield well. This is what they are doing. They simply do not know how to grow it properly and they are wasting money on programs that will not deliver one cent to them. I am encouraging you and Minister Carr to look at these issues to see whether we can bring them into the 21st century of growing these tropical crops. Once they get some return into their pockets and see there are two tonnes per hectare yield each year for many years on coffee, with a proper variety, then they will see the success and will be given the incentive and encouragement to actually carry it out. I just wanted to bring that to your attention.

Senator RHIANNON: How was the decision made to reallocate up to $375 million of Australia's aid budget towards domestic refugee support costs, without clearly identifying which programs would be affected by this decision, consistent with our commitments under the Paris Declaration on Aid Effectiveness, and reaffirmed and strengthened in Accra and Busan to provide:

… reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules …

Senator Bob Carr: As I said in the Senate, I think in answer to a question from Senator Rhiannon, everything we do in our ODA budget is within the OECD guidelines. We prioritised $375.1 million of official development assistance in 2012-13 towards funding some of the costs of supporting refugees in Australia. That represents seven per cent of Australia's total ODA budget of around $5.2 billion 2012-13. The Papua New Guinea and Nauru country programs and payments already made were excluded from the reprioritisation. Other important exclusions included loans, promissory notes and assessed contributions to which Australia is subject.

We are minimising the impact of this reprioritisation by ensuring that, wherever possible, commitments are delayed rather than reduced and that the reprioritisation is distributed broadly, equally across regions. The bottom line is that one cannot spend money one has not got. It is inconceivable that we would borrow money for ODA. With a contraction in government revenues it has been necessary to reprioritise, but our aid budget has grown and it represents one of the most generous aid programs in the world. All Australians can be very proud that that $5.2 billion is being spent with maximum effect.

Senator RHIANNON: Thank you, Minister. What impact assessments were done about possible impacts of this increased unpredictability on bilateral and multilateral aid partners before making this decision?

Senator Bob Carr: There was a lot of discussion about the impact of the decision and the government was very careful to see that, for example, the Papua New Guinea or Nauru programs were cauterised, excluded from the reprioritisation. We have delayed rather than reduced expenditure. In the context of the increase in Australian aid we believe that the end result of the reprioritisation is very respectable.

Senator RHIANNON: Which programs will have expected funding reduced or have payments delayed in 2012-13 as a result of the decision?
Senator Bob Carr: We can very shortly provide details of aid expenditure across all countries. I should have that within a week or so.

Senator RHIANNON: Are we talking about the same thing? I was after programs that will have expected funding reduced or have payments delayed.

Senator Bob Carr: Both categories.

Mr Baxter: In our portfolio additional estimates statement that was tabled in parliament last Thursday there is detail of which programs have been reduced and the amounts they have been reduced by.

Senator KROGER: Indeed, I think they are on the website which the minister, with his penchant for websites, might want to go to—he may find them listed there.

Senator RHIANNON: Can this include which of these programs are expected never to proceed as a result of your decision?

Mr Baxter: As the minister has said, the cuts to programs are set out in the portfolio additional estimates statement, and we will be releasing further details on the precise programs over the next week or so.

Senator RHIANNON: Can that include which ones will not proceed?

Mr Baxter: That is right. As the minister has said, wherever possible we have sought to defer and delay programs rather than cancel them.

Senator RHIANNON: Were those responsible for implementing the programs informed before the decision was taken?

Mr Baxter: Who are you referring to?

Senator RHIANNON: The people who run programs who now find that the funding has gone or has been reduced. Were they informed before you made the public announcement about the $375 million.

Mr Baxter: Most of the programs are administered by AusAID, so we were part of the government's decision making process and consideration of the re-prioritisation. It is important to recognise that the overall ODA budget has not changed at all as a result of the re-prioritisation; it is just a reallocation within the existing program. We have spoken to our partner countries and to partner organisations that have been affected by the re-prioritisation, and we have gone through that process.

Senator RHIANNON: When you went through that process, was that done before the announcement was made or after?

Mr Baxter: The announcement that was made on 17 December announced the re-prioritisation of $375.1 million within the existing ODA budget. It did not go into details announcing which particular countries or programs had been cut because the government took the view that we needed to talk to those countries, organisations and non-government organisations that would be impacted by the re-prioritisation, and we did that.

Senator RHIANNON: Do I take from that the public announcement was made about the $375.1 million, then you started talking to partners, bilaterals, NGOs et cetera, and then you announced the details.

Mr Baxter: That is right.
Senator RHIANNON: What have been the responses from those partners, bilaterals, NGOs and multilaterals?

Mr Baxter: We have very strong relationships with all of our development partners. The governments that we work with are very familiar with new priorities emerging and the need for governments to respond to those new priorities by altering their budget strategies, whether it is within a program, as has happened with the ODA program, or in other circumstances. There was a lot of understanding that the Australian government had made a decision based on the priority to fund some activities within the ODA program that had not previously been funded. They were reassured by the efforts we have made to delay or defer where possible rather than cancel. The minister has just been to three of our very strong partners in the Pacific and I understand it was not raised in the discussions.

If you look at the size of the cuts to most of the programs you will see they are very small, and they come on top of five years of consistent growth in most of the programs. Whether it is the Indonesia program or the program in Vietnam, these programs are now at historically high levels for Australia's aid program. Yes, there have very small reductions across a large number of programs, but we deliberately took that approach so we would minimise the impact that the re-prioritisation would have on our programs.

Senator RHIANNON: You said that you worked to minimise the impact but, clearly, it would have been a big challenge for AusAID when you were told that you had to find $375.1 million to move somewhere else. Was an assessment made of the likely impacts on program goals and outcomes when you are making that assessment? Do you get down to that level of detail?

Mr Baxter: Of course, we looked at the impact of the re-prioritisation and, as I said a number of times, that is why we looked to defer and delay. Maybe a four-year program would become a five-year program or a three-year program would become a four-year program. We certainly started with the intent—and I think we were successful—of minimising the impact that this would have on programs. Clearly, if there is less money in the program then there will be an impact but, as I have said, across the board the cuts are relatively small and come after years of very strong growth.

Senator RHIANNON: The announcement was made just before Christmas. I am sure you appreciate that that often adds to people's concern and suspicion about how it has been managed. Minister, when was the decision made to make these cuts?

Senator Bob Carr: I cannot tell you offhand. I would need to go back and look at the diary.

Senator RHIANNON: Mr Baxter, when were you first informed of these cuts? I assume from your earlier answer that it starts for you when you are asked to find $375.1 million from existing programs, because that money is needed for something else.

Mr Baxter: I cannot comment on confidential government decision-making processes. The fact is that the government announced the re-prioritisation on 17 December. We then talked to our partner governments and organisations with whom we work in delivering the aid program, and we have gone through that process.
Senator RHIANNON: Minister, how is this $375.1 million arrived at? Was that something that you were asked by the Department of Immigration and Citizenship? Was that the amount you were given to find that amount of money?

Senator Bob Carr: It emerged from a lot of discussion about the budget pressures on the government. I do not think anything is to be gained by trying to overanalyse that. I am just looking at Australia's total ODA by partner country and region, and the increase in aid from 2006-07 to 2012-13 is altogether striking. When you ask about the attitudes of our partners, both nations and NGOs, they are very aware that Australia's credibility is derived from the steep increase in aid that this government has delivered. I can quote three examples and I am happy to quote more: Papua New Guinea, in 2006-07 received $345 million; the current revised estimate puts aid to Papua New Guinea at $493 million. It has gone from 345 to 493. Another example—South and West Asia—it has gone from $143.6 million in 2006-07 to the current revised estimate of $475 million this year. In East Asia, the increase has been from $787 million to $1.207 billion. This is a steep trajectory—a big increase—and we are entitled, given the contraction of revenues, to say some projects in the context of this overall increase will be postponed and some reduced.

Senator RHIANNON: Are there any cancelled?

Senator Bob Carr: As I said, some reduced—I think you referred to some being cancelled.

Mr Baxter: Some cancelled.

Senator RHIANNON: And that is what will be on your list?

Mr Baxter: Yes.

Senator RHIANNON: How does the $375.1 million figure, as well as the process for deciding it, align with the comprehensive aid policy framework for the cabinet approved aid strategy and the tier 2 strategic goals, with indicative targets set for saving lives, opportunities for all, sustainable economic development, effective governance and humanitarian response and preparation?

Senator Bob Carr: If there is a contraction in government revenues, then governments have to spend less. The sharp drop in government revenues has mandated that we take the actions I have described, that we take it in the context of very big increases, and we are doing no more than what other countries are doing. The practice—that is, of finding money from an ODA budget to sustain refugee costs on our soil—is practised by the United States, with $895 million; France, $435 million; Sweden, $397 million; the Netherlands, $339 million; Norway, $335 million; and Canada, $284 million. These are all countries doing what we are doing: consistent with OECD practice, sustaining refugees on their soil as a matter of ODA as much as sustaining them in refugee camps offshore.

Senator RHIANNON: Do you mean by that answer that what has happened with the shift in the $375 million is not in keeping with those indicative targets around saving lives, ecological development et cetera?

Senator Bob Carr: No, I did not say that. All our aid is compatible with that. All our aid fulfils—
Senator RHIANNON: Including this spending on refugees—so it is compatible with those indicative targets?

Senator Bob Carr: That is how the OECD defines ODA.

Senator RHIANNON: Can you rule out more than 7.3 per cent of the aid budget going to the basic subsistence of refugees into the forward estimates?

Senator Bob Carr: I cannot speculate about future budgets.

Senator RHIANNON: So you cannot rule out further cuts to the foreign aid budget in the May budget?

Senator Bob Carr: It is not a cut in the aid budget; it is looking after refugees on Australian soil in a way that is precisely compatible with the OECD definition of aid. But I cannot speculate about future budgets—no minister can. As one minister said to me, 'Turn up on the night if you want to talk about what is in the budget.'

Senator RHIANNON: Is progress towards any of the comprehensive aid policy frameworks in the 2015 to 2016 targets likely to be adversely affected because of this reallocation?

Mr Baxter: No. We still believe that the indicative regional allocations in the comprehensive aid policy framework are achievable and we think that the CAPF is still relevant and important. It indicates on what and where we will focus our aid efforts. So, by 2015-16, the Asia Pacific region will continue to be our highest priority. Our 12 largest bilateral aid recipients will all be in the Asia Pacific region. The World Bank, the Asian Development Bank, the World Food Program and UNICEF will be our most significant multilateral partners. It is important to recognise the comprehensive aid policy framework states very clearly that these are indicative estimates of what the government will spend by region over the next four years and that they are subject to confirmation, as all budgets are during the annual budget process.

Senator RHIANNON: Minister, you just provided the committee with some interesting figures in making comparisons with other countries on ODA spending on refugees. I was wondering whether you are aware that this one-year allocation of $375.1 million outstrips the reporting of ODA for refugee support across the entire life of the Howard government, which spent $333.6 million from 1996 to 2006, the highest annual total being $98.83 million in 2005. Do you make that comparison?

Senator Bob Carr: I rest on another comparison, and that is that in the last year of the Howard government, 2006 to 2007, ODA was $2.9 billion. This year, the current revised estimates place it at $5.1 billion.

Senator RHIANNON: After the 12-month use of ODA for domestic asylum-seeker costs expires under the OECD guidelines, which I understand will be at the end of this year, what types of costs, if any, for asylum seekers can be charged for ODA?

Mr Baxter: The OECD guidelines only provide for that sustenance to be claimable as ODA for 12 months. After that it is not ODA.

Senator RHIANNON: That was my question: after that what happens? How are you going to manage those costs?

Mr Baxter: That is an issue for the Department of Immigration and Citizenship.
Senator RHIANNON: Minister, can you comment on that?
Senator Bob Carr: I cannot add to that answer.
Senator RHIANNON: What policy guidelines are in place for determining how the money, this $375 million, should be spent now it is being allocated to refugees? What is the input from AusAID on this?
Mr Baxter: To clarify, the Department of Immigration and Citizenship have appropriated that $375.1 million, so it is in their budget and they are responsible for ensuring that the expenditure meets the ODA guidelines. AusAID offers advice to other organisations in the government that are spending ODA funding on what is ODA eligible and what is not, but on a day-to-day basis it is the responsibility of the Department of Immigration and Citizenship to comply with those guidelines.
Senator RHIANNON: Have you given any advice yet? Have you offered it or have you been asked for it?
Mr Baxter: As the reprioritisation has taken place relatively recently, no—not at this stage. But the OECD guidelines are very clear in terms of what is in and what is out. Colleagues in the Department of Immigration and Citizenship will comply with those rules. The Department of Immigration and Citizenship has spent ODA funds for many years for different purposes, whether it is regional capacity building or working with Indonesia on the rehabilitation of detention centres and the like. There is a reasonably high level of familiarity within the Department of Immigration and Citizenship on the ODA rules.
Senator RHIANNON: Do you plan to offer any advice?
Mr Baxter: We will certainly provide advice if they ask us.
Senator RHIANNON: As I understand the process, assessments still need to be made. Against what criteria will the effectiveness of this money for refugees support be measured? Are we still talking about what the OECD sets out, or do you have some other process that builds on that?
Mr Baxter: The first thing is that the expenditure of that reprioritised funding will have to comply with the OECD guidelines or it will not be counted as ODA when we report on behalf of the whole of government to OECD on a 12-month basis, and that is reflected in the OECD statistics which are issued regularly. The Department of Immigration and Citizenship will need to comply with those ODA rules. We are ready, willing and able to provide them advise if they need it, but as I mentioned they have received ODA funding for a long time under successive governments and they are quite familiar with the rules.
Senator RHIANNON: So those are the criteria?
Mr Baxter: Yes.
Senator RHIANNON: Minister, does the government remain committed to 0.5 per cent of GNI for ODA by 2016-17?
Senator Bob Carr: Yes.
Senator RHIANNON: So we are on track? What impact will the diversion or cut, depending on how you describe it, in December 2012 make to the government's commitment to scale up ODA to 0.5 per cent of GNI by 2016-17?
Senator Bob Carr: None.

Senator RHIANNON: I understand that it is claimed there will be no impact. What approximate order of dollar increase will the government need to make in ODA in May this year to maintain a viable trajectory to 0.5 per cent of GNI by 2016-17? I am after a dollar figure preferably.

Senator Bob Carr: It would be 0.37 as a goal.

Senator RHIANNON: Of GNI?

Senator Bob Carr: Yes.

Senator RHIANNON: Can you give a dollar figure?

Senator Bob Carr: That depends on GNI.

Senator RHIANNON: We are currently at 0.35?

Mr Baxter: Yes, that is right.

Senator RHIANNON: I appreciate the issue of the dollar amount, but what approximate order of annual dollar increases will the government need to make over the forward estimates to meet its commitment to 0.5 per cent of GNI by 2016-17?

Senator Bob Carr: Again it depends on GNI growth.

Senator RHIANNON: Can you not give us an approximate dollar amount?

Senator Bob Carr: I do not think so.

Senator RHIANNON: Can you take it on notice?

Mr Baxter: The GNI figures have a major impact on the size of the program and GNI goes up and down. Most recently GNI has been revised downwards. It really depends on what the trend line is over a number of years. It can make hundreds of millions of dollars worth of difference.

Senator KROGER: I would like to drill down a little more into some of the pertinent questions that Senator Rhiannon has asked and her more recent line of questioning in relation to how the divestment of the $375 million will be assessed in the first 12 months. As we know, in the independent aid review transparency and assessment were critical to ensure the effectiveness of aid delivery and to ensure that aid delivery and that the growth in the percentage of the budget is supported by all Australians. It was very important for a number of reasons. Senator Rhiannon touched on this: is this the first time the government has directed money designated for ODA to an onshore asylum seeker program?

Mr Baxter: As the minister pointed out, many OECD members—

Senator KROGER: Is it a first for Australia?

Mr Baxter: It is the first time that onshore costs have been met from the ODA budget in line with the OECD guidelines.

Senator KROGER: Have you been asked or have you proffered any suggestion that you should put together some guidelines as to the appropriate deployment of that money, given that I understand the OECD guidelines cover the use of ODA? Has a document been put together that can be passed from one officer to another in the Department of Immigration and Citizenship that clearly spells out the way in which this money can be appropriately used?
Mr Baxter: That document is the OECD guidelines. It sets out that items such as food, shelter and training can be claimed as a legitimate ODA expenditure under the guidelines, as many other governments do around the world. Because that money has been appropriated to the Department of Immigration and Citizenship it is the responsibility of that department to meet the guidelines. I know—because I am an avid watcher of estimates in estimates week—that you had some questions for the Department of Defence; we do not police the Department of Defence's expenditure. We give them the guidelines. They report back to us against those guidelines. We aggregate the total spend across whole of government and we report back to the OECD. That is where we get the overall figure of the Australian aid program, if you like, verified by the OECD.

Senator Kroger: Sure. But you were the very lucky Director General who was in the chair when the Independent Review of Aid Effectiveness was brought down. In that review one of the recommendations, which I will come to a little bit later, was a request for a whole-of-government approach but intrinsic through all those recommendations, if I may be so broad-brushed in suggesting, was the need for accountability and transparency to ensure the most effective deployment of money wherever that may apply.

Mr Baxter: Yes.

Senator Kroger: I understand and appreciate and thank you for your comments in relation to the OECD determination of how ODA is to be applied—so they have that guidance—but you also have another document, which was that review two years ago. In my mind it is a very powerful document and it would be incredibly sad for all if it was shelved for the benefit of short-term considerations. Part of that really has direct implications on the way in which they money is effectively applied. At this point in time I am not challenging that this has been directed to the application of asylum seekers on shore, here; it really comes down to the fundamental of those 40-odd or 50-odd recommendations.

Mr Baxter: Thirty-nine.

Senator Kroger: It has been two years! My question is: further to that ODA have you in any way initiated or been asked for additional framework in which we can internally—forget the OECD—apply our own high standards here in terms of the appropriation of that money?

Mr Baxter: I mentioned in my opening statement that the government has tasked AusAID with working with other government departments and agencies who also spend some of our ODA budget with developing uniform standards for the planning, delivery, monitoring and evaluation of programs that use ODA funding. So we expect, this year, to finalise that. All agencies who are spending ODA funding will be required to use the same methodology so that the parliament, the government, the public can compare like with like.

At the moment we have slightly different processes and systems for reporting than other ODA-spending agencies like the Federal Police and the Department of Immigration and Citizenship. Our task is to bring everyone onto the same basis in terms of the way in which we report and implement programs. So, from that perspective, yes, it is completely consistent with the recommendation that the government adopted from the independent review that we have those standards.
In our next annual review of aid effectiveness we will be able to report, using those uniform standards across government, about what ODA has been spent on and whether it achieved the results that it was intended to achieve.

Senator KROGER: So you will have those standards across agencies by the end of the year?

Mr Baxter: By the end of this financial year is our—

Senator KROGER: By the end of the financial year. That will apply to the divestment of this $375 million?

Mr Baxter: It will apply to any organisation of the Australian government.

Senator KROGER: It will apply to this divestment. It will apply across the board but you do not see any circumstances here that are particularly unique, where you should be developing additional guidelines in terms of deployment. As we have established, this is a first for Australia.

Mr Baxter: The Department of Immigration and Citizenship, in my understanding, has been providing similar kinds of support for people seeking refugee status in Australia in the past. So they have that experience.

Senator KROGER: We will come back to this a little bit later because it deals with the whole-of-government approach. These questions are just on the $375 million and then I will defer to Senator Rhiannon.

Just to clarify, Minister. You said that you would have to check your diary for Senator Rhiannon, as to when you advised AusAID of the change in that funding. Is that a correct characterisation of what you said?

Senator Bob Carr: I would need to check the question.

Senator KROGER: We have close to three hours—2½ hours. Given your office is well resourced—and they are incredibly efficient, I hear; very quick at bringing things up to you—do you think we could check your diary to see when that communication took place before we rise tonight?

Senator Bob Carr: I am not sure.

Senator KROGER: Do you think you could exercise the grey matter and decide whether that is possible or not. I am sure there are many who could help you.

Mr Baxter, you referred to advice to government when Senator Rhiannon was talking about when you were advised that there was going to be a change in terms of the budget appropriation. Were you consulted about the possibility of it before it was determined? Was AusAID consulted and did it, in any way, give input or advice—formal or otherwise—in terms of whether this was an avenue that would be considered and was finally determined?

Mr Baxter: AusAID is routinely consulted on matters relating to the ODA budget, for the primary reason that about 89 per cent of it, I think, is spent by our agency.

Senator KROGER: Yes, but were you specifically asked to look at whether there were areas in which you could pull back activities for consideration so that there could be a movement around the deployment of your budget?
Mr Baxter: This really comes to processes relating to government decision-making, particularly cabinet-level processes and I am really not in a position to be able to provide details of what we did or did not do in that context.

Senator KROGER: Mr Baxter, I am not asking you for what your advice was to government or cabinet, so it is not bound by cabinet confidentiality. I am asking whether you were consulted prior to this—

Mr Baxter: In my previous answer I said that in matters relating to the ODA budget AusAID would always be involved in those decision-making processes, given that we are responsible for the expenditure of the vast bulk of that budget.

Senator KROGER: I would like to confirm some factual matters in terms of the cuts. On your website you posted—I think it was on 8 February—a number of cuts. I am happy to table this document, without my scribbles because I scribbled notes for questions. The site identifies the areas—for instance, humanitarian and emergency a $70.3 million cut; Indonesia, a $38.3 million cut; sub-Saharan Africa, a $34.9 million cut; Afghanistan, a $20.5 million cut, for the Solomon Islands, $16.7 million and so on. I guess I am particularly interested in those areas that Senator Rhiannon has asked for—those projects that will be delayed. I do not know that you have indicated that yet. Have we asked you to take on notice whether you could provide those programs where there will be a delay in the rollout of the projects? Has Senator Rhiannon asked for that?

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

Senator KROGER: If you could, please, that would be very helpful. Also those projects that have actually been cut.

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

Senator KROGER: I am presuming there are some that have actually been cut that were considered to be in the lower order, lower priority. Is that the case?

Mr Baxter: Yes. The majority of the reprioritisation has been met by deferrals and delays, but there have been some programs that have been cut.

Senator KROGER: Do they include Australian Federal Police programs?

Mr Baxter: Yes, they do.

Senator KROGER: And which programs are those?

Mr Baxter: You would have to ask the Australian Federal Police.

Senator KROGER: But they are not funded, they are not allocated through you?

Mr Baxter: No. A small amount of their funding is allocated from AusAID but most of their ODA expenditure is appropriated directly to them and has been for some years.

Senator KROGER: Thank you, I will put that on notice to them. In evidence that was given in the department of immigration estimates this week, in questioning that was undertaken by Senator Michaelia Cash, the secretary of the department gave evidence that essentially said that the deployment of this money from AusAID to support asylum seekers was predicated on the boats stopping, that it was predicated on there not being a problem. It was predicated on the basis that it was a problem for the next 12 months. This would solve the problem and that would be the end of it in terms of a budget allocation outside. Given the
record of boat arrivals this year which indicates that that may not be the case, have there been any discussions about budget post this allocation from AusAID?

Mr Baxter: No. The budget process is in its very early stages, but no.

Senator KROGER: You drive the budget process, though, I would suggest. Am I correct in saying you drive the budget process—

Mr Baxter: No, not correct at all.

Senator KROGER: No, in terms of putting in your requests so that they can be considered in the mix of things.

Mr Baxter: I am sure you are familiar, broadly, with government budget processes. We participate like every other department or agency. But in terms of issues relating to illegal maritime arrivals, AusAID has zero expertise in that area. So our role in ensuring that the government's priority was met through the reprioritisation was to find programs where we could carefully make some reductions and hopefully minimise the impact that those reductions would have on our programs. But in terms of speculation of future budgets, as the ministry have said, we certainly do not speculate on the budget process or what may or may not be in our budget until we see it released on the first Tuesday in May.

Senator KROGER: But it will be a very real issue that you will have to deal with sooner rather than later and look at contingencies whereby if the approach that has been taken with this is to continue surely you will be asked to look at contingencies or possible projects that can once again be delayed significantly or cut out of your current work program.

Mr Baxter: You are asking me to speculate. I do not know, is the answer. The government determines the priorities for government expenditure, and agencies like AusAID will meet the government's requirements.

Senator RHIANNON: I have some questions about the direct aid program. Just picking up on one of the issues we spoke about when we were last together, Paladin Energy has received DAP funds. When we spoke before it was Ms Bird who answered it, and she said, 'I am not aware of whether there are any at all,' referring to potential breaches. So it comes across that you were not aware of some of the criticisms that have been ongoing about how this company operates. There now have been concerns raised about the lawyers these companies are using against Australian organisations. Have AusAID acquainted themselves, since you spoke in October, about these criticisms? Have you tracked further criticisms of how Paladin is operating? And has AusAID reassessed its partnership with this company?

Mr Baxter: The direct aid program is under the administration and management of the Department of Foreign Affairs and Trade, not AusAID. We do not have a relationship with Paladin. We certainly have not looked into those matters, because they do not relate to AusAID's programs. They relate to the direct aid program which is administered and managed by DFAT.

Senator RHIANNON: Yes, I was hoping you might have been able to help me out. You hand over the cheques. I know we have spoken about this before, but just to check. You hand over the cheques, but they do the decisions on what projects will be in assessments and all those sorts of things.

Mr Baxter: We do not hand over the cheques, even.
Senator RHIANNON: You do not?

Mr Baxter: DFAT get an allocation of the ODA budget and they then distribute that to their posts around the world according to their own formulation. They have their own guidelines that they apply those to the use of that funding and then they will ultimately report to us that they have expended it.

Senator RHIANNON: So you hand over one big cheque. Is that it?

Mr Baxter: It is a transfer as part of the budget process.

Senator RHIANNON: What guidelines exist for reviewing current environmental and social impact assessments for mining companies AusAID choose to partner with?

Mr Baxter: We do not partner with any mining companies in the sense that they are working with them on the operations of their mines in any place. Our cooperation with the mining sector is around how we can help governments in developing countries to improve the management and the outcomes that they get from their own natural resources. So we are about working with governments to help those governments understand what is involved in running a sustainable and an environmentally sensible mining sector that brings broad based benefits to the populations of the countries where the mining is concerned. We do not fund mining companies. We certainly cooperate with mining companies, and we will continue to do that through our mining for development program in areas like running study tours for members of government who want to see a well-run mining industry in action. We certainly work with the mining industry in terms of looking at what kinds of skills transfer programs we can operate, because giving countries the capacity to have their own nationals employed in their mining sector is important from an employment perspective. But we do not do things that are related to the actual operations of Australian mining companies anywhere.

Senator RHIANNON: Thanks for that response. So if the aim of this work, particularly the Mining for Development Initiative, is to help resource-rich developing countries create sustainable economic development and avoid social and environmental risks—

Mr Baxter: That is right.

Senator RHIANNON: Is the government also considering, or maybe already doing, partnering with local organisations to ensure that affected citizens and groups are informed and able to participate in decision-making about mining?

Mr Baxter: Certainly community based development in areas that are impacted by mining is one of the aspects of our work. We have a number of aspects to our work: providing governments with skills and capacity to negotiate with mining companies on an even footing, strengthening environmental and social safeguards, improving the transparency of payments made from the mining sector, reducing opportunities for corruption and improving governance and supporting governments to better regulate and monitor mining. In May of this year, Australia will host the global conference of the Extractive Industries Transparency Initiative, which is the first time that that conference has been held in the Southern Hemisphere and it is a recognition of the work that we have been doing to promote transparency in the mining sector.

Senator RHIANNON: You spoke about community based development being one aspect of your work. Of the finding that goes towards mining related work, how much of that money goes towards community-based development funding?
Mr Baxter: Unless my colleague has that figure, we might have to take that on notice.

Senator RHIANNON: Thank you. Did any AusAID officials attend African Mining Indaba in Cape Town, South Africa, last week?

Mr Baxter: Yes, they did.

Senator RHIANNON: How many?

Mr Baxter: I think there were four.

Senator RHIANNON: Were they fly-in or were they locals?

Mr Baxter: A combination.

Senator RHIANNON: Two-two?

Mr Baxter: I will ask my colleague. One-three.

Ms McKinnon: Three were in South Africa.

Mr Baxter: Ms McKinnon was the blow-in from Australia.

Senator RHIANNON: Excellent. Could you outline AusAID's involvement with this event? Were any funds used for what I think was called the 'Australia lounge' or for any networking functions that the government or the Australian mining companies put on?

Ms McKinnon: AusAID was involved in some pre-Indaba events which we co-hosted with the World Bank. They had a mixture of NGOs, African governments and others looking at best practice in infrastructure planning, for instance. I believe the Australia lounge was a function of Austrade. I am not aware of any funding from AusAID going to that.

Senator RHIANNON: How much money did AusAID allocate to this?

Ms McKinnon: For the World Bank seminar?

Senator RHIANNON: For the World Bank seminar and for the participation at this conference? You can take it on notice if you need to.

Ms McKinnon: Certainly, I will take that on notice.

Senator RHIANNON: You might be able to tell us now whether that money came from the Mining for Development Initiative or was it additional money?

Ms McKinnon: It comes from the Mining for Development Initiative, funding the World Bank AusAID joint seminar. The Mining for Development Initiative does not fund the Australia lounge or trade promotion activities.

Senator RHIANNON: Sorry. Were you saying the money for the Australia lounge did not come from the Mining for Development Initiative?

Ms McKinnon: No.

Senator RHIANNON: So it was additional. Could you give us a breakdown of how much money went into African Mining Indaba and what budgets it came from?

Ms McKinnon: Yes.

Mr Baxter: My colleague Mr Gilling has the figures for community based development that you asked for.

Senator RHIANNON: Do we have it as a proportion?
Mr Gilling: Yes. In 2012-13, we anticipate that 20 per cent of the program—that is, the Mining for Development Initiative—will go to direct benefit to communities. This is up from around 16 per cent in 2010-11. If you would like, I can give you some examples of the activities that address this issue of community engagement. The director-general mentioned the EITI, the Extractive Industries Transparency Initiative. One of the important parts of the EITI is not just to publish what is paid by the mining company to governments and published by governments about what they receive from companies; it is also to engage the civil societies of the countries in question in a conversation with mining companies and governments so that all parties and all stakeholders in this sort of arrangement are involved in decision-making.

In terms of other activities that provide direct benefits to communities, up to 30 June 2012 we had some training taking place through our International Mining for Development Centre, which is a cooperation between Queensland university and Western Australia university where about 1,000 mine inspectors were trained. We have also done some baseline assessments of social impacts in mining activities in Mongolia. In this year we are planning to do some research in conjunction with the University of Queensland and the Minerals Council of Australia on gender in mining land use agreements. This builds on some of the important gender based work that has taken place in Melanesia, for example, with Ok Tedi, and in Bougainville. We are very conscious of the importance of that dimension of the initiative.

Senator RHIANNON: You mentioned mining inspectors. Do I understand correctly that that is part of the community base development?

Mr Gilling: That is, indeed, part of the community base development, yes.

Senator RHIANNON: Why would mining inspectors be part of the community base development? Mining inspectors here in Australia are employed, and there is often involvement by the union, whereas I think people would see community base development—and I will bring this question in as well: are we talking about peak organisations or are we talking about local communities who are living beside mines and may have their paths to the local water supply cut off et cetera? Can you elaborate on how that works? I was surprised by that.

Mr Gilling: Yes, I can. As I am sure you are aware, one of the big challenges in the regulation of mining by governments in the developing world is the environmental standards which are practised by some of the mines. The mining inspectors are important not only for protecting the safety of the community members who may be working in the mine site but also for ensuring that the environmental standards that are maintained as a result of the mining are respectful of the local environment and the areas that the local community needs to take advantage of—natural resources in particular. Although it might sound like a technical and non-community related activity, in fact, one of the purposes of the training is to ensure that this relationship with the community is strengthened.

Senator RHIANNON: Ms McKinnon, I have one more question about the event that you attended. Maybe I will have to ask DFAT, but I will try you. Did AusAID promote Australian mining companies who have received DAP funding at the Indaba event?
Ms McKinnon: AusAID did not promote Australian mining companies that received DAP funding. You are correct, you will have to check with DFAT as to whether that occurred.

Senator RHIANNON: Could you paint a bit of a picture of what you did there? How did you spend your time?

Ms McKinnon: I flew in before the Mining Indaba proper started. I was incorrect, there were six AusAID staff and I was the only Australian based staff member. We hosted a one-day seminar with the World Bank and I left the day after that. Some AusAID staff stayed on because there was a range of African mining ministers attending that and it was a good opportunity to check our Mining for Development program with them and to discuss bilateral programs and priorities for the Mining for Development Initiative with a range of African government officials and ministers.

Mr Baxter: One of the reasons we have had a focus on Africa in our Mining for Development program is the numbers. In 2009, the last year for which we have figures, African natural resource exports were worth $246 billion. That is six times greater than the total official development assistance, or ODA, going to Africa, and it is seven times more than African agricultural exports. You can see from that how important mining is for many poor African countries if they are going to sustainably lift the living standards of their populations.

Senator RHIANNON: Have you looked at those figures to see how much of that money stays in Africa, or are we really talking about the profits of the mining companies?

Mr Baxter: As I mentioned, one of the key aspects of what we are doing in the Mining for Development program is the improving of transparency around payments. I know you are familiar with the Extractive Industries Transparency Initiative; Australia has been one of the largest funders to that program worldwide. It is aimed at ensuring that countries actually receive the proper return for their own resources, and that the profits are not all shipped offshore. Initiatives like Publish What you Pay, Revenue Watch and a whole group of organisations and now governments are part of this. The G8 this year will have a particular focus on issues around tax and transparency, which is, again, similar to the kinds of things we are doing through the Mining for Development Initiative.

Senator RHIANNON: With those figures you gave, could you take on notice and indicate how much of that money stays in the country and how much of the profits go overseas, because the bulk of those mining companies are foreign owned.

Mr Baxter: It is interesting if you look at some other countries. In Mongolia about a third of all government revenue comes from mining. In Papua New Guinea, 72 per cent of export earnings are from the natural resource sector. Again, there are many developing countries that have that profile. Your question is absolutely accurate in trying to ensure that mining systems are set up in ways that benefit the nationals of the country where the activity takes place, that they get their fair share of resources and that that share is very transparent.

Senator RHIANNON: So will you take it on notice?

Mr Baxter: We will try to give you an answer.

Senator RHIANNON: AusAID contributes money to the extractive industries technical advisory fund, which I understand, is a partner of the International Finance Corporation. Is
this money being used to help negotiate a deal between Rio Tinto operating as Simfer, IFC, Chalco and the Guinean government for over half of the Simandou iron deposit in Guinea?

**Mr Baxter:** I will have to take that on notice. I am not aware of it. We do fund the Extractive Industries Technical Advisory Facility. We are providing this financial year $1 million. I would have to take on notice the detail of your question.

**Senator RHIANNON:** Just to clarify, we agree that AusAID contributes to the extractive industries technical assistance fund but also there is the involvement through the IFC. I wanted to point out those aspects to the question. Thank you for taking it on notice.

How was the decision to reduce the final year's contribution of a three-year commitment to the Global Fund to fight AIDS, TB and malaria by $11 million reached?

**Mr Baxter:** It was one of a number of decisions that had to be made as part of the reprioritisation. I point out that Australia's contribution to the Global Fund has grown very rapidly over the last four or five years. So while there was a reduction, as you refer to, as a result of the reprioritisation, since 2004 Australia has provided almost $310 million to the Global Fund with a further $100 million committed by December of this year.

We certainly value our partnership with the Global Fund and we recognise the very good work it does. That is why we have increased our funding so rapidly to the Global Fund. But as with all reprioritisations decisions have to be made and that was one of the decisions.

**Senator RHIANNON:** I appreciate that it is a much larger amount but even $11 million will go a long way in this important work. Could you outline the likely adverse impact of reducing our three-year commitment by this $11 million in terms of people not receiving treatment and the reduction of planned malaria prevention measures. Could you quantify what we have lost?

**Mr Baxter:** What the Global Fund does is when it receives funds, it then programs them. It does not program in advance. So, in that sense, no programs that were in existence would have been cut, because they would have applied that money once we had contributed the funding. Undoubtedly, with less money the Global Fund is going to be doing less of its business, but, again, I say, after very substantial increases over the last three or four years, and we are committed to continue to support the Global Fund.

**Senator RHIANNON:** I think you said at the start of your answer that the money is only allocated for programs once the money is there.

**Mr Baxter:** Yes.

**Senator RHIANNON:** But I understand that there was a three-year commitment of $210 million. We make that commitment to a multilateral aid partner—is that correct?

**Mr Baxter:** Yes, and that is a marked increase on previous contributions, which over the same period were only a small percentage of what we have pledged over the last three years.

**Senator RHIANNON:** So we have a three-year commitment of $210 million—it is very clear—and then the final year's disbursement is reduced from $70 million to $59 million. That seems to go against your answer to the previous question. I asked what programs we have lost and you said, 'We didn't lose any programs because the money wasn't allocated,' but there was certainly a clear understanding. It had been there for more than two years, because there was—
Mr Baxter: There may have been an expectation, but the Global Fund has gone through a major reform process over the last 18 months, including changes to its funding allocation model. So, undoubtedly, there were plans to spend it, but it was not as if we took money from programs that had been, if you like, rolled out; it just means that, as a result of the reprioritisation, we go down from $70 million a year to a figure that is only slightly less than that.

Senator RHIANNON: When you say there were plans to spend it, what do you understand there were plans to spend that $11 million on?

Mr Baxter: It would have been on the Global Fund's core business of dealing with HIV/AIDS, tuberculosis and malaria.

Senator RHIANNON: Programs like local health clinics—

Mr Baxter: I do not know the details of the particular programs that might have been impacted by this, but, as I said, this was a small reduction following a very significant increase.

Senator RHIANNON: What message does it send our multilateral aid partners with regard to our standing and reliability?

Mr Baxter: Aid donors' budgets go up and down depending on circumstances. They change within themselves as new priorities emerge, as we have seen happen here in Australia. I will give you a couple of examples. The Netherlands has recently announced a very significant cut in its aid program. It was one of the few countries that was above 0.7 per cent of GNI and, as a result of the cuts, it is going to go down below that because of the economic circumstances of that country. The Spanish aid program has been cut by about one-third and Greece and Portugal's by even more. So aid programs do go up and down depending on the financial circumstances of the governments. I know the Global Fund considers Australia to be a very strong supporter, and we will continue to support the Global Fund while ever it achieves good results.

Senator RHIANNON: Thank you. Regarding the aid effectiveness review, how much was spent undertaking the independent review of aid effectiveness and putting in place the new policy framework and the raft of policies associated with this to ensure Australia's aid was effective?

Mr Baxter: I can give you a figure for the cost of the independent review. I do not have that on me because, as Senator Kroger pointed out, it completed its work two years ago. We have put it on the record here at Senate estimates, but I am happy to provide that to you on notice. Regarding the implementation, the implementation costs have been absorbed as part of AusAID's normal running costs, so we did not get a specific allocation to implement the recommendations; we have just incorporated that as part of our work because, most fundamentally, the government agreed in principle to 38 of the 39 recommendations, and they have really become the basis of our new aid policy, Effective Aid.

Senator RHIANNON: Thank you for clarifying.

CHAIR: I know you have some issues you wanted to raise, Senator McEwen. There are a few minutes before the tea-break.

Senator McEwen: I want to get an update on the TB facility at Daru Hospital.
Mr Baxter: Very happy to, Senator. We continue to invest strongly in increasing the capacity of the officials in Western Province and the provincial government to deal with the issue. We have had quite a significant investment over really now the last four years. It is worth stepping back a little bit, if I might. In 2008 when the government was elected at the first Australia Papua New Guinea ministerial forum in April 2008 the two governments agreed on a package of enhanced measures to deal with health issues in those areas bordering on the Torres Strait. That was really the start of our involvement. Over the last four years we have invested $31 million so far in improving the facilities. That includes building a temporary isolation ward at Daru Hospital. We are now constructing a permanent isolation ward and I have some lovely photographs here of the building rising out of the ground. We have also agreed to provide funding for the development of a master plan for the renovation and upgrade of the hospital in Daru. The master plan should be finished by June this year. It is being conducted by an Australian and Papua New Guinea architectural firm. We have provided a sea ambulance that operates out of Daru to give the health authorities in the Western Province the capacity to access remote villages along the coastline that borders with the Torres Strait. We have provided drugs and equipment to the hospital to give them the capacity they have never had before to actually diagnose multidrug resistant TB within two hours. They now have the capacity to do that on site and they have the drugs to immediately start treatment.

One of the things we have done to underpin all the work we have done on TB in Western Province is work with recognised experts in the field, principally the World Health Organisation but also epidemiologists, the Queensland health department and our own Department of Health and Ageing, and of course the Papua New Guinea authorities because this is Papua New Guinea we are talking about. We have shifted the focus of treatment to community-based treatment because all the experts tell us that having people treated in their own communities is the best way to deal with the disease. I am sure you are aware that if you have got multidrug resistant TB it is 18 to 24 months of medication that you have to take every day. The way to ensure that people take their medicine is to train community health workers to go around and check on people. We have been training community health workers in a partnership that we have with World Vision. We have trained a total of 42 community treatment supporters in the South Fly, a further 30 were trained just last month and we will do another hundred by this time next year, so putting people in their own communities with the capacity to monitor that those people affected with TB are actually taking the drugs.

We know that our work is having an impact because the mortality rate from TB has dropped by 25 per cent in Western Province over the last couple of years. Because we have been running awareness campaigns, not unexpectedly the number of people presenting with TB has increased. That is a good thing because we are finding who needs treatment and giving them the means to obtain that treatment. We have placed a doctor in Daru Hospital to run the TB program and we are about to supplement his resources. We are interviewing next week two candidates who have been shortlisted, to give us a second doctor. So, we can have one doctor onsite and one doctor going out on the sea ambulance and visiting the remote communities, running health clinics and making sure people have drugs. This is a pretty remote and difficult-to-get-to part of PNG, and I think the progress we have made has been good, but we are very keen to see the master plan for the redevelopment of the hospital. We have already allocated $10 million towards implementing that master plan. We will look at
what the master plan has in it. We will have discussions with our counterparts in PNG, and then we will no doubt move forward with further upgrades to the facilities there.

Senator McEWEN: So, a good news story. As you know, many senators from all sides have taken a keen interest in the development there, so thank you for that update. Would it be fair to say that by training all those health workers there is a potential there for them to deliver other kinds of health services in the future as well?

Mr Baxter: Absolutely, and one of the things the sea ambulance is being used for is to run health education programs for people who live in remote communities so that they understand about hygiene and how TB is transmitted. And it is not just TB but outbreaks of other communicable diseases are covered in the education program.

Senator McEWEN: It is really good to see bricks and mortar rising out of the mud there.

Mr Baxter: Yes. And I know that in previous estimates other photographs were tabled, so I would like to table, with the permission of the chair, the construction that is currently underway at Daru hospital.

CHAIR: Yes, thank you. On that bright note, we will take a break now.

CHAIR: We will continue with Senator Kroger, still in the portfolio overview.

Senator KROGER: I would like to go to the disbursement of the $375-odd million and the way in which it is accounted for, Mr Baxter. I have been back to my office and sought a copy of the Hansard from the estimates with DIAC this week. I referred to the secretary Mr Bowles' comments at that time. In response to questions that Senator Cash asked of him in relation to how that money was accounted for and how it was represented—I am happy to quote the whole transcript but, as I am conscious of the time, I am going to take bits out.

Senator CASH: So where is the money then reflected?

This was going to the heart of how the $375 million was being accounted for: in which department, which budget.

Mr Bowles: This is a question best asked of Foreign Affairs, because it is about how they reflect—

Senator CASH: But you are spending the money. Is that correct?

Mr Bowles: It is how it is reflected within there—meaning the Department of Foreign Affairs.

Senator CASH: Sorry—is this additional funds for expenditure—and so on.

Mr Bowles: … How it is allocated under that sort of context, whether it is an ODA-able piece of work—that is a decision for the Foreign Minister.

In further questions from Senator Cash, Mr Bowles says:

… those figures that are already in our budget. Again, this is something to ask AusAID because it is their definitions of what is an AusAID eligible spend and then it is how they allocate the funding from there. It is not something I get involved in.

So all the time he has been deferring to the foreign affairs department and, in particular AusAID, ascribing the responsibility for accounting the deployment of that money to yourselves.
Senator CASH: So effectively what you are doing is using the department expenditure against Foreign Affairs aid targets?

Mr Bowles: Again, it is a question best asked of AusAID because I do not know how all of that works...

Money does not get received like that. Again, it is a question better asked of them or the department of finance about how they manage those sorts of issues.

I ask again: given that Mr Bowles has clearly given evidence to suggest that the accounting of the $375 million is the responsibility of AusAID under the Department of Foreign Affairs, is that your understanding of the situation, firstly?

Mr Baxter: No, that is not my understanding. If you look at our portfolio additional estimates statement, which was tabled last Thursday, on page 105, it sets out the revised budget as a result of additional estimates. In that document it says that the original estimate for aid delivered by Australian government agencies other than AusAID, for immigration and citizenship, the original estimate was $51.4 million. The revised budget estimate is $426.5 million, which is the $375.1 million.

It also makes changes to the ODA appropriated to the Federal Police, which reduces, as I mentioned in response to an earlier question, and the Australian Centre for International Agricultural Research, which also contributed to the reprioritisation. So I think my colleague might have been mistaken in the response he gave.

AusAID's budget as at May 2012 on budget night was $4.26 billion. Our revised budget is now $4.06 billion. That is accounted for, of course, by the reduction in our appropriation as a part of the reprioritisation, and that money has now been made part of the budget of the Department of Immigration and Citizenship. As I am responsible for reporting against the outcomes of the AusAID budget, they will be responsible for reporting against the outcomes of their budget, including this increased component of their budget, which is ODA.

Senator KROGER: You can understand why we are all confused here, when the department heads themselves are in disagreement as to how these funds are accounted for.

Mr Baxter: I understand.

Senator KROGER: I have two pages here of this discussion. It went on at some length to ascertain whether or not this was a responsibility of DIAC, which he clearly does not believe is the case, in accounting for the way in which this money is spent. I do not think it is an unreasonable conclusion to make that, that being the case, it brings us back to the management and reporting of the effectiveness in the way in which that is spent. So, I do ask you if you would not mind going to the evidence that he provided.

Mr Baxter: I saw the evidence he provided. I watched it on television.

Senator KROGER: There is clearly significant confusion across the department heads of various agencies in relation to the deployment of this, and if there is confusion now then I can only suggest that it is not going to get any better unless it is actually resolved in a fairly expeditious way.

Mr Baxter: There is no confusion as far as AusAID is concerned. It is clear; we have published the figures in our portfolio additional estimates statement, which says that we are now at our original budget minus what we contributed to the reprioritisation, which was
$352.9 million from the AusAID budget. As I have said, the Federal Police budget at the start of the year was $192 million; it is now $177.5 million. That is because they contributed $14.6 million. And there is a similar pattern for the Australian Centre for International Agricultural Research. Our appropriation has changed, and so has that of the Department of Immigration and Citizenship, as a result of the reprioritisation. Theirs has gone up, and ours has gone down. That is the situation.

In terms of references to AusAID eligibility, there is not any such thing as AusAID eligibility. We work on the OECD guidelines for ODA eligibility. As I explained to Senator Rhiannon, the Department of Immigration and Citizenship will be required to meet those guidelines when expending that $375.1 million if it is to be counted as ODA. So, in terms of the accountability, it is clear that the Department of Immigration and Citizenship is responsible for that expenditure of the reprioritised amount of the ODA budget.

Senator KROGER: Perhaps I could just get some clarification on another matter in relation to the OECD definition of ODA and how it applies to asylum seekers onshore. You talked about the 12-month period. What is the effective period of that 12 months? When does the 12 months start?

Mr Baxter: That is a very good question. Different countries have interpreted the OECD guidelines in slightly different ways. Some countries have made the decision that it is at the point at which refugee status is determined.

Senator KROGER: Which could be some years.

Mr Baxter: But it is only for the 12 months that you are allowed to count it, so it is when you start that clock ticking. But there are a variety of different methodologies that have been applied, and that is because the OECD guidelines themselves are not prescriptive and detailed on that. In terms of what might be your next question—as to when the clock starts ticking for the 12 months here—that is a question you will have to put to the Department of Immigration and Citizenship.

Senator KROGER: Minister, do you have any advice on this matter in talking with your ministerial colleagues as to when they believe the clock starts ticking on the 12-month eligibility status?

Senator Bob Carr: No, I would need to give that consideration.

Senator KROGER: Are you aware of whether that has been given consideration?

Senator Bob Carr: No, I am not.

Senator KROGER: I have to say, it is extraordinary. In my time of sitting in these estimates, I have constantly raised questions about a whole-of-government approach, and I was delighted when, in that independent review, that was one of the recommendations. This is yet another example of, I have to say, a handball job. We have the head of DIAC saying, 'it has nothing to do with me' in terms of the determination and the accounting of this money and that 'you have to speak to AusAID about that; it's the Department of Foreign Affairs'. I hear you, Mr Baxter, and accept the evidence you have provided us here, that that money is not in your budget anymore; it is in their budget, and they are accountable for that—even though they are clearly not aware, on the basis of evidence they gave this week, that that is the case. Now we are seeking clarification of the Australian government's interpretation—which I would have thought was one of the hats you would wear, Mr Baxter—of what the OECD
definition means for Australia. And this is a critically important issue; this 12-month definition is critically important, because we are actually talking about taking money—I am tempted to say out of one ‘bucket’, but I will not, because I respect what your department does; your department does too much, Mr Baxter—a huge seven per cent of your budget. Is seven per cent correct?

**Mr Baxter:** It is seven per cent of the ODA budget.

**Senator KROGER:** We are talking about taking seven per cent out of the ODA budget and applying that and putting it into the ledger of DIAC. If anything requires input from Foreign Affairs, then surely the way in which this definition is applied is one of them. You cannot tell me that the Department of Immigration and Citizenship are experts in applying an OECD definition of what ODA is.

**Mr Baxter:** No, I did not say that. I will tell you what I said. I said that the definition of how ODA can be applied to onshore immigration costs has received some different interpretations from the countries that have chosen to do that. I do not work in immigration. AusAID does not process onshore applications for people seeking asylum or refugee status. Obviously we work in international development, but the OECD and its members have made this decision that certain funds can legitimately be used as aid, because these are refugees from developing countries. In 2010-11 the Development Assistance Committee of the OECD conducted a survey. They looked at the practices of a range of donors in this area, and they released a report in July 2012, which is publicly available. It showed that there was a divergence of practices in reporting in-donor refugee costs—‘in-donor’ meaning in the donor's country. The survey showed significant divergence in the categories of refugees and the types of expenditures reported by DAC members.

So that is the reality: that there is scope for national governments to make an interpretation of the guidelines and still legitimately report the expenditure as aid. I cannot be any clearer. If DIAC need interpretation of whether a particular expenditure under that $375.1 million is legitimately ODA, then we will ask the OECD for advice on that, as we do on other things.

I think you heard from our colleagues in the defence forces that they also apply the ODA rules. Some elements of aid delivered by the military can be classified as ODA; some cannot. In another hearing they pointed out, as they did in estimates this week, that they had made a mistake in interpreting those guidelines. When they reported to us in that circumstance, they aggregated a lot of expenditure rather than breaking down the separate components. So when it was first provided to us we could not see whether there was a problem, but once we got the high level of detail we were able to see—and they were able to see, most importantly—that some of the areas that they had claimed as ODA were not in fact eligible. And that will apply to this expenditure.

I understand your frustration that you are getting different answers to the same question in different hearings. All I can say to you is that the way that the budget process works is as I have described it, and as is described in our portfolio additional estimates statement.

**Senator KROGER:** What I am observing is an extraordinary level of—and I do not use the word lightly—incompetence, if what I am hearing is true: that there is not an appropriate level of oversight and communication between departments to actually deal with these things. It will be interesting to see what that determination of that 12-month period is because, with
another budget around the corner, you might be looking at making some serious cuts again for another 12-month period.

Still very much in a similar vein: you talked about uniform standards and how they were being established; you were going to be reporting on the confirmed uniform standards by the end of this current financial year. Where are we at with those uniform standards? I know you said that it is not complete. What agencies have completed their own determinations of those standards?

Mr Baxter: There is an intragovernmental process that is going on at the moment, which we are leading. I mentioned in the annual review of aid effectiveness this year that there were 60 government departments and agencies that contributed to that. So it is our objective that, in the next annual review of aid effectiveness—which will, in effect, be the first that reports on a full year of results—those uniform standards will be applied.

Senator KROGER: Have any of those agencies completed their review?

Mr Baxter: It is a matter of adopting new practices for how they plan, implement, monitor and evaluate programs. Those standards will be applied across government before the end of this financial year, and from then on all of the new programs will be subject to that methodology. So there will be some grandfathering out of existing programs, but all new programs will be required to adopt that methodology.

Senator KROGER: So could you just take me through the process of this intergovernmental review? Am I right in presuming that each agency would initiate their own version of what an appropriate assessment would be?

Mr Baxter: No. It is fundamentally about training other agencies to adopt similar processes to that which we have had in place for some time. This is about ensuring that you have planning processes that identify clearly what kinds of results you are seeking to achieve. As you are probably aware, we have spent a lot of time in the last few years seeking to define measurable results in our programs. In a sense we are doing a program of educating other agencies that spend ODA funds in standard approaches to the way in which you develop particular programs, the way in which you develop the results frameworks for those programs, the way in which you deal with risks—the whole life cycle of an individual aid program, if you like, whether it is a police training program in Vanuatu or an agricultural program that the Australian Centre for International Agricultural Research might have in Africa. There would be common methodologies across those programs. That will enable government, the parliament and the public to see what the performance is, using similar measures. At the moment each of the ODA spending agencies uses different methodologies.

Senator KROGER: In the ministerial budget statement, on page 127, there is a list of 20 Australian government agencies that deliver foreign aid, other than AusAID. With those agencies, for instance, what you are telling me is that you are actually driving the determination of those uniform standards and they are feeding into how they would apply for each of their agencies—is that right—and how will it work or not work?

Mr Baxter: Yes, that is right. I do not think it is a question of not work, because the things that we are trying to do are quite straightforward in one sense, but we are trying to ensure that all agencies that are drawing funding for programs from the same source, the government's ODA budget, use the same methodologies to implement those programs and measure them.
Senator KROGER: So we do not have any uniform standards yet—

Mr Baxter: There have never been uniform standards in the Australian government for the spending of the ODA budget, and we are bringing that in.

Senator KROGER: I understand. That was recommendation 30, or something, in the review. So we are still there. I will touch on that review very briefly. One of the recommendations was for an annual review of the implementation of that final document. I think you mentioned it in your opening statement that that was tabled on 25 January.

Mr Baxter: Yes.

Senator KROGER: That review was meant to be brought down last October?

Mr Baxter: No, the requirement was that it be presented to the government before the end of last year, and it was.

Senator KROGER: When was it presented to the government?

Mr Baxter: Before the end of last year. I do not have the date on me.

Senator KROGER: Could you provide us with the date that you gave that to the government? That would be very good. One of the very valuable things that was produced in the past was the Green Book, which was really the only statistical summary that gave comprehensive advice as to aid expenditure in Australia, and it was last published in 2008-09, I understand.

Mr Baxter: I will ask my colleague Mr Wood to answer.

Mr Wood: The next edition of the Green Book, our statistical summary, will cover a three-year period—2011-12, 2010-11, and 2009-10. We are hoping to put that out in the next month. We are making a few changes to it. Principally, we are putting it online and we are going to have, for example, a collection of time series data, and in some cases this may go back to 1974-75. So, part of the reason for the delay has been this process we have been undertaking of putting it on our website and making it accessible and probably more easily scrutinised and adaptable for people.

Senator KROGER: Is there going to be any reference to the years in between?

Mr Wood: Correct. It is going to cover in detail those three years but will also then have available time series data going back, in some cases, a few decades.

Senator KROGER: You were saying that it commences in 2011. Clearly there is a bit of a gap between 2009 and 2011.

Mr Wood: No, it is going to cover in detail those three financial years.

Senator KROGER: The financial years commencing with 2011?

Mr Wood: The 2011-12, 2010-11 and 2009-10 financial years.

Senator KROGER: And that is coming out in a months time?

Mr Wood: Correct.

Senator KROGER: Going to our Development Assistance Facility for Afghanistan, which I understand was one of Australia's main bilateral mechanisms for delivering development assistance to Afghanistan. I understand that phase III of the facility will be developing leadership. We will be engaging in leadership related programs, supporting
women in all sorts of ways there, but in particular to achieve sustainable economic and social
development outcomes. Part of that program was very dependent on the integral effectiveness,
if you like, of the scholarship program—that was a very big part of it—the Australia Awards.
Is that correct?

Mr Baxter: Certainly, we commenced a reasonably large Australia Awards program.

Senator KROGER: I think we touched on the scholarship program in previous estimates.
Can you give us a quick synopsis of the scope of it in terms of people and the funds that
resource it.

Mr Baxter: We have offered up to 200 Australian Leadership Awards scholarships a year.
Since 2009 there have been 121 long-term scholarship awardees. We also cover short-course
awards through the program.

Senator KROGER: Are you aware of allegations that the scholarships are being on-sold
for profit?

Mr Baxter: We are certainly aware of allegations of fraud in the program. We suspended
the Australia Awards program in Afghanistan in August 2012. That is in accordance with our
zero tolerance policy towards fraud. We have commissioned an independent investigation into
the allegations. In December of last year I raised this issue directly with the Afghanistan
minister for education in Kabul. While that investigation is underway we will not be awarding
any new long-term Australia Awards scholarships to Afghanistan.

Senator KROGER: Who is the managing contractor for the project?

Mr Baxter: It was GRM.

Senator KROGER: Are they still ostensibly the managing contractor until you—

Mr Baxter: I will ask my colleague Mr Dawson to give you the detailed answer to that
question.

Mr Dawson: No, GRM was the managing contractor for the second phase of that
program. The contract for the third phase was awarded to a company by the name of
International Relief and Development. They commenced operations on that third phase in
October 2012.

Senator KROGER: Who is undertaking the investigation?

Mr Dawson: The investigation is being undertaken by an independent investigator, which
is being organised, but under direction from AusAID, by the managing contractor for phase
II, who was responsible for the program at the time that the fraud occurred. So GRM is
contracting, at our instruction, an independent investigator. That is part of their contractual
obligation.

Mr McDonald: Can I just add that GRM have engaged an independent audit company,
Protiviti, to investigate the allegations.

Senator KROGER: Are they a local company? Who are they?

Mr McDonald: I am aware of them here.

Mr Baxter: They are a company that has an Australian operation.

Senator KROGER: So they are an Australian company that—
Mr Baxter: Yes. We have used them in the past to conduct similar types of activities for us.

Senator KROGER: When have you contracted them to?

Mr Baxter: We expect the investigation will be completed in the middle of this year. Then after that we will consider whether we can recommence the program with a different design around it.

Senator KROGER: Is that part of their brief?

Mr Baxter: To make recommendations as to—

Senator KROGER: To make recommendations about something that would be a little more robust.

Mr Baxter: Yes. I am sure that you are aware that corruption is a significant issue in Afghanistan. In the latest transparency international rankings it was equal last with North Korea and another country I forget—Somalia, I think. So it is a difficult environment. We have acted as soon as we found there were potentially problems. We will not resume the program until we are confident we can manage those problems. We have raised this issue with the Afghanistan government, as I mentioned. We have briefed them on why we suspended the program and what we are doing to investigate the allegations.

Senator KROGER: When you go to the website and look at what is recorded there, transparency seems to be fairly poor on the aid delivery in Afghanistan. Given the nature of the country and the issues you face, have you considered ways in which you can strengthen the transparency of that.

Mr Baxter: I am not sure what you specifically are referring to. We have put out a lot of information about our program in Afghanistan. It has been subject—

Senator KROGER: More the evaluation of it.

Mr Baxter: The evaluation?

Senator KROGER: The evaluations of the projects.

Mr Baxter: We have a proposal, or a plan, to publish more information about our work and the development situation in Uruzgan Province, where we are working alongside our DFAT colleagues and our colleagues from the Australian Defence Force. By the end of the first quarter of this year we will publish some data that we have collected on development progress in Afghanistan.

Senator KROGER: Going back to an earlier question Senator Rhiannon asked. The commitment is to increase the aid budget to 0.37 per cent of GNI. Is that correct?

Mr Baxter: In the 2013-14 budget?

Senator KROGER: Yes.

Mr Baxter: That is correct.

Senator KROGER: Based on the current numbers, that would mean that the aid budget would have to increase by some $600 million, if rough figures, to meet the target of 0.37 per cent by 2013-14?
Mr Baxter: I think it is less than that. That would be our estimate. As I mentioned earlier GNI has been revised downwards a couple of times in recent months. Obviously we are on a formula that is tied to GNI. As GNI falls then so does the ODA budget.

Senator KROGER: I understand that, but if we are looking to increase it to 0.50 per cent in 2016-17 what do you think the increased spending would need to be to bring it up to that?

Mr Baxter: It depends what happens to GNI over that period of time. If GNI were to increase rapidly obviously the total figure would increase. If GNI decreased the total figure would be smaller. For a back-of-the-envelope calculation we think a bit less than $500 million, depending where GNI goes, to get us to 0.37 per cent.

Senator KROGER: You would be aware of the projections that Professor Stephen Howes has made? He has suggested that an Australian government would need to increase the aid budget by $1 billion on average each year if it were to reach the target of 0.50 per cent.

Mr Baxter: I am aware of that work.

Senator KROGER: Do you have any observations to make on that?

Mr Baxter: I think he is in the ballpark.

Senator KROGER: Speaking of Professor Howes, he made some comments on the Development Policy Centre blog about the review document. Are you aware of statements he made in which he questioned the annual review and actually said 'It is very different from what they review panel had in mind.'

Mr Baxter: I have seen his comments.

Senator KROGER: Have you had discussions with him about it.

Mr Baxter: I talk to him regularly. I do not always agree with him and nor him with me. But we have a very positive relationship with the Development Policy Centre and we certainly welcome the debate. I think they have done a very good job in kindling on development issues, on the work that AusAID does and on Australian policy.

Senator KROGER: Not being a mind reader, from your discussions how does the review differ from what was proposed by that panel?

Mr Baxter: If you read the report carefully, they make a number of suggestions around the annual review. They say—and this is not verbatim from the review, so I am paraphrasing—the annual review is a high-level report. It takes account of all aid being delivered in 35 bilateral country programs, and some others, and it will incorporate all Commonwealth government agencies.

As I said in my opening statement the first annual review covers five months of results. It was only a short period of time from when the comprehensive aid policy framework was issued by the government, in May, to when we completed the first annual review and submitted it to government. Next year will be the first annual review that will take account of a full year of results. We established the independent evaluation committee in the middle of last year. One of the inputs the panel recommended and we have agreed to include in the annual report is a synthesis of our evaluations, which has been oversighted by the independent evaluation committee, which is external to AusAID. So we will have that input. We did not have that this year because it only just got up and running.
One of my general comments on some of the things that Professor Howes has said is that I think he is maybe a little confused on what we report and where. AusAID—

Senator KROGER: He did make that observation, because he was suggesting that you could not get a sense of the effectiveness of Australia's bilateral aid in a country context—

Mr Baxter: You can in the annual report to parliament. We report extensively on each of our country programs. We report against the progress of those countries, against individual Millennium Development Goals, and I would certainly argue that we are providing a higher level of detail in our annual report to parliament than ever before. We are the only organisation in the Commonwealth that has to report to cabinet on the totality of its program on an annual basis. That is a level of scrutiny that does not apply to any other agency in the Commonwealth. We certainly recognise that we can improve the product we produced this year in next year's version, and we welcome Professor Howes' suggestion on how we might do that. But as he said this is good progress, and it will get better over time.

Senator KROGER: I have lots of things I will put on notice, because time is not going to allow me to go through them all. But there are a couple of things I want to get to tonight. One is in relation to Papua New Guinea. What development case would warrant or justify AusAID either directly, or through contractors, or consultants or other agencies, making per diem payments to officials employed by foreign governments?

Mr Baxter: I am not sure that I understand what you are referring to.

Senator KROGER: In what circumstance would it be reasonable for AusAID either directly or through other agencies to make payments to or augment salary arrangements of officials who may be employed by foreign governments?

Mr Baxter: Without knowing the details of what you are referring to, we often, as do other government agencies and departments, sponsor foreign government officials from developing countries to attend conferences, for instance. If they are attending a conference and it is a two-day conference we will often meet some or all of the costs of their attendance at those conferences, if we feel that it is a high priority.

Senator KROGER: Are you aware whether Jane Thomason and Associates International have made any such payments to any officials employed within the PNG government?

Mr Baxter: I know the issue you are referring to. I have discussed it directly with the managing director—I think her title is—of that company. We have received some explanation from them, because we had a previous inquiry about this. They certainly made it clear to me that they had not made the payments you are referring to.

Senator KROGER: Are you able to provide appropriate records in terms of acquittals and remittance records and so on for three years that would verify that that was the case?

Mr Baxter: If you give me specific questions I will seek answers to those specific questions.

Senator KROGER: That being the case, I will put those questions on notice. Coming now to a pet subject that I raise at every estimates: the whole-of-government approach. I raised it in Defence when we were talking about having to change the recording of their support for civilian projects, because it did not come under the OECD definition of ODA—and that is one of the recommendations.
When we have looked at the divestment and support of projects by various departments, and we have done it repeatedly in estimates for some time, there is no finite document. I cannot go to AusAID, because AusAID does not manage them all, to determine what we spend on support, whether it is for ODA under the OECD definition, for what I will loosely call civilian projects or for research, including medical research—a whole host of things. Is that something that is being considered so that when you or the Defence department are being challenged to say how much they are providing for civilian support you can go to a document that is black and white in terms of what the spend is? We had the issue in relation to the determination of how much was being applied to the UN Security Council bid. There was spending in many departments that it could be assumed was being directed towards that endeavour. That is just one example. The Defence department one was for me the catalyst. This is quite a big issue. What they are doing to support various countries is a good sell for any government. But there is no whole-of-government approach to this.

**Mr Baxter:** One of the things that we have done in AusAID over the last couple of years is incorporate information on the spending of other government departments on ODA. You will find it in our ministerial blue book, which is issued on budget night. You will find it in our portfolio budget statement. In the additional estimates tabled last Thursday there is a list of who is spending what on ODA in terms of those agencies. I understand what you are saying, but—

**Senator KROGER:** The issue there is that definition of ODA, which does not cover all the other things.

**Mr Baxter:** Yes. But AusAID only spends ODA funds. We do not have any other non-ODA funds.

**Senator KROGER:** I understand.

**Mr Baxter:** Other agencies do. Obviously, ODA spending is not the core business of the Federal Police. It is an element of their work, but it is not core. It is the same with the quite large number of agencies that are recorded there. I think that it is a good suggestion. It would be interesting to see how we would adapt our current system to incorporate that. Each agency is required, as you know, under legislation to do its own annual report. I do an annual report that talks about AusAID. In our country program section it talks about AusAID country programs. We can look and see if other agencies would be happy to incorporate a short section under each program to say, 'And in addition to AusAID, agency X and department Y are doing these things.' But they also have to report their own activities against their own appropriation in their own annual report under legislation. There are some rigidities in the system that has been established, I guess, that make that more difficult than it might otherwise be, because of the requirement for agencies and departments to report against their appropriations.

**Mr Wood:** I will add a couple of references. The annual review of aid effectiveness included a table at the back that reported on ODA spend by agencies. For example, the Department of Defence is referenced on page 45 and there is a description of and a total for their spend. Within the aid ministerial statement, the blue book, on each of the country pages is a line for other government departments, OGDs. You can turn to a country page and see how much is from the AusAID country program, how much is from the regional and global
program and how much is spent by other government departments. There are a couple of
references in some of our existing budget documentation.

Senator KROGER: Thanks, Mr Wood. I still do not think it is a complete picture.

Mr Baxter: No. On your issues of non-ODA spending, I would have to think about how
we could do that. I know what you are aiming it, which is to get that overall picture of non-
ODA and ODA spending together to see how it comes together to facilitate the
implementation of programs. As I know our Defence colleagues raised, almost all aspects of
expenditure on militaries is not ODA eligible. It is how you determine which portion of the
non-ODA military spend has been spent assisting AusAID, for instance, to implement
projects in Uruzgan province.

Senator KROGER: Yes. Thanks.

Senator RHIANNON: My questions are on the Pacific. Is AusAID involved in assisting
people to lease their land in the Pacific?

Ms Wilson: We do not support individuals in leasing land.

Senator RHIANNON: Could you comment on the Mama Graon Project. I imagine that
you are acquainted with it.

Ms Wilson: I will have to take that on notice.

Senator RHIANNON: Is there anyone who can talk about it? I thought it was something
that AusAID had been extensively involved in.

Mr Batley: In general terms, the Mama Graon program is a program that we are working
on together with the Vanuatu government. The program was launched last year at an event
that involved the government of Vanuatu, the council of chiefs and AusAID. It is working to
assist the government of Vanuatu in its policy to regularise and regulate land laws in Vanuatu.
I do not have the detail at hand. I would certainly underline that it is a program that we are
doing with the Vanuatu government, following their priorities.

Senator RHIANNON: In looking at it, I noted that some controversy about it broke last
year, with the former president of the Malvatumauri National Council of Chiefs, Chief
Gratien Alguet, saying that he felt that he had not been properly informed. He was led to
wrongly believe that the program was benefitting his people. Are there now differences
among the chiefs about it? How are you handling those differences?

Mr Batley: Land ownership has always been a sensitive issue anywhere in the Pacific and
particularly in Melanesia, and in Vanuatu that is certainly the case. The Malvatumauri, which
is the council of chiefs in Vanuatu, has certainly been involved in talking with the government
of Vanuatu about land policy. But there is no doubt that land policy has been a controversial
issue in that country. I am not able to respond in detail to the question about the particular
chief that you mentioned. I can take that on notice.

Senator RHIANNON: Maybe you could take this next one on notice, too, because I
realise that this is a challenging area. Will the end product of your work in this area be that
there will be titles distributed to individuals or will land be kept in customary ownership?
What is the objective here?

Mr Batley: The objective is to observe the laws of Vanuatu. Indeed, one of the shortest
chapters in the Constitution of Vanuatu states simply, 'All land belongs to the custom owners.'
It is certainly not AusAID’s intention to undermine or challenge in any way that fundamental tenet of Vanuatu law.

**Senator RHIANNON:** Thank you. I understand that the Vanuatu Cultural Centre accepted funding for the field workers workshop last year. I understand that this was AusAID funding. As a precondition of accepting the funding, the cultural centre had to accept two extra days at the end of the workshop for AusAID to promote the Mama Graon program, which is quite controversial with the field workers. Do you know anything about that issue? How are you managing it?

**Mr Batley:** The field workers program is a very well-regarded and respected cultural program that has been supported by Australia for a number of decades now. It is a world-leading program in terms of cultural preservation and protection of cultural heritage. We continue to support that program. We have as a matter of administrative efficiency and convenience funded the program through the Mama Graon program. As you say, the field worker program was held last year. On the details that you raised I am unable to comment. We certainly did not make funding for the field workers program conditional in any sense. We are committed to supporting that program.

**Senator RHIANNON:** Is there controversy among the field workers about the Mama Graon program? Was this something that you had to manage at that workshop?

**Mr Batley:** I would have to take that on notice.

**Senator RHIANNON:** I now have some questions about Burma.

**Senator KROGER:** I have a quick question in relation to PNG. I raised earlier on today the tragic case of a young woman—and I am sure that you are aware of this—who was essentially burnt at the stake because she was—

**Mr Baxter:** She was accused of sorcery.

**Senator KROGER:** accused of being a witch. Do we help support prosecution of those cases? Does AusAID help support legal processes? Are you engaged in anything like that?

**Mr Baxter:** We are heavily engaged in programs aimed at curbing violence against women, which as you know is a very serious issue. We do not support individual prosecutions but one of the objectives of our assistance more generally is to ensure that countries have the right legal frameworks to prosecute people who perpetrate violence against women.

**Senator KROGER:** So more on the governance.

**Mr Baxter:** We provide support more on the governance and on the law and justice side.

**Senator KROGER:** We were advised today that they have not arrested the perpetrators of the crime. The question was more about whether we support the prosecution side of things.

**Ms Wilson:** I could also add that through the whole-of-government Strongim Govman Program, which is funded by AusAID and which places experts from different Australian governments into the Papua New Guinea public service, we have 13 to 14—and we can confirm those numbers—specialists in legal agencies, which include both prosecution and defence agencies. But we have a specialist in family and sexual violence in place as part of that program.

**Senator KROGER:** Are they based there?
Ms Wilson: That is correct. She works in one of the departments linked to the DPP.

Senator KROGER: Thank you very much.

CHAIR: We will now move to the East Asia group.

Senator RHIANNON: My questions are on Burma. What advocacy efforts are the Australian government making with regards to having all restrictions on humanitarian access lifted and how is the Australian government encouraging increases in state spending on education and health in Burma?

Mr Baxter: I was in Myanmar three weeks ago. I met with a range of ministers, along with my UK counterpart, the head of the Department for International Development, based in London. We made joint representations to a number of the ministers that we met with there on the issue of humanitarian access to those areas of Myanmar that have been affected by conflict—in particular Kachin State and Rakhine State.

Senator RHIANNON: Is spending on education and health something you advocate for?

Mr Baxter: It is. I know you are very familiar with the circumstances there. Up until very recently Myanmar and the lowest proportion of GDP spent on health and education of any country in the world. It is coming off a very low base. They have effectively doubled spending on education and health over the last year. One of the issues that is facing Myanmar is the lack of skills within the bureaucracy, in particular to develop budgets that we would recognise as being based on sound evidence and being able to project accurately what their costs are. We are very pleased that they have increased their spending, but they know, and certainly development partners like Australia are pressing for the government to continue to increase its spending in those key sectors. It is a real issue. I was fortunate enough to be able to visit a hospital in the Irrawaddy Delta and some schools that we are involved in constructing. The needs are enormous, as you know.

Senator RHIANNON: You mentioned in your talks you had covered the Kachin issue. Could you outline what aid Australia has provided to this state?

Mr Baxter: I think—Mr Brazier will correct me if I am wrong—we have provided $600,000 in emergency relief so far. We also, during my visit, encouraged the government to continue its efforts to start a dialogue. You are, no doubt, aware that there has been some dialogue between the government and those groups in Kachin State. Hopefully, that will lead to the signing of the 11th ceasefire agreement after the 10 previous ones.

Mr Brazier: Mr Baxter mentioned that we are providing $600,000 in humanitarian assistance to help displaced people in Kachin State. That is being delivered in partnership with Oxfam. We are also working with the World Food Programme to deliver around 230 tonnes of rice to people left homeless by the conflict since late 2011.

Senator RHIANNON: On the education issue, I was interested in the Myanmar Education Consortium, which I understand AusAID is funding and you have probably looked at. I understand it educates a lot of children—I have here the figure of 160,000 students. Can you provide more information about the disaggregation in terms of gender, ethnicity and religion, and also what states it is operating in?

Mr Baxter: Some of that I will have to take on notice, but it is a jointly-funded program—indeed the minister launched it during his recent meeting with the UK minister of state for...
development. The consortium is really looking at targeting the poorest of the poor—those children who, in many cases, have never had an opportunity to go to school, living in ethnic minority areas or from very underprivileged backgrounds. We have decided that education will be our biggest sector of our program in Myanmar. At the moment around half of all primary school-aged children do not finish five years of schooling. That is about 2½ million children. This year, in addition to the work we are doing with the consortium, we are going to provide 620,000 children with essential school supplies—that is, text books, writing materials, storybooks and pens. We are going to train 9,000 teachers. We are going to provide 20,000 children with access to early childhood education. I visited an early childhood centre—which was terrific—in one of the villages that had been badly affected by Cyclone Nargis a few years ago. We are going to feed half a million children from poor and remote areas as an incentive to attend school. That is a program that we are going to implement with the World Food Programme. We are the largest donor in the education sector in Myanmar and we have committed $80 million over the next four years to the education sector.

Senator RHIANNON: Could you take on notice the disaggregation by gender, ethnicity and religion?

Mr Baxter: Sure.

Senator RHIANNON: One issue that is coming up for us and one that I am interested in is about these monastic schools. Could you clarify whether the monastic schools targeted for training support by the consortium are run in association with government's ministry of religious affairs and/or the ministry for border affairs, and if they operate independently, and what criteria will be used for the selection of monastic schools?

Mr Baxter: As you know, monastic schools are often the only option that very poor parents have in terms of giving their children access to school. My colleague Mr Brazier might know more, but certainly the consortium's work will focus on monastic schools.

Senator RHIANNON: I was particularly wanting to know if the Chin and Karen children are coming into these schools. I want to know if they are being covered.

Mr Brazier: We may need to take some of the details of your question on notice. I can add to Mr Baxter's comment that it is not only parents who send their children to monastic schools but also orphans who are taken in by them for education.

Senator RHIANNON: Thank you, if you could take that on notice.

Senator KROGER: I remember an article I read in the paper a little while ago about the ethnic tensions in the refugee camps and the difficulties that that was causing the aid workers on the ground. The suggestion was that some were being harassed or intimidated by various ethnic groups in doing their job. Are you aware of any problems that have been experienced in regard to that and do we have any aid workers in the area that are being affected in this way?

Mr Baxter: As you know, there have been long-running ethnic conflicts there—and I am going back 60 years. There is quite a large internally displaced population as well as ongoing tensions in Rakhine State in particular. The conditions under which some people who have been displaced from their homes are living are very poor. We have allocated $3 million in humanitarian assistance to Rakhine State to try to deal with some of the worst impacts of
those problems. But there are still quite significant tensions between the different religious groups in that area.

**Senator KROGER:** Do we have Australian aid workers who have been threatened or hurt?

**Mr Baxter:** Yes. We recently had a visit by our ambassador and the head of the AusAID post in Yangon and they made a visit to those areas to see themselves, firstly, where our aid and humanitarian assistance was going; also to encourage both sides to settle their grievances in a peaceful way through dialogue. I met with most of the leaders of most of the ethnic groups in my time there and I was struck by the sense of sceptical optimism from groups that have been in conflict with the government for many, many years. It is remarkable that in just under two years the government has signed 10 ceasefire agreements and has hopefully commenced a dialogue that will see an 11th. Then people can return to their home safely, hopefully, and there will be a need for support to resettle people back in their communities. Certainly there has been a lot of internal displacement.

**Mr Brazier:** If I could add to that. I think you might be referring to comments made by a delegation from Doctors without Borders, who were registering concern about their access in Rakhine State. I can report to you that our partners are not experiencing impeded access for the supply of humanitarian assistance in that state.

**Senator KROGER:** I think it was reported late last year.

**Mr Brazier:** The MSF people were here just a few days ago, I understand.

**Chair:** We are moving on now to Sri Lanka.

**Senator RHIANNON:** Does AusAID fund building of houses for Tamils displaced by the war in northern Sri Lanka? If so, how much money has been allocated to this program?

**Mr Baxter:** We have had a program, and my colleague Mr Dawson can provide more details. In late 2009 I visited northern Sri Lanka with the then Foreign Minister, Mr Smith. As a result of that visit we provided funding to UN Habitat to help people resettle in their houses almost all of which had suffered some level of damage as a result of the conflict. Associated with that housing program we increased our support for de-mining and we also with the World Bank and the Asian Development Bank provided accountable cash grants for people to help them restart their livelihoods.

**Senator RHIANNON:** How much money would you estimate has gone into the bilateral and multilateral programs?

**Mr Baxter:** In 2009-10 our total ODA spend in Sri Lanka was a bit over $80 million. At the moment it is almost half that, it is $42.5 million. So there was a big spike.

**Senator RHIANNON:** After the war.

**Mr Baxter:** There was a very large internally displaced persons camp with about 180,000 people. At the time the Sri Lankan government closed that camp very quickly and people had to leave the camp and go back to their areas of origin. Our program came in behind the closure of the camp and the resettlement of people back in their areas in northern Sri Lanka.

**Senator RHIANNON:** Could you take on notice the AusAID funding for the building of houses for Tamils in northern Sri Lanka?

**Mr Baxter:** Certainly.
**Senator RHIANNON:** Staying with that housing program, who selects the beneficiaries? Does AusAID have a say? How is it determined?

**Mr Baxter:** We worked with our partners UN Habitat and multilateral organisations. We did not then and we do not now deliver our assistance through the Sri Lankan government, we do it through NGOs and multilateral organisations.

**Senator KROGER:** Could I make a contribution to that answer, Mr Baxter? When I visited there 18 months ago it was very impressive because it is actually the community leaders who recommend who should benefit from a house, whether it is a single mother who has lost her husband through the war with children and so on. So it is actually the local community that determine the priorities of those who should be getting houses.

**Mr Dawson:** The program has reconstructed about 5,000 houses. We have been working with the European Commission and Switzerland together with UN Habitat in funding the program. As Senator Kroger said, it employs an owner driven approach. It has been generally recognised as amongst best practice in terms of reconstruction activities. Grants are given directly to people to rebuild their own houses, so they have a particular stake in the activity and contribute to it themselves and can basically decide the sort of consideration of the house etcetera to suit their own needs.

**Senator RHIANNON:** What districts are we talking about in northern Sri Lanka where this program has resulted in houses being built? Can you take that on notice?

**Mr Dawson:** Yes.

**Mr Baxter:** In addition to the housing program, we are currently involved in rebuilding and rehabilitating 23 schools in those same conflict affected areas and that will benefit about 12,000 students.

**Senator RHIANNON:** This excellent. How do you guarantee that the Tamils displaced by the war will be living in these houses once the project is complete? I am prompted to ask that question because you did make the point, Mr Baxter, that you do not carry out this project with the government, you do it with multilateral and bilateral partners and other foreign aid donors.

**Mr Baxter:** One way we do that is we visit them. We have an AusAID team working in Sri Lanka and they will travel very regularly to monitor our projects directly. One of the reasons that we have our people overseas at posts is to implement, monitor and evaluate the work that we are doing. They will physically go to see them.

**Senator RHIANNON:** After it is completed?

**Mr Baxter:** After it is completed.

**Senator RHIANNON:** Are you working with local government groups as well as the Tamil National Alliance local government? I am just trying to get a sense of who is involved as well as the foreign bodies.

**Mr Baxter:** There is no doubt that we would be liaising with the community leaders when we visit those areas. The exact details of who we are working with I would have to take on notice.

**Senator RHIANNON:** Thank you.
Mr Dawson: This is an indication of our monitoring efforts. In 2011, AusAID staff based in Colombo conducted approximately 18 field visits to AusAID funded projects throughout Sri Lanka, including 14 visits to the north and east.

Senator RHIANNON: Are you aware that the government of Sri Lanka is resettling Senegalese families and members of their military in Tamil areas? Is that something you are aware of and is it something you have to manage to ensure the success of this program?

Mr Baxter: I am aware of what you are saying but I am not aware of any impact on our programs.

Senator RHIANNON: I have finished Sri Lanka. Thank you, Madam Chair.

CHAIR: Let us move on to Africa, outcome 1.3.

Senator KROGER: I am interested to know whether we provide any aid to Rwanda.

Mr Baxter: Yes, we do. We have a scholarship program. I know that they have benefited from that. We do not provide any funding to the Rwandan government, that is the first point I would make. We do support the people of Rwanda through our African regional program in areas like scholarships through the Australia Awards, food security, and maternal and child health.

With regard to food security, Rwanda is one of the participants in a research program that the CSIRO is conducting with an African organisation called BioSciences eastern and central Africa. It is focused on crop improvement, animal health, food safety and human nutrition. There are pilots as part of that research program being conducted in a number of African countries, including Rwanda. We have another maternal and child health program called the Australia Africa Community Engagement Scheme. We have provided some funding to World Vision to improve the health of pregnant women and the mental and physical development of children under five. Rwanda is one of four countries that benefits from that program.

Senator KROGER: Mr Baxter, are you aware that the UK suspended their aid to Rwanda because of their support for the militia in Congo?

Mr Baxter: Yes, I am.

Senator KROGER: Has their position and consideration of broader issues been in any way considered with a view to changing our approach, even in the short term?

Mr Baxter: The aid that the UK provides is quite different from ours because most of it was direct budget support to the government. We do not do anything for the government in that sense. As I said—

Senator KROGER: Ours is all through multilateral relations.

Mr Baxter: Yes, multilaterals, NGOs or scholarships to individuals that we select.

Senator KROGER: And the UK's was more direct government support.

Mr Baxter: Direct budget support. Rwanda depends on aid for about 40 per cent of its total national budget. It is quite an aid-dependent country so that direct budget support obviously is incredibly important. We have been prudent in the way that we have developed our activities there.
Senator RHIANNON: I want to explore some of the issues to do with aid in the Middle East by looking at some of the Palestine programs. They may come under the Australia Middle East NGO Cooperation Agreement, AMENCA. I noted with the Rural Livelihoods Project, which I understand is part of that, there has been some destruction of those projects. Some people have died, there has been a loss of greenhouses and damage to agricultural land, crops and tools. I was interested in how AusAID handles it when a project that considerable Australian money has gone into is destroyed?

Mr Baxter: I will ask my colleague, Mr McDonald, to answer that question.

Mr McDonald: In relation to the recent conflict, 120 structures supported through the Australian aid program were damaged, with an estimated replacement cost of just over $1 million. This included $500,000 for damage to 72 schools and six health clinics supported by UNRWA and UNICEF, and over $500,000 damage in crop losses and damage to 38 greenhouses, home gardens, sheep and chicken farms. Much of the damage was light and quickly repaired, though three UNRWA schools were extensively damaged, and 185 out of 330 farmers supported by World Vision or UAWC lost their entire crop.

Senator RHIANNON: The rest of my question was: how do you respond? I appreciate that some of it is bilateral and some of it is multilateral, but I was interested in how different agencies handle this—I am obviously interested in AusAID, but also how your work with multilaterals plays out.

Mr McDonald: The first thing was that there was a consolidated appeal of $27.3 million in response to the conflict.

Senator RHIANNON: By consolidated appeal, do you mean that destruction has occurred and then there was an appeal for the donors to put in more money?

Mr McDonald: Yes. There was a consolidated appeal for the area in terms of a response to the damage that had occurred, and that was an appeal of $27.3 million. The priorities, as a result of that, were around shelter rehabilitation, psychosocial support for children, medicine, repairing damaged residences, schools and productive assets. In addition, within the AMENCA program—which is an AusAID program—we have repaired a lot of the damage. For example, the greenhouses were quickly repaired through that program. We were able to use funding within our existing program to respond to that damage quickly. That was particularly important, especially for some of the crops. As you may know, some of the farmers' crops were damaged in terms of the loss of the greenhouses. In order to preserve those crops, you had to get those greenhouses rebuilt and over the top of those crops very quickly. Last week I was in Gaza and saw some of the repairs that were occurring to those greenhouses, and the farmers were very pleased with that because of the impact on their livelihood and food production within Gaza itself.

Senator RHIANNON: Were you at the greenhouses that are in the buffer zone towards the border? Are they the ones you are referring to?

Mr McDonald: I was in the ones in North Gaza.

Senator RHIANNON: It is not very far from the border?

Mr McDonald: That is correct. Those greenhouses, as you know, were having a major impact in terms of yields of food occurring within Gaza; the irrigation and water changes, the
fertiliser, the type of seed that is being used have had an impact not only in terms of the volume of food for Gaza, but also on the water supply which is critical in that area as well.

**Senator RHIANNON:** Of the $27.3 million from this consolidated fund, how much did Australia put in?

**Mr McDonald:** I would have to take that on notice. I do not have that in front of me.

**Senator RHIANNON:** Just going back to my question about the response: we have had a response in terms of money—and maybe this is back to you, Mr Baxter—but, is there a response in terms of any dialogue with the Israelis about this destruction?

**Mr Baxter:** That would be an issue that would be taken up by our colleagues in the Department of Foreign Affairs and Trade. In addition to Mr McDonald's answer, we also provided almost $600,000 in immediate food assistance and support for children as a result of the conflict. That was aimed at two things: (1) was to provide basic food for farmers who had lost the last six months of their income as a result of the conflict; and (2) we provided 10 additional child-friendly spaces to provide counselling and community volunteers to help children develop skills to cope with distress as a result of the conflict.

**Mr McDonald:** I attended a number of those child centres as well, and they were working very productively. Not only in terms of—

**Senator RHIANNON:** Are these UNRWA?

**Mr McDonald:** Yes. Not only UNRWA, but World Vision child centres also. Not only in terms of the food, but also the learning; the activities within the child centre were working well.

**Senator RHIANNON:** Regarding how you respond when aid projects are destroyed: Mr Baxter, are you aware that UNRWA has actually received compensation from Israel for projects that have been destroyed. I understand that the Israeli government paid over US$10 million to the United Nations as compensation when, in 2008-09, during that bombardment and invasion, an UNRWA food warehouse and the materials and equipment that it contained were destroyed, and that is how they came to get the compensation. My two questions are: (1) are you aware of that; and (2) has consideration been given to seeking compensation in a similar way?

**Mr Baxter:** I was not aware of that and it would really be for UNRWA to approach the Israeli government if they felt that they were entitled to compensation for damage that has been done as a result of recent actions.

**Senator RHIANNON:** I totally appreciate that and I was not suggesting that Australia would do that. But as there now appears to be a trend where multilateral and bilateral agencies are taking it up with Israel, I want to explore where Australia is at. I understand also that the German and I think the Polish governments have taken up the issue of destruction of aid projects in Susya in Hebron. Some solar panels that Germany put in were targeted to be destroyed, but then the German government were successful in calling on Israelis not destroy them, and they are still there. I was wondering if you aware of these developments where agencies and countries are being proactive in defending or agitating for their projects not to be damaged. Are you aware of it? Are you considering working in a similar way?
Mr Baxter: I am not aware of that and I am not aware of us considering working in a similar way.

Senator Rhiannon: Would that be AusAID or in the first instance would it be DFAT?

Mr Baxter: If there were representations to be made to the Israeli government, it would be something that our colleagues in the Department of Foreign Affairs and Trade would deal with.

Senator Rhiannon: On 12 May 2009, the Australian government announced a $464 million Global Food Security initiative—Food Security through Rural Development. How much money has been disbursed through this program since it was launched in May until now?

Mr Baxter: That is from May 2009 until February 2013.

Senator Rhiannon: Yes. How are we going with the $464 million?

Mr Baxter: I will ask my colleague Mr Gilling. We may have to take some of that on notice. Certainly, I am aware that we have disbursed the vast bulk of that funding in a variety of ways through both our multilateral and bilateral programs.

Mr Gilling: The answer is in fact that we have been spending considerably more than the sum of $400 million-odd under the initiative on rural development activities. As the director-general suggested, we will have to take on notice the specific components that are related to that budget initiative. Our spending on areas around food security and rural development will be around $400 million this budget year; it was $403 million last budget year and it was $381.9 million the budget year before that. This is an instance where, because of the importance of food security to the Australian government's aid program, we are actually spending quite a lot of money on a range of food initiatives.

Senator Rhiannon: For what you are taking on notice, I would ask if you could provide a list of all bilateral, regional and multilateral projects or initiatives funded to date by money spent through Food Security through Rural Development. I was interested in some detail here, so if you could give me the date of the funding, the amount of the funding, the funding destination in terms of organisation and geographic location and the name of the project or the initiative fund. I imagine you have a spreadsheet somewhere or the information would be there. If you could share that it would be very useful.

Mr Baxter: Some of the funding has been provided to the Australian Centre for International Agricultural Research; some has been provided to the World Bank for global food security programs it operates and some has been programmed bilaterally. We will get you that breakdown.

Senator Rhiannon: Within the program, how do you balance the emphasis on small-scale food producers?

Mr Baxter: It is a really good point. The smallholder farmers, as you know, are usually the poorest of the poor. It is one of the great attributes of ACRL—our colleagues engaged in agricultural research—that they have put a lot of focus on how to improve the productivity of the smallholder farmers through the adoption of better varieties of crops, better animal husbandry techniques, water conservation and storage of produce from farms. A number of
the multilateral programs that we have supported have also had a focus on smallholder farmers.

Mr Gilling: If I might add to what the director-general has said, some good examples of the work that happens on smallholder farms is the work that is funded through our support to the Global Agriculture and Food Security program. We were talking about Africa before and we particularly would draw your attention to activities—for example, in Togo where we have adopted natural resource conservation techniques for smallholder farmers to look at soil and water conservation, and we have worked on new lowland rice varieties. In addition, we have hillside activities in Rwanda, again as we have been discussing, where we have projects that have generated yields of highland potatoes that have increased by up to seven times. Through this Global Agriculture and Food Security program we have actually increased the number of smallholder farmers using improved technologies by over 300,000.

Senator RHIANNON: Thank you, Mr Baxter, and congratulations on the work of you and your team.

Mr Baxter: Could I provide an answer to a question that was asked earlier. We were asked about the cost of the Independent Review of Aid Effectiveness. It was $976,744. I was asked that on 20 October 2011, to which Senator Kroger replied, 'A very good investment'.

Senator KROGER: A good way to end.

CHAIR: Thank you very much. That concludes our examination of AusAID and all of Foreign Affairs, Defence and Trade portfolios.

Committee adjourned at 22:49