



The Hon Stephen Smith MP Australian Minister for Foreign Affairs and Trade

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Australian Minister for Foreign Affairs and Trade

Papua New Guinea-Australia Bilateral meeting

Alotau International Hotel, Alotau, Milne Bay Province Papua New Guinea

Joint statement

7-8 July 2010

1. The Papua New Guinea-Australia Bilateral Meeting was held at the Alotau International Hotel in Alotau, Milne Bay Province from 7 - 8 July 2010.
2. Hon. Samuel T. Abal, Minister for Foreign Affairs, Trade and Immigration, led the Papua New Guinea delegation that included the Hon. Paul Tiensten, Minister for National Planning and District Development, the Hon. Arthur Somare, Minister for State Enterprises and Acting Minister for Treasury, the Hon. Peter O'Neill, Minister for Public Service, the Hon. Ano Pala, Minister for Justice and Attorney-General, the Hon. Sani Rambai, Minister for Internal Security, the Hon. Sasa Zibe, Minister for Health, the Hon. Michael Ogie, Minister for Higher Education, Science, Research and Technology, Hon. Charles Abel, Minister for Culture and Tourism, and the Hon. Benny Allen, Minister for Environment and Conservation.
3. The Hon. Stephen Smith, Minister for Foreign Affairs and Trade, led the Australian delegation, which included Assistant Treasurer the Hon. Senator Nick Sherry, Parliamentary Secretary for International Development Assistance the Hon. Bob McMullan, and senior officials.
4. In his opening remarks, Hon. Samuel T. Abal welcomed Hon. Stephen Smith and members of the Australian delegation to the Papua New Guinea-Australia Bilateral Meeting held in Alotau, on behalf of the Government of Papua New Guinea.
5. He congratulated Mr Smith on being assigned responsibility for the Trade Portfolio and wished him well in the role. He further reiterated his confidence in the Australian Government's continuing commitment to the bilateral relationship. He congratulated Australia on the appointment of Prime Minister Gillard.
6. Mr Abal recalled the close historical ties and relationship between Papua New Guinea and Australia, based on geographical proximity, common history and the development partnership. He underlined his commitment to maintaining the good relationship between the two neighbours.

7. Mr Smith thanked Mr Abal for the warm welcome for the Australian delegation and noted his pleasure at attending the meeting in Alotau, a place of special historical and military significance for Australia. Mr Smith noted the many positive developments in the bilateral relationship since the Port Moresby Declaration and the successful Ministerial Forums held in Madang and Brisbane in 2008 and 2009.

8. Mr Smith agreed with Mr Abal that the bilateral relationship was at a turning point. This was reflected by the opportunities presented by the Papua New Guinea Liquefied Natural Gas project, on which cooperation was already advanced, and the recently presented recommendations from the Review of the Development Cooperation Treaty.

Economic and development cooperation

Economic Cooperation Agreement

9. Papua New Guinea reaffirmed its commitment to reducing its reliance on aid after 34 years of independence. Reflecting our maturing relationship, Ministers agreed to explore an umbrella economic cooperation agreement encompassing development assistance, trade and economic cooperation.

10. Officials would report to Ministers on options for entering into an umbrella economic cooperation agreement, by 31 August 2010. These would be considered by the Cabinets of both Governments.

PNG-Australia Development Cooperation Treaty (DCT)

11. Australia noted the important opportunity presented by the PNG LNG Project and the Review of the Development Cooperation Treaty to redefine the basis of PNG and Australia's bilateral relationship. A new cooperation framework would require hard decisions and discipline on both sides to ensure resources targeted the highest priority areas for Papua New Guinea's economic and social development.

12. Ministers welcomed and formally received the independent review of the Australia-Papua New Guinea Development Cooperation Treaty, commissioned by Prime Minister Somare and former Prime Minister Rudd in 2009.

13. Ministers agreed to address jointly the Review's recommendations to ensure Australia's development assistance program was effective and provided value for money and supported Papua New Guinea's long-term development aspirations. The aid program would be guided by Papua New Guinea's development priorities as set out in Vision 2050, Development Strategic Plan 2010-2030 and Medium Term Development Plan 2011-2015.

14. Consistent with the Review recommendations that the aid program deliver better outcomes, Mr Smith announced Australia would support a Papua New Guinea Church Partnerships Program. This would comprise \$50 million over the five years from 2010 to 2015 to support churches in delivering education and health services to Papua New Guinea communities. The program would also help Australian churches work with their Papua New Guinean counterparts to implement health, education and community development activities. This initiative was welcomed on the Papua New Guinea side.

Papua New Guinea LNG Project

15. Ministers agreed that the LNG Project presented a significant opportunity for Papua New Guinea to transform its economy and future development. Papua New Guinea Ministers thanked Australia for its support for the project.

16. Ministers acknowledged the significant work undertaken under the Joint Understanding between Papua New Guinea and Australia on further cooperation on the PNG LNG Project. They welcomed progress in the design of sovereign wealth funds, which would contribute to effective and transparent management of project revenues. Papua New Guinea Ministers noted that Australian technical expertise would make a useful contribution to the success of the project.

17. Ministers agreed that Australia's assistance provided under the PNG LNG Joint Understanding would be managed separately to the broader aid program. Ministers agreed that Australia's current level of Overseas Development Assistance to Papua New Guinea would not be affected by any commitments to assist with the implementation of the LNG project.

18. Ministers acknowledged that the PNG LNG Project was schedule-driven to meet commercial obligations and that the timely delivery of the Project would augur well for future investments in PNG. Given the commercial and schedule-driven nature of the Project, the meeting agreed that support should be provided in a timely manner.

19. Ministers acknowledged the challenges – categorized under the construction and post-construction challenges for the Project and that a range of critical issues would require support from Australia.

20. Ministers agreed that the Officials' Working Group under the Joint Understanding would conduct a rapid capacity assessment, commencing within two weeks, to determine:

- the present level of capacity of systems, processes, and physical kits or infrastructure;
- the future demand triggered by the PNG LNG Project; capacity gap; and
- who and how identified gaps are filled in a sustainable sequenced and coherent manner.

Comprehensive Review of Technical Advisory Positions

21. Ministers discussed the review of technical advisory positions in Australia's aid program, as announced in May. Papua New Guinea welcomed the review, noting that it shared Australia's interest in ensuring the effectiveness and value for money of the aid program. Ministers agreed that Australian and Papua New Guinea officials (led by AusAID, the Department of Personnel Management, and the Department of National Planning and Monitoring) would complete the review quickly and would aim to provide their report by 31 August 2010. Australia noted that the outcome of the review should lead to a more targeted allocation of advisers and an overall reduction in the level of advisory support in the program.

Papua New Guinea-Australia Partnership for Development and Schedules

22. Ministers welcomed achievements under the Papua New Guinea- Australia Partnership for Development, following the first year of implementation schedules on transport infrastructure, basic education, health, the public service and statistics. In particular, Ministers noted progress in the area of basic education, where an increase had been achieved in enrolment rates of Papua New Guinean children in primary schools from 52 per cent in 2007 to 63 per cent in 2009.

23. Australia noted the importance of finalising quickly the three additional implementation schedules to the Papua New Guinea-Australia Partnership for Development, in the areas of HIV/AIDS, Higher Education and Technical Vocational Education and Training, and Law and Justice. Papua New Guinea advised that the schedules needed to be revised to ensure alignment with Papua New Guinea's forthcoming Medium Term Development Plan 2011-2015, various sector plans yet to be finalised, and the endorsed recommendations of the Development Cooperation Treaty Review.

24. Ministers welcomed Australia's increase in official development assistance to Papua New Guinea. Australia's development assistance to Papua New Guinea was allocated \$457.2 million in the 2010-11 Budget.

25. Ministers noted that Australia's aid was small in comparison to the Papua New Guinea economy and the revenue available to the Papua New Guinea Government. They agreed that development assistance could not be a substitute for Papua New Guinea's own budget and commitment to effective implementation of its development plans.

Trade Skills Scholarships (TSS)

26. Papua New Guinea Ministers advised on the actions being taken to boost training and skills development and training for Papua New Guineans in connection with opportunities and skills gaps created by the PNG LNG project.

Papua New Guinea HIV/AIDS Global Fund Round 10 Application

27. Ministers agreed the importance of a successful Round 10 Global Fund application to fight AIDS, Tuberculosis and Malaria (GFATM) application to Papua New Guinea. Papua New Guinea's release of PGK6 million to meet costs for treatment was an important first step.

28. Ministers noted that the failure of the Round 9 application would leave a funding gap for Papua New Guinea's national HIV/AIDS program after August 2010.

29. Papua New Guinea thanked Australia for providing assistance to help prepare Papua New Guinea's proposal for the Round 10 Application.

Policing

30. Papua New Guinea noted our strong and collaborative bilateral relationship in the policing sector. Australia noted the importance of a stable law and order environment for investment and economic growth, but that international experience had demonstrated the national governments are best placed to deliver effective law and order. Advisory support to the Royal Papua New Guinea Constabulary would be considered as part of the review of technical advisers.

University Systems Review

31. Ministers noted that the Papua New Guinea Prime Minister, the Right Hon. Grand Chief Sir Michael Somare, and the former Australian Prime Minister, the Hon. Kevin Rudd, had received the joint Review of the Papua New Guinea University System undertaken by Sir Rabbie Namaliu and Professor Ross Garnaut. Ministers noted the significance of the Review and, following acceptance of the recommendations by Prime Ministers, fourmonthly implementation reports would be provided to our respective Foreign Ministers.

Strongim Gavman Program (SGP)

32. Ministers expressed support for the good work undertaken under the Strongim Gavman Program. It was noted the Strongim Gavman Program would be considered as part of the reviews of technical advisers and the Development Cooperation Treaty.

Trade and economic issues

Resources and Energy Cooperation

33. Ministers noted Australia and Papua New Guinea's common economic interest in strong resource and energy sectors, and the value of working together, as was already including the LNG Project for which Australia had already committed to provide loan financing support. Ministers looked forward to formalising this cooperation through the signing, soon, of the Framework for Bilateral Cooperation on Resources and Energy.

Pacific Seasonal Workers Pilot Scheme

34. Ministers welcomed Papua New Guinea's participation as a pilot country under the Pacific Seasonal Workers Pilot Scheme. Papua New Guinea Ministers underscored the importance of the pilot scheme to the lives of Papua New Guineans and the country. Australia welcomed Papua New Guinea's agreement to participate in the Scheme, noting it would enable Papua New Guinea to market itself more effectively as a potential labour source, but recognising that the number of places available over the life of the scheme would depend on the level of demand.

35. Papua New Guinea and Australia agreed that the signing of the Memorandum of Understanding on the seasonal workers arrangements formalised Papua New Guinea's participation under the scheme and marked yet another important era in their bilateral relations.

36. Ministers welcomed Papua New Guinea's advice that it planned to establish two coordinating offices, in Port Moresby and Australia, to manage the project.

Environment and others

Kokoda Track

37. Ministers agreed that the Kokoda Track symbolised the lasting bond of friendship and mutual understanding between the people of Papua New Guinea and Australia.

38. Papua New Guinea and Australia agreed to work closely to preserve and promote the track, and to enhance the quality of life for landowners and communities.

39. Ministers agreed that the Second Joint Understanding (2010-2015) on the Owen Stanley Ranges, Brown River Catchment and Kokoda Track Region, signed at the meeting between Papua New Guinea and Australia, would provide the basis for the ongoing development and management of the Kokoda Track, including improved service delivery to communities along the track, further support to the Kokoda Track Authority's management of the track, and the promotion of the track as a world class tourist destination.

40. Australia and Papua New Guinea reaffirmed their commitment to work together to explore the heritage conservation values of the Kokoda Track with a view to possible UNESCO World Heritage Listing.

41. The meeting agreed to work with regulatory authorities, including the Investment Promotion Authority, to improve safety for local communities and tourists visiting the region. Australia indicated that it had increased its assistance.

Torres Strait

42. The meeting acknowledged the continued importance of the Torres Strait Treaty to both countries.

43. Ministers welcomed Papua New Guinea's commitment of PGK5 million in the 2010 Budget for initial scoping and project planning for elements of the Package of Measures to address cross-border health concerns. The meeting noted the work of the Torres Strait Cross Border Health Issues Committee in developing the Package of Measures.

44. Ministers welcomed the Exchange of Letters between Mr Abal and Mr Smith formalising arrangements for the cross-border movement of certain government officials and health professionals in the Torres Strait.

Regional issues

PACER Plus

45. Ministers agreed that continuing to foster the strong trade relationship between Australia and Papua New Guinea was an important priority. Doing so was in the economic interests of both countries and was a critical factor in promoting bilateral trade as well as Papua New Guinea's continued growth and development.

46. Ministers welcomed progress in PACER Plus negotiations, including the commencement in March of the Chief Trade Adviser. Ministers noted the potential of PACER Plus to contribute to closer regional integration and sustainable economic growth.

47. Ministers warmly welcomed Papua New Guinea's plans to utilise Trade Research Initiative funds for independent research on PACER Plus.

Fiji

48. Ministers reaffirmed the commitment of both countries to working together to help Fiji return to democracy and the rule of law.

49. Ministers expressed grave concern about the continuing deteriorating economic and political condition in Fiji. Ministers noted that the Fiji interim government had taken actions further to limit free speech, and deny Fiji's people their human and democratic rights. Ministers reaffirmed their support for Pacific Islands Forum Leaders', and for Commonwealth Heads of Governments' suspensions of Fiji. Ministers urged the Fiji interim government to take concrete measures to return to democracy and the rule of law.

New Caledonia

50. Mr Abal took the opportunity to brief the Australian delegation on the findings of his recent mission to New Caledonia.

Business Participation

51. Ministers warmly welcomed the participation of representatives from the Australian and Papua New Guinean Business Council and the Business Council of Papua New Guinea.

52. Ministers welcomed the interest of business in working towards improved development outcomes, and agreed to work with business to further examine these proposals.

53. Ministers agreed that the central role of the business community in driving economic growth should be recognised in an economic cooperation agreement. Continuing structured dialogue with business would be important.

Hon. Samuel T. Abal, MP, Minister for Foreign Affairs, Trade and Immigration

Hon. Stephen Smith, MP Minister for Foreign Affairs and Trade

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