

Australian aid to PNG: no net benefit?

By Stephen Howes and Ashlee Betteridge

30 August 2013

Professor Jason Sharman is an expert on money laundering. It was good to see him and Channel 7's Today Tonight draw attention to the problem of corruption in PNG and the need for greater Australian government and bank action through their [‘special investigation’](#) aired earlier this week.

But Prof. Sharman made two outrageous claims that need to be challenged. First, he stated that “most of Australia’s aid program is effectively wasted.” The way he worded his example was illuminating. He said that if Australia gives \$10 million for a hospital in aid and “at the same time \$10 million is stolen out the back door through a corrupt official then the net benefit of Australian aid is zero”. He didn’t say that the aid was taken by a corrupt official — the program provided no evidence for corruption in the Australian aid program at all. If the \$10 million was PNG budget money being stolen, and the Australian hospital aid was well used, then the net benefit of the Australian aid is still \$10 million.

Australian aid helps tackle corruption, including funding the office of the Ombudsman lauded by the program as an anti-corruption fighter. On the other hand, perhaps the largesse of Australian aid does encourage some bad behaviour by PNG politicians. But the idea that aid has no net benefit because PNG is corrupt? Ridiculous. In fact, for the ordinary PNG person, who is missing out on government services, that aid becomes more important.

Prof. Sharman then went on to the subject of refugees, stating that because of the high level of corruption, “there is a real risk that PNG as a country will simply collapse. Australia will be stuck with a massive refugee problem that makes the existing one look pretty trivial. If you’re looking to escape PNG... the closest country is Australia.”

There are certainly many suffering people in PNG, but the economy is in fact doing better than it ever has before. There has never been any sign of Papua New Guineans fleeing to Australia en masse. If they did, they would be sent straight back as they have no basis for claiming refugee status.

Professor Sharman wasn’t the only one to come out badly from the Channel 7 show. The journalist, James Thomas, did himself no favours at all. He began by saying that “half of PNG’s budget, \$1.7 billion, is being stolen every year.” This year the PNG budget is K13 billion. That’s about \$5.8 billion dollars, half of which is \$2.9 billion.

Gary Juffa, Governor of Oro province, [attacked the misrepresentation on aid in the Channel](#)

[7 story](#) in a Radio Australia interview. As he says, the program brought into question “the credibility of the journalist” who produced it. PNG Prime Minister Peter O’Neill [called](#) it “the Australian media’s most ill-researched, mischievous and misinformed piece of journalism coverage on PNG affairs.”

Update: Channel 7 has now [issued a statement here](#) denying that it alleged that \$1.7 billion of Australian aid money had been stolen each year in PNG. While it is true that they never made that allegation, they explicitly stated that ‘Australia’s aid is being lost to corruption’ and ‘most of Australia’s aid is effectively wasted’, without providing any evidence to back up these claims. Interestingly, the Channel 7 statement includes the problematic aid-for-a-hospital statement by Prof Sharman analysed in our post. On a more positive note, the claims of money laundering aired by the report have led to a response from the Australian Government, which can be found [here](#).

About the author/s

Stephen Howes

Stephen Howes is Director of the Development Policy Centre and Professor of Economics at the Crawford School of Public Policy at The Australian National University.

Ashlee Betteridge

Ashlee Betteridge was the Manager of the Development Policy Centre until April 2021. She was previously a Research Officer at the centre from 2013-2017. A former journalist, she holds a Master of Public Policy (Development Policy) from ANU and has development experience in Indonesia and Timor-Leste. She now has her own consultancy, Better Things Consulting, and works across several large projects with managing contractors.

Link: <https://devpolicy.org/australian-aid-to-png-no-net-benefit-20130830/>

Date downloaded: 9 May 2024



Australian
National
University

The Devpolicy Blog is based at the Development Policy Centre, Crawford School of Public Policy, College of Asia and the Pacific, Australian National University.