



## PRIME MINISTER

FOR MEDIA

24 MAY 1989

Today, the Hon. Rabbie Namaliu, Prime Minister of Papua New Guinea and I signed a Treaty on Development Cooperation between our two countries. This Treaty sets out the arrangements relating to future development cooperation between Australia and Papua New Guinea. The Treaty has been framed in the context of the Joint Declaration of Principles which our two countries signed in December 1987, and which we agreed should guide the development of relations between us. Under the terms of the Treaty, Australia will provide Papua New Guinea with assistance totalling \$1.5 billion over the next five years.

In reaching agreement on our future aid program, Prime Minister Namaliu and I have agreed that as revenue from Papua New Guinea's mineral resource developments begins to increase in the mid-1990s it will be possible, and indeed desirable, for Australia eventually to phase out direct budget support. This is expected to occur by the year 2005, and sooner if this can be achieved. Concomitantly, our annual project aid grants will increase modestly in accordance with Papua New Guinea's capacity to absorb such aid.

While the total financial outlays will remain for some time the biggest single item in Australia's Aid Program (29 per cent in 1988/89), the amounts on which Prime Minister Namaliu and I have reached agreement represent a decline of 16 per cent in real terms in the total level of aid to PNG over the next five years. For this period, budget support is expected to fall from 15 to 10 per cent of PNG's total budget revenues, compared to 27 per cent in the early 1980s.

The new aid levels should also be viewed in the context of Australia's favourable trade balance with PNG. In 1988, Australian exports to PNG, our closest neighbour, amounted to \$776 million, compared with PNG exports to Australia of \$100 million. In addition PNG, where over 15,000 Australians live, ranks as a major destination for Australian investment overseas. The new Treaty opens the way for the introduction of more commercially-related assistance from which the two countries would derive mutual benefit.

ANNUAL AID DISBURSEMENTS TO PAPUA NEW GUINEA  
FINANCIAL YEARS 1989-90 TO 1993-94

<u>Financial Year</u>	<u>Budget Support</u>	<u>Project Aid</u>	<u>Total</u>
	\$m	\$m	\$m
1989-90	275	20	295
1990-91	275	25	300
1991-92	275	30	305
1992-93	275	30	305
1993-94	260	35	295
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