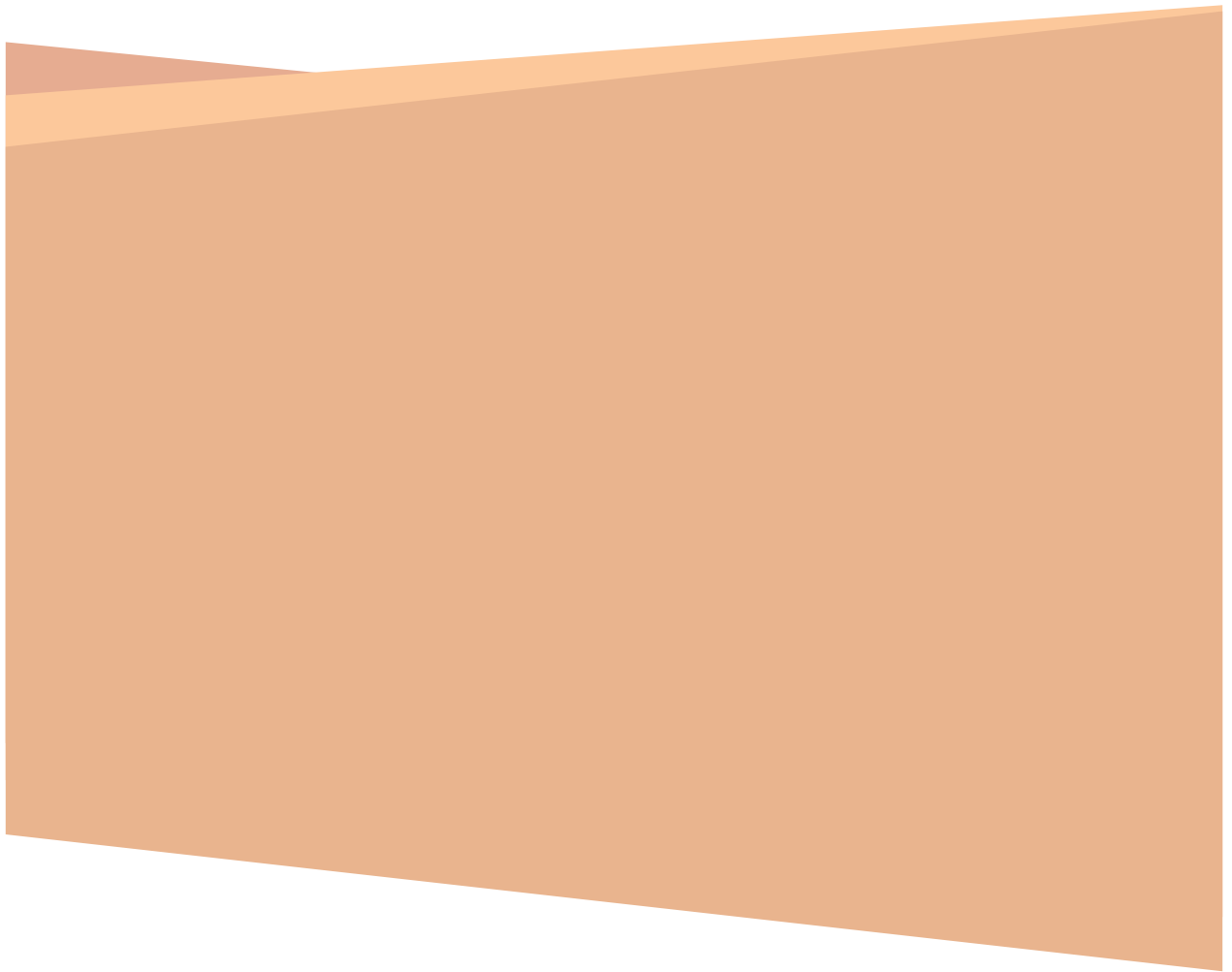


Part 2

Report on performance

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Statement of preparation

I, as the accountable authority of the Department of the Treasury, present the 2015-16 annual performance statement of the Department of the Treasury, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, the annual performance statement is based on properly maintained records, accurately reflects the performance of the entity and complies with subsection 39(2) of the PGPA Act.

A handwritten signature in black ink, reading "John A. Fraser". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John A. Fraser
Secretary to the Treasury

Introduction

Australia is in the midst of a critical economic period. Our country faces fiscal challenges at home and ongoing uncertainty abroad — and this underscores the importance of the Treasury continuing to provide well-rounded advice to the Australian Government.

In a difficult environment, the Treasury is focused on delivering what we see as our three key priorities: promoting fiscal sustainability, increasing productivity and participation, and securing the benefits of global economic integration.

In the last year the Treasury coordinated the preparation of the Federal Budget and other fiscal documents. We also released the Pre-election Economic and Fiscal Outlook — in consultation with the Secretary of the Department of Finance — and made it available within ten days of the general election writs being issued.

The Treasury continued to support the Government's financial relations with the States and Territories. This included providing general revenue assistance of \$58 billion in accordance with the Intergovernmental Agreement on Federal Financial Relations.

Finally, at the global level, the Treasury continued to promote Australia's economic and strategic interests through engagement with the G20 and a range of international financial and economic organisations. We participated in the establishment of the Asian Infrastructure Investment Bank and continued to engage closely with international financial institutions on policy reform — as well as supporting the Treasurer in his role as governor of these institutions.

This is only a brief overview of what the Treasury achieved in 2015-16. The performance statements that detail the work the Treasury delivered for the Australian Government — and the Australian people — over the past year.

Treasury's purpose

The Treasury serves the Australian people by assisting Treasury Ministers to discharge their responsibilities (Outcome 1). The Treasury does this by playing an important role as the pre-eminent economic adviser.

The Treasury provides advice across a range of issues: from tax, the Budget and the economy; to financial, foreign investment, competition and broader structural policy; and from small business to international economic policy. The Treasury also manages, on behalf of Treasury Ministers, payments to the States and Territories, international financial institutions and payments to support markets and business.

The specific matters on which Treasury advises are fluid. They are derived from our current operating environment and by having an eye to the future. At a high-level, the Treasury priorities are:

1. Promoting fiscal sustainability
2. Increasing productivity and workforce participation
3. Securing the benefits of global economic integration.

Performance results

This section reports on the Treasury's actual performance results achieved in 2015-16 against the Treasury's purpose and the performance criteria published at the beginning of the reporting period in the Corporate Plan and Portfolio Budget Statements.

The following section provides an analysis of the Treasury's performance that cuts across the department's three priorities.

Advice to government

What did we want to achieve?^(a)	Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. That advice should be timely, of high quality and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.
What did we achieve?	The Treasury provided ongoing advice that sought to meet the Government's needs in administering its responsibilities and making and implementing decisions.
How did we achieve it?	The Treasury provided a range of ministerial correspondence such as ministerial briefs, ministerial submissions, Question Time briefs, Parliamentary Questions on Notice, Senate Estimate briefs and Senate Estimate Questions on Notice to Treasury Ministers.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Treasury publications

What did we want to achieve?^(a)	Published reports and other information that seeks to stimulate and inform government and public debate through robust analysis, modelling and research.
What did we achieve?	The Treasury produced a range of publications including budget documents (Budget, Mid-Year Economic and Fiscal Outlook, Final Budget Outcome and Pre-election Economic and Fiscal Outlook), Government Responses (Financial System Inquiry, Competition Policy Review) and other working papers (Foreign Investment into Australia).
How did we achieve it?	The Treasury consulted with a diverse range of stakeholders to obtain broad input and alternative perspectives when developing policy.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Legislation

What did we want to achieve?^(a)	Legislation progressed by Treasury is in accordance with principles of good law design and is delivered according to government priorities.
What did we achieve?	The Treasury delivered a wide range of Bills and subordinate legislation of highest priority to the Government, including Budget measures, measures to implement the National Innovation and Science Agenda and measures in the Government's response to the Financial System Inquiry.
How did we achieve it?	The Treasury instructed the Office of Parliamentary Counsel, prepared explanatory and related material in consultation with relevant stakeholders.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Workforce capability

What did we want to achieve?^(a)	Workforce capability is retained in a competitive labour market.
What did we achieve?	The Treasury's attrition rate in 2015-16 continues to be low at 9.8 per cent.
How did we achieve it?	The Treasury prides itself on its ongoing support and training for staff to develop the skills and knowledge that helps career advancement. The Treasury offers in-house courses related to a range of different capabilities such as management, leadership, writing, presentation, communication skills, policy skills and culture. The Treasury also provides opportunities for further study.

(a) Source: 2015-16 Treasury Corporate Plan.

Establishment of the Treasury offices in Sydney and Melbourne

What did we want to achieve?^(a)	Capability is built through the effective operation of the Treasury's Sydney office and progress towards establishing a Treasury office in Melbourne in 2015.
What did we achieve?	The Sydney office was established in August 2015 and the Melbourne office was opened in June 2016. There are 51 staff located in the Sydney and Melbourne offices, including people on secondment from the private sector and government agencies. In 2015-16, a number of new staff joined the Treasury in the Sydney and Melbourne offices.
How did we achieve it?	Establishment of Treasury offices in Sydney and Melbourne sought to attract talented private-sector specialists in particular areas such as tax, the financial system and foreign investment.

(a) Source: 2015-16 Treasury Corporate Plan.

Working with the private sector

What did we want to achieve?^(a)	Strengthen links with the private sector, non-government organisations, academia and other policy-focused institutions.
What did we achieve?	The Treasury strengthened its links with other organisations through the structured exchange of staff in its Secondment Program and through the payment of grants to support the work of these organisations.
How did we achieve it?	The establishment of state offices facilitates strong private-sector relationships including providing a base for private-sector secondees. The Treasury made grant payments of \$2.9 million to a range of private sector, non-government organisations, academia and other policy-focused institutions in 2015-16 to support government priorities.

(a) Source: 2015-16 Treasury Corporate Plan.

Promoting fiscal sustainability

Providing rigorous and informed advice on the Government's fiscal strategy, tax and expenditure policies

What did we want to achieve?^(a) Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of high quality and based on objective and thorough understanding of issues and a whole-of-government perspective.

Performance is measured through formal and informal feedback mechanisms.

What did we achieve? The Treasury assisted the Government in implementing its medium-term fiscal and budget repair strategies by managing budget processes and advising on the overall budget strategy and priorities.

The Treasury provided advice to the Government on the package of superannuation measures in the 2016-17 Budget.

The Treasury advised on social and economic policies in education, employment, immigration, families, health, ageing, disability, Indigenous and justice issues, transport infrastructure, industry policy, environment, energy and resources, agriculture, communications and regional policy.

How did we achieve it? The Treasury advised the Government on its fiscal strategy to return the budget to surplus over the medium term, while managing the effects of weaker nominal GDP growth and weaker-than-expected wages and inflation.

The Treasury consulted with a diverse range of stakeholders to obtain broad input and alternative perspectives when developing policy. The Treasury consulted extensively on tax and superannuation policy which informed the Government's tax reform program announced in the 2016-17 Budget.

The Treasury consulted with stakeholders when drafting legislation.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Coordinating the preparation of the Commonwealth Government Budget and other documents

What did we want to achieve?^(a) A timely, high-quality, accurate and transparent Budget, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome documents that meet the expectations of the Government, the Parliament and the public.

Annual evaluation of the Budget preparation and coordination process.

What did we achieve? The Treasury coordinated the preparation of the Commonwealth Government Budget and other fiscal documents. The budget was produced on an accelerated timetable following the decision to bring forward the budget date by one week. All fiscal reports were published, tabled and made publically available within the required statutory timeframes. The results reported are consistent with those of 2014-15.

In May 2016, the Secretary of the Treasury, jointly with the Secretary of the Department of Finance, released the Pre-election Economic and Fiscal Outlook report. This was released within 10 days of the issue of the writs for a general election on 16 May 2016.

How did we achieve it? The Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government budget position over the forward estimates and the medium term. This informed overall policy settings and provided context for decision-making. The fiscal outlook was updated at the 2015-16 Mid-Year Economic and Fiscal Outlook and the 2016-17 Budget.

The department provided advice to the Secretary in the context of the 2016 Pre-election Economic and Fiscal Outlook and released the report in accordance with requirements under the Charter.

The Treasury worked with the Department of Finance and other government departments and agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Supporting the Commonwealth Government's financial relations with State and Territory governments

General revenue assistance

Under the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement), the States and Territories are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST. This funding is provided to the States and Territories without conditions, to spend according to their budget priorities.

What did we want to achieve?^(a)	<p>Support the Commonwealth's financial relations with the States and Territories. Performance is assessed on:</p> <ul style="list-style-type: none"> ▪ general revenue assistance payments to the States and Territories reflecting the requirements, amounts and timeframes specified in the Intergovernmental Agreement ▪ the States and Territories receive GST revenue data on a monthly, quarterly and annual basis ▪ an estimate of annual net GST receipts is maintained.
What did we achieve?	<p>In accordance with the Intergovernmental Agreement, total general revenue assistance of \$58.0 billion was provided to the States and Territories. Payments included:</p> <ul style="list-style-type: none"> ▪ GST entitlements totalling \$57.4 billion ▪ payments to Western Australia of a share of royalties collected by the Commonwealth under the <i>Offshore Petroleum (Royalty) Act 2006</i> totalling \$567.7 million ▪ other general revenue assistance payments totalling \$96.5 million ▪ The Treasury recouped \$679.6 million in GST administration costs in 2015-16.
How did we achieve it?	<p>The Treasury achieved this by ensuring that:</p> <ul style="list-style-type: none"> ▪ all general revenue assistance payments to the States and Territories reflected the requirements, amounts and timeframes specified in the Intergovernmental Agreement ▪ monthly, quarterly and annual GST revenue data were provided to the States and Territories in accordance with the requirements of the Intergovernmental Agreement.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.4.

Payments for specific purposes

The Commonwealth provides financial support to the States and Territories to deliver services in the health, skills and workforce development, disability and affordable housing sectors under the National Health Reform Agreement and through National Specific Purpose Payments (National SPPs).¹

The Commonwealth also provides the States and Territories with funding for specific purposes in these and other sectors under a range of National Partnership agreements .

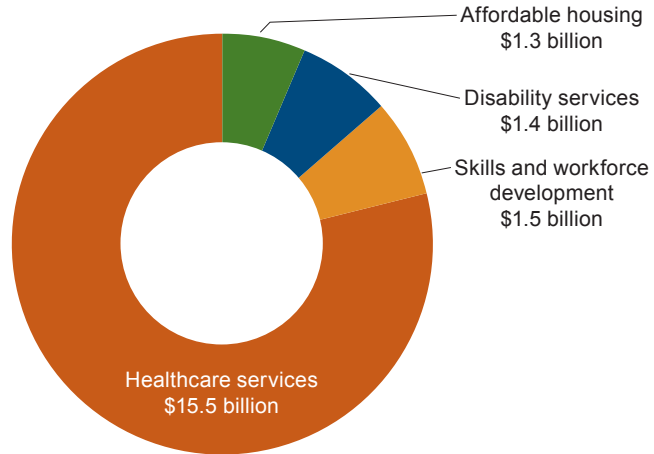
- What did we want to achieve?^(a)** Support the Commonwealth's financial relations by:
- providing funding for service delivery in specific sectors under the National Health Reform Agreement and through National SPPs on the dates specified in the Intergovernmental Agreement
 - making payments for specific purposes under National Partnership agreements that reflect the amounts and timeframes set out in each of the National Partnership agreements and any related agreements
 - providing advice to the States and Territories prior to each payment being made.

¹ The Commonwealth also provides financial support to the States and Territories to deliver services in the education sector, which is administered under the Education portfolio. Refer to the Department of Education and Training for details of this funding.

What did we achieve?

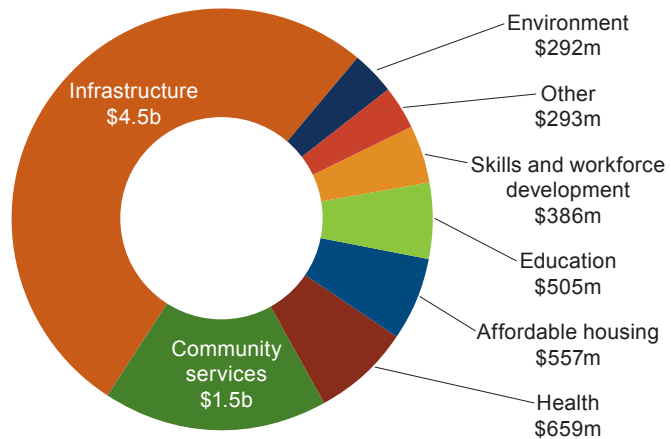
National Health Reform and National SPPs: In 2015-16, the Treasury made payments of \$21.4 billion to the States and Territories to deliver services in the health, skills and workforce, disability and affordable housing sectors (see Figure 4).

Figure 4: Payments made under the National Health Reform and National SPPs in 2015-16



National Partnership payments: In 2015-16, the Treasury made National Partnership payments of \$8.6 billion for specific purposes across a range of sectors (see Figure 5)².

Figure 5: National Partnership payments in 2015-16



² These figures exclude payments not administered by the Treasury, such as Local Government Assistance and Financial Assistance Grants.

How did we achieve it?

The Treasury achieved this by:

- transferring to each State and Territory its monthly and annual entitlements under the National Health Reform Agreement and National SPPs
 - making monthly payments to the States and Territories that reflect the requirements, amounts and timeframes set out in each National Partnership agreement and any related agreements
 - making the payments on the dates specified in the Intergovernmental Agreement
 - providing advice to the States and Territories on the components of each monthly payment before it was made.
-

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Programs 1.5-1.9.

Supporting Commonwealth-State relations

What did we want to achieve?^(a) Support the Commonwealth relationship with the States and Territories by:

- advising on joint policy and reform agendas
- advising on the operation of the federal financial relations framework including the development of National Partnerships and other agreements
- facilitating meetings between Commonwealth and State and Territory treasurers and treasuries to consider and develop reforms that impact on the federal financial relations framework and other key policies.

What did we achieve? Treasury provided advice on key cross-jurisdictional issues such as tax reform, competition reform, horizontal fiscal equalisation and vertical fiscal imbalance.

Treasury contributed analysis and advice to the review of the Federation, led by the Department of Prime Minister and Cabinet.

Treasury advised on the operation of the federal financial relations framework, including the development of new National Partnerships and other agreements to implement the Government's policy and reform agenda.

Treasury helped develop the policy agenda, and performed secretariat functions, for meetings of the Council on Federal Financial Relations (CFFR) and Heads of Treasuries (HoTs).

How did we achieve it? Treasury liaised with the States and Territories on tax and competition reform as part of a joint policy agenda, including through CFFR and HoTs meetings.

Treasury liaised with the States and Territories and other agencies to develop and finalise National Partnerships and other agreements to facilitate payments to the States and Territories for the delivery of projects, services and reforms.

Treasury facilitated three CFFR meetings and six HoTs meetings in 2015-16.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Increasing productivity and workforce participation

Implementation of the Growing Jobs and Small Business Package

What did we want to achieve?^(a) Create better conditions for Australian small businesses to start, thrive, invest and grow; and help employers create new jobs and assist Australia's unemployed to access these jobs.

Performance is measured through increased activity and profitability of small businesses to support economic growth.

What did we achieve? The measures announced in the 2015-16 Budget that have been implemented to assist small businesses include:

- A 1.5 percentage point tax cut (from 30 per cent to 28.5 per cent) for small companies with annual turnover less than \$2 million from 1 July 2015.
- A 5 per cent tax discount for small unincorporated businesses with annual turnover less than \$2 million from 1 July 2015, capped at \$1,000.
- An immediate deduction for each and every business asset costing less than \$20,000 that is purchased between 7:30 PM 12 May 2015 and 30 June 2017 for businesses with annual turnover less than \$2 million. Previously the threshold was \$1,000.
- Greater flexibility for small businesses to adapt if they realise a chosen legal structure no longer suits their business needs by allowing small businesses with an aggregated turnover less than \$2 million to change legal structure without attracting a capital gains tax liability at that time.

The \$5.5 billion Growing Jobs and Small Business package is complemented by small business policies announced in the 2016-17 Budget but which are yet to progress through the Parliament.

How did we achieve it? The Treasury consulted with stakeholders and provided advice and input to the Government's small business agenda with a focus on small business policy, deregulation, productivity and innovation.

(a) Source: 2015-16 Treasury Corporate Plan.

Delivering the Government's response to the Financial System Inquiry

What did we want to achieve?^(a) Increases in productivity through developing and implementing reforms that result in a resilient, efficient and innovative financial system that meets the needs of consumers.

Performance is assessed on the delivery of timely advice based on objective and thorough understanding of the issues and from a whole-of-government perspective, as well as on the development of stakeholder support for timely implementation of the Government's policy priorities.

What did we achieve? The Government's response to the Financial System Inquiry was released on 20 October 2015. The response outlined a comprehensive reform program of 48 measures to deliver a financial system that is resilient, efficient and fair.

As of 30 June 2016, measures on unfair contract term protections for small businesses, unclaimed monies and maintaining the ex-post Financial Claims Scheme structure were fully implemented. Legislation was enacted for resilience and collateral protection and the banning of excessive credit card surcharging.

In addition, multiple pieces of legislation for superannuation, crowd-sourced equity funding and life insurance remuneration measures were introduced to Parliament. A number of other pieces of legislation have been progressed to an advanced stage of development. Terms of reference were prepared for government-commissioned reviews into the efficiency of the superannuation system and on the availability and use of data. The Government has announced that it will legislate an objective for superannuation following consultation on a public discussion paper.

How did we achieve it? The Treasury coordinated the Government's consultation on the recommendations of the Financial System Inquiry (the Inquiry) following the release of the final report in December 2014. The consultation included wide-ranging bilateral meetings and industry roundtables, and consideration of more than 180 submissions received in response to the release of the Inquiry's recommendations. The Treasury provided ongoing advice to the Government as it considered its response to the Inquiry's recommendations.

The Treasury worked in close consultation with other agencies and stakeholders in developing and progressing the implementation of the Government's priority policy measures.

(a) Source: 2015-16 Treasury Corporate Plan.

Delivering the Government's response to the Competition Policy Review

What did we want to achieve?^(a) Increases in productivity through strengthening competition policy, law and institutions to ensure that markets function efficiently in the long-term interests of consumers.

Performance is assessed and measured based on the development and delivery of timely, well-considered advice regarding the implementation of the Competition Policy Review and the level of consultation undertaken to inform the Government's response to the Review.

What did we achieve? The Treasury assisted the Government in announcing its response to the Competition Policy Review in November 2015. Further assistance was provided for the Government's response to the Review's recommendation on the misuse of market power provisions of the *Competition and Consumer Act 2010*.

How did we achieve it? The Treasury conducted extensive consultation on the March 2015 final report of the Harper Review in the lead-up to the release of the Government's response. This included bilateral meetings and consideration of over 220 submissions on the Review's final recommendations and subsequent consultation on misuse of market power. The Treasury continues to provide advice to the Government on the implementation of the Government's response to the review, including in relation to legislative amendments and intergovernmental negotiations with the States and Territories.

(a) Source: 2015-16 Treasury Corporate Plan.

Supporting the Government's reforms of the tax system

What did we want to achieve?^(a) To assist the Government during its tax reform process and to develop its tax reform package.

Performance is assessed on the Treasury's ability to support public engagement and to provide timely advice, costings, modelling and documentation of the Government's tax package that meets the needs of the Government in making decisions and engaging with the public on tax issues.

Performance is measured by the breadth of consultations and level of public engagement in the tax reform process and timely production of high-quality publications.

What did we achieve? The Government adopted a suite of tax and superannuation reforms. The major components of this reform program were a Ten-Year Enterprise Tax Plan, a Superannuation Reform Package, a Tax Integrity Package and other tax measures, including applying GST to low-value imported goods.

How did we achieve it? The Treasury assisted the Government throughout its tax reform process, including through the release of a website and Tax Discussion Paper in March 2015. This was followed by extensive consultations, including more than 110 stakeholder meetings on tax reform throughout Australia with a wide range of stakeholders. In addition, more than 870 submissions were received and analysed following the release of the Tax Discussion Paper.

Treasury prepared advice, costings, modelling and budget documentation of the Government's Tax and Superannuation Package released as part of the 2016-17 Budget. The Tax Reform Task Force, set up within Revenue Group, coordinated the preparation of much of the material.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing the Government's regulatory reform agenda and supporting the reduction of red tape

What did we want to achieve?^(a) Net reductions in the regulatory burden on business, individuals and community organisations and contributions to productivity-enhancing regulatory reform, while administering regulation in a proportionate, risk-based manner and minimising the regulatory burden imposed by new regulations.

Performance is assessed on net reductions achieved in regulatory burden, compliance with regulation impact analysis requirements and implementation of the framework for minimising the burden created in administering regulation.

Performance is measured by net reductions in regulatory burden, as measured under the Regulatory Burden Measurement framework, implementation of a Regulator Performance Framework by nine portfolio regulators and compliance with the Regulation Impact Statement requirements of the Office of Best Practice Regulation (OBPR).

What did we achieve? The Treasury portfolio made progress in reducing red tape imposed on businesses, community organisations and individuals and reforming regulation. Since the 2013 election, the Treasury has contributed to more than an estimated \$1.32 billion in compliance cost savings (as at 30 June 2016).

Savings in this area have contributed significantly to the Government's commitment to reduce red tape by \$1 billion each year.

The Regulator Performance Framework was implemented by the nine portfolio regulators to which it applies. The Framework covers regulators across the Commonwealth and aims to minimise the burden created in administering regulation.

The OBPR reported that the Treasury portfolio was fully compliant with Regulation Impact Statement requirements for 2015-16.

How did we achieve it?

In late 2014, the Treasury completed a stocktake of existing red tape as at September 2013, which revealed a total annual compliance burden in the Treasury portfolio of \$47 billion. This represents the majority of the \$65 billion in compliance costs identified across the Commonwealth. The stocktake has assisted in prioritising areas of reform.

The Treasury guided the implementation of the Regulator Performance Framework by nine portfolio regulators. Regulators developed performance metrics in consultation with key stakeholders ahead of the commencement of the Framework on 1 July 2015. Regulators will self-assess their performance against the metrics in each year from 2015-16 onwards and the Treasury will continue to engage with regulators and stakeholders throughout this process.

The Treasury has completed compliant Regulation Impact Statements where required.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing improvements to the foreign investment framework

What did we want to achieve?^(a) The facilitation of foreign direct investment to support economic growth while ensuring national interest concerns are appropriately addressed.

Performance is measured by a set of outcomes-based indicators and metrics outlined in the Regulator Performance Framework. Proposed and actual foreign investment will become clear as data-capture methods and externally-validated self-assessment and stakeholder feedback models develop.

What did we achieve? The Foreign Investment and Trade Policy Division provided advice on the Government's regulatory framework for inbound foreign investment and developed a reform package to strengthen the foreign investment framework. The Foreign Investment Review Board advised the Treasurer on an increased number of sensitive, significant investment proposals with recommendations supported by deep engagement and consultation with industry and all levels of Government.

The reforms represent the most significant changes to the foreign investment framework in about 40 years and include the introduction of application fees, stronger penalties for non-compliance, increased scrutiny and transparency around foreign investment in agriculture and a comprehensive modernisation of the foreign investment legislation to reduce system complexity and compliance costs for investors.

How did we achieve it? Enhancing consultation frameworks with a range of State, industry and peak body representatives, the Foreign Investment and Trade Policy Division provided advice and recommendations on an increased number of significant and complex foreign investment cases to the Foreign Investment Review Board and Treasury Ministers, underpinned by industry engagement.

Seeking a deeper understanding of foreign investment, the Division conducted over 50 stakeholder engagements in the year, from banking to retail, peak bodies and commercial industry groups. The establishment of the Melbourne office continues this trend.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing the Asset Recycling Initiative and the Northern Australia Infrastructure Facility to support increased investment in infrastructure across the economy

What did we want to achieve?^(a) Increases in productivity by enabling investment in economic infrastructure.

Performance is based on:

- providing advice to the Treasurer on Asset Recycling Initiative (ARI) proposals put forward by States and Territories
- undertaking due diligence and providing advice to the Treasurer on the achievement of performance milestones by States and Territories
- administering payments to the States and Territories in accordance with the National Partnership Agreement on Asset Recycling.

Advising the Treasurer on implementation of the Northern Australia Infrastructure Facility (NAIF).

What did we achieve? Asset Recycling Initiative agreements have been finalised with New South Wales, the Australian Capital Territory and the Northern Territory. The Treasury advised on and implemented the ARI that contributes to increased investment in productivity-enhancing infrastructure by encouraging States and Territories to divest state-owned assets and recycle the proceeds into additional productive infrastructure.

The Treasury has advised on establishing the NAIF. Portfolio responsibility for the NAIF moved to the Department of Industry, Innovation and Science in September 2015. Treasury seconded officers to that department to assist with implementation between September 2015 and February 2016.

How did we achieve it? The Treasury worked with States and Territories through the development of their Asset Recycling Initiative proposals in accordance with the eligibility criteria outlined in the National Partnership Agreement on Asset Recycling. The Treasury provided advice on agreements with jurisdictions.

The department advised the Treasurer on the design and implementation of the NAIF and consulted with stakeholder governments in Western Australia, Northern Territory and Queensland and a wide range of businesses.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.9.

Housing Loans Insurance Company Limited

What did we want to achieve?^(a) Payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are accurately determined and are made according to agreed schedules.

What did we achieve? The Housing Loans Insurance Company Limited pre-transfer contract portfolio was managed to ensure all liabilities arising from claims under this portfolio were met and any related debts were recovered.

There were no payments made in 2015-16.

How did we achieve it? By providing continued administration of debt recovery activities.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Australian Small Business Advisory Services and Small Business Support Line

What did we want to achieve?^(a) Improve the capacity of not-for-profit small business service providers to deliver low-cost advisory services to small businesses and provide a first point of contact to access helpful information, practical tools and referral services to improve small business performance and sustainability.

Performance is measured by the number of additional services provided to enterprising people through the Australian Small Business Advisory Services (ASBAS) (target of 25,000) and the Small Business Support Line (SBSL) (target of 26,700).

What did we achieve? Currently available data indicate that Treasury is tracking to exceed its targets to deliver 25,000 additional ASBAS services and 26,700 SBSL services in 2015-16:

- 25,990 ASBAS services were provided to small businesses in the 12 months to March 2016
- 38,075 small business and new starter contacts (phone, email and webchat) were received by the Single Business Service in 2015-16.

The Single Business Service (one contact centre, website and national network) has included specialist agents for SBSL since 1 July 2014.

How did we achieve it? ASBAS services were provided to small businesses through the program's 34 notforprofit service providers. A national conference was held for ASBAS providers to improve knowledge, coordination and access to information relevant to small businesses. The ASBAS program was delivered through the Department of Industry, Innovation and Science on behalf of the Treasury.

The SBSL (a terminating program that ceased on 30 June 2016) was delivered through the suite of business services offered via the business.gov.au support line. The service was delivered by the Department of Industry, Innovation and Science on behalf of the Treasury.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Securing the benefits of global economic integration

Continued involvement with the G20 Finance Ministers' and Central Bank Governors' meetings

What did we want to achieve?^(a) Promotion of Australia's economic and strategic interests through engagement with the G20, particularly through the Finance Ministers' and Central Bank Governors' meetings.

The Treasury will be assessed by the level of involvement with, and influence in, the Finance Ministers' and Central Bank Governors' meetings.

What did we achieve? The Treasury supported four G20 Finance Ministers' and Central Bank Governors' meetings in 2015-16, as well as provided support for four finance and Central Bank deputies' meetings. The Treasury was active in the G20 Framework Working Group, which focused on members' efforts to lift growth and make progress on the G20 ambition to lift collective GDP by an additional 2 per cent by end-2018. This was one of the goals set for the G20 in Australia's host year in 2014. The Treasury participated in the G20 Green and Climate Finance study groups and the International Financial Architecture Working Group.

In 2015-16, the Treasury championed G20 action to enhance tax transparency and improve international tax rules. Through interactions with other countries and in G20 meetings, the Treasury encouraged progress on the exchange of tax information, beneficial ownership transparency and implementing actions to address base erosion and profit shifting. These actions help restore public trust in governments and distribute the benefits of economic growth more equitably.

How did we achieve it? The Treasury promoted Australia's domestic interests within the G20 and progressed domestic reforms. Reporting from overseas posts, knowledge of macroeconomic developments and bilateral relationships were used to provide advice to the Government. The department produced briefings for the Treasurer and other ministers involved in G20 meetings and provided on-the-ground support and attended senior officials meetings and working groups. The Treasury worked with other Australian agencies such as Department of Foreign and Trade and Prime Minister and Cabinet and counterparts in G20 countries to progress particular issues.

(a) Source: 2015-16 Treasury Corporate Plan.

Liaising closely in supporting the Global Infrastructure Hub

What did we want to achieve?^(a) Provision of advice to the Australian Board member of the Global Infrastructure Hub (GIH) to assist it to implement the G20 infrastructure agenda with the aim of increasing high-quality infrastructure investment. Provision of funding to the Hub and assurance that the funds are spent according to the memorandum of understanding (MOU) between the Treasury and the GIH.

What did we achieve? This year the GIH delivered:

- a Knowledge Sharing Report (outlining deliverables of the GIH's Knowledge Sharing Platform) that was requested by G20 leaders at the November 2015 Antalya Summit
- a Field Guide to Infrastructure Resources, designed to increase industry awareness of available information and best practice
- interactive Public-Private Partnerships Risk Allocation Matrices.

How did we achieve it? The Treasury supported the GIH in connections with other countries and providing direction on the GIH work plan. In addition, Treasury officials met regularly with GIH staff throughout the year. The Secretary of the Treasury is the Chairman of the GIH.

In 2015-16, the Treasury promoted the GIH work to increase the availability of quality, bankable infrastructure projects through its membership of the G20 and APEC.

The Treasury provided funding to the GIH in accordance with the MOU.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Supporting continuing reform of international financial institutions and close management with regional financial forums

What did we want to achieve?^(a) Provision of support to, and continuing reform of, the international financial institutions.

Performance is assessed by the timeliness and accuracy of transactions with international financial institutions, including the International Monetary Fund. A target of 100 per cent of transactions being timely and accurate is set.

What did we achieve? Treasury provided advice and support to Australia's constituency offices at the IMF, World Bank and Asian Development Bank (ADB) and to the Treasurer in his role as Australia's IMF, World Bank and ADB Governor. This included policy advice relating to the subject of Board of Governor votes. Treasury supported the ministers' participation in annual meetings and delegation visits.

In 2015-16, the Treasury managed financial transactions in accordance with its obligations to international financial institutions, including to support the IMF's lending programs, the World Bank's International Bank for Reconstruction and Development and the ADB. These payments were timely and accurate.

Previously-agreed reforms to IMF quota and governance arrangements came into force on 26 January 2016 after reaching the necessary level of acceptance from the IMF's members. Treasury completed payment of Australia's resulting IMF quota increase (SDR 3,336 million, approximately A\$6.5 billion) on 8 February 2016.

Treasury worked collaboratively with the World Bank to finalise the 2015 shareholding review to ensure member shareholdings reflect the size of their economies. Treasury worked with the ADB and supported the merger of its two major lending arms, the Asian Development Fund and the Ordinary Capital Resources. This reform increases the ADB's lending capacity.

How did we achieve it? The Treasury worked with international financial institutions and contributed to policy reform, particularly through support to the IMF and World Bank Executive Directors representing Australia on the relevant boards. The department supported the Treasurer in his role as Governor of the various international financial institutions to ensure Australia is best placed to help shape important reforms.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.2.

Board membership of the newly-created Asian Infrastructure Investment Bank

What did we want to achieve?^(a) Through membership of the Asian Infrastructure Investment Bank (AIIB) Board, the Treasury strengthens China's commitment to effective multilateralism to increase infrastructure investment in the region.

The Treasury ensures that Australia's \$1 billion contribution to the AIIB is well invested.

What did we achieve? Treasury was active in the negotiations to form the AIIB, of which China is the largest shareholder, to ensure it would be established as an effective, accountable and transparent organisation, with standards comparable to those of other Multilateral Development Banks (MDBs). The AIIB's Articles of Agreement provide a framework for the Bank to address the significant infrastructure gap in the region, complementing the work of the existing MDBs.

Since the AIIB formally commenced in December 2015, the Treasury has been active on its Board in supporting the development of appropriate foundation governance, risk management and operational policies.

How did we achieve it? The Treasury has provided leadership of a constituency on the Board of Directors (comprising New Zealand, Singapore and Vietnam). The Board of Directors met three times during 2015-16. The Australian Director was prominent in discussions on key issues, including consideration of the Bank's first tranche of project lending proposals.

Through a contribution of about \$1 billion in paid-in capital (to be paid over its first five years), Australia has a leading role in the AIIB. This contribution is the sixth largest country shareholding (3.76 per cent of the total capital allocation).

(a) Source: 2015-16 Treasury Corporate Plan.

Analysis of performance against the Treasury's purpose

This section provides an analysis of the factors that have contributed to the Treasury's performance in achieving its purpose in 2015-16.

Against a backdrop of an ever changing operating environment, the Treasury assisted Treasury Ministers to discharge their responsibilities by providing advice across a range of issues: from tax, the Budget and the economy; to financial, foreign investment, competition and broader structural policy; and from small business to international economic policy. The Treasury's advice was informed and supported by the following environmental factors:

- Fiscal challenges such as an ageing population and the risks associated with an economy transitioning from a mining investment boom to broader-based drivers of growth.
- The global economy which has continued to provide downside risks for domestic growth.
- Australia's average labour productivity growth over recent years has continued broadly in line with its long run average, but, notwithstanding this, since the peak in the terms of trade in 2011 living standards in Australia have been falling as the rest of the world is paying us less for what we produce.
- Risks to the global outlook have broadened, with concerns about slowing activity in emerging market economies as well as lower potential growth in advanced economies.
- Retaining capable staff in a competitive labour market.

Promoting fiscal sustainability

The Treasury provided advice on initiatives designed to reduce pressure on the Government's revenue base by improving the structure and integrity of the tax system.

In 2015-16, the Treasury:

- provided advice to the Government on fiscal strategy, tax and expenditure policies
- coordinated the preparation of the Commonwealth Government Budget and other documents required under the *Charter of Budget Honesty Act 1998*
- supported the Commonwealth Government's financial relations with the State and Territory governments.

Increasing productivity and workforce participation

The Treasury worked to increase productivity and workforce participation by:

- identifying trends in the economy and policies to raise Australia's growth potential
- advising on reforms to the tax system to make it internationally competitive and boost productivity and workforce participation
- driving productivity through microeconomic reforms to encourage well-functioning, efficient, competitive, and technology-neutral market systems.

Securing the benefits of global economic integration

The Treasury continued to secure the benefits of the global economic integration by:

- contributing advice on rebuilding fiscal buffers to reduce Australia's vulnerability to global shocks
- balancing opportunities and risks in relation to trade and investment flows through an understanding of Australia's place in a complex global economic context
- supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners
- contributing to reforming markets so they are more open, innovative and competitive.

