
The Parliament of the Commonwealth of Australia

Review of Foreign Affairs and Trade Portfolio Annual Reports 2001-2002

Joint Standing Committee on Foreign Affairs, Defence and Trade

Foreign Affairs Sub-Committee
Trade Sub-Committee
Human Rights Sub-Committee

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Foreword

This report is the result of the second general review by the Joint Standing Committee on Foreign Affairs, Defence and Trade of annual reports from the government agencies within its area of interest.

Traditionally, Senate committees, not Joint or House committees, have conducted general annual report reviews. The annual reports from the Foreign Affairs and Trade portfolio were originally reviewed for two main reasons:

- first, to make an active contribution to the processes by which the Parliament holds the Executive and its agencies to account; and
- second, to seek status reports on various policy and operational issues outlined in the annual reports.

For this review, however, the Committee decided to focus on the performance of agencies in delivering outcomes rather than subject matters of interest. The Committee also decided that the reviews should concentrate on a limited number of issues rather than the broad sweep approach used the previous year.

The Foreign Affairs Sub-Committee, the Trade Sub-Committee and the Human Rights Sub-Committee each conducted their own reviews relevant to their areas of interest. This report presents each of these reviews as individual chapters. Three public hearings were held in the course of the review, one by each of the Sub-Committees. A broad range of issues were canvassed at these hearings.

Not only has the review contributed to the accountability process, it has allowed us to consider issues which may warrant closer examination by way of specific inquiries.

Senator Alan Ferguson Committee Chair	Hon David Jull MP Chair Foreign Affairs Sub-Committee	Mr Bruce Baird MP Chair Trade Sub-Committee	Senator Marise Payne Chair Human Rights Sub-Committee
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Please note: All currency figures used in this report are in AUD\$ unless otherwise stated.

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Deputy Chair Hon L J Brereton, MP

Members	Senator A Bartlett (to 18/11/02)	Mr A M Byrne, MP
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List of abbreviations

ACTU	Australian Council of Trade Unions
ADB	Asian Development Bank
ADS	Australian Development Scholarships
AFP	Australian Federal Police
AII	Australia-Indonesia Institute
ANAO	Australian National Audit Office
ANU	the Australian National University
APEC	Asia Pacific Economic Cooperation
APLF	Asia Pacific Leadership Forum on HIV/AIDS development
APS	Australian Public Service
AusAID	Australian Agency for International Development
Austrade	Australian Trade Commission
CMIS	Consular Management Information Systems
CPRF	Community Peace and Restoration Fund
DFAT	Department of Foreign Affairs and Trade
EFIC	Export Finance and Insurance Corporation
ETPS	East Timor Police Service

FORSEC	Pacific Islands Forum Secretariat (administrative arm of the Pacific Islands Forum)
FTA	Free trade agreement
HREOC	Human Rights and Equal Opportunity Commission
HRTCP	Human Rights Technical Cooperation Program
IDA	International Development Association
IEPG	International Economics Policy Group
IFAD	International Fund for Agriculture Developments
KPI	Key performance indicator
KRA	Key Result Area
MAF	Multilateral Assessment Frame Work
MDG	Market Development Group (DFAT)
MDTF	Market Development Task Force
NGO	Non governmental organisation
NTB	Non tariff barrier
ONA	Office of National Assessments
ORE	Office of Review and Education
OTN	Office of Trade Negotiations (DFAT)
PM&C	(Department of) Prime Minster and Cabinet
PMR	Policy Management reform fund
PNG	Papua New Guinea
PPP	Purchasing power party
PRPM	Program Review and Planning Mission
QAG	Quality Assurance group

RAMSI	Regional Assistance Mission to the Solomon Islands
RBA	Reserve Bank of Australia
RSIP	Royal Solomon Islands Police
STD	Sexually transmitted disease
TPAC	Trade Policy Advisory Council
TSP	Transitional Support Program
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USP	University of the South Pacific
VCP	Virtual Colombo Plan
WFP	United Nations World Food Programme
WTO	World Trade Organisation

Foreign Affairs

Introduction

- 1.1 The annual reports of the Foreign Affairs and Trade portfolio agencies stand referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade for any inquiry the Committee may wish to make in accordance with a schedule tabled in the House by the Speaker. Early in this Parliament, the Committee reviewed the 2000-2001 annual reports from the Department of Defence, DFAT, AusAID and Austrade. It held two public hearings as part of this review, one convened by the Defence Sub-Committee and the other by the Foreign Affairs Sub-Committee.
- 1.2 The reviews were wide ranging and gave the Sub-Committees the opportunity to survey policy, operational and management issues; to seek status reports on key issues of interest and to follow-up issues canvassed in earlier committee reports.
- 1.3 For the review of its 2001-02 annual reports, the Committee decided to focus on the performance of agencies in delivering outcomes rather than focussing on subject matters of interest. The Committee also decided that the reviews should concentrate on a limited number of issues rather than the broad sweep approach of the previous year.

- 1.4 The Sub-Committees elected to develop separate programs of review. For its review, the Foreign Affairs Sub-Committee selected three items from the DFAT Annual Report and one from AusAID's Annual Report. The topics were:
- services to business;
 - consular/passport services;
 - support for policing in East Timor; and,
 - the Virtual Colombo Plan initiative.
- 1.5 The Sub-Committee also decided to examine the annual report of the Australia-Indonesia Institute with a view to achieving a broad understanding of the scope of the Institute's work.
- 1.6 A half-day public hearing was held in Canberra on Monday 3 February 2003 with officers from DFAT and AusAID and the Director of the Australia-Indonesia Institute in attendance.
- 1.7 This report provides a brief account of the issues examined during this hearing. The report also refers to answers to questions on notice which have been received from DFAT and AUSAID as submissions to the review.

General

- 1.8 Prior to examining the issues that were identified for this review, the Chair acknowledged the difficulty of applying rigid evaluation techniques to the area of international relations and the implications of crises such as the Bali bombings for effective evaluation. DFAT pointed out its capacity to apply hard and fast measures in some areas of its performance, crises notwithstanding, but also noted that 'one of the features of international relations these days is that you tend to be a little bit more reactive to developments outside of your control'.¹

1 Transcript of evidence, 3 February 2003, pp2-3 (Mr Varghese)

Services to Business (Output 1.3, Sub-Output 1.3.3, DFAT)

- 1.9 DFAT provides services to other agencies in Australia and overseas (including Parliament, State representatives, business and other organisations). Services to business include making arrangements for high-level consultative meetings, providing support for individual enterprises and facilitating this development.
- 1.10 Matters discussed/raised by the Sub-Committee included: the relationship between the trade division in DFAT and Austrade; clarification concerning statistics on the number of Australian businesses supported; level of use of the Department's website and services available to business on the website; and trade between Australia and China.

The relationship between the trade division in DFAT and Austrade

- 1.11 DFAT noted the success of the decision made in the late eighties to integrate the foreign affairs department and the trade department and outlined the respective responsibilities of the two agencies describing DFAT as taking advisory and representational roles and Austrade as performing a more promotional role. In response to the Sub-Committee's interest in the agencies' capacity to respond to crisis situations, it affirmed the capacity of each area of DFAT and Austrade to readjust after significant developments, as demonstrated after the Asian financial crisis.²

Clarification concerning statistics on the number of Australian businesses supported

- 1.12 The Sub-Committee sought an explanation for the drop in the number of requests from Australian companies for advice on market conditions, etc, from 15 000 in 2000-01 to 9 000 in 2001-02. DFAT suggested that the difference could be accounted for by how the statistics were gathered rather than by an actual drop in numbers.³

2 Transcript of evidence, 3 February 2003, pp3-4

3 Transcript of evidence, 3 February 2003, pp4-5

Use of the Department's website by businesses

- 1.13 Most of DFAT's services to businesses are offered though the Department's main website which delivers on average 450 000 page views per week. As explained by DFAT, there were limitations to gathering information about the identity of visitors to the website or what they do while visiting the site.
- 1.14 In response to the query as to whether there have been any changes in the order of country names on the Department's website most visited, DFAT indicated that the order of country names most visited had not changed significantly over the last six months, that order being: Australia, Israel, Thailand, Indonesia, China, Malaysia, Mexico, USA, Singapore, United Kingdom, India, Japan, Italy, Vietnam and Ireland.
- 1.15 Further details about the nature of services offered to businesses through the website are available in the written material provided by DFAT after the public hearing.⁴

Trade between Australia and China

- 1.16 China is a big market for Australia with total merchandising trade totalling \$19 billion. DFAT described Australia as having 'quite a well-established' trade promotion and trade development strategy with China. It also explained that while there was a trade deficit with China, this to some extent could be explained by the tendency for China to be displacing many of the other exporters for processed, manufactured goods that would have been coming in from other countries.
- 1.17 In DFAT's view, given developments such as the gas deal, the deficit would not balloon out of control. On the broader issue of deficits and surpluses, moreover, DFAT advised that it that it was generally more interested in a balance of trade on a global level rather than with individual deficits or surpluses.⁵

4 Submission No.1, Answer to Question No.2

5 Transcript of evidence, 3 February 2003, pp7-8

Consular and passport services (Output 2.1, DFAT)

- 1.18 DFAT provides 24-hour consular and passport services to Australians travelling overseas and to their families in Australia through the network of overseas missions and honorary consulates, the Consular Operations Centre and consular cooperation arrangements with other countries. Australian travellers are kept informed about international developments, including potential trouble spots, and about the extent to which the Australian Government can assist them.
- 1.19 DFAT operates a registration service for Australian travellers at its missions overseas. Under the authority of the *Passports Act 1938*, DFAT provides secure travel documents to eligible Australian citizens, through passport offices in state and territory capitals and more than 100 diplomatic and consular missions overseas.
- 1.20 DFAT's Annual Report 2001-02 described the 11 September 2001 terrorist attacks in the US as having had far-reaching consequences for DFAT's work in delivering consular and passport services. The Sub-Committee acknowledges this impact and commends staff for their dedication at the time of the crisis and since. Although the Bali bombings occurred outside the period of this review, the Committee considers it appropriate to also acknowledge the undoubted impact of this crisis on staff and to express appreciation to all those involved in responding to that situation.
- 1.21 Matters discussed/raised by the Sub-Committee included: travel advisories; Australians arrested overseas and related matters; lost, stolen and fraudulent use of passports; and services to State and Territory governments for overseas visits programs.

Travel advisories

- 1.22 Given recent events, it is not surprising that the issue of travel advisories received considerable attention.
- 1.23 DFAT produces approximately 137 country-specific pieces of travel advice and a small number of issue-specific pieces of travel advice, all of which are available on its website. Information is also disseminated through a fax back facility or in answer to phone queries. DFAT is also working closely with the travel industry, particularly travel agents, as a means of disseminating advice. The

Sub-Committee agrees that the travel industry is 'a critical link in the dissemination chain' and encourages the Department to pursue this approach further.

- 1.24 The Sub-Committee also canvassed the possibility of linking the issuing of international airline tickets to the provision of travel advice. It notes DFAT's response that it is looking at that possibility and urges DFAT to make a more concerted effort to progress this concept.⁶
- 1.25 Travel advisories are based on a number of different sources including intelligence reports (in particular threat assessments), and advice from overseas posts. The Sub-Committee canvassed whether there was a possibility of developing a capacity for the public to interrogate the character of travel warnings. DFAT outlined some of the difficulties involved in developing a facility whereby people would be able to interrogate the travel advisories, and cited the limitations on the references it could make to intelligence reporting as an example. It explained that its efforts were directed more at improving the explanatory materials so that people were better able to understand and interpret the travel advice.⁷
- 1.26 Other issues addressed included:
- the means by which DFAT draws changes in threat assessments to the attention of Australian nationals living in places such as Indonesia and East Timor; opportunities for Australian nationals to have input into the advisories; and limitations to how much information DFAT could provide in such situations;⁸
 - the importance of managing the whole travel advisory process in a way that builds the confidence of the community in that travel advice;⁹ and
 - the sources of information which are considered by the Minister when deciding whether or not to close an embassy as a result of a threat assessment;¹⁰

6 Transcript of evidence, 3 February 2003, pp9-10

7 Transcript of evidence, 3 February 2003, pp11-12

8 Transcript of evidence, 3 February 2003, pp12-14

9 Transcript of evidence, 3 February 2003, p14

10 Transcript of evidence, 3 February 2003, p13

Australians arrested overseas and related matters

- 1.27 DFAT advised that it is providing consular assistance to 98 Australians facing charges overseas and outlined the nature of the charges. It was unable to provide comparative data with previous years. The Sub-Committee welcomes introduction of the Consular Management Information System (CMIS) in 2002 and looks forward to being provided with comparative data in future.¹¹
- 1.28 DFAT described its role in the International Prisoner Transfer Scheme as that of providing information to prisoners overseas about the scheme and facilitating their applications as part of the scheme.¹² It also provided specific information of the status of the application under the International Prisoner Transfer Scheme of a particular prisoner.¹³

Lost and stolen passports

- 1.29 Approximately 30 000 passports are lost each year, two thirds of which are lost in Australia. Of those lost overseas, less than ten percent end up being fraudulently used. The most common fraudulent use is for the purpose of illegal immigration.
- 1.30 DFAT cancels passports on the system when it is aware that they have been lost or stolen. The Sub-Committee was interested to learn that DFAT is in the process of examining ways of doing this electronically. It requests to be advised on the outcomes of consultations that DFAT is having with countries in the South-East Asian region about sharing information on this matter.¹⁴
- 1.31 The United States has passed legislation requiring all visa waivering countries – of which Australia is one – to have biometric identifiers placed in new passports by October 2004. Those countries that do not comply will no longer be able to enjoy visa-free entry to the United States. The Sub-Committee is pleased that the exercise appears relatively inexpensive with preliminary figures suggesting that the cost would be in the order of \$20 per passport. It also welcomes the advice that Australia is a world leader in research and development into facial recognition as a biometric identifier.¹⁵

11 Submission No.1, Answer to Question No.1

12 Transcript of evidence, 3 February 2003, pp12-13

13 Submission No.1, Answer to Questions No.6

14 Transcript of evidence, 3 February 2003, pp14-16

15 Transcript of evidence, 3 February 2003, p15

Services to State and Territory governments for overseas visits programs

- 1.32 In 2001-02 DFAT supported 549 overseas visits by representatives of State or Territory governments and State and Territory parliamentarians, a significant increase on the number for the previous year.¹⁶ The Sub-Committee was interested to learn that the two countries significantly more often visited were the United States and China.
- 1.33 The Sub-Committee was surprised and disappointed that DFAT was unable to indicate how many of these delegations nominated the pursuit of trade and development opportunities or investment interests as their purpose. DFAT advised that it did not have access to this information which it described as being the responsibility of the State Governments. Given the degree of support provided by DFAT to these delegations, the Sub-Committee considers that it should be able to obtain this information. The Sub-Committee suggests that DFAT, if it has not already done so, approaches the State and Territory Governments for the answer to the Sub-Committee's question.

Support for policing in East Timor (Output 1.1, DFAT and AusAID)

- 1.34 DFAT described its main support for policing in East Timor as being through its contribution to the UN police contingent.¹⁷ Other support provided by the Australian Federal Police includes the facilitation of East Timor's membership of Interpol and its provision of forensic training to the East Timor Police Service. Further support has been provided through AusAID's provision of English language training and the deployment of a technical adviser to help build an East Timor Police Service development program. The Defence Department has provided training of East Timorese border police in patrolling techniques.¹⁸

16 The number for the previous year was 332

17 Transcript of evidence, 3 February 2003, p18

18 Transcript of evidence, 3 February 2003, p 18

Interim strategy

- 1.35 In response to the Sub-Committee's interest in the attention that would be given to policing and law enforcement in the review of AusAID's interim country program strategy, AusAID advised that the review was in its early stages and that it was now beginning to undertake the forward-looking component of that review.¹⁹ Policing would be a central focus of its planning. AusAID advised that its intention was to have completed the strategy process by the end of the year.²⁰
- 1.36 The Sub-Committee also asked AusAID about ways in which non-government organisations could contribute to the interim strategy and 'how their proposals and concepts might be able to help in the building process and be taken into account'. AusAID advised that it was in the process of drafting an issues paper to form the basis of consultation with interested stakeholders in both Australia and East Timor.

Joint UN donors assessment mission

- 1.37 AusAID stressed that its assessment and future planning will be based on several joint exercises undertaken between donors and government. One of these is the joint UN donors assessment mission to which Australia, in terms of policing, had played a very central role, including the coordinating of the work of the mission and the drafting of the report.
- 1.38 AusAID expected that the recommendation of the joint assessment mission combined with the outcomes of the technical assistance exercise it was now supporting would provide 'a very strong basis for Australia's future planning and also a strong basis for coordination among donors.'²¹
- 1.39 The Sub-Committee queried whether the assessment would include an evaluation of the police training system, particularly in relation to events in Dili in early December 2002. DFAT advised that the primary purpose of the joint assessment mission was to look at the institutional requirements for the setting up of an effective East Timor Police Force. While the specific events in Dili in December 2002 may

19 Transcript of evidence, 3 February 2003, p 19

20 Transcript of evidence, 3 February 2003, p 24

21 Transcript of evidence, 3 February 2003, p 20

not have been a focus of the mission, the team would have examined fundamentals including the quality of training and would have identified some of the factors that may have been elements in the events in East Timor.²²

Exchange program between AFP and ETPS

- 1.40 The Sub-Committee canvassed the possibility of capacity for exchange between Australian police forces and the East Timor Police Service. DFAT advised that it was not aware of any consideration having been given to such an initiative and identified a number of obstacles to such a move.

What needs to be considered are, as we have said, the fairly low skills base we are starting from, the language issues that there would be and also the sense that one of the key issues for the police service is to build up an identity as the East Timor Police Service. The recruitment has taken place from many quarters in East Timor. It is important to build up the culture of being an integrated police service, and I am not sure that at this stage of the process exchanges would provide much in that regard.²³

- 1.41 Despite DFAT's reservations, the Sub-Committee considers that an exchange program could be of substantial value. It suggests that DFAT liaise with the Australian Federal Police and investigate whether any consideration has been given to such an idea. In the event that it has not, the Sub-Committee suggests that an assessment is made of the value of the establishment of an exchange program. We look forward to being advised on the results of such an assessment.

Relationship between the East Timor Police Service and the Defence Force

- 1.42 The Sub-Committee sought clarification on the relationship between the East Timor police and the military and was advised that the East Timor Police Service and the Defence Force are separate entities with the East Timor Police Force under the command and control of the United Nations.²⁴

22 Transcript of evidence, 3 February 2003, pp 21-22

23 Transcript of evidence, 3 February 2003, pp 20-22

24 Transcript of evidence, 3 February 2003, p 22

- 1.43 The Sub-Committee also explored issues concerning the responsibilities of Australian peacekeeping forces along the border. DFAT advised that responsibility for internal and external control rested with the UN and the East Timor Government. DFAT confirmed the porous nature of the border where the Australian battalion in the peacekeeping forces is located, and acknowledged the difficulty of monitoring all movement across the border.²⁵

Virtual Colombo Plan (Outcome 1, AusAID)

- 1.44 The Australian Government and the World Bank launched the 'Virtual Colombo Plan' (VCP) in August 2001, with an Australian commitment of \$200 million over five years. The VCP is designed to improve education and access to knowledge in developing countries through distance education and support for policy development using information technology.

DFAT outlined the range of projects initiated under the VCP during 2001-02. In questions, the Sub-Committee focussed on the World Bank's Development Gateway Foundation, the Global Distance Learning Network Centre, and the University of the South Pacific.

The World Bank's Development Gateway Foundation

- 1.45 Australia is a member of the World Bank's Development Gateway Foundation. DFAT advised that an Australian sits on the board of the Foundation. Australia is the first OECD country to launch its own local development gateway.²⁶

Global Distance Learning Network Centre

- 1.46 Australia has been involved with the World Bank in the establishment of a number of global learning centres that are part of the Global Distance Learning Network including one in Ningxia, China, and another within the World Bank's office in Dili, East Timor. DFAT advised that the ANU had joined the network and confirmed that it was open to all universities to do so.²⁷

25 Transcript of evidence, 3 February 2003, p 23

26 Transcript of evidence, 3 February 2003, p 25

27 Transcript of evidence, 3 February 2003, pp 25-26

The University of the South Pacific

- 1.47 The Sub-Committee explored AusAID's efforts to improve the capacity of the University of the South Pacific to deliver distance education activities by strengthening its regional centres, its online library services and its personnel.
- 1.48 AusAID described progress made towards improving the capacity of the University of the South Pacific (USP) to deliver distance education centres as having been substantial. Development of its online library services has proceeded well. A number of journals and data bases are now available online to students at its various campuses. Other projects to which Australia has contributed include an expansion of bandwidth and the development of capacity for students to lodge assignments electronically. Training has been provided for technicians who maintain the network and for staff who develop the distance education courses.
- 1.49 AusAID also advised that Australia has committed a further comprehensive 3 year \$1.5 million dollar distance education reform project which commenced in July 2002. The project involves re-vamping of the roles of the regional centres in delivery of distance education, training of staff in distance education and development of a range of new distance education courses.²⁸
- 1.50 The Sub-Committee acknowledged the potential dilemmas in determining funding priorities but queried whether the University of the South Pacific was more important than getting basic education to the general population in outlying islands. AusAID assured the Sub-Committee that the primary focus of the Virtual Colombo Plan was to provide basic education with much of it aiming to develop intermediaries such as teachers and nurses to be better able to teach within their own countries.²⁹

28 Submission No. 2, Answers from AusAID to Questions on Notice

29 Transcript of evidence, 3 February 2003, p 28-29

Australia Indonesia Institute (AII)

- 1.51 The Australia-Indonesia Institute was established in 1989 with the aim of developing relationships between Australia and Indonesia through promoting greater mutual understanding and expanding areas of contact and exchange. Given this aim, the work of the AII is highly relevant to the Sub-Committee's current inquiry into Australia's relationship with Indonesia. The Sub-Committee took the opportunity of this annual report review to learn more about the work of this organisation.
- 1.52 The Sub-Committee concurs with DFAT's description of Australia's relationship with Indonesia as one of its most important bilateral relationships.
- 1.53 The Sub-Committee explored the impact that the Bali bombing has had on the work of the AII and on whether, particularly in the light of that event, the AII was aware of any coordinated response to building the Australian Indonesian relationship. DFAT pointed to the work of the Australian Indonesian Ministerial Forum that draws together much of the work that is done by Australian and Indonesian government agencies as well as the private sector.³⁰
- 1.54 Pursuing the issue of the impact of the Bali bombing on the Institute's work further, the Sub-Committee queried whether the AII had had any ground-up review of its priorities in the light of the new environment. The AII assured the Sub-Committee that it was highly conscious of the difficult environment in which it was working. It cited a program that it had established to encourage visits to Australia by prominent Muslim leaders as an illustration of how it was looking at its programs to see how they could be adjusted to help in the new environment. The Sub-Committee has since met with an Indonesian Interfaith Delegation whose visit in February 2003 was part of this program.

30 Transcript of evidence, 3 February 2003, p 33

- 1.55 The Sub-Committee also explored the issue of misunderstandings in Indonesia about Australia's role in the independence of East Timor and whether it was matter that the Institute had thought it could do something to address. The AII concurred with the view that there remained a lot of misunderstanding in Indonesia about Australia's role in the independence of East Timor and added that it was a matter that needed to be worked on in building the relationship with Indonesia. It identified its own efforts to address the matter as being part of its advocacy program and indicated that the issue had been addressed at the Australia Indonesia Young Leaders Dialogue held in Bogor in 2002. The AII noted, that it endeavoured to balance such efforts with those aimed at moving the relationship forward beyond the rift that occurred over East Timor.³¹
- 1.56 The Sub-Committee notes the AII's approach. It stresses, nonetheless, the importance of correcting the misunderstanding in Indonesia and urges the AII to take whatever appropriate action it can to create opportunities for frank and mature dialogue with Indonesia on this issue.
- 1.57 The Sub-Committee also discussed with DFAT the success of the Australia Indonesia Young Leaders Dialogue in more general terms. DFAT advised that the AII was looking at ways of disseminating the reports it had received relating to the conference, that it had put some recommendations to the Minister and that participants would receive some feedback prior to the second dialogue.³²
- 1.58 In discussions with the AII about the extent of initiatives currently underway to build the relationship between Australia and Indonesia, the point was made that there was considerable activity although there was also a lack of general awareness about this activity. The suggestion was made that an audit of the activity directed at building the relationship would be a positive contribution to discussions about the relationship. While not a comprehensive audit, the Sub-Committee's current inquiry into Australia's relationship with Indonesia will serve a similar purpose by bringing together an account of the wealth of initiatives that have been described in the considerable body of evidence received.

31 Transcript of evidence, 3 February 2003, pp 34 -35

32 Transcript of evidence, 3 February 2003, pp 36 -37

In Conclusion

- 1.59 Although more narrowly focussed than its Annual Report Review for 2000-2001, the Sub-Committee has explored in this 2001-02 review a wide range of issues, a number of which have been brought into the foreground by recent developments in the environment in international relations in the region and globally. The information gathered through this exercise has again been placed on the public record, by means of this account and the transcript of evidence of the public hearing and answers to questions on notice³³, as a contribution to parliamentary scrutiny of the operations and performance of government agencies.

³³ both the transcript of evidence of the public hearing and answers to questions on notice are available on the Committee internet site.

Trade

Introduction

Background to the Review of Annual Reports

- 2.1 The annual reports of the Foreign Affairs and Trade Portfolio agencies stand referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade for any inquiry the Committee may wish to make, in accordance with the schedule tabled in the House by the Speaker.
- 2.2 At its meeting on 16 October 2002 the Full Committee resolved that:
 - the Foreign Affairs Sub-Committee, the Defence Sub-Committee, Trade Sub-Committee and Human Rights Sub-Committee should develop separate or combined programs for the review of the 2001-2002 annual reports from government agencies responsible within their area of interest; and
 - the review programs should aim to result in the presentation of a report to Parliament in the Autumn sittings 2003.
- 2.3 The key elements of the guidelines for the reviews are:
 - the reviews to be conducted by each sub-committee should focus on the performance of agencies in delivering products (that is, outputs) for the Government, rather than on seeking information updates on issues of interest;

- each sub-committee should select a limited number of issues (say 3, 4 or 5 issues) from annual reports within its area of interest – to allow for consideration in detail;
 - agencies should be advised in advance of the issues to be reviewed (ensuring that relevant officials attend the hearing, but, as a consequence, requiring that members not go beyond the selected areas of examination); and
 - ideally, all questions should be put on the day of the hearing.
- 2.4 The two annual reports relevant to the Trade Sub-Committee are the Austrade and the Department of Foreign Affairs and Trade reports for 2001-2002 plus the Foreign Affairs and Trade Portfolio Budget Statements 2001-02 and the Portfolio Additional Estimates Statements 2001-2002.
- 2.5 The Trade Sub-Committee examined four issues at its annual report review hearing, held 2 December 2002, two for Austrade and two for DFAT. The Austrade topics focus on key performance indicators (KPI) used to measure Austrade's effectiveness and the DFAT topics focus on two areas of sub-output namely, the Market Development Group and trade policy coordination and business liaison.

Structure of the Review of Annual Reports

- 2.6 This chapter of the report contains a summary of the key issues raised and discussed at the hearing.
- 2.7 The chapter is broken into two short sections, one for each department whose Annual Report has been reviewed. Each section is divided into three parts. The two areas of primary focus are examined initially, with some focus on related sub-issues. The third part of each will look at other issues raised during the course of the review.
- 2.8 For those readers interested in a complete record of the issues canvassed at the hearing, the full transcript will be available on the Committee internet site.

Australian Trade Commission

Background

- 2.9 As with most government organisations, Key Performance Indicators are the main instrument for gauging the effectiveness of the Australian Trade Commission (Austrade).
- 2.10 This review broadly looks at two aspects of Austrade's KPIs: those related to measuring client satisfaction with Austrade's work, and those related to measuring the export impact of Austrade's work.
- 2.11 Considering the complexity and intangibility of the effect of many forms of trade promotion, Austrade has developed a range of measures to assist in such assessment. A set of four outcomes and six corresponding outputs culminate in a subset of Key Performance Indicators intended to broadly measure Austrade's effectiveness.
- 2.12 Austrade's KPIs for 2001-02 were:
- Client satisfaction
 - The number of potential exporters provided with tailored assistance
 - The number of existing exporters provided with tailored assistance to enter a new market
 - Export impact – number of clients
 - Export impact – dollar value
 - Outward investment impact
 - Inward investment impact
- 2.13 Data collected on Austrade's activities were grouped into these areas to provide a comparative tool for evaluating effectiveness.
- 2.14 As noted in the introduction, the Committee focused its inquiry around two main themes: client satisfaction and export impact. Other issues that emerged during the course of the hearing will be discussed below.

Client satisfaction

- 2.15 Questions on client satisfaction, as a key performance indicator, were centred on the dimensions and reporting of client satisfaction data collected by Austrade. Members of the Committee discussed methods used by departments to measure effectiveness in particular areas.
- 2.16 Austrade explained the development of the current system for assessing client satisfaction:
- In the early 1990s, we did a phone survey of every client whom we had worked with, to try to assess whether they had achieved any sales. In the late 1990s, the ANAO suggested that we were being overzealous – which was unusual for an ANAO report – so we worked on a new system of written verification. Nowadays, if Austrade works with a client and the client achieves a sale, the Austrader will say to the client, ‘I understand that you achieved the sale’ and will ask the client to fill in a written verification form...we have worked with ANAO to try to establish as robust a system as we can, and that is the system that has been put in place.¹
- 2.17 The Committee examined how this survey is audited to determine its integrity. Austrade submitted that the client satisfaction survey is based on interviews with 1 910 clients. 72% of clients responded, and 28% of respondents refused to complete the survey².
- 2.18 Various questions from Committee members determined that responses to the survey are spot audited - one in fifteen returned surveys are spot audited.
- 2.19 The Committee also found that every returned survey on a transaction over \$100 million³ is audited.
- 2.20 Negative results in the client satisfaction survey were also discussed. The Committee established that Austrade circulates these figures internally and designs much of its client satisfaction response based on these same figures.⁴

1 Austrade, Transcript, p 3.

2 Austrade, Exhibit 3, question 7.

3 Austrade, Transcript, p 4.

4 Austrade, Transcript, p 6.

- 2.21 Austrade performance in terms of geographic area or region was examined. This measure indicates the level of satisfaction Australian exporters to certain regions felt with Austrade's assistance:

Table 2.1 Austrade's performance by region

Northeast Asia	Southeast Asia	Europe	South Pacific	United States
85%	82%	80%	80%	77%

Source Transcript⁵

- 2.22 Performance measurement at post was seen as an issue related to overall performance. The Committee asked how Austrade measured the performance of its senior staff - an issue which led to an investigation of the performance incentives in the remuneration structure of Austrade.

- 2.23 In response to the Committee's question on whether or not in the last 12 months, any Austrade staff have had their employment terminated because they did not perform according to Austrade's objective measures, Austrade submitted that:

It has not been necessary for Austrade to terminate the employment of Australia-based staff in the last 12 months due to under performance. Austrade has formal policies and procedures to address instances of under performance in both Australian based and overseas employed staff. The objective of these procedures is to improve performance but where this is not possible, there is provision for the application of suitable sanctions, including termination of employment. Any staff member who receives an unsatisfactory rating is subject to the application of these procedures.

Staff who have received an unsatisfactory rating in the past two years have either voluntarily separated from Austrade or are currently subjected to the application of our procedures.⁶

- 2.24 Concerned that bureaucratic incentives to favourably report Austrade's performance might distort its incentive based pay structure, the Committee asked whether Austrade's pay system had a standard distribution or placed the majority of staff in the top quartile.

5 Austrade, Transcript, p 7.

6 Austrade, Exhibit 3, question 10.

- 2.25 Austrade responded that it does not apply a standard distribution to its annual performance ratings. The rating profile for the organisation (in 2001-02) against a five tier rating scale was as follows:

Table 2.2 Austrade staff performance rating

<i>% of staff</i>	<i>Tier</i>
1.5%	Tier 1
35.1%	Tier 2
56.2%	Tier 3
6.9%	Tier 4
0.4%	Tier 5

Source Exhibit 37

- 2.26 This staff performance rating profile is generally consistent with previous years' results.
- 2.27 The Committee also asked what happened to trade commissioners who were assessed as being in the lowest quartile.

If a trade commissioner received an unsatisfactory performance rating they would be subject to the application of our underperformance policies.

Satisfactory performance, although falling in the bottom quartile, is however an acceptable rating, often encountered in the first assessment period after accepting a new assignment or after promotion to a higher level. Repeated unsatisfactory assessment rating for trade commissioners would generally result in management intervention, in terms of counselling, coaching or training, to assist the employee to improve their performance to a higher level.⁸

Export impact

- 2.28 The second key performance indicator discussed by the Committee was export impact. Austrade was established to contribute to Australia's economic growth through export promotion. Within the seven KPIs two refer to export impact in terms of number of clients, and dollar value. These two dimensions of export impact were touched on repeatedly throughout the discussions.

7 Austrade, Exhibit 3, question 10.

8 Austrade, Exhibit 3, question 10.

- 2.29 The Austrade Annual Report gives the figure of \$15.35 billion for export impact, after defining the target amount as \$7 billion. The level of variation led to further Committee investigation of this issue.
- 2.30 The Committee focused on the impressive export impact figure of \$15.35 billion. It is broken down in the Annual Report into three categories broadly defined as 'lightly involved', 'medium involved' and 'heavily involved'. The level of involvement indicates what impact exporters believe Austrade assistance has had on their export efforts.
- 2.31 One question from the Committee sought to confirm whether in the aggregate figure of \$15.35 billion, value of goods exported with light Austrade involvement were counted equally with value of goods exported with heavy Austrade involvement. Austrade held that they were.
- 2.32 Acknowledging that assessing Austrade's export impact is inherently difficult, the Committee pointed out that every effort should be made to ensure ambiguity is avoided.
- 2.33 The targeted export impact value figure (\$7 billion) and export impact result (\$15.35 billion) was raised again in this light. Austrade representatives were asked how export impact target figures were set. The Committee enquired further and established that the previous year's target export impact value was \$5.3 billion and the result was \$9.3 billion. The preceding year's result was \$7.4 billion.
- 2.34 Austrade explained that setting targets was inherently difficult because of the nature of trade. It was quite common that some years had exceptionally large amounts exported, especially in wheat, which distorted the figures, making rigid targets unreliable indicators.
- 2.35 Such year to year fluctuations were normal and flowed from the large range of variables involved, all of which were out of Austrade's control.
- 2.36 The Committee was satisfied with this response.

Other Issues

Overlap of state export promotion agencies and Austrade

- 2.37 Although international trade is constitutionally a federal government preserve, most Australian states do have trade promotion agencies in various institutional forms and various overseas locations.

- 2.38 The Committee's main concern with this situation was that such duplication of services might not be worthwhile. If their work was complementary, then such duplication of agencies would be acceptable. If they are competing for the same clients, then the duplication would clearly be wasteful.
- 2.39 The Committee drew further attention to the point that this sort of competition between states and the Commonwealth was as potentially wasteful as bidding wars between states trying to attract inward investment.
- 2.40 In response to these concerns Austrade made two points. They were aware of the dangers of trade promotion competition and accordingly were making ongoing efforts to bring state agencies into a national strategy under the stewardship of Austrade. This is intended to have the effect of promoting cooperation between agencies rather than competition.
- 2.41 Secondly Austrade described the current objective of doubling the number of Australian exporters. Its job in striving to reach this objective is to engage with as many 'allies' as possible. These allies tend to be state trade promotion organisations.
- 2.42 The apparent tension between avoiding overlap of services, and engaging heavily with state trade promotion allies, was accepted as an ongoing challenge. The Committee was satisfied with Austrade's efforts to address this challenge through the 'national trade consultation' process.

Department of Foreign Affairs and Trade

Background

- 2.43 The two areas of interest in the Annual Report of the Department of Foreign Affairs Defence and Trade were:
- Trade development through the Market Development Group
 - Trade policy coordination and business liaison

- 2.44 The Department's representative provided a wide-ranging and substantial explanation of the Department's efforts in these areas at the start of the hearing. Accordingly this section will start each part with a summary of DFAT's initial presentation, followed by ensuing discussion. Some extra issues flowing from proceedings will be discussed at the end of this section.

Trade development through the Market Development Group

- 2.45 The Market Development Group (MDG) is supported by a secretariat in the Trade Development Division of DFAT. It coordinates the efforts of a number of portfolios and agencies on Australia's bilateral market access and market development priorities. The MDG focuses on high-priority, short-term opportunities identified in consultation with business.
- 2.46 The MDG has the participation of a range of portfolios including Austrade; the Department of Industry, Tourism and Resources; the Department of Communications, Information Technology and the Arts; the National Office for the Information Economy; the Department of Agriculture, Fisheries and Forestry; and the Department of Education, Science and Training.
- 2.47 The forerunner of the MDG, the Market Development Task Force (MDTF), was set up in 1996. It was internally reviewed in 1999 and 2001. The latter review resulted in several enhancements including the name change.
- 2.48 The criteria against which MDG sets its priorities are the following:
- Whether or not additional focus and coordination by the MDG contributes to practical outcomes
 - Whether activities contribute to the government's goal of doubling Australian exporters by 2006
 - Whether activities 'offer reasonable prospects of return' within 12 (and sometimes 24) months
 - Whether efforts have a minimum return of \$5 million or have an important symbolic value
 - Whether efforts match genuine industry priorities
 - Whether or not they are expressed in terms of clear outputs and outcomes.

- 2.49 More broadly in its activities, the MDG selects ten priority Asian and ten priority non-Asian markets.
- 2.50 Since 1996 the MDG (and MDTF) has contributed either directly or indirectly to the export success of some 202 priority initiatives, to an estimated value of \$3.04 billion.

Structural issues in the MDG

- 2.51 The Committee initially focused its discussion on the reason the MDG was so named and structured. The Committee was interested in examples of MDG work and what outcomes came from the MDG processes.
- 2.52 DFAT responded by describing the aims of the MDG, in the following terms:
- The aim of the program is basically to keep the bureaucracy focused on some important priorities. Having a review process applies pressure to posts, it applies pressure to desks to make sure they are maintaining their efforts on a particular project which has been identified as worthwhile. It provides as I said, coordination across portfolios...⁹
- 2.53 Of interest also were the reasons for changing the MDTF to the MDG. Further, the Committee was interested in who conducted the review which prompted the changes.
- 2.54 DFAT confirmed that the review which prompted the structural change was internal, though the full range of relevant departments were consulted.
- 2.55 In terms of structural changes DFAT explained that the MDTF worked at the secretary and deputy secretary level only. The MDG split responsibilities into two levels: one working at the secretary and deputy secretary level, focusing on macro and strategic issues; and a second group taking input from lower levels of the organisation, providing a more 'hands-on' perspective on the relevant issues.
- 2.56 Another change was extending the period for requisite outcomes from 12 months to 24 months. This allows the MDG more flexibility in its trade development efforts.

9 DFAT, Transcript, p 30

- 2.57 Greater MDG consultation with industry was another aim of the review process which led to the change to the MDG. DFAT explained the processes in place to formally and informally consult with industry.

Trade policy coordination and business liaison

- 2.58 DFAT's initial presentation stated that trade policy coordination takes place across almost all parts of DFAT. The Trade Development Division of DFAT is tasked with the coordination of the provision of advice to ministers on the implications for Australia of global and regional trade and economic issues. This includes formulating and coordinating departmental advice to ministers on Australian trade performance.
- 2.59 The Trade Development Division also represents the Department's participation in the International Economic Policy Group (IEPG). The IEPG is a high-level interdepartmental group which reviews economic and trade policy issues and includes representatives from the Department of Prime Minister and Cabinet (PM&C), DFAT, Treasury, the Reserve Bank of Australia (RBA), the Office of National Assessments (ONA) and Australia's Agency for International Development (AusAID).
- 2.60 The Trade Development Division was established in 1999 in the wake of the Asian financial crisis and it contributes to policy debate on topical international economic issues and coordinates policy responses among key participating departments.
- 2.61 The broad scope of DFAT work means that many divisions of the Department promote outreach activities. They conduct consultations with business and industry, state and territory governments, NGOs and community groups in all aspects of the government's trade policy agenda. This includes Doha Round World Trade Organisation (WTO) negotiations and other free trade agreements (FTAs).
- 2.62 With regard to FTAs, DFAT has sought public submissions on the FTA negotiations with Singapore, Thailand and the United States. It has also sought views on these documents from state and territory governments; and companies, industries and organisations whose interests may be affected. The input has been used in developing Australia's negotiating position. The Department is also undertaking a process of consultation in developing proposals for new bilateral trade and economic agreements with Japan and China.

- 2.63 The Trade Development Division also provides a free online information service entitled TradeWatch. TradeWatch provides Australian business with current information about trade and investment issues, and the Australian government trade efforts. These activities comprise the Department's trade advocacy and outreach programs.
- 2.64 As part of the Department's overall business liaison program the Trade Development Division manages two consultative processes for the Minister for Trade:
- The Trade Policy Advisory Council
 - The National Trade Consultations
- 2.65 The Trade Policy Advisory Council (TPAC) provides advice to the Minister for Trade on issues of trade, business development and investment issues. It comprises 14 senior business representatives from small, medium and large enterprises involved in different areas of activity, including: exporting services, manufactures, agricultural products and minerals. Members of the TPAC are appointed in a personal capacity and membership is reviewed every two years. Secretaries of the following departments are ex-officio members of the council: DFAT; Department of Agriculture, Fisheries and Forestry; Department of Industry, Tourism and Resources; and the managing directors of Austrade and the Export Finance and Insurance Corporation (EFIC).
- 2.66 The National Trade Consultations meet at ministerial and official levels. At the ministerial level, they provide for cooperation on trade and investment issues between the Commonwealth, state and territory governments on at least an annual basis. The Minister for Trade chairs the meeting, with the participation of his state and territory counterparts, and discussion focuses on significant trade policy issues and opportunities for practical cooperation between the Commonwealth and the states on trade and investment issues.
- 2.67 There are two other elements to the National Trade Consultations process. The first is an inter-sessional meeting usually held twice a year. It involves senior federal, state and territory officials, representatives of major industry associations and the Australian Council of Trade Unions (ACTU). The second is a series of meetings between heads of key industry associations and members of the senior executive of DFAT.

Performance indicators

- 2.68 The Committee questioned DFAT on key performance indicators in relation to trade policy coordination.
- 2.69 DFAT responded that although individual senior executive staff employment contracts had performance measures, the Trade Development Division as a whole did not report using performance measures.
- 2.70 DFAT referred the Committee to page 97 of the Annual Report. It details three 'quality indicators' and ten 'quantity indicators'. They represent an assessment, in conjunction with the table on page 99, of DFAT's efforts in delivering Output 1.1 (see p 30).¹⁰

Government coordination in trade policy

- 2.71 In response to questions on trade policy coordination, DFAT claimed that when preparing to negotiate a bilateral free trade agreement or particular aspects of the Doha Round of WTO negotiations, their interdepartmental Committees represented the 'whole of Australian government' very effectively compared to many other developed nations.
- 2.72 These claims prompted questions on the preparations the Trade Development Division was undertaking for the Doha Round.
- 2.73 The response to this question was given as follows:

We will be doing three principal things...We will [provide] analytical services to [the Office of Trade Negotiations] on particular issues arising in the round. We have a cadre of economists and trade analysts who can crunch an issue and give administrators advice on what the various outcomes might mean for Australia...The second area is that we have an outreach group which basically tries to put trade messages into language that most Australians can understand and relate to...The third [thing is for this] division to drive a message about the Round and what the Round currently needs, giving it political impetus.¹¹

10 Department of Foreign Affairs and Trade, Annual Report, 2001-02.

11 DFAT, Transcript, p 41.

- 2.74 The Committee followed up with specific questions on the availability of public information on the proposed Australia-Thailand FTA, reflecting questions on WTO negotiation 'requests'. The DFAT respondent indicated that there was a copy of the economic modelling commissioned to analyse the benefits of such an FTA, available on the DFAT website.

Other issues

Transparency of WTO negotiation 'requests'

- 2.75 The issue of WTO negotiation 'requests' was canvassed. Requests are the means by which WTO members negotiate issues in particular WTO negotiation rounds. Member nations may make a number of requests of other members. These requests then form the basis of negotiations between those particular member nations. The activity in focus here was the fact that these requests can, according to WTO rules, be kept confidential. For example, in negotiating with Australia, Germany could ask that its 'requests' be restricted or vice versa. The requestee is obliged to comply.
- 2.76 The Committee was concerned that such 'restricted' negotiations were taking place without public scrutiny.
- 2.77 The 'confidentiality protocol' was explained by DFAT in the following terms:

It is a protocol that applies across the board to documents that are provided by WTO members. It could be on any issue; it could be on NTBs [non tariff barriers]. The problem is that if we start picking and choosing which countries the protocol will apply to, then there is not protocol. The nature of the information that is provided will also change, because, if countries feel that documents cannot be treated in a particular way, they will change what is in the documents. It is not something that is entirely within our control.¹²

12 DFAT, Transcript, p 37

Bilateral trade agreements

- 2.78 The Committee was also interested in the value of pursuing bilateral trade concessions in the light of the WTO multilateral negotiation rounds. The question has been asked as to why single countries would bother negotiating with Australia when they were negotiating already in the WTO round.
- 2.79 DFAT assured the Committee that, considering the complex and multifaceted nature of trade protection and the WTO, there was and would likely continue to be non-tariff barriers worthy of addressing in bilateral agreements.
- 2.80 An example offered to the Committee was an effort to change Brazilian quarantine rules for Australian imports. DFAT invited a group of Brazilian quarantine officials to Australia for discussions on the issue. The talks resulted in the Brazilian government approving a series of dairy exports to Brazil, an outcome of immediate advantage to both sides.

Human Rights

Introduction

- 3.1 In keeping with a resolution from the Full Committee that its Sub-Committees would examine Annual Reports for 2001-2002, the Sub-Committee resolved at its meeting on 23 October 2002, to conduct a review of relevant Annual Reports, with a focus on the Australian Agency of International Development (AusAID) Annual Report for 2001-2002.

The Australian Aid Program

- 3.2 AusAID administers the Australian overseas aid program. The provision of development assistance is linked to promoting development and stability in the Asia-Pacific region, which has more than 800 million people surviving on less than US\$1 per day. As such, the stated objective of the aid program is to 'advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development'.¹
- 3.3 The Australian aid program contributes to the reduction of poverty in the region by working with various development partners to:²
- strengthen frameworks for sustainable and inclusive economic growth;

1 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

2 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

- support interventions that enable the poor to increase their productivity;
 - encourage governments, institutions and donors to be more accountable; and
 - reduce vulnerability associated with conflict and disasters.
- 3.4 In 2001-2, the Australian aid program provided:³
- \$938.3 million in country, regional and cross regional programs;
 - \$263.7 million in global programs.
- 3.5 The key sectoral priorities that underpin the aid program are health, education, infrastructure, rural development and governance. These sectors are seen as crucial to alleviating poverty and achieving sustainable development.⁴

Measuring Results

- 3.6 AusAID's administered expenses are allocated to activities aimed at achieving the target outcome (Outcome 1) of reducing poverty and achieving sustainable development as outlined in the DFAT Portfolio Budget Statement 2001-2.⁵ Key Result Areas (KRAs) are used to plan, prioritise and measure the performance of AusAID's programs against this outcome.
- 3.7 Overall, AusAID sets both *Qualitative* and *Quantitative* Performance Targets with the following benchmarks:⁶
- *Quality*: 75 per cent of all activities relating to the Key Result Areas shall receive a quality rating of 'satisfactory overall or higher'.
 - *Quantity*: significant activity outputs in key result areas.
- 3.8 AusAID also undertakes evaluation studies in three main areas: thematic; sector and program; and systems and quality procedures.

3 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.17-18

4 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

5 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.116

6 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.116

3.9 The evaluation process has three main aims:⁷

- To assess the impact and improve the quality of the aid program;
- To provide better feedback of lessons learned; and
- To strengthen activity management procedures.

Issues

3.10 For the purpose of this review the Committee focused on the key result areas of health and governance. In addition, the Committee examined Australia's engagement with multilateral organisations. In particular, the Committee examined:

- **Australia's contributions to multilateral organisations**, with specific reference to the efficiency and effectiveness of AusAID's monitoring of the relevance, efficiency and effectiveness of the multilateral agencies and the outcomes of Australia's contributions to them.
- **Promoting effective governance** with a particular focus on:
 - ⇒ promotion and strengthening of good governance across the spectrum of Papua New Guinea (PNG) government and broader society;
 - ⇒ interventions to improve governance in Indonesia;
 - ⇒ promotion and strengthening of law and order in the Solomon Islands;
 - ⇒ promotion of good governance and the development of public administration capacity and informed citizen groups in East Timor; and
 - ⇒ advancement of human rights in China through the Human Rights Technical Cooperation Program.
- **Improving health outcomes**, focusing on:
 - ⇒ the operation of the Global Aids Initiative (\$200 million over six years);
 - ⇒ the HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region (one of the poorest areas of China with the second highest number of HIV cases in the country); and

7 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.118

- ⇒ strengthening of the capacity to mount and expand effective responses to the HIV/AIDS epidemic in China in central and local government levels through the Australian co-financed Health Nine World Bank project.

3.11 The Committee notes that assessing the impact and effectiveness of aid is complex and that the effectiveness of the aid program may be influenced by forces and events outside AusAID's control.

Structure of the Review of AusAID's Annual Report

3.12 This chapter contains a summary of the key issues raised and discussed with AusAID at a public hearing held on 20 March 2003 and through subsequent questions on notice.

3.13 For those readers interested in a complete record of the public hearing, the full transcript is available on the Committee Internet site.

Australia's Contributions to Multilateral Organisations

Background

3.14 Through AusAID's Multilateral Organisations Program, Australia provides considerable financial support—approximately 23 percent of the aid budget—to multilateral organisations and development banks.⁸ Engagement with multilateral organisations is justified on the basis that financial contributions: complement and reinforce Australia's bilateral development efforts; assist major global and regional initiatives; and enables Australia to contribute to the international development agenda.⁹

8 Multilateral organisations refer to United Nations development and humanitarian organisations such as WFP, UNDP, UNICEF, UNFPA, UNEP, International Atomic Energy Agency, International Drug Control Program and the Development Fund for Women. Development Banks refer primarily to the World Bank and the Asian Development Bank.

9 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.80

- 3.15 Australia's contributions to these multilateral organisations in 2001-2002 included:¹⁰
- \$85.9 million in contributions to UN development and humanitarian agencies;
 - \$11.6 million to organisations from other Commonwealth countries;
 - cash contribution of \$135.1 million to the International Development Association (IDA) of the World Bank; and
 - cash contribution of \$112.0 million to the Asian Development Fund, the concessional loan facility of the Asian Development Bank (ADB).

Accountability Mechanisms

- 3.16 For Australia to fully utilise and benefit from engagement with multilateral organisations, it is essential that efficient and effective monitoring mechanisms are in place.
- 3.17 AusAID advised that there are two main processes in place: the Multilateral Assessment Framework (MAF) and the Multilateral Bank Effectiveness Review.
- 3.18 The MAF is the key strategic mechanism through which AusAID monitors the relevance, efficiency and effectiveness of the multilateral agencies.¹¹ Performance issues of major concern are reported to senior AusAID officers.¹² AusAID advised the Committee that the MAF process is 'currently being revised and expanded to increase its focus on effectiveness issues',¹³ which will involve 'systematic engagement at a country level to monitor trends in performance over time, including UN agencies' progress in implementing their reform agenda.'¹⁴
- 3.19 In addition to the MAF process, AusAID 'receives ongoing feedback on the performance of UN agencies through Executive Meetings at Headquarters, ongoing liaison by Australian posted officers at country level and agency reporting.'¹⁵ In this context, AusAID reports that many of these agencies are displaying positive signs of reform in relation to

10 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.80-83

11 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.80

12 Australian Agency for International Development, *Submission*, p.1

13 Australian Agency for International Development, *Submission*, p.1

14 Australian Agency for International Development, *Submission*, p.2

15 Australian Agency for International Development, *Submission*, p.1

organisational and financial management, as well as becoming more outcomes focussed.¹⁶

- 3.20 AusAID indicated that the development banks are not subject to the MAF process.¹⁷
- 3.21 In the absence of a MAF mechanism, it was not clear how the effectiveness of Australia's contributions to the development banks was monitored and evaluated. This deficiency has been highlighted in criticism from some non-governmental organisations (NGOs) regarding the ability of the development banks to effectively monitor their projects, particularly in relation to the ADB.¹⁸
- 3.22 AusAID submitted that there are two mechanisms by which the relevance, effectiveness and efficiency of the development banks was monitored and measured:¹⁹
- AusAID's 2002 'multilateral bank effectiveness review', which consisted of questionnaires and field visits, scrutinised the relevance, efficiency and effectiveness of the multilateral banks.
 - An 'annual report on the effectiveness of the government's engagement with the ADB and the World Bank' is presented by the Treasurer to Parliament.
- 3.23 In addition AusAID regularly and directly engages with the banks through the policy setting and governance structures at Australia's Executive Director's Office within the banks, and through regular visits to the banks at the field level.²⁰
- 3.24 A further question was whether these mechanisms were satisfactory in terms of accountability issues. AusAID stated that the agency was confident that the combination of all the above mechanisms 'forms a picture for us of the effectiveness of the agencies [development banks]'.²¹

16 Australian Agency for International Development, *Submission*, p.1

17 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2. A previous AusAID study (*Review of the Evaluation Capacities of Multilateral Organisations*) concluded that the ADB and the World Bank had effective self-evaluation systems.

18 For example, Oxfam Community Aid Abroad (CAA) has in the past highlighted a number of projects in the Mekong region, Thailand and Sri Lanka as evidence of the ADB's inability to adequately manage and monitor its own development projects. Oxfam-CAA also alleges that, in some cases, ADB policies and programs undermine the effectiveness of Australian bilateral projects.

19 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

20 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

21 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

Program Outcomes

- 3.25 It is essential that the funding Australia provides to multilateral organisations and development banks be transparent and accountable, and consistent with Australia's bilateral aid efforts.
- 3.26 On the basis of the Committee's inquiries the MAF appears to provide AusAID with an effective management tool in terms of meeting outcomes in the Multilateral Organisations Program.
- 3.27 The Committee was concerned, however, about action that may be taken in the event that an agency failed to meet the MAF performance standards and whether such agencies continued to receive funding.
- 3.28 In the first instance, AusAID said that issues arising from the MAF are taken up with the relevant agency, who are told by AusAID 'we expect you can do better in this area and this is where we will be looking more closely on other occasions'.²² This reflects AusAID's assertion that the MAF is more than a snap shot and is better viewed as a management tool.²³
- 3.29 It was not clear in the Annual Report whether all, or only some, multilateral agencies received a rating of satisfactory or higher in 2001-02. AusAID advised that in 2002 one agency failed to achieve a satisfactory or higher outcome in the MAF process. In particular, the 2002 MAF review had rated the International Fund for Agricultural Development (IFAD) as 'marginally satisfactory' against performance targets. Lack of relevance to Australia's aid program was cited as a major concern as IFAD extended 'only around 7 percent of lending to South East Asia and less than 1 percent to the Pacific.'²⁴ In terms of further action, the Committee was advised that it has been decided that Australia will withdraw from this organisation.²⁵
- 3.30 There is a question, given past NGO criticisms, as to whether the development banks should be subject to the MAF process so that accountability benchmarks are consistent across the board. AusAID believed that while the MAF could conceivably be extended to the development banks, it would not necessarily address all the interests of NGOs.²⁶

22 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.5

23 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.5

24 Australian Agency for International Development, *Submission*, p.1

25 Australian Agency for International Development, *Submission*, p.1

26 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

- 3.31 In line with prior NGO concerns about dissonance between multilateral aid and Australian bilateral activities, AusAID's 2002 multilateral bank effectiveness review 'did conclude, particularly in the case of the ADB, that there was a need for the bank itself to strengthen both its dialogue with the NGO partners and... impart the lessons learnt from that dialogue.'²⁷
- 3.32 In light of the lack of a formal MAF mechanism for the development banks, the effectiveness of evaluation and monitoring mechanisms is central to Australia's on-going engagement with these multilateral agencies.
- 3.33 AusAID advised that, while the current evaluation systems for the development banks were considered effective, there was a challenge 'to ensure that the findings that come out of whatever evaluation mechanism are, in fact, brought to bear.'²⁸
- 3.34 The Committee sought advice as to what capacity Australia had to push identified reforms or initiatives within the Development Banks. AusAID highlighted a number of avenues through which Australia's concerns can be addressed:²⁹
- through day to day assessment of projects by the Bank's Board of Directors, which represents the shareholders, including Australia;
 - communicated to bank management through the office of Australia's Executive Director; and
 - through requirements and conditions negotiated as a caveat on replenishment funding.
- 3.35 In regard to the Asian Development Bank, the Committee endorses the government's concerns arising from the 2002 review, which have already been conveyed to the ADB through Australia's Executive Director's office, that:
- The bank needs to strengthen its dialogue with the NGOs and ... needs to take the products of that dialogue and apply them more coherently across the country programs and the country officers of the bank so that we do see a manifest change in the relationships between the Asian Development Bank and the NGO community.³⁰

27 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

28 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

29 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

30 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

Conclusions

- 3.36 Overall, AusAID satisfied the Committee of the efficiency and effectiveness of its performance monitoring processes and utility of accountability mechanisms, and that contribution to forecast outputs appear to have been met.
- 3.37 Nevertheless, the Committee feels that it is crucial that Australia's relationship with multilateral agencies and the development banks is accountable and transparent to all stakeholders. In the interests of transparency the results of these processes should be made publicly available. There should be ongoing efforts to develop and refine appropriate accountability mechanisms and processes to ensure funds continue to be spent in the interests of Australia's international development goals.

Promoting Effective Governance

Background to Governance Imperative

- 3.38 Australia recognises good governance is essential to successful and sustainable development. Governance is accordingly one of AusAID's Key Result Areas.
- 3.39 In terms of aid program expenditure by sector in 2001-2, governance accounted for 20 percent of expenditure.³¹
- 3.40 In 2001-02 the aid program undertook 307 activities with governance as the primary focus, with a cost of \$308.3 million. Expenditure in other sectors that contributed to governance was a further \$180.5 million.³²
- 3.41 In order to evaluate the performance of AusAID's governance activities, the Committee selected for examination the following five areas from country programs for their relevance to the work of the Human Rights Sub-Committee and to Australia in general:
- the promotion and strengthening of good governance across the spectrum of Papua New Guinea and broader society;
 - interventions to improve governance in Indonesia;

31 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.20

32 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.20

- promotion and strengthening of law and order in the Solomon Islands;
 - the promotion of good governance and the development of public administration capacity and informed citizen groups in East Timor; and
 - the advancement of human rights in China through the Human Rights Technical Cooperation Program.
- 3.42 AusAID noted that conflict in countries in the region in 2001-2, particularly Solomon Islands, somewhat restricted the ability of the aid program to implement broader development agendas.³³
- 3.43 This section will provide a brief overview of AusAID's activities in promoting effective governance in relation to the sample countries chosen, and an assessment of AusAID's performance according to AusAID's own performance evaluation methods, as evidenced through the Committee's investigations.

Papua New Guinea

- 3.44 Papua New Guinea is Australia's largest single bilateral aid partner with Australia providing \$297.7 million to bilateral program activities. During the financial year 2001-02, AusAID committed 19.7% (approx. \$58.6 million) of its PNG funding on governance programs.³⁴

Activities

- 3.45 Governance advice and assistance to PNG was delivered through a range of projects aimed at improving and reforming the following areas:³⁵
- Economic and financial sectors;
 - Public sector (eg. immigration, census and elections);
 - Law and justice;
 - Community development; and
 - Private sector development (micro, small and medium enterprise).

33 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.21

34 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.33-34

35 Australian Agency for International Development, *Submission*, p.2

3.46 In support of these activities funding was extended to:³⁶

- Systems development;
- Training;
- Rehabilitation of infrastructure; and
- Procurement of essential equipment and supplies.

Outcomes

3.47 AusAID's annual report lists a number of broad achievements in relation to improving governance. These consist of:³⁷

- Enhancement of PNG Treasury capacity to provide economic policy advice. The prime focus was on macroeconomic forecasting and policy making, cash management, debt management, and budget formulation and processes;
- Financial management training for public sector finance officers across the country aimed at improving accountability at all levels of government in the management of public funds;
- Good progress towards the implementation of a major public sector reform, including constitutional changes to strengthen the independence of the public service, major improvements in the way cabinet processes function, and reviews to rationalise and streamline the work of central and major spending agencies;
- Finalisation and publication of the 2000 National Census data, including individual reports for all provinces, and the establishment of a census users' service;
- Strengthening of the Ombudsman Commission;
- Enhancement of court operations at all levels in PNG through professional development training for all judges and magistrates (136) and court officers (275) and the training of 77 village court officials;
- Improved management in PNG prisons through the introduction of a classification system resulting in the separation of most juveniles from adult detainees; and

36 Australian Agency for International Development, *Submission*, p.2

37 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.34-35

- Training for over 800 people in small business and micro-enterprise by two micro-enterprise training programs located throughout rural PNG and urban settlements of Port Moresby.

Evaluation

- 3.48 The AusAID Annual Report 2001-02 acknowledges that poor governance, particularly in the areas of financial management, economic planning, and law and order, remains a mitigating factor against PNG's development.³⁸
- 3.49 In light of this appraisal of the governance situation in PNG, AusAID provided a detailed breakdown of how these governance projects were evaluated:³⁹
- AusAID's support to PNG's law and justice sector was reviewed through a variety of means including an in-house legal sector specialist, and by the Police Project Monitoring and Review Group. In addition, during 2001-02, AusAID funded a major PNG review of that country's law and justice sector agencies. This review also considered donor support to the sector.
 - AusAID's in-house economics and institutional strengthening specialists assisted with review of activities in the economic and financial reform, and public sector reform sectors. This was augmented by externally-sourced advice on a regular basis.
 - AusAID's support to private sector development is reviewed by an in-house microfinance specialist, and support to community development is reviewed by both an external technical advisory group and an in-house community development specialist.
 - Corporately, AusAID reviewed PNG governance activities through processes such as the Quality Assurance Group (QAG).
- 3.50 AusAID suggested that without some form of commitment from the PNG government for reform it is difficult for AusAID to engage at a strategic level with central agencies such as Treasury or Finance.⁴⁰ However, AusAID advised that PNG's commitment to governance reform is growing.⁴¹ For example, at the request of the PNG government, AusAID

38 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.33

39 Australian Agency for International Development, *Submission*, p.2

40 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

41 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

is currently conducting a major public expenditure review with the World Bank and the ADB.⁴²

- 3.51 Australian support to PNG has evolved in recent years. Following PNG independence, Australia had provided the PNG government with direct budget support - 'essentially a cheque'⁴³ - for PNG government discretion. By 1994-95, partly because of concern over governance in PNG public spending, Australia elected to provide funding through targeted projects and programs tendered out to Australian consultant firms. Whilst AusAID conceded there are weaknesses in this approach, it better addressed financial accountability and governance issues. AusAID advised that the process now includes trust funds managed jointly between Australian consultants and the PNG government, with accountability processes and performance monitoring in place.⁴⁴
- 3.52 The Committee was interested in AusAID's comment that progress in terms of programs such as health, is linked very much to the PNG government's own progress in achieving outcomes in those sectors.⁴⁵ AusAID acknowledged the Committee's concern, but added that 'there are small steps forward'. Also, there are Australian technical experts who review progress in various sectors and who work with the PNG government to train people in review and evaluation skills.⁴⁶
- 3.53 In light of the poor governance situation in PNG, there is some scope for considering alternative approaches to conducting governance activities.
- 3.54 AusAID submitted that review findings were incorporated as amendments to current activities, while others have formed the basis of program changes.⁴⁷ For example, a Law and Justice Sector Program has been contracted to progressively replace the current project assistance in the law and justice sector. This new approach will be more holistic and cross-sectoral in addressing law and justice issues in PNG and work more directly through PNG systems rather than through parallel project systems. Another example is the provision of economic and financial reform assistance through a twinning arrangement between Australian

42 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

43 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.8

44 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

45 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

46 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

47 Australian Agency for International Development, *Submission*, p.2

and PNG Treasuries. AusAID plans to expand these twinning arrangements in other key reform areas.⁴⁸

- 3.55 The Committee identified the education of public sector officials and employees, and assistance in this area, as being central to governance efforts.
- 3.56 AusAID indicated that a number of PNG government ministers were educated in Australia.⁴⁹ AusAID also provides funding for academic scholarships to improve expertise in PNG. The AusAID Annual Report for 2001-02 indicates that approximately 400 PNG students were given support for tertiary study in Australia.⁵⁰ While a breakdown of students and degree courses was not provided for 2001-02, AusAID provided a breakdown of students undertaking undergraduate and post-graduate study in economics, commerce and business studies in 2003:⁵¹
- In respect of undergraduate degrees, 13 students are studying commerce, 4 are studying economics and 44 are studying business studies; and
 - In respect of post-graduate students, 1 student is studying commerce, 3 students are studying economics and 12 students are studying business administration (8 MBAs).
- 3.57 In addition, AusAID observed that tertiary education is generating a new generation of PNG leaders who have a more national rather than the traditional 'wontok' perspective, which has been a fundamental aspect of problems with public expenditure in the past.⁵²
- 3.58 In terms of the future evaluation of progress in PNG's development, AusAID attributed, at least partly, improvements in life expectancy, school enrolments, illiteracy rates and infant mortality to its aid programs:⁵³ However, AusAID acknowledged that if the rate of progress in PNG was compared to other countries the 'picture is not so rosy'.⁵⁴ AusAID suggested that the poor performance of PNG's economic sector is

48 Australian Agency for International Development, *Submission*, p.3

49 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.7

50 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.39

51 Australian Agency for International Development, *Submission*, p.3

52 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.7. 'Wontok' refers to the principal and practice that a persons primary allegiance is to their village or clan.

53 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.10

54 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.10

most likely due to ongoing problems in governance and law and order that the PNG government has been unwilling to address.⁵⁵

- 3.59 In this regard, AusAID submitted that, in the short term, the arrest of further decline would be a major accomplishment. Further degeneration in the situation could adversely impact development gains already made in relation to health and social indicators.⁵⁶
- 3.60 In the long term, AusAID identified economic growth as the key issue and suggested that a key role for donors will be to work together to prevent decline in social and health indicators and address public expenditure management issues.⁵⁷

Indonesia

- 3.61 In 2001-02 Australia provided \$97.3 million in country program assistance to Indonesia with an estimated additional \$24.2 million being provided through regional, cross regional and global programs.⁵⁸ The latter accounted for 28% of funding to East Asia country and regional programs.
- 3.62 In financial year 2001-02, expenditure on all categories of governance activities represented approximately 23% (\$28.9 million) of the total Australian aid flows to Indonesia (while in 2002-03 the figure fell to 16%, AusAID indicated that they expected this to rise to 25% in three or four years time).⁵⁹
- 3.63 The Committee was interested in the percentage of governance funding spent on legal reform. AusAID advised that, as a subset of the above figure, approximately 5.2% or around \$6.34 million of total aid flows was directed at supporting legal reform and human rights activities in Indonesia.⁶⁰ Expenditure on legal reform and human rights is expected to increase in the lead up to the 2004 Indonesian elections.⁶¹

55 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

56 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

57 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

58 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

59 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.11

60 Australian Agency for International Development, *Submission*, p.4

61 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.11

Activities

3.64 Broadly, AusAID activities to improve governance were focussed on:⁶²

- Assisting in the fiscal and democratic reform process;
- Building sustainable capacity in key government institutions and community groups; and
- Delivering education and training.

3.65 As the program outputs indicate below, the reform process focussed significantly on improving governance, particularly in relation to legal, economic and finance reform.

Outputs

3.66 The following key outputs have been extracted from AusAID's overall output list for Indonesia for their relevance to governance:⁶³

- Legal reform and human rights
 - ⇒ improved government capacity to monitor total government debt and manage risks around domestic public debt;
 - ⇒ improved awareness of citizens' rights;
 - ⇒ stronger institutional capacity in Indonesia's National Human Rights Commission;
 - ⇒ greater Supreme Court capacity on class actions procedures, and investigative capacity in the National Ombudsman Commission; and
 - ⇒ improved Ministry of Justice and Human Rights capacity to draft anti-terrorism legislation.
- Economic and financial reform
 - ⇒ improved government capacity to monitor total government debt and manage risks around domestic public debt;
 - ⇒ strengthened Ministry of Finance capacity to undertake performance monitoring and prudential supervision of state banks;
 - ⇒ an improved anti-money laundering regulatory framework, including new legislation; and

62 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

63 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.59-60

- ⇒ an enhanced investigative and performance audit capacity in the Supreme Audit Board.
- an improved Indonesian national policy on community-managed water supply and environmental sanitation facilities and services
 - 3 976 Indonesians trained in a range of priority development skills areas such as health administration, business development, environmental law, intellectual property rights, district and provincial planning, gender awareness and human rights
 - approx 300 Indonesians successfully completed post-graduate degrees at Australian universities under the Australian Development Scholarships (ADS) scheme
 - improved capacity in provincial and local level environmental management agencies, including through the establishment of a coastal resource information system and training of 572 people in coral reef management and rehabilitation.

Evaluation

- 3.67 The AusAID Annual Report stated that the performance targets for 2001-02 in relation to the Indonesia country program were achieved.⁶⁴
- 3.68 It is worth noting that, according to AusAID in the decades leading up to the Asia financial crisis in the late 1990s, Indonesia's record on poverty reduction was impressive. AusAID also noted, however, that at the time of the financial crisis the level of poverty increased sharply.⁶⁵
- 3.69 Measuring the number of people in poverty is significantly influenced by the methodology used. Two recognised, international poverty rating methods measure the percentage of a population living below the poverty line using Purchasing Power Parity (PPP) prices of \$US1/day and \$US2/day respectively. Based on these measures, AusAID provided the following table to show the level of poverty in Indonesia immediately before and following the financial crisis.⁶⁶

64 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.33

65 Australian Agency for International Development, *Submission*, p.6

66 Australian Agency for International Development, *Submission*, p.6

Table 3.1 Level of poverty in Indonesia
(% of total population living below the specified poverty line)

	1996	1999	2000	2002	2003*
\$US1/day	7.8	12.0	7.8	7.2	6.8
\$US2/day	50.5	65.1	57.9	53.5	52.1

Source: World Bank. * These figures are post-Bali attack World Bank projections.

- 3.70 The Committee is encouraged by these figures. They demonstrate a recovery (using one set of data) or at least a vast improvement (using another set of data) in poverty indicators relating to Indonesia, particularly since the financial crisis.
- 3.71 AusAID argued that while the financial crisis reversed some significant gains, 'it also showed donors where they needed to direct their assistance to make further progress more robust in order to reduce the vulnerability of people to future economic shocks'.⁶⁷ AusAID suggested that the financial crisis showed that there was clearly an underlying fragility in the governance system of Indonesia. As such, throughout 2001-02 AusAID continued to target what it viewed as systemic problems highlighted by the financial crisis such as debt management, and financial sector restructuring and supervision.⁶⁸
- 3.72 In response to concerns about unemployment in Indonesia, AusAID advised that both unemployment and under-employment rates showed 'no clear trend' during the crisis or the recovery that followed; and the financial crisis did not lead to massive open unemployment as had been feared.⁶⁹
- 3.73 A number of questions arose regarding reports that unemployment has risen sharply in Bali following the Bali bombings in October 2002. AusAID submitted that there is no authoritative measurement available of the extent of job losses in Bali caused by the bombings. The World Bank and UNDP surveys of poverty in Bali since 12 October 2002 indicate that a

67 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.13

68 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.12-13

69 Australian Agency for International Development, *Submission*, p.6

significant increase in unemployment in Bali has not occurred. The Committee was assured that AusAID continues to monitor the situation.⁷⁰

- 3.74 The Committee inquired whether AusAID provides funding to any economic or social policy think-tanks or research bodies in Indonesia. AusAID replied they do not provide ongoing core funding for think-tanks based in Indonesia, although links are maintained through bodies such as the Australia-Indonesia Institute.⁷¹
- 3.75 The extent of training and education and the number of Indonesian students in Australia was discussed. AusAID indicated that Australia has an intake of 360 students per year for long-term scholarships. Australia also provides substantial levels of short-term training assistance to Indonesia, of which about 70% takes place in Indonesia and 30% in Australia.⁷²
- 3.76 The Committee sought advice regarding tourism training. AusAID stated that a small amount of training is provided, with Bali being the venue for tourism training through the partnership for skills development program.⁷³ The Committee suggested to AusAID that, given the importance of tourism to the Indonesian economy, especially in Bali, AusAID should look at increasing assistance in this area.

Solomon Islands

- 3.77 The Solomon Islands is the recipient of the largest bilateral portion of funds dedicated to the Pacific region, accounting for about \$28 million of total funds.
- 3.78 Improving the effectiveness of governance is a major component of AusAID's aid program to the Solomon Islands. In the financial year 2001-02, 69% (or \$19.3 million) of total bilateral aid expenditure to the Solomon Islands was used to support governance programs.⁷⁴
- 3.79 In recognition of problems of political instability, lack of good governance, inadequate commitment to economic reform and the depletion of already limited natural resources, Australia had, in the years leading up to 2001-02 increased the priority given to promoting governance in the Pacific.⁷⁵

70 Australian Agency for International Development, *Submission*, p.6

71 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.12

72 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.13

73 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.14

74 Australian Agency for International Development, *Submission*, p.7

75 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.43

- 3.80 Despite the doubling of Australian aid funds to Solomon Islands since the two years preceding the 2001-02 financial year, AusAID conceded at the end of the 2001-02 period that the Solomon Islands continued to face 'serious development challenges' following the violent conflict of 2000.⁷⁶ Specifically, AusAID's 2001-02 Annual Report identified restoring law and order, addressing the economic crisis and the critical state of basic services such as water, sanitation, health and education as areas of concern in late 2002.
- 3.81 The Committee notes that the recent deterioration in civil order and governance in Solomon Islands confirms the importance of these priorities. The Committee also notes the Government's decision to make a significant police, military and administrative contribution to the Regional Assistance Mission to the Solomon Islands (RAMSI) under Operation Helpem Fren.

Activities

- 3.82 The major focus of AusAID's governance activities in 2001-02 was supporting the peace process and restoring law and order. The program also included reconstruction and rehabilitation needs of conflict-affected communities; provision of advisers in public sector reform, finance and customs; and support to lands administration and forestry.⁷⁷
- 3.83 The significant amount of \$8.7 million was spent implementing a Community Peace and Restoration Fund (CPRF). This was reported by AusAID as 'highly successful'⁷⁸ in supporting 250 small-scale projects which address conflict-generated community issues – both tangible (repair of infrastructure) and non-tangible (trauma counselling). These projects were implemented in over 200 Solomon Islands communities.
- 3.84 AusAID provided the following example to demonstrate the role of regional organisations in promoting governance and law and order:

An example of a regional activity that focused on governance in Solomon Islands is the Forum Secretariat's (FORSEC's) Eminent Person's Group mission to Solomon Islands in 2002. FORSEC has maintained an involvement in governance issues in Solomon

76 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.50

77 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.50

78 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.52

Islands, recently co-hosting peace workshops with the Solomon Islands Government.⁷⁹

- 3.85 AusAID also reported that the Community Peace and Restoration Fund, despite facing significant challenges, was highly commended for its practices and contributions by a review in July 2001.⁸⁰

Evaluation

- 3.86 AusAID reported to the Committee that it monitors and evaluates the effectiveness of its governance support in Solomon Islands through several mechanisms, including:⁸¹
- Australian High Commission staff in Honiara;
 - technical advisory groups, which are fielded periodically by AusAID to independently review activities in-country; and
 - regular project reporting on outcomes and achievements of activities.
- 3.87 Given events in Solomon Islands since 2001-02, the effectiveness of Australia's aid to the country is an important issue, particularly in relation to addressing the issue of law and order.
- 3.88 AusAID agreed that law and order was the fundamental problem facing the Solomon Islands, which determined the success of other development initiatives.⁸² AusAID pointed to some incremental improvements in law and order such as an increased police presence, and increased arrest and conviction rates for small crimes. AusAID highlighted a range of achievements under the law and justice program:⁸³
- 129 new recruits have gone through basic training in the first police training courses to be run since 1996;
 - Initiatives to embed this training in the Solomon Islands police service by 'training of trainers' and reestablishment of the police academy so that this process will continue and improve standards in the police force;

79 Australian Agency for International Development, *Submission*, p.7

80 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.52

81 Australian Agency for International Development, *Submission*, p.7

82 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.17

83 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.18

- significant improvements in community-police relations through the development and implementation of a community policing approach; and
 - improvements to the standards of operations of the two gaols in Solomon Islands, including refurbishment and their reopening.⁸⁴
- 3.89 In addition, AusAID submitted that an important focus was the improvement in community confidence and relationships with the police. AusAID claimed that significant progress has been made through the Community Policing strategy, the provision of uniforms and identification cards to police and support for media and public information campaigns.⁸⁵
- 3.90 The AusAID Annual Report also cites over \$5.1 million in financial, technical and security support delivered to ensure safe, free and fair national elections in December 2001.
- 3.91 The Committee sought advice regarding NGO concerns that governance development should build on or incorporate existing and traditional societal structures. AusAID assured the Committee that their approach to development aid gives strong recognition to engaging civil/indigenous communities. The agency elaborated on this claim by stating that its approach to community engagement in the Solomon Islands included:⁸⁶
- a strong emphasis on community policing;
 - a National Peace Council, an indigenous-led organisation; and
 - a Community Peace and Restoration Fund.
- 3.92 AusAID further stated that Australia had been the only donor to support the National Peace Council, which had been 'very effective' in promoting peace and reconciliation throughout communities.⁸⁷ Additionally, the

84 The Central Prison at Rove and the Tetere Prison Farm closed at the height of the conflict in June 2000. Australia's Law and Justice Institutional Strengthening Program, which began in December 2000, refurbished and helped reopen the Rove prison. Australia's current comprehensive package of strengthened assistance to Solomon Islands includes completing a new main prison at Rove, which will hold up to 300 inmates. AusAID is also bolstering support to the prison service through provision of expatriate correctional services staff to train and help supervise Solomon Islands prison staff on every shift and to assist with the transition to the new prison. Tetere Prison Farm has been refurbished and was due to reopen in mid September 2003.

85 Australian Agency for International Development, *Submission*, p.9

86 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.18-19

87 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.18

CPRF worked with communities to identify and prioritise their own development needs.⁸⁸

3.93 In terms of economic performance, the Solomon Islands performed poorly even in the context of its own region. Notwithstanding economic performance in the Pacific was generally weak, the Solomons suffered negative economic growth, while Fiji and Samoa experienced 'impressive' performances. AusAID attributes the Solomon Islands experience to continued civil unrest.⁸⁹

3.94 In the context of recent media reporting of the deterioration in law and order in the Solomon Islands, AusAID provided the following qualification of the performance of its Law and Justice Sector program in the Solomon Islands:

Restoring law and order is a critical challenge for Solomon Islands. It is important to note that the deterioration in the sector has not been simply as a result of the conflict, but rather a decade or more of neglect. The conflict exacerbated this situation.

Responding to the problems within the law and justice sector requires a long-term approach to rebuilding the capacity of the police, judiciary and prisons service. Australia's assistance to the sector has been carefully designed to be able to respond flexibly to the immediate needs in the sector, while at the same time focusing on the longer-term work of building the base for a return to the rule of law. The aid program does not take responsibility for 'policing' or eliminating corruption but rather is focused on supporting and assisting the Royal Solomon Islands Police (RSIP), the judiciary and prison service to undertake their roles effectively.⁹⁰

East Timor

3.95 The Committee was provided with a range of figures for Australia's contributions to East Timor in 2001-02. The Annual Report cited a total of \$57.4 million.⁹¹ However, evidence subsequently submitted to the Committee by AusAID suggested total contributions of \$43.6 million, of which 27 percent (\$11.9 million) was allocated to governance.

88 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.19

89 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.43

90 Australian Agency for International Development, *Submission*, p.8

91 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.61

- 3.96 To clarify the differing assessments, AusAID explained that, after full reconciliation, aid program funding to East Timor in 2001-02 totalled \$40.9 million. This included \$28.6 million in country program aid as outlined in the 2001-02 annual report. It also included other aid program flows (eg non-government organisations and volunteer programs). The final figure for other aid program flows to East Timor in 2001-02 was \$12.34 million. In addition, funding provided through other government departments totalled \$19.35 million. Total Australian aid to East Timor in 2001-02 therefore amounted to \$60.3 million.⁹²
- 3.97 AusAID advised that the figure of \$43.6 million was based on activity approvals, not actual expenses.
- 3.98 In terms of the amount allocated to governance, of the \$40.9 million aid program funding expended in 2001-02, \$11.3 million was allocated to core good governance activities (27.6 percent of East Timor aid program funding). AusAID added that under a broader classification of governance, actual expenditure on governance would be \$20.7 million (50.6 percent).⁹³
- 3.99 AusAID plans to increase the priority of governance in 2002-03 to 55 percent of its total aid expenditure to East Timor through the Transitional Support Program (TSP).⁹⁴
- 3.100 AusAID's Annual Report identified the following as East Timor's most pertinent challenges:⁹⁵
- Poverty;
 - Little basis for economic growth in the short term; and
 - Major transition needed from crisis point to a functioning, democratic and peaceful nation.

Activities

- 3.101 AusAID's efforts in relation to governance throughout this period included, broadly, the establishment, rebuilding, restoration and development of East Timor's:⁹⁶

92 Australian Agency for International Development, *Submission*, p.9

93 Australian Agency for International Development, *Submission*, p.10

94 Australian Agency for International Development, *Submission*, p.10

95 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.60

96 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.60

- Basic services;
- Public administration capacity;
- Democratic systems (including the refurbishment of the Parliament building in Dili); and
- Informed citizen groups.

3.102 Another prominent example of work carried out by AusAID in promoting democratic systems was the capacity building for East Timor to hold elections. AusAID, through the Australian Electoral Commission in particular, played an important role in developing indigenous knowledge, skills, and resources in electoral administration, through the provision of training and overseas study opportunities for East Timorese electoral officials and material support for the conduct of elections.⁹⁷

Outputs

3.103 Of the major achievements listed in relation to East Timor, more than half are governance-related. The following are extracted from AusAID's Annual Report for 2001-02:⁹⁸

- strengthened capacity in electoral administration through the direct and indirect training of 4500 electoral officials;
- provision of timely and expert technical advice for fiscal and development planning to enable:
 - ⇒ the production of East Timor's first State of the Nation Report and National Development Plan
 - ⇒ the development and delivery of East Timor's first budget as a new nation as well as the medium-term fiscal framework.
- strengthened agricultural sector planning through the establishment of a geographic information system unit and production of East Timorese township, soil and land use maps;
- delivery of internationally recognised management training for 357 senior civil servants;
- development of human resource training plans and community water guidelines and standards to improve the delivery of water supply and sanitation; and

97 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.62

98 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.61-62

- greatly contributed to the successful running of the Constituent Assembly election and the presidential election thereby reducing dependency on international electoral assistance and contributing to building long-term capacity to conduct effective elections in East Timor.

Evaluation

- 3.104 The Committee sought information on the level of Australian support for policing in East Timor. AusAID explained that support has been relatively limited given police force development is currently part of the mandate of the United Nations Mission of Support in East Timor (UNMISSET). Australian Federal Police officers have made substantial contributions in operational policing and capacity building as part of the multinational United Nations Police Force, which operates under the authority of UNMISSET.⁹⁹
- 3.105 In addition AusAID and the Australian Federal Police, along with the UN and East Timor Government, participated in a November 2002 Joint Assessment Mission on Policing, which mapped out the future capacity building requirements of the East Timor Police Service.¹⁰⁰
- 3.106 In relation to economic development, East Timor is not included in the WTO trade law course and the quarantine and commercial law training under the APEC Support Program because the WTO course responded specifically to requests from developing countries that are WTO members or who are actively seeking accession. East Timor is not a member of APEC and has not been a priority for assistance under the APEC Support Program.¹⁰¹
- 3.107 The Committee received an update on the progress of the interim country strategy for East Timor. AusAID indicated that the country strategy was well progressed and that they were continuing to work through discussions with the East Timor government both on the outcomes of Australia's assistance in the interim phase and on the directions of assistance for the future. As part of the process AusAID conducted a range of public consultations and an issues paper is expected to be approved shortly.¹⁰²

99 Australian Agency for International Development, *Submission*, p.10

100 Australian Agency for International Development, *Submission*, p.10

101 Australian Agency for International Development, *Submission*, p.11. East Timor is not a member or an accession candidate of the World Trade Organisation.

102 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.19

China

- 3.108 Discussion of governance initiatives in China was centred on the Human Rights Technical Cooperation Program (HRTCP).
- 3.109 The Human Rights Technical Cooperation Program is a listed output for the China program during 2001-02.¹⁰³ This program is a primary vehicle for the promotion of governance-related reform and the advancement of human rights in China.
- 3.110 In 2001-02, \$866,832 was expended on the HRTC Program from the \$40.5 million bilateral aid program. The budgeted expenditure for the HRTC Program for 2002-03 is \$1.2 million. This will be made up of \$1 million from the \$40 million bilateral aid program, and \$200,000 from the Asia Regional Program.

Activities

- 3.111 The HRTCP was borne out of a high level agreement negotiated by Prime Minister John Howard and China's Premier Li Peng in 1997 aimed at strengthening the administration, promotion and protection of human rights in China.¹⁰⁴
- 3.112 The implementation of the HRTCP is managed by the Human Rights and Equal Opportunity Commission (HREOC). The HREOC Annual Report details activities undertaken in support of this program, which are broadly focussed on:¹⁰⁵
- protection of the rights of women and children;
 - protection of ethnic minority rights; and
 - reform of the legal system.
- 3.113 The HRTCP activities during 2001-02 included:¹⁰⁶
- providing scholarships for Chinese officials to study human rights in Australia;
 - workshops on a range of subjects such as protection of women from family violence;
 - measures to combat trafficking in women and children;

103 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

104 AusAID website [www.aisaid.gov.au/publications/pubout.cfm]

105 HREOC Annual Report 2001-02, p.153

106 HREOC Annual Report 2001-02, p.153

- reporting on compliance with international human rights treaty obligations;
- training for Chinese officials employed in areas vital to human rights protection such as prosecutors and prison officers; and
- translation into Chinese of guides to mass communication and the right to freedom of expression.

Outcomes

3.114 The AusAID Annual Report 2001-02 states that the program had ‘a major effect’ in the following areas:¹⁰⁷

- legal reform;
- women’s and children’s rights and ethnic and minority rights, including by contributing to the development of new rules of evidence;
- improved policy and procedures in prison management; and
- a multi-sectoral approach to domestic violence.

3.115 The strategies used to achieve the program’s goals of encouraging orderly reform and advancing human rights are twofold in that they:

- seek to engage Chinese authorities through the annual Human Rights Dialogue; and
- provide practical human rights assistance under the HRTCP in three priority areas of legal frameworks and the administration of justice, women’s and children’s rights, and ethnic and minority rights.¹⁰⁸

3.116 HREOC claims the HRTCP activities have had ‘an immediate impact on the formulation of administrative procedures’.¹⁰⁹ This suggests an effective governance output in the pursuit of advancing, in the long term, human rights awareness and implementation.

107 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

108 Australian Agency for International Development, *Submission*, p.12

109 Human Rights Equal Opportunity Commission, *Annual Report 2001-2002*, October 2002, p.154

Evaluation

- 3.117 An annual Program Review and Planning Mission (PRPM) is responsible for assessing the impacts of the HRTCP. The individual activities of the program are also evaluated in Activity Completion Reports. These evaluation mechanisms measure the impacts of HRTCP activities with respect to a variety of quantitative and qualitative criteria.¹¹⁰
- 3.118 AusAID advised that the HRTCP contained a provision for an annual review, which is undertaken by the Human Rights and Equal Opportunities Commission. The report of this review was also made available to this inquiry.¹¹¹ This 'Program Review and Planning Mission' report was both comprehensive and constructive, and based on sound evaluative principles, using a variety of quantitative and qualitative criteria. The review found that the HRTCP continued to make good progress and that the management of the program has been effective, sensitive and competent on both the Chinese and Australian sides.

Conclusions

AusAID evaluation mechanisms

- 3.119 AusAID employs a wide range of evaluation methods that include both in-house and outsourced expertise.
- 3.120 AusAID's organisational structure contains a corporate level, quality assurance area, the Office of Review and Evaluation (ORE). Throughout the reporting period, AusAID also employed a Quality Assurance Group to conduct a corporate review.¹¹² Major sectoral and country programs within AusAID routinely conduct comprehensive reviews, both in-house and externally sourced. Additionally, all activities at grass-roots levels are subject to Activity Completion Reports.
- 3.121 As stated in the introductory section, assessing aid quality is complex and forces and events beyond AusAID's control may impact the effectiveness of the aid program. The Committee is satisfied that AusAID programs actively promote effective governance and have efficient self-evaluation practices and mechanisms that support ongoing improvement.

110 Australian Agency for International Development, *Submission*, p.13

111 Australian Agency for International Development, *Exhibit*, 'China-Australia Human Rights Technical Cooperation Program: Program Review and Planning Mission – Final Report', 19 August 2002

112 Australian Agency for International Development, *Submission*, p.2

Promoting effective governance

- 3.122 Nevertheless, there are some matters of concern to the Committee. As shown in the evidence received in relation to the selected countries (particularly in PNG and the Solomon Islands), there is a notable void in governance integrity and a disturbing rise in the incidence of lawlessness and civil disorder in recipient countries of our aid program and, inter alia, a negative impact on regional security. The implications of these related trends are apparent, as seen in the rapid deterioration in economic performance and security in the Solomon Islands.
- 3.123 AusAID acknowledges that ‘Increasingly, the aid program is supporting stability in the Pacific through support for policing services, courts and prisons.’¹¹³ AusAID advised in the 2001-2002 Annual Report that its Policy and Management Reform Fund (PMR) was the most effective tool for combating this instability because of its focus on governance reform and peace and conflict resolution.¹¹⁴
- 3.124 However, these trends are of concern for both the ramifications on regional security and the implications for the effectiveness of governance programs within Australia’s current and past aid efforts.
- 3.125 The Committee supports:
- a vigorous, focussed approach to good governance;
 - a focus on governance with ongoing funding; and
 - AusAID conducting regular, independent and comprehensive reviews of its governance programs.

Improving Health Outcomes

Background

- 3.126 In 2001-02 the aid program undertook 224 projects aimed at improving health outcomes, totalling \$197.2 million (13% of aid expenditure), with a further \$83.4 million spent on projects that contained a health component.¹¹⁵

113 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.45

114 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.45

115 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.26

- 3.127 The major components of AusAID's health program are:¹¹⁶
- basic health and infrastructure;
 - health policy and management; and
 - reducing the incidence and impact of HIV/AIDS and other communicable diseases.
- 3.128 In view of the rising incidence globally of the HIV virus and AIDS, the Committee resolved to focus on AusAID's efforts in relation to the pandemic. Indeed, a major effort has been made by AusAID in regard to sexually transmitted diseases (STD), including HIV/AIDS.
- 3.129 Although AusAID's Annual Report indicates 12.3% of health expenditure¹¹⁷ (approximately \$24.3 million) was spent on STD control including HIV/AIDS, AusAID advised that \$24.6 million was actually spent.¹¹⁸ AusAID explained that the discrepancy is caused by disparate accounting systems. That is, projects that contain, but do not primarily produce, HIV/AIDS related outputs are often not identified by the relevant Donor Assistance Committee (DAC) code. These funds were sourced from the *Global HIV/AIDS Initiative* fund.
- 3.130 The funds Australia has committed to its Global HIV/AIDS Initiative are considerable, and are the primary source of funding for all AusAID's HIV/AIDS related aid efforts. The Committee therefore resolved to review the management of this funding during the second financial year of its operation.
- 3.131 In order to measure the effectiveness of AusAID's efforts in relation to HIV/AIDS, the Committee selected for review:
- administration of the Global HIV/AIDS Initiative fund; and
 - activities undertaken in China throughout 2001-02, specifically through:
 - ⇒ the HIV/AIDS Prevention and Care project in the Xinjiang Uygur Autonomous Region; and
 - ⇒ the World Bank Health IX Project.
- 3.132 As one of the most populous nations currently in the grip of the HIV/AIDS epidemic, activities undertaken in China were selected for review to seek sample indicators of the effectiveness of AusAID-

116 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.26

117 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

118 Australian Agency for International Development, *Submission*, p.13

administered activities. The United Nations and World Health Organisation estimated in mid 2002 that one million people in China were living with HIV/AIDS. The Government of the People's Republic of China concurs with this estimate.¹¹⁹

The Global HIV/AIDS Initiative

3.133 In July 2000, the Minister for Foreign Affairs, Hon Alexander Downer MP, announced a Global HIV/AIDS Initiative of \$200 million in funding over six years. The \$24.6 million of Global HIV/AIDS Initiative funds spent during the 2001-02 financial year represents contributions to:¹²⁰

- bilateral HIV/AIDS projects;
- regional HIV/AIDS initiatives;
- global programs such as the joint United Nations Program on HIV/AIDS (UNAIDS); and
- NGOs delivering HIV/AIDS prevention, care and treatment activities.

3.134 AusAID provided the Committee with an extensive breakdown of both expended and projected funding for the above four areas over the full six year period (2000-2006). The data identified targeted, recipient countries and activities. Funding for activities was allotted, in descending order of contribution, to Papua New Guinea, Indonesia, Southeast Asia programs, China, African nations, India, the South Pacific region, Vietnam, the UN program, Nepal, Laos, East Timor, South Asia, Thailand, The Philippines, and Mongolia.¹²¹

3.135 Throughout the 2001-02 reporting period, AusAID also undertook the following initiatives:¹²²

- AusAID hosted a regional ministerial meeting, the *Pacific Ministerial Meeting on HIV/AIDS* in October 2001;
- as a result, AusAID has since been engaged in establishing an *Asia Pacific Leadership Forum for HIV/AIDS and Development* (APLF) in collaboration with UNAIDS; and

119 Australian Agency for International Development, *Submission*, p.18

120 Australian Agency for International Development, *Submission*, p.13

121 Australian Agency for International Development, *Exhibit*, 'Australia's Global Initiative Spending Estimates', spreadsheet submitted to Committee with AusAID's submission, May 2003

122 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

- in early 2002, AusAID set up the AusAID HIV/AIDS Taskforce.

AusAID HIV/AIDS Taskforce

3.136 The AusAID HIV/AIDS Taskforce is staffed by AusAID officers and acts as the primary point of contact and coordination for agency wide HIV/AIDS policy and program matters. Responsibilities of the taskforce include:¹²³

- providing advice to the Minister for Foreign Affairs and the Parliamentary Secretary;
- monitoring the implementation of Australia's \$200 million Global HIV/AIDS Initiative;
- overseeing development of the Asia Pacific Leadership Forum on HIV/AIDS and Development;
- further developing HIV/AIDS policy related to treatment of people with HIV/AIDS in resource poor settings; and
- working closely with AusAID country-program officers to assist with the implementation of bilateral HIV/AIDS assistance activities.

Asia Pacific Leadership Forum

3.137 The Asia Pacific Leadership Forum (APLF) on HIV/AIDS and Development, announced in 2001, was established to provide a network for information sharing among political leaders and parliamentarians, training activities among political advisors, and to enhance regional co-ordination and collaboration. It also aims to increase political leadership for effective national and regional action against the HIV/AIDS epidemic.¹²⁴

3.138 In terms of Australia's role and the extent of our commitment to this group. AusAID advised that over \$1 million in 'seed funding' has been committed to assist with establishment of the forum.¹²⁵ AusAID also suggests that this donation has since encouraged the participation of other donors with substantial donations received from other countries (eg. US, UK, EC, Japan, NZ) in the following financial year.¹²⁶

123 Australian Agency for International Development, *Submission*, pp.15-16

124 Australian Agency for International Development, *Submission*, p.15

125 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

126 Australian Agency for International Development, *Submission*, p.15

Evaluation

- 3.139 Throughout the reporting period, implementation of the Global HIV/AIDS Initiative was in its embryonic stages. AusAID was therefore unable to furnish, at this point, evaluations of projects funded by the initiative. However, AusAID assured the Committee that, in keeping with the agency's corporate practice, ongoing monitoring and evaluation facilities are incorporated into design and implementation of the projects.¹²⁷
- 3.140 The Committee will be seeking regular updates from AusAID on these activities.

China

- 3.141 The United Nations and World Health Organisation estimated in mid 2002 that one million people in China were living with HIV/AIDS. The Government of the People's Republic of China concurs with this estimate.¹²⁸ Of even greater concern, UNAIDS fears that 'unless effective responses rapidly take hold, a total of 10 million Chinese will have acquired HIV by the end of this decade.'¹²⁹
- 3.142 AusAID advised that approximately \$1.5 million of Australia's bilateral aid to China was directed to HIV/AIDS related activities during the 2001-02 financial year. Additionally, \$600,000 was spent on the Asia Regional HIV/AIDS program, which operates in two southern Chinese provinces, as well as Burma and Vietnam.¹³⁰ This four-year \$9.6 million project is aimed at 'reducing the harm associated with intravenous drug use'.¹³¹
- 3.143 Of the seven 'significant outputs' identified in AusAID's China Country Program for 2001-02, two reported on efforts responding to the HIV/AIDS epidemic in China:¹³²
- Commencement of an HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region, one of the poorest areas of China with the second highest number of HIV cases in the country; and

127 Australian Agency for International Development, *Submission*, p.15

128 Australian Agency for International Development, *Submission*, p.18

129 UNAIDS Report, *Global AIDS Update*, December 2002.

130 Australian Agency for International Development, *Submission*, p.17

131 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

132 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

- Strengthening of the capacity to mount and expand effective responses to the HIV/AIDS epidemic in China at central and local government levels through the Australian-funded World Bank project.

3.144 AusAID identified the major challenges facing China in combating HIV/AIDS throughout the reporting period related to tackling the main modes of transmission of the virus. These included through:¹³³

 - sharing of contaminated needles by injecting drug users (IDU);
 - the way in which blood (or plasma) collection was conducted; and
 - heterosexual and, to a lesser extent, homosexual transmission.

3.145 Additionally, AusAID pointed to China's large-scale internal labour migration as an exacerbating factor.¹³⁴

3.146 AusAID advised that the Government of China has taken steps to address the way in which plasma products are collected and pointed to reform in the Henan province as an example of curbing unsafe practices.¹³⁵

3.147 China continues to further develop its policies and programs with regard to HIV/AIDS, and recently became a Board member of the Global Fund to Fight AIDS, Tuberculosis and Malaria.¹³⁶

3.148 AusAID advised that China has operated a national HIV/AIDS sentinel surveillance system since 1995. This system is the principal source of information in China concerning HIV prevalence data over time, in population groups of specific interest, and is therefore the best means for assessing HIV trends and for making epidemic projections in China.¹³⁷

3.149 AusAID expanded on China's plan for tackling the spread of HIV/AIDS, announced in August 2001. AusAID reported that four guiding principles were articulated in the China HIV/AIDS Containment, Prevention and Control Action Plan (2001-2005). These consisted of:¹³⁸

 - Government responsibility for HIV/STD prevention; strengthened multi-sector coordination; social participation;

133 Australian Agency for International Development, *Submission*, p.17

134 Australian Agency for International Development, *Submission*, p.17

135 Australian Agency for International Development, *Submission*, p.19

136 Australian Agency for International Development, *Submission*, p.17

137 Australian Agency for International Development, *Submission*, pp.17-18

138 Australian Agency for International Development, *Submission*, p.18

- Focus on prevention; strengthened information and education for the general public and vulnerable groups; particular emphasis on changing high risk behaviour and harm reduction; comprehensive management of vulnerable groups;
- Control activities prioritised; strengthened health education and behavioural interventions; emphasis on developing effective, sustainable programs; and
- Relevant and stratified guidance; strengthened monitoring and supervision; strict law enforcement; comprehensive evaluation of programs.

Australian support

3.150 The Committee was keen to ensure the relevance of Australia's HIV/AIDS activities and that efforts took account of the partner governments' policies. AusAID confirmed that activities of its China HIV/AIDS program concurred with China's priorities and guiding principles, providing the following examples:¹³⁹

- The recently designed Tibet Health Sector Support Program includes a multi-sectoral response, surveillance of HIV and sexually transmitted infections, strengthening local information and education programs, particularly amongst vulnerable groups, and improving prevention activities.
- The Xinjiang HIV/AIDS Prevention and Care project directly addresses the key elements of the Xinjiang Uygur Autonomous Region HIV/AIDS Prevention Plan, through supporting the development of an effective system of testing across the region; training for professionals; specialised training on management of sexually transmitted infections; and drafting regulations and policies.
- The Australian-supported Xinjiang HIV/AIDS Prevention and Care project will provide technical assistance, training and capacity building to develop and implement models involving more efficient and cost-effective HIV/AIDS testing. This will support a greater capacity for HIV/AIDS surveillance in the province.

¹³⁹ Australian Agency for International Development, *Submission*, pp.18-19

HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region

- 3.151 The Xinjiang Uygur Autonomous Region is one of the poorest areas in China with the second highest number of HIV cases in the country.¹⁴⁰
- 3.152 The aim of the Xinjiang HIV/AIDS Prevention and Care project is described as 'seeking to improve the capacity of Xinjiang provincial government to reduce the incidence of HIV/AIDS through a multi-sectoral response focusing on policy development, health promotion, as well as care for people with AIDS'.¹⁴¹
- 3.153 AusAID explained that through Australia's bilateral aid program, Australia funds the project, monitors its progress, and directs its implementation, in consultation with the Australian Managing Contractor and Chinese authorities.¹⁴²
- 3.154 According to a Memorandum of Understanding between the two Governments, Australia's total commitment for the entire project is estimated at \$14.7 million, with the People's Republic of China providing an additional \$7.2 million.¹⁴³

World Bank Health IX Project

- 3.155 The World Bank's Health IX Project (1991) includes a substantial program of US\$40 million for HIV prevention and control in Fujian, Guanxi, Xinjiang, and Shanxi. The project is supplemented by Australian grant funding of \$2 million (US\$1.2 million). This portion is used to support technical assistance and training on HIV/AIDS and STDs, blood management, and NGO capacity building and interventions.¹⁴⁴
- 3.156 The Committee also sought further information from AusAID on Australia's role in the project. AusAID advised that an Australian contractor is fulfilling the implementation of this assistance. The World Bank awarded the contract following an open tendering process. AusAID monitors project implementation jointly with the World Bank.¹⁴⁵

140 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

141 AusAID website [www.ausaid.gov.au/hottopics/hivaid/responce.cfm]

142 Australian Agency for International Development, *Submission*, p.19

143 Australian Agency for International Development, *Submission*, p.19

144 Australian Agency for International Development, *Submission*, p.20

145 Australian Agency for International Development, *Submission*, p.20

Evaluation

- 3.157 As both the subject projects are still underway, they have not yet been subject to overall project evaluation. However, the Committee was satisfied with the ongoing monitoring and evaluation being undertaken by AusAID as reported in the following two paragraphs.
- 3.158 The Australian Managing Contractor of the Xinjiang HIV/AIDS Prevention and Care project is responsible for day-to-day monitoring of activities and regular reporting to AusAID. AusAID assured the Committee that it also contracts independent technical consultants to review progress.¹⁴⁶
- 3.159 AusAID participates in the World Bank's regular (biannual) supervision visits to monitor the Health IX project. The last monitoring visit in October 2002 reported that 'project progress has been slow but has started to gain momentum, particularly in policy development, institutional capacity building, promotion of multi-sectoral response to the HIV epidemic, NGO involvement, and new pilot interventions at selected sites.'¹⁴⁷

Conclusion

- 3.160 The Committee is encouraged by the government's serious commitment to combating HIV/AIDS in the Asia Pacific region and AusAID's implementation of targeted programs and projects.
- 3.161 While many projects are in their early stages, the Committee will maintain a watching brief on the progress of these initiatives.

Senator Alan Ferguson

Chairman

146 Australian Agency for International Development, *Submission*, p.20

147 Australian Agency for International Development, *Submission*, p.20



Appendix A – Resolution of Appointment

- (1) (a) That a Joint Standing Committee on Foreign Affairs, Defence and Trade be appointed to consider and report on such matters relating to foreign affairs, defence and trade as may be referred to it by:
 - (i) either House of the Parliament;
 - (ii) the Minister for Foreign Affairs;
 - (iii) the Minister for Defence; or
 - (iv) the Minister for Trade.
- (b) Annual reports of governments departments and authorities tabled in the House shall stand referred to the committee for any inquiry the committee may wish to make. Reports shall stand referred to the committee in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee, provided that:
 - (i) any question concerning responsibility for a report or a part of a report shall be determined by the Speaker; and
 - (ii) the period during which an inquiry concerning an annual report may be commenced by a committee shall end on the date on which the next annual report of that Department or authority is presented to the House.

- (2) That the committee consist of 32 members, 12 Members of the House of Representatives to be nominated by the Government Whip or Whips, 8 Members of the House of Representatives to be nominated by the Opposition Whip or Whips or by any independent Member, 5 Senators to be nominated by the Leader of the Government in the Senate, 5 Senators to be nominated by the Leader of the Opposition in the Senate and 2 Senators to be nominated by any minority group or groups or independent Senator or independent Senators.
- (3) That every nomination of a member of the committee be forthwith notified in writing to the President of the Senate and the Speaker of the House of Representatives.
- (4) That the members of the committee hold office as a joint committee until the House of Representatives is dissolved or expires by effluxion of time.
- (5) That the committee elect a Government member as its chair.
- (6) That the committee elect a deputy chair who shall act as chair of the committee at any time when the chair is not present at a meeting of the committee and at any time when the chair and deputy chair are not present at a meeting of the committee the members present shall elect another member to act as chair at that meeting.
- (7) That in the event of an equality of voting, the chair, or the deputy chair when acting as chair, shall have a casting vote.
- (8) That 6 members of the committee constitute a quorum of the committee, provided that in a deliberative meeting the quorum shall include 1 member of either House of the Government parties and 1 member of either House of the non-Government parties.
- (9) That the committee have power to appoint subcommittees consisting of 3 or more of its members and to refer to any subcommittee any matter which the committee is empowered to examine.
- (10) That, in addition to the members appointed pursuant to paragraph (9), the chair and deputy chair of the committee be *ex officio* members of each subcommittee appointed.
- (11) That the committee appoint the chair of each subcommittee who shall have a casting vote only, and at any time when the chair of a subcommittee is not present at a meeting of the subcommittee the members of the subcommittee present shall elect another member of that subcommittee to act as chair at that meeting.

- (12) That the quorum of a subcommittee be 2 members of that subcommittee, provided that in a deliberative meeting the quorum shall comprise 1 member of either House of the Government parties and 1 member of either House of the non-Government parties.
- (13) That members of the committee who are not members of a subcommittee may participate in the proceedings of that subcommittee but shall not vote, move any motion or be counted for the purpose of a quorum.
- (14) That the committee or any subcommittee have power to send for persons, papers and records.
- (15) That the committee or any subcommittee have power to move from place to place.
- (16) That a subcommittee have power to adjourn from time to time and to sit during any adjournment of the Senate and the House of Representatives.
- (17) That the committee have leave to report from time to time.
- (18) That the committee or any subcommittee have power to consider and make use of the evidence and records of the Joint Committees on Foreign Affairs and Defence and Foreign Affairs, Defence and Trade appointed during previous Parliaments.
- (19) That the foregoing provisions of this resolution, so far as they are inconsistent with the standing orders, have effect notwithstanding anything contained in the standing orders.¹

1 *Journals of the Senate*, No. 3, 14 February 2002 and *Votes and Proceedings*, No. 3, 14 February 2002



Appendix B – Witnesses at Public Hearings

Monday 3 February 2003, Canberra - Foreign Affairs Subcommittee

Department of Foreign Affairs and Trade

Ms Susan Cox, Manager, Consular Coordination Unit,
Consular Branch

Mr Paul, Grigson, Assistant Secretary, Maritime South-East
Asia Branch

Mr William Robert Jackson, Director, Consular Operations

Ms Kathy Klugman, Director, East Timor Section, Maritime
South-East Asia Branch

Mr Robert Nash, Assistant Secretary, Passports Branch

Ms Jennifer Rawson, First Assistant Secretary, South And
South-East Asia Division

Mr Bill Richardson, Director, Australia Indonesia Institute

Mr Peter Rowe, Assistant Secretary, North-East Asia Branch,
North Asia Division

Mr Rod Smith, Assistant Secretary, Consular Branch

Ms Sue Tanner, Assistant Secretary, Market Development and
Business Liaison Branch, Trade Development Division

Mr Peter J Varghese, Deputy Secretary

Australian Agency for International Development

Mr Robin Davies, Assistant Director General, East Asia Branch

Mr Murray Proctor, Assistant Director General, Office of Review and Evaluation

Mr Percy Stanley, Director, Virtual Colombo Plan

Monday 2 December 2002, Canberra – Trade Sub-Committee

Department of Foreign Affairs and Trade

Ms Ruth Adler, Assistant Secretary, Trade and Economic Analysis Branch

Mr Frank Bingham, Acting Director, Market Information and Analysis Unit

Ms Anastasia Carayanides, Assistant Secretary, Trade Policy Issues and Industrials Branch

Mr Stephen Deady, Special Negotiator for Free Trade Agreements and Processed Food

Mr Bruce Gosper, First Assistant Secretary, Office of Trade Negotiations

Mr Ralph Hillman, First Assistant Secretary, Trade Development Division

Mr David Holly, Director, International Economic and Finance Section

Ms Frances Lisson, Director, Trade Policy Section

Mr Hamish McCormick, Assistant Secretary, APEC and Regional Trade Policy Branch

Ms Sue Tanner, Assistant Secretary, Market Development and Business Liaison Branch

Mr Andrew Todd, Director, Trade Advocacy and Outreach Section

Mr Tim Toomey, Acting Director, Trade Liaison Section

Ms Elizabeth Ward, Director, E-APEC, Business, Economic and Ecotech Issues Section

Austrade

Mr Greg David Joffe, Corporate Adviser, Strategic
Development

Ms Margaret Lyons, Executive General Manager, Corporate

Ms Denise Pendleton, Client Service Manager

Thursday 20 March 2003, Canberra – Human Rights Sub-Committee

AusAID

Mr Robin Davies, Assistant Director General, East Asia
Branch

Ms Alison Gillies Vale, Assistant Director General, Executive
Services Group

Dr Robert Glasser, Assistant Director General, Papua New
Guinea Branch

Mr Alan March, Assistant Director General, Humanitarian,
Multilateral and Community Branch

Mr Murray Proctor, Assistant Director General, Office of
Review and Evaluation

Ms Margaret Thomas, Assistant Director General, Pacific
Branch

Mr Peter Versegi, Acting Assistant Director General,
Corporate Policy Branch