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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Human Rights Subcommittee

Thursday, 20 March 2003

Members: Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Subcommittee members: Senator Payne (*Chair*), Senator Bolkus (*Deputy Chair*) Senators Ferguson (*exofficio*), Harradine and Stott Despoja and Mr Baird, Mr Brereton, Mr Laurie Ferguson, Mr Lindsay, Mrs Moylan, Mr Price, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Bolkus, Harradine and Payne and Mr Baird, Mr Brereton, Mr Price and Mr Cameron Thompson

Terms of reference for the inquiry:

Review of AusAID annual report 2001-02.

WITNESSES

AVIES, Mr Robin, Assistant Director General, East Asia Branch, AusAID	1
GILLIES, Ms Alison Vale, Assistant Director General, Executive Services Group, AusAID	
GLASSER, Dr Robert, Assistant Director General, Papua New Guinea Branch, AusAID	
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THOMAS, Ms Margaret, Assistant Director General, Pacific Branch, AusAID	1
VERSEGI, Mr Peter, Acting Assistant Director General, Corporate Policy Branch, AusAID	1

Subcommittee met at 11.46 a.m.

DAVIES, Mr Robin, Assistant Director General, East Asia Branch, AusAID

GILLIES, Ms Alison Vale, Assistant Director General, Executive Services Group, AusAID

GLASSER, Dr Robert, Assistant Director General, Papua New Guinea Branch, AusAID

MARCH, Mr Alan, Assistant Director General, Humanitarian, Multilateral and Community Branch, AusAID

PROCTOR, Mr Murray, Assistant Director General, Office of Review and Evaluation, AusAID

THOMAS, Ms Margaret, Assistant Director General, Pacific Branch, AusAID

VERSEGI, Mr Peter, Acting Assistant Director General, Corporate Policy Branch, AusAID

CHAIR—Good morning, ladies and gentlemen, and welcome to this public hearing, which is a review of the AusAID annual report 2001-02. The annual reports of the Foreign Affairs and Trade portfolio agencies, which includes AusAID, 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.

In keeping with the resolution from the full committee that its subcommittees would examine annual reports for 2001-02, the subcommittee resolved to conduct a review of relevant annual reports with a focus on AusAID. I welcome representatives from AusAID. The subcommittee intends to conduct today's proceedings in public, although should you wish at any stage to give any evidence in private you may ask to do so and we will consider that request.

Although the committee does not require you to give evidence on oath, I would remind you that these hearings are legal proceedings of the parliament and therefore warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I will invite you to make some opening remarks before we go to questions. As you know, the subcommittee endeavoured to refine from a comprehensive annual report a number of areas which we wished to examine in some detail. They are in general terms: Australia's contribution to multilateral organisations; the issue of promoting effective governance with perhaps some reference to PNG, Indonesia, the Solomons, East Timor and the human rights TCP; and improving health outcomes, particularly in relation to some of the HIV initiatives in a number of areas. So hopefully we will be able to refine our consideration in that way.

I have indicated to the committee that we know we are being very ambitious in terms of the areas we want to cover and the time we have available. Although the time designated to end this meeting is 12.45 p.m., we do have a little leeway on the other side of that but not a great deal. I am not sure who is in charge on your side of the table—

Ms Gillies—I am.

CHAIR—If you would make some remarks, Ms Gillies, and then I will go to my colleagues to see what questions they do have.

Ms Gillies—We are happy not to make an opening statement. We are happy to go directly to the questions.

CHAIR—Perhaps if I kick off and then ask my colleagues what they are interested in looking at. You will know that one of the issues we are interested in pursuing is the efficiency and effectiveness of how AusAID goes about monitoring the multilateral agencies in terms of their relevance, their efficiency and their effectiveness, and what the outcomes are of our contributions. They are considerable considerations that I think add up to about 25 per cent of the aid budget in total. Is that a reasonable assessment, Mr March?

Mr March—Twenty-three per cent.

CHAIR—So generally we are talking about the ADB, the World Bank, the International Fund for Agricultural Development and those sorts of organisations as part of that.

Mr March—And the multilateral agencies of the UN and the Commonwealth.

CHAIR—Yes. The multilateral assessment framework basically becomes the key strategic mechanism through which you as an organisation monitor the relevance, efficiency and effectiveness of the multilateral agencies but that does not include the World Bank and the ADB, does it?

Mr March—No, it does not. We have another mechanism by which we look at those.

CHAIR—What do you call that one?

Mr March—There are two mechanisms by which the government examines that. One is the Treasurer's report to parliament, which is an annual report on the effectiveness of the government's engagement with the ADB and the World Bank. The other is that AusAID itself conducted in 2002 a multilateral bank effectiveness review in which we looked at the very issues that you have referred to.

CHAIR—And that satisfies AusAID in terms of those accountability issues?

Mr March—The periodic reviews that we undertake are in addition to our regular engagement, in the case of the banks, through the ED's office and our periodic visit at the field level. Combining the annual assessments through questionnaires with the engagement through the policy setting structures and governance structures at the ED's office and the field visits form a picture for us of the effectiveness of the agencies.

CHAIR—We as a committee—and other members and senators might wish to comment on this—get feedback from NGOs in particular who take the work that they do in the region very seriously, as I know the development banks do, that there is some serious difficulty in terms of the banks effectively monitoring their projects adequately. One example I would give is the concerns of Oxfam Community Aid Abroad about particular projects in the Mekong region, in

Thailand and in Sri Lanka. They find themselves in a position where they might even be delivering some projects with AusAID funding in that process but they find themselves undermined by, say, the ADB and the way they go about doing their programs. One contention which has been put to us is that it would be much easier if everybody were dealt with under the MAF so that the accountability levels were the same everywhere and there was some consistency.

Mr March—In commenting on that view, I will not address directly the views of the NGOs. We find that the banks are serving multiple stakeholders, including the countries that they are undertaking the programs in and also the shareholders in the banks. When you are delivering development activities that are necessarily complex, it does happen from time to time that a range of stakeholders have different views on the outcomes. We could certainly look at expanding the MAF to include the development banks but we would feel that that may not necessarily address all of the interests of our NGO colleagues.

The recent review of the effectiveness of the multilateral development banks 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 its ability to impart the lessons learnt from that dialogue. I think the challenge for us is not necessarily to have a series of evaluation mechanisms but to ensure that the findings that come out of whatever evaluation mechanism are, in fact, brought to bear. That is the objective of our engagement through our executive director's office with the Asian Development Bank.

CHAIR—In that example using ADB, do we have a bargaining chip there? Do we have some power to actually push that not so much as a reform but as an initiative?

Mr March—Yes. We would have bargaining power on a number of levels. We are the fifth largest financial contributor to the development funding arm of the bank. And at replenishment times—we are coming up to a replenishment in 2003—the donors receive a report back from the bank on how they have gone over the last three-year period, and we put additional benchmarks or we remove benchmarks that we may have with the bank on their performance. So at the time of replenishment you are able to say that, if you are asking the range of governments to contribute another several hundred million dollars, then these are the requirements we require of the bank and we look at how it has gone against previous benchmarks.

In addition to that, on a day to day basis when projects come up to the board, they are considered on their merits by a range of board members representing the shareholders. At that time, you can impart into the debate views on the effectiveness or impact that the particular project might have.

Irrespective of a formal proposal being before the board, through our executive director's office in the bank we can put before them—as we have done quite clearly on the issue of NGOs—that it is the Australian government's view that the bank needs to strengthen its dialogue with the NGOs and that it 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 particular Asian Development Bank and the NGO community.

CHAIR—That is useful information.

Mr PRICE—I have to go to another meeting at 12. Could I sneak in one question on another issue?

CHAIR—Where in the program do you wish to jump to, Mr Price?

Mr PRICE—The unspecified part.

CHAIR—That will be interesting!

Mr PRICE—General Cosgrove made it quite clear that Defence officials had had discussions with the Americans on all aspects of the war—so not only the war but post-war arrangements. To what extent has AusAID done any planning or held discussions with UN agencies or America about post-war activities in Iraq?

CHAIR—Mr Price, I would make the observation that, as far as the review of the annual report is concerned, that is not necessarily something which falls within the purview. I say that to the officers to indicate that they may be able to answer your question. If they are not able to answer your question, perhaps they would be kind enough to take it on notice. But if someone wants to volunteer, be my guest.

Senator BOLKUS—What are the figures in this year's budget?

CHAIR—We are focusing on the 2001-02 annual report.

Ms Gillies—I am afraid that we have not come prepared to actually answer that and I am not sure we have the people who are equipped to answer the question here with us.

Mr PRICE—Thank you.

CHAIR—Would you, to assist the committee, Ms Gillies, be prepared to take the question on notice by taking it back to the director general and his team?

Ms Gillies—Certainly.

Senator HARRADINE—Madam Chair, I would like to ask under the human rights section in respect of Vietnam about the matters that were raised with us yesterday or the day before in the committee.

CHAIR—The day before, Senator Harradine. What I would like to do, with the agreement of committee members, is perhaps finish with the multilaterals area and then try to work out if somebody here wants to put their hand up in relation to matters relating to Vietnam. I had one other question in the multilaterals area. Mr March, in terms of the evaluations that you do through the assessment framework. Did the multilateral agencies that you examined receive a rating that was satisfactory or higher than the performance target we expect them to meet?

Mr March—In all bar one case there were satisfactory or higher outcomes. We have then taken a process of discussing those outcomes back with the agencies and how we arrived at those particular decisions, because we view the MAF not as just taking a snapshot but as a management tool. We can then say, 'We suspect you can do better in this area and this is where we will be looking more closely on other occasions.'

CHAIR—Are you able to tell us which organisation that was?

Mr March—I am afraid offhand I do not have that information but I can tender it.

CHAIR—I would appreciate that. If an organisation in that position continues to fail to meet the performance targets that you allocate through the MAF—I understand that is an ongoing process, not just, as you say, a snapshot—do they continue to be provided with funding?

Mr March—That situation has not arisen to date, so I cannot comment in detail. We would hope that we would be able to enter into a dialogue with the particular agency so that we jointly could establish that they were in a position to meet it on subsequent occasions. It is our interest in improving the performance of the agencies across the board in line with broader UN and multilateral reform initiatives.

CHAIR—I appreciate that. Does anyone else have questions in that particular area? If not, let us move on to what we have listed as a second area for discussion, which is promoting effective governance. I am not quite sure what to do with the issue that Senator Harradine wishes to raise. It is certainly not going to be in this area. It may end up in improving health outcomes if we can find an HIV link. I indicate to you that the full committee was briefed by Jackie Bong-Wright, who is the President of the American Vietnamese Voters Association, on Monday afternoon. She is the author of a book called *Autumn Cloud* and she is an activist on behalf of women and children in Vietnam. She raised some very serious questions with us concerning forced insertion of IUDs, forced sterilisation, very high rates of infection in relation to HIV, trafficking of women and children, and forced prostitution. These matters were discussed by the full committee.

I am not sure whether we can pin them down here. Senator Harradine, if it does not become possible, we might give the AusAID representatives some questions to take away on notice and come back with responses. It is not in the information we have advised in advance that we will be examining. Does anyone disagree with that approach?

Senator HARRADINE—Well, it does cover bilateral as well. The UNFPA has seven projects in Vietnam and there is clearly a coerced population control program in Vietnam. One needs to see what action is being taken by AusAID.

Ms Gillies—We do not have anyone here who is responsible for the Vietnam program within which context that would perhaps best be answered. However, we would be very happy to take any questions on notice and answer them.

Senator HARRADINE—It is a question of the multilateral assessment framework, whether it is done under that or under something else. Questions need to be asked.

CHAIR—Senator Harradine, perhaps we could pursue putting that together for the AusAID representatives with Adam and come back to it.

Senator HARRADINE—Okay.

CHAIR—Shall we move on to promoting effective governance. As I indicated, the subcommittee's interest is in the promotion and strengthening of good governance across the broad PNG issue; what interventions we are making to improve governance in Indonesia; the promotion and strengthening of law and order in the Solomons; 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 through the Human Rights Technical Cooperation Program. Does anyone want to start on this area and PNG in particular?

Mr BAIRD—The reports that we have of PNG are that it continually becomes a basket case. Seeing that our key role is in terms of the promotion and strengthening of good governance, I really wonder whether we are getting anywhere. I wonder whether you could perhaps tell us about who you bring in to do the training. Is it all in terms of the public sector and Treasury? Some of these achievements are quite good. Who does this? Have you thought of training in management per se to address the core issues? Despite the hundreds of millions of dollars that have been spent by Australia in aid, I think the jury would say that we have basically not been hugely successful in terms of teaching them the very things that you see as an objective. Would you like to comment on that?

Dr Glasser—It is a fundamental issue and it is a fundamental problem in PNG. The issue applies at a variety of different levels. Maybe the most fundamental level is the way the government manages public expenditure where the whole process of defining what the priorities are, allocating money to those priorities and making sure the money goes where it is supposed to go instead of leaking out of the system has fallen apart. Our ability to respond effectively to those challenges depends an awful lot on the constellation of the government in PNG. For example, it was not until the Morauta government came to power that we were even given an opportunity to work with central agencies—Treasury, Finance and others—on that chain linking public expenditure to service delivery on the ground.

Fundamentally these are sovereign countries, so without some sort of interest within those governments for reform, we have relatively few opportunities to engage at that strategic level. We have other opportunities to engage within activities we are funding. Whereas Prime Minister Morauta seemed to be committed to reform even then, towards the end of his term in office, there was a massive blow-out in the budget that resulted in the possibility that PNG would have a deficit of up to eight per cent last year. Even with a commitment with a few key people, in this case the Prime Minister, there were major problems in the system.

The Somare government has a stronger reform minded team than its predecessor. We have a cadre of people, ministers and officers within the bureaucracy as well, who are committed to reform. They have been quite keen to ask for our support and the support of the World Bank and the ADB to try to work with them on those issues. In fact, we are doing that jointly. In the next couple of months, for example, we are conducting a major public expenditure review with the World Bank and the ADB for the government of PNG. But without that willingness to actually work on the issues, we have to try other ways of dealing with governance and that is through our existing projects, through longer term training.

Your second question was related to how we provide training. What we generally try to do is within our projects target the key people that require training to build the capacity. It might be financial controllers or people who are doing the strategic planning. We bring them to Australian institutions—universities, for example. But as part of our activities we also bring people to the country to provide on-the-job training. These might be consultants such as ACIL, OPCV and others. Those organisations recruit experts or have people on their teams that can provide that training. But it is a tremendous challenge. Our opportunities to make progress are fairly fundamentally linked to the commitment of the government itself in PNG to address these issues.

Mr BAIRD—It just seems to be a bit of a circle. If we are putting in these funds and they are not committed, then are we just throwing good money after bad in terms of achievements?

Dr Glasser—That is a fundamental question as well. I know the SFADT hearings on PNG and the Pacific have heard a lot of testimony, some of it from people that have a perspective. But that issue of what impact we have had is pretty fundamental.

Mr BAIRD—In terms of people in Treasury and Finance in Papua New Guinea, are they tertiary educated or not? Is there benefit in thinking of a Colombo style plan—sorry to use an old-fashioned term before Marise was born!

CHAIR—That really needed to be on the *Hansard* record, Mr Baird!

Dr Glasser—There are a number of ministers who were actually educated in Australia through AusAID assistance. The more interesting angle on this is the next generation of PNG leaders who are in Australia. They have a network that they have established here. They think more as PNG nationals rather than as their wontok. That is very encouraging.

Mr BAIRD—As their what, sorry?

Dr Glasser—The wontok, the idea that really your first allegiance is to your village basically, your clan. A fundamental aspect of the problems with public expenditure management has been that link. The new generation is breaking that link.

Mr BAIRD—How many is AusAID sponsoring to do MBAs in Australia—for example, from PNG?

Dr Glasser—I would have to take that one on notice.

Mr BAIRD—Roughly.

Dr Glasser—I think what we would do is tailor the support we provided to the activity that we were supporting. So if what was required for the activity was that sort of expertise, we would provide that training in Australia. If it was more of a specific technical skill, we might either bring the person to Australia or incorporate that into the activity that is happening on the ground.

Mr BAIRD—Could you come back to me on that? And across the board: not only MBAs but masters of commerce, and commerce and economics degrees—how much money we are putting into that.

Ms Gillies—There would be more than 100 Papua New Guinea students here at any one time undertaking tertiary study, and we can get you information.

Mr BAIRD—It is really a culture change you need to be involved in though, is it not?

Dr Glasser—Yes, that is one of the advantages—

Mr BAIRD—Sorry, that is the wrong term, isn't it?

Ms Gillies—No.

Dr Glasser—It is a cultural change, because this is probably the most ethnically fragmented country in the world. There are over 750 distinct language groups. That is a force for stability in the country because you never get these big blocks of groups arguing with each other. But it also makes it incredibly difficult, particularly in this rough topography, to get anything going. So you bring people out of that setting and expose them to other ways of looking at the challenges that they confront. For example, cutting across the wontok, that clan based mentality. It can be very powerful.

Mr BAIRD—Thanks, Madam Chair.

CHAIR—Just to go back to where Mr Baird started, I do not know if it has come out of the Senate inquiry or not, but one of the issues that has been raised is whether AusAID's funds actually fall under the discretionary management of individual Papua New Guinean politicians in terms of how they might be allocated and dealt with, and whether that adds to the sorts of problems that you have identified, Dr Glasser.

Dr Glasser—The idea that they might have access to the funds directly and make shonky choices with the money?

CHAIR—Yes.

Dr Glasser—You may be aware that we originally provided our support to PNG in the form of budget support, essentially a cheque that we wrote and provided to the government of PNG, and then the government could use that money as it saw fit. One of the reasons our government decided to move away from budget support in 1994 and 1995 was because of concern about governance and how that money was being used.

So we moved away from budget support to projects and programs which were managed generally by Australian managing consultants, where we tendered in Australia for these activities and where there were very clear accountability lines and financial management systems in place so that we could be more confident that the money was going where it was meant to go in an activity. There are weaknesses in that approach as well, because there are some inefficiencies in doing it that way. But at that time we were more convinced that the

financial accountability and the governance issues were fairly fundamental and that we needed to address those fairly dramatically.

Senator BOLKUS—And you are not now?

Dr Glasser—We certainly are now as well. Those are still aspects of the program, but the money is going to Australian managing consultants or to trust funds that are managed by Australians jointly with the government, with accountability systems in place, performance monitoring and so on.

CHAIR—How do you do your evaluations? For example, in the annual report, there are seven or eight dot points on page 35 of what you call key achievements for the 2001-02 year. How do you evaluate them?

Dr Glasser—Evaluation of progress applies at a number of levels as well. If it is a project, there are objectives of the project and our evaluation is based on whether we met the objectives. In a program approach it is more complex, because we are trying to work with the government of PNG across a whole sector, such as in the health sector, and actually our progress is linked very much to the PNG government's own progress in achieving outcomes in those sectors.

CHAIR—It is not inspiring confidence.

Dr Glasser—No, but there are small steps forward on a lot of this because it is such a challenging issue. We have Australian technical experts who review the progress sectorally and who work with the government of PNG to train them to do that while we are doing it as well.

CHAIR—Does the evaluation cost a lot?

Dr Glasser—The actual overheads of delivering the activity?

CHAIR—The evaluation.

Dr Glasser—Usually what we try and do is incorporate it into the design of our activity as part of the actual design in the sector-wide approaches. I would have to check the actual precise cost.

CHAIR—That would be good.

Mr BAIRD—If I could just ask on a separate issue: you sound as though you are across the issues, but is your own background economics or commerce?

Dr Glasser—It is international relations with economics as well.

Mr BAIRD—Do we have economists or commerce graduates in the line-up here?

Mr Proctor—I think there are some of us with economics and commerce degrees.

Mr BAIRD—Obviously, we are interested in the evaluation and the tough economic decisions and, from my point of view, I was wondering whether there were well-meaning altruists in AusAID or whether there were hard number crunchers as well.

CHAIR—Mr Davis is very tough, Mr Baird!

Dr Glasser—We have teams of economists and we have a senior adviser who is an economist. We draw on a wide range of technical experts and we have a lot of that expertise inhouse.

Mr BAIRD—I am not being critical; I was just interested to know.

Ms Gillies—If I can expand on that: the agency has a wide range of expertise. We have in excess of 50 or 80 people—let me come back to you on that—who are economists within the organisation. As Dr Glasser was saying, we have appointed a senior economist to advise us. We have access to economics expertise in a number of different ways. We are currently recruiting another economics adviser who will just do that kind of work within the organisation. But we do, of course, also have a broad range of people with other areas of expertise, including law—

Mr BAIRD—As you should. That is interesting.

Mr Proctor—If I could go beyond that: we have for the whole agency an evaluation area that is staffed by people often with doctorates in very different areas. But when we do a significant evaluation, you are really buying in expertise from the consultant industry or other areas of academia tailored to the particular project. But economic issues tend to be an underpinning of most of the issues we are looking at.

Mr BAIRD—Yes, that is why I was interested. Thank you.

Mr CAMERON THOMPSON—You have the list of achievements and we can talk about change in the government's attitude in the way it funds things in Papua New Guinea but, if we are looking ahead, what sort of milestones can we look for as pointers to whether we are making progress or whether we are actually going backwards? I would have thought an eight per cent deficit in the budget would be a pretty bad sort of milestone.

Dr Glasser—That is a good question. First of all, it is important to comment on some of the progress that we have made because, if you look at key social indicators—life expectancy, school enrolments, the illiteracy rate and infant mortality—there has been a fairly steady improvement and I think the aid programs have played a role in contributing to that.

A lot of the critique of the situation in PNG arises when comparing PNG to other countries. Certainly, if you look at the rate recently, from independence to 2000 or so, there has been a steady improvement at a rate that is comparable to the rates you see in other low-income countries. If you compare PNG to other countries, the picture is not as rosy and also we have concerns that that trend could begin reversing. None of these development gains are necessarily irreversible.

Mr CAMERON THOMPSON—But if you pick the crime rate, for example, would it be improving?

Dr Glasser—There are a few caveats to all of this: firstly, data is always tricky in a place like PNG; secondly, that improvement in health and social indicators has not been matched by economic growth in the same way; and, thirdly, the reason it probably has not is the point you just mentioned—law and order and problems of governance that PNG has not yet been willing to address.

Mr CAMERON THOMPSON—What sort of milestones would you pick?

Dr Glasser—Speaking realistically, given the economic challenge PNG is confronting—and it is a fairly significant one with a drop-off in revenue from minerals and oil—we have to be fairly realistic and assume that if we can prevent further decline, at least in the short term, that would be a major accomplishment.

Over the longer term, we can talk about economic growth. The government of PNG recognises, and so do the other donors, that the situation is quite serious in PNG. There is a commitment currently with this constellation of ministers to address the issue seriously. But in the short term it is going to be a matter of belt tightening and managing that public expenditure. A key role for donors will be to see what we can do together to prevent a decline in those health indicators and to address the public expenditure management issues.

CHAIR—I think we need to move on to Indonesia, if we can, and then move fairly rapidly through the next couple of subject areas. In terms of the expenditure in Indonesia, it is obviously a very significant proportion of spending in terms of the country in regional programs in East Asia. I think this is Mr Davies' area, is it not?

Mr Davies—Yes, it is.

CHAIR—From the annual report and from the PBS, I think there is just over \$97 million in country program assistance to Indonesia and an additional \$24 million, or thereabouts, on top of that which comes through the regional, cross-regional and global programs. But from our perspective in the areas we are examining, it is hard to work out what proportion of that funding goes to governance. I am wondering whether you can give us some idea of that, Mr Davies.

Mr Davies—Certainly. It has varied somewhat from year to year, in part, because there was a spike around the time of the Asian financial crisis, but the overall trend is certainly upwards. I believe at the moment the proportion would be around 16 per cent of the overall program—I will have to verify that for you—and, on current projections, we would expect that to grow steadily to around 25 per cent of the program in three or four years time. Again, that will not be steady growth because there will be a spike around the time of the 2004 Indonesian elections.

CHAIR—Sure.

Mr BAIRD—In relation to Indonesia, do you fund any of the think-tanks based in Jakarta? I met with one of them when I was up there a week ago and was particularly impressed. Apparently they write a lot of papers for the government and so on.

CHAIR—Which one?

Mr BAIRD—That is a good question, thank you, Senator!

Mr Davies—Yes, from time to time for certain purposes. We do not provide ongoing core support for the think-tanks based in Indonesia. Some of the better known, such as the Asia Foundation, tend to receive most of their funding from the United States or other sources. We do support part of the work program of the International Crisis Group, which has an office in Jakarta.

CHAIR—You would also have relationships like the one with the Habibie Centre that the Australia-Indonesia Institute maintains, for example, to put together the dialogues that they have been doing in recent years and things like that.

Mr Davies—Yes, certainly. The Australia-Indonesia Institute operates quite autonomously of AusAID, so we are not necessarily aware of the support that they are providing.

CHAIR—But the links are there; that is really the point that I was making.

Mr Davies—Yes.

Senator HARRADINE—On this Indonesia area, the outcomes have been very poor. Before the economic crisis it was suggested that about 11 per cent were living below the poverty line. It is estimated that about 50 per cent of Indonesia's population are now living below the poverty line with an estimated 100 million living in poverty. This is our biggest neighbour, and things are really bad there.

Mr Davies—I think those are two different poverty lines, Senator Harradine. The 11 per cent figure, I believe, relates to the \$1 a day measure and the 50 per cent figure to the \$2 a day measure—both of these tend to be used in different contexts. In terms of the \$1 a day measure, which is the more standard measure, at the time of the crisis certainly the proportion of the population living in poverty increased substantially. Again, I would have to check the figures but I think it may have gone up to 18 or 19 per cent.

Senator HARRADINE—I am reading from the brief. I presume that is information—

Mr Davies—I am not sure what figures you have but I believe those would be two different bases for the numbers.

Senator HARRADINE—What I am getting at is that things are crook. What is the outcome so far as AusAID is concerned? Is it making any difference? And obviously it is not making any difference in the global sense.

Mr Davies—In the decades leading up to the Asian financial crisis, it is well known that Indonesia's performance in poverty reduction was outstanding. Getting down to 11 per cent from what had been around 60 per cent was seen as an outstanding performance. The crisis showed that there was clearly an underlying fragility in the governance system of Indonesia and

that, essentially, the collapse of the banking sector had the potential to very quickly reverse those gains, and it did so to an extent.

A lot of our assistance since the time of the crisis has been very directly focused on addressing the systemic problems that came to light through the crisis. For example, we are providing support for debt management; we are providing support for financial sector restructuring and supervision; and so on. So, absolutely, the crisis reversed some significant gains, but 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.

Senator HARRADINE—Does your information agree that approximately 39 million Indonesians have lost their jobs in that period of time?

Mr Davies—I have not heard that figure used, no. I would be happy to check the data.

CHAIR—What we have here is a brief prepared by our secretariat with a range of resources and we can ask AusAID questions based on the information and get some responses.

Mr Davies—We will be happy to check the figures that you have.

CHAIR—Thank you.

Mr BAIRD—If I could ask a similar question to the one I asked on Papua New Guinea: what is the extent of the training that is taking place with the Indonesians and the numbers that are coming down to Australia for training?

Mr Davies—Indonesia is actually our largest scholarship program. I think some 7,000 or 8,000 students have been educated under Australian development scholarships over the years.

Mr BAIRD—How many a year now?

Mr Davies—At the moment we have an intake of 360 students a year, which means at any one time there are around 700 to 720 Indonesian students in Australia. That is the figure for long-term scholarships. However, we also provide very substantial levels of short-term training assistance to Indonesia. We have a short-term training mechanism under which we are providing some 50,000 training days per year for short course training for Indonesians. Around 70 per cent of that takes place in Indonesia itself and the other 30 per cent in Australia.

Mr CAMERON THOMPSON—The Bali bombing seems to have created quite a bit of ruction within Bali in terms of employment and in terms of economic opportunities in those areas—all those sorts of things. I just wondered what steps through our aid and support programs we have taken to try to assist them through that, and whether that is contributing or whether that is a difficulty.

Mr Davies—I preface my comment with one remark: the Bali bombings, of course, have had a national impact, although it is hard to quantify what that impact will be yet. A significant proportion of Indonesia's foreign exchange comes through tourism, and obviously a downturn in tourism to Bali has an impact at the national level. The government has estimated that the

bombings might take one percentage point off national growth in 2003; in other words, taking it from four per cent to three per cent. The actual outcome, of course, remains to be seen.

In terms of Bali itself, Australia has provided or committed assistance in several forms. Of course, there was an immediate humanitarian response to the bombing, and subsequently the Prime Minister has announced a package of assistance for Bali's health system. That is a substantial package of \$10.5 million with several components. I could detail those if you are interested.

Specifically in terms of addressing the impact of the bombing on the local community, we are using an existing funding mechanism, the ACCESS scheme, and the minister has just recently announced that a Bali rehabilitation fund will be supported through that scheme, which will be supplemented by \$750,000 for that purpose. That scheme will be used to support small-scale income generation initiatives and generally to address any problems that are directly attributable to the impacts of the Bali bombing.

Mr BAIRD—Just to follow up Cameron's question, are you bringing people down for training in tourism at all? We now have masters degrees in tourism at a couple of universities.

Mr Davies—Under a couple of the larger projects that training is provided, although more often in Indonesia than in Australia. Under the short-term training program that I mentioned there is certainly some training for tourism.

Mr BAIRD—Maybe given the importance of tourism, especially in Bali, that could be looked at. I think the Australian training in that area has been more professional and there are now some excellent programs.

Mr Davies—Sure. To date, Bali has been a venue for much of that training which is provided through our partnership for skills development program.

Mr CAMERON THOMPSON—If I can complete my questioning on the impact of the Bali bombing: how much effort are we putting into tracking the impact of this? Initially we had requests for us to change our travel advice coming from Indonesia because of the impact, and that sort of thing. How much effort are we putting into making sure that any aid response that we give is of a quantum and is tracked in a way that is actually going to make a difference, if it is necessary? Obviously, the Bali bombing does combine Indonesia and Australia and, if our relationship is important, we need to get a correct joint response to that. How much effort are we putting into making sure that it is timely and appropriate?

Mr Davies—I guess most of that effort to date has been put in by the World Bank on behalf of the broader donor community. At the time of the recent consultative group meeting for Indonesia, which happened in late January, there was a dedicated side meeting on Bali and its rehabilitation needs and the World Bank did a fairly sophisticated analysis as background for that discussion. At that point it seemed there had not been a significant impact in terms of loss of employment.

Mr BAIRD—I was up there a couple of weeks ago and they said the figure was 150,000.

Mr Davies—This was in late January, but the World Bank certainly warned the situation would need to be monitored closely. So we are monitoring that situation.

Mr BAIRD—Isn't this a bit of a disconnect if you are saying there is no impact and a couple of weeks ago the Indonesian government was saying it is down by 150,000 already?

Mr Davies—Sure. That was the World Bank's assessment in January—that there had not been a substantial impact. Certainly there had been some impact at that point but they were not talking about numbers like that. I do not know whether that is a figure relating to Bali or nationally—

Mr BAIRD—No. Bali.

Mr Davies—I would be surprised if we were getting unemployment levels of that magnitude.

Mr BAIRD—It was their head of tourism who gave the figure at the Australia-Indonesia tourism dialogue only a couple of weeks ago.

Mr Davies—We are not receiving reports of that sort of magnitude from our embassy in Indonesia at this stage. But our monitoring is essentially through—

Mr BAIRD—Hang on a minute, there is something wrong here because if the guy in charge of tourism for Indonesia stands up at this conference and at the press conference and said, 'Our tourism numbers are down 150,000,' wouldn't that be a primary source?

Mr Davies—I am sorry, were you referring to tourism numbers or employment?

CHAIR—I misunderstood you as well. I thought you were talking about 150,000 job losses.

Mr BAIRD—Yes.

CHAIR—You are not talking about tourism numbers?

Mr BAIRD—No, job losses.

CHAIR—Right, thank you.

Mr Davies—I certainly have not seen that figure quoted but I would be happy to follow up with our embassy and see whether they are able to verify that from other sources.

Mr BAIRD—It is always capable of spin, I suppose, but that is what they announced. I thought, 'That's huge.'

CHAIR—Mr Davies, could you come back to us on that question?

Mr Davies—Yes.

CHAIR—Just briefly in terms of the governance issues, one of the concerns which we have had is that, where funds are distributed through local government bureaucracies, for example, it would be fair to say that record keeping and systems maintenance in those areas are perhaps not as good as they could be. How do you go about tracking the distribution and the effectiveness of the funds if they are allocated in that process?

Mr Davies—I do not believe we are distributing funds through local government mechanisms. Our assistance is all provided in the form of technical assistance in project mode.

CHAIR—So you are confident there are no problems with the accountability when it is delivered on the ground there?

Mr Davies—We have experienced no problems.

CHAIR—One of the other proportion related questions that I have, which we cannot quite work out from the broad figures, is this: what proportion of the funding that we spend goes to legal reform?

Mr Davies—That would be a subset of the figure I gave you earlier—

CHAIR—For governance?

Mr Davies—Yes.

CHAIR—So it is a subset of 16 per cent?

Mr Davies—Yes, but I would have to get back to you on the amount.

CHAIR—That would be helpful. Do we provide funding to Australian Legal Resources International?

Mr Davies—They have received support through the NGO cooperation program in the past. Potentially, they may have received support under our legal reform program, although I think that was more of a pipeline activity than something that has already been funded.

CHAIR—Thank you. Unless there is anything more on Indonesia, we will move on to the Solomons.

Senator HARRADINE—Sorry, could I go back very briefly to Papua New Guinea.

CHAIR—Dr Glasser is still with us.

Senator HARRADINE—On page 37 of the report you say that HIV-AIDS is increasing substantially at present; is that right?

Dr Glasser—That is correct, yes.

Senator HARRADINE—Why?

Dr Glasser—Why is it increasing steadily? I think there are a variety of reasons relating to the risk factors in PNG. Among them are issues related to human rights, including violence against women, which is one of the—

Senator HARRADINE—Is there going to be a system up there which tracks those who are responsible for giving it to another? Has that ever been tried or thought of?

Dr Glasser—I am not aware of a system like that to track people who are actually spreading the disease in terms of a criminal activity in a way or—

Senator HARRADINE—Not for the purpose of engaging in a criminal activity. But the effect is that you can have one particular individual infecting a number of others.

Dr Glasser—Senator, as you are probably aware, we are funding a major initiative in support of the PNG government's efforts to address HIV-AIDS. I would have to check whether there is an element of that program, either the national program or elements that we are supporting, that might do that. I would be happy to check that and get back to you.

Senator HARRADINE—Thank you.

CHAIR—Thank you very much, Dr Glasser. Turning to the law and order process in the Solomons, Ms Thomas, one of the committee's interests is how effective our contributions are being in relation to law and order. One hears sometimes lurid, sometimes extraordinary, news stories about how that is actually progressing, and I wondered whether you could comment on that. How do you measure the impact of our governance programs and projects? Perhaps you could tell us what the key obstacles are to their effective implementation.

Ms Thomas—Without doubt, law and order is one of the fundamental problems facing the Solomon Islands. That is why it is such a large focus of our aid assistance to the Solomons on the understanding that not a lot of other development is going to be successful unless you actually have the rule of law operating in such a way that you can build on the foundations for that.

There have been some improvements in law and order in the Solomon Islands. The recent very tragic killing of Sir Fred Soaki, a National Peace Council member, did highlight the fragility of law and order in the Solomons. Nonetheless, looking around Honiara in particular now, there is a significantly increased police presence on the streets; officers are responding to calls dealing with crimes; there has been an increased arrest and conviction rate for small crimes; and, in relation to the murder of Sir Fred, someone has now been arrested for that. It is a matter of small improvements. They are incremental improvements. Nonetheless, there is a sense from the civil society and the Australian community, who we talk to as well, that there has been an improvement over the last year or so.

Australia's law and justice sector program is very much targeted at long-term capacity building, working with the Solomon Islands police to bring about some of those improvements. We are really focusing on basic training. Under the project that we have had in place so far, 129 new recruits have gone through basic training in the first police training courses to have been run since 1996.

We are also trying to embed this in the Solomon Islands police force by training of trainers and getting the police academy re-established so that, with a new curriculum and accredited trainers, this process will continue and standards in the police force will improve. A range of other training has also being provided to officers in terms of community policing skills, conflict resolution, just how you go about doing your job, and some higher level training for criminal and investigation officers.

We are also very conscious in our work that it is really the relationship of the police to the wider community that is very important. So we are introducing a much stronger community policing approach and are working with community reference groups, particularly women and youth, about how the Solomon Islands police force can actually improve its visibility and its relationship with the community in terms of law and order.

We have also been working on the prison service and with the legal system trying to improve the standard of operations at the two jails, including their refurbishment and their re-opening. With some of our support, magistrates court tours have been going out to the provinces and have helped clear a two-year backlog in terms of cases waiting to go through courts.

We have a very large team on the ground in Honiara, a mix of ex-police officers as well as civilian advisers working with the police force—about nine or 10 of them. We are in very regular contact with them in terms of monitoring how the project is going. Other people do visit and provide an assessment of how that assistance is working, which is where we are getting all these figures about incremental improvements but helping lay the foundations for ongoing improvement, I hope.

CHAIR—I think ACFOA in particular has looked at governance development issues in the Pacific island countries generally, but it is very relevant to the Solomons. They have talked about the fact that governance development really needs to include, build on or incorporate the existing societal structures and traditional societal structures that are identified easily in Pacific island countries so that there is community ownership of the processes. You have talked about community police relations and dealing with those groups. Is that part of that process?

Ms Thomas—We very much recognise the role that civil society plays in Pacific island countries. When you are looking at countries where, I guess, there is still a sense of nation building going on, you do not simply want to work with government partners. We want to make sure we take a very broad approach to our development work there. Yes, I think the very strong emphasis on community policing and working with the police force to do that is certainly part of that work.

More broadly, I think our work with the peace process in the Solomon Islands has been completely engaged with civil society. I refer to the fact that there was formerly a peace monitoring council that has now re-formed itself as a National Peace Council, which is an indigenous-led organisation. That has been very effective in providing leadership in a post-conflict society, undertaking weapons free village campaigns and just trying to get the message of peace and reconciliation out to communities. Australia has been the only donor to support the organisation to date, and we do see that as a centrepiece of our work on the peace process.

However, linked very much to that is making sure communities do have a sense that there is a dividend from peace arising so that if you cease hostilities and conflict you actually get

something out of that as a community. It has actually been a very successful community peace and restoration fund program that we have been working with over the last couple of years, which has local Solomon Islands community monitors working with communities to identify what their highest priority development needs are and providing funding for them to carry those out. That might be rebuilding the roads so they can get to market, building another classroom at the school, setting up literacy classes and that sort of thing. So our aid is going right down to the grass roots in the Solomon Islands and making sure communities actually have access to funding and an opportunity to get their lives a bit more organised and their communities working more effectively.

CHAIR—That is useful information. Do you have any questions in relation to the Solomons?

Senator HARRADINE—Nothing further.

CHAIR—I will race through a couple of questions that are East Timor related. They are probably directed to you, Mr Davies. Again, trying to track the proportion of funds spent on governance in East Timor is difficult. What is your assessment of that proportion?

Mr Davies—I am sorry, I do not have the precise figure with me. It would depend to what extent our capacity building assistance was included. If I had to guess, I would have to say it was upwards of a third of the program but I would prefer to take that on notice.

CHAIR—And I assume you are still working through the evaluation process for the interim country strategy for East Timor?

Mr Davies—Yes, that is right. We have received a draft report from an external consultant—in fact, a former vice-president of the World Bank—as part of that process. We are continuing to work through our discussions with the government of East Timor both on the outcomes of our assistance in the interim phase and on the directions of our assistance for the future.

CHAIR—We have asked this question before, but what is the continuing time frame for that process? If you cannot answer that now, I am happy for you to take that on notice, which I think you have done before.

Mr Davies—I think I have answered that question before without taking it on notice. Essentially, we are working towards public consultations on the basis of an issues paper. That issues paper is in process. It is still awaiting internal approval.

CHAIR—I am just trying to pin you down, Mr Davies, that is all. You keep coming to see us, we will keep asking you questions.

Mr Davies—Let me take a stab: we are expecting internal approval of that during April.

CHAIR—Excellent.

Mr Davies—There will be preliminary consultations on the basis of a draft rather sooner than that. A conference is taking place in Melbourne on land administration, and in the margins of that we will be undertaking some preliminary consultations. Once the issues paper is public, we

will, as I think I have mentioned in the past, send that to ACFOA and to other interested parties in Australia and also undertake consultations in East Timor.

CHAIR—Senator Harradine, are there any questions on East Timor from your perspective?

Senator HARRADINE—No.

CHAIR—It is difficult at this stage as you are in the review process, so I do acknowledge that. I might, if it is acceptable, put a couple of questions on notice in relation to the Human Rights Technical Cooperation Program in China in particular in view of the time. One question I do want to ask specifically is in regard to the reference to the independent review of AusAID activities in relation to China, which I think is made on page 66 of the annual report. Is that something we can obtain or that you can provide to the committee? Do you see the reference to the new China country strategy and an independent review?

Mr Davies—Yes, I see that.

CHAIR—Can we obtain a copy of the review?

Mr Davies—I do not see any difficulty with that.

CHAIR—That would be very helpful to us. Will that indicate what its scope was and what the outcomes were?

Mr Davies—Yes.

Senator HARRADINE—Could I ask a question on the Human Rights Technical Cooperation Program. On page 66 of the annual report it states:

As confirmed by an annual review, the program has had a major effect in the areas of: legal reform; women and children's rights and ethnic and minority rights ... Improved policy and procedures in prison management; and a multisectoral approach to domestic violence.

CHAIR—That is the review I think we have just asked for, is it not, Mr Davies?

Mr Davies—No.

CHAIR—That is a different review?

Mr Davies—Yes. Under the HRTC mechanism there is provision for an annual review which is undertaken by HREOC. I think it is called the program planning and review mission. So that is what that would be referring to. Again, if you are interested in receiving a copy, we can do that.

Senator HARRADINE—Where does AusAID come into it? I am sorry, I do not know whether you are handling the China area.

Mr Davies—I am responsible for the China program, yes.

Senator HARRADINE—This Human Rights Technical Cooperation Program forms one of AusAID's significant outputs for the China program during 2001-02. What is meant by that; how many times do you meet; what is raised at those meetings; who can raise issues at the meetings; do they have to be agreed upon beforehand?

Mr Davies—The program itself is run in the same way as our other aid interventions. It will be subject to regular discussions between AusAID and the government and the implementing agency, HREOC. But much of the dialogue about the broad directions of the program and about its progress takes place at the annual human rights dialogue between the Australian government and the Chinese government. There have been six of those dialogues. I think the most recent, as you are probably aware, was in August last year and the next will occur in about August this year. It is at that point that this program receives most attention, but outside that context it is just run in the same way as other activities.

Senator HARRADINE—I am just trying to understand what in practical terms the outcomes are. I was reading the Human Rights Watch backgrounder for persons attending the 59th session of the UN Commission on Human Rights, and it talks about a number of things such as workers' rights being trampled upon and the like.

Mr Davies—The program is intended as a practical underpinning for the human rights dialogue to demonstrate what approaches are taken on a range of issues in Australia, and it has been assessed as successful in that regard by HREOC. I am happy to provide you with their most recent review.

Senator HARRADINE—I just want to get it clear: are you saying that this is not your responsibility, although it is in your report?

Mr Davies—Yes, it forms part of the bilateral program for China for which I am responsible.

Senator HARRADINE—When did that take place and what issues and questions were raised at that time?

Mr Davies—When did the last human rights dialogue take place?

Senator HARRADINE—Yes.

Mr Davies—It took place in August last year.

CHAIR—I was present, Senator Harradine.

Senator HARRADINE—What questions were raised?

Mr Davies—I was not present but typically the dialogue will address both broad issues and individual human rights cases. It will also discuss progress on activities supported under this technical cooperation program and future directions for the program.

CHAIR—Senator Harradine, it may be of some assistance to indicate that the subcommittee, as we have discussed informally previously, is planning to make some exploration of the dialogues themselves—for China, Vietnam and Iran—and obviously we can pursue this.

Senator HARRADINE—Yes. I want to find out where to raise the questions, that is all. For example, under legal reform, does that mean legislation for lethal injection for capital punishment?

CHAIR—You and I also have the advantage of being able to discuss the issues at estimates hearings, which you can take as an indication if you wanted to.

Mr Davies—Just to clarify the matter, the department of foreign affairs has lead responsibility for the foreign affairs process, and AusAID's role is simply in relation to the Human Rights Technical Cooperation Program.

Senator HARRADINE—It looks as though we will have questions for HREOC.

CHAIR—And we will be coming back to this; you can have no concern about that. Cognisant as I am of the time, we will put a couple of questions on notice in relation to that program and we might try to pick up some clarifying questions from Senator Harradine there. I want to very briefly move on to topic 3, which is about improving health outcomes. I suspect you will find that, given the time, some of these will go on notice as well. I know you have officers here to assist and I am grateful for that.

Specifically in relation to the AusAID HIV-AIDS Taskforce, can you let us know the nature of its membership? In relation to the Asia Pacific Leadership Forum on HIV-AIDS and Development, can you give us some specific information on Australia's role, what the extent of our contribution is, what stage of its development it is at and what its achievements are to date? I understand, when it was announced, that it was to provide a network for information sharing among political leaders and parliamentarians, training activities among political advisers, and to enhance regional coordination and collaboration. What role, if any, will it have in relation to the seventh ICAAP in Kobe? Will there be a ministerial meeting of ministers, health and otherwise, attached to that ICAAP?

In terms of the global HIV-AIDS initiative that was announced in July 2000, which I think is worth \$200 million over six years, what are the specific programs that that initiative covers? We would also like to know whether the funding for regional and country assistance programs that are denoted as HIV-AIDS programs are funded from a different source or whether they all come out of the global HIV-AIDS initiative, and how that breakdown happens. To come back to the evaluation question, which is the purpose of this hearing, how are those programs and initiatives that are undertaken as part of the HIV-AIDS initiative specifically evaluated for their effectiveness? We will obviously give you the *Hansard* of all that, Ms Gillies. Then, in relation to China, there are a couple of other specific issues in that area. I might put those on notice and not expect you to take quick notes. Senator Harradine, do you have anything in this particular area?

Senator HARRADINE—Likewise because of the time.

CHAIR—Thank you, I appreciate that. We have tried to cram a lot into an hour and a quarter. We are very grateful for the presence of so many senior officers of AusAID in assisting us in the process. It gives us an opportunity to ask some quite detailed questions that do not necessarily lend themselves to other processes. So could I, on behalf of the subcommittee, thank you for your presence here today. If there are any matters that the secretariat might need additional information on, we will write to you on that. We will certainly provide you with a copy of the transcript of the evidence which will assist you with some of the issues you have taken on notice and to which you can also make any necessary corrections to errors of transcription.

Resolved (on motion by **Senator Harradine**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

CHAIR—That brings this process to an end. It took us some time to find a date, a time and a place—my apologies for the toing and froing on the process. Again, thanks for the information you have been able to provide today. We are very grateful.

Subcommittee adjourned at 1.00 p.m.