

CHAPTER FOUR

Australia's development assistance to PNG and the Pacific

Introduction

4.1 As has become particularly evident in earlier chapters, the development challenges facing the Pacific region are numerous and significant. Some challenges are not specific to the region but reflect global developments such as the spread of HIV/AIDS, climate change and global warming. Other challenges reflect the nature and geographic isolation of the Pacific and small island nations whose histories have largely been built on small subsistence economies. Australia's development response must be adaptable to these conditions. In particular, it must take account of the diversity and cultural identity within the region and the capacities of those countries to effectively address these issues.

4.2 The Committee is of the view that Australia has a considerable obligation to provide aid where it is needed. In terms of priorities, development assistance within our own region should be pre-eminent among our aid obligations, with the aid focussed on delivering benefits to the people. However, the Committee is also mindful of the growing culture of aid dependency which can prevent the effective functioning of government and the provision of services.

4.3 This chapter will outline Australia's development assistance to Papua New Guinea (PNG) and the Pacific and will consider the following issues:

- the nature of Australia's development assistance to the region;
- Australia's support for good governance;
- the effectiveness of Australia's development assistance in the Pacific;
- issues of concern;
- other donors and the extent of 'donor harmonisation'; and
- the future direction of Australia's development assistance to Papua New Guinea and the Pacific.

The nature of Australia's development assistance to the region

4.4 Australia's development assistance to the region is multi-faceted, covering a broad range of areas including health, education, agricultural research, law and order, customs and immigration and environmental management. As outlined below, not all development assistance is delivered by AusAID.

4.5 It is clearly within Australia's interests to promote regional political stability, grounded in economic and social prosperity and sustained through good governance.

The importance of PNG and the Pacific to Australia, arising from our shared history, substantial trade and investment links and for security and strategic reasons, is reflected in the substantial development assistance provided.

4.6 Australia is the largest bilateral donor to PNG, currently providing around \$300 million in development assistance per year which accounts for one third of Australia's bilateral aid program and a fifth of the total aid program. Australia is the second largest bilateral donor to the Pacific region. Japan is the largest bilateral donor, with New Zealand third, followed by the United States, France, United Kingdom, Canada, Germany, the Netherlands and other European countries.¹

4.7 Development assistance to both PNG and the Pacific has moved towards the development of country strategies rather than a collection of ad hoc projects.² This has seen a move towards a whole-of-government approach to development assistance and is consistent with New Zealand's approach to the delivery of aid. Australia had previously provided development assistance in the form of budget support to PNG and only completed the shift from budget support to jointly programmed aid in PNG in July 2000.

4.8 The Committee considers the move away from ad hoc project funding to sector wide programs as positive and hopes that this strategy will minimise any duplication, providing easier means of harmonisation with other donors. It is also more likely to be inclusive of existing community structures and initiatives.

AusAID

4.9 AusAID stated that its objective is to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development through building national capacities. The aid program aims to be flexible in order to deal with emerging issues and challenges and is considered to be a major contributor in pursuing the key Australian interest of a stable and economically viable Pacific region.³

4.10 However, AusAID acknowledges that the region faces considerable development challenges including rural poverty, political instability and government structures that were inherited from colonial powers which are no longer affordable and are inappropriate to meet the needs and expectations of rapidly growing populations.⁴

1 See, *Submission 17*, attachment 5 (AusAID)

2 The Committee acknowledges that there can be some confusion over 'programs' and 'projects' as the terms tend to be used interchangeably. For the purposes of this chapter, the Committee has attempted to use 'programs' when discussing broad approaches to particular sectors and 'projects' when discussing individual projects that can either be part of a broader 'program' or a specific one-off project.

3 *Submission 17*, pp. 1, 17 (AusAID)

4 *Submission 17*, p. 1 (AusAID)

4.11 AusAID advised the Committee that economic and governance reform in the Pacific requires sustained effort in a broad range of activities directed at:

- improving economic and financial management to encourage economic growth and a more efficient use of limited resources;
- improving the capabilities of the region's police forces and judicial systems;
- increasing public sector effectiveness to ensure that Pacific islanders have better access to quality schools, health and other basic services; and
- developing civil society to enhance broader participation in the social and economic decision-making processes of Pacific governments.

Papua New Guinea

PNG faces a number of serious social and economic governance challenges. The society is highly fragmented with over 700 disparate cultural groups that test political and social unity. The government has limited resources and a weak economy that relies significantly on a small number of gas and mining projects and forest logging. Communities remain isolated, have poor health indicators, high rates of illiteracy and urban communities suffer from serious law and order problems. Marked gender inequality results in women being subjected to harsh social conditions and being generally excluded from decision-making.⁵

4.12 From the Committee's experience throughout the inquiry, the above statement accurately summarises the development situation in PNG. As mentioned above, Australia is the largest bilateral donor to PNG and PNG is highly dependent on that aid which is critical to the delivery of PNG Government programs and accounts for one sixth of total PNG Government spending.

4.13 In July 2000, the *Treaty on Development Cooperation* between Australia and PNG came into effect. The treaty marks the beginning of a new chapter in Australia-PNG relations and sets out agreed priorities for Australian assistance and performance benchmarks. The development assistance program strategy is then developed in conjunction with the PNG government. However, given the development picture above, AusAID noted the difficult working environment in PNG and stated that development outcomes are challenging to achieve.⁶

4.14 AusAID advised the Committee that a primary objective for Australia's engagement with PNG is to ensure the continued viability of PNG's key institutions as poverty reduction through broad-based economic growth is a central element in ensuring stability and national cohesion. The Committee agrees that a stable and economically viable PNG will become more attractive to investors and trade relationships and increase living standards and employment opportunities. AusAID's PNG program strategy identifies four main objectives for the aid program:

5 *Submission 17*, p. 2 (AusAID)

6 *Submission 17*, p. 2 (AusAID)

- strengthening governance: improving economic management, building public and community capacity to deliver services, promoting the rule of law, and strengthening civil society;
- improving social indicators: improving health, improved access to basic education, improved gender equity, and supporting an effective cross-sectoral response to the HIV/AIDS epidemic;
- building prospects for sustainable growth: maintaining an effective infrastructure network; and
- consolidating the peace process in Bougainville.

4.15 AusAID supports the PNG Government's wide ranging program of structural reforms aimed at strengthening governance, generating growth and improving the efficiency of public service delivery. As mentioned in Chapter Three, this has been undertaken in conjunction with an IMF Standby Arrangement and World Bank structural adjustment program.⁷ Public sector reform includes:

- continued focus on stronger budget preparation and implementation processes within a realistic revenue framework;
- improved service delivery; and
- the creation of conditions for growth (both in terms of revenue raising and employment generation).

4.16 As mentioned above, AusAID takes a whole-of-government approach to engagement with PNG but because PNG institutions generally lack appropriate managerial capacity, accountability, transparency and efficiency, policy planning and decision making are not very effective. As a result, governance is an issue for development in all the sectors in which AusAID works with the Government of PNG.⁸

4.17 In addition, the PNG Government currently supports a wide range of programs that are not affordable within current budget parameters. Budget appropriations are often inadequate and agencies often do not receive the funds that have been appropriated. The result is that service delivery is limited or non-existent and biased toward urban areas.⁹ The bulk of PNG's poverty is in rural areas, which are most vulnerable to poor service delivery.¹⁰

7 See *Submission 17*, p. 3 (AusAID). These programs have included macroeconomic stabilisation; the privatisation of major state enterprises (including the PNG Banking Corporation); strengthening of the independence of the Central Bank and financial sector oversight; undertaking functional and expenditure reviews of major departments; reforming largely discretionary expenditure programs; streamlining Cabinet processes; and enhancing governance in the forestry sector; and reforms to the electoral and political processes aimed at strengthening stability.

8 *Submission 17*, p. 6 (AusAID)

9 For example, it was reported in July 2003 that the General Manager of Oilsearch, Mr Gereia Aopi was concerned that resource companies in PNG are providing basic services that should

4.18 These shortcomings are indicative of weak planning and a budget process system in need of reform. AusAID identified that what is needed is a realistic assessment of the costs of basic service delivery and the reduction of expectations to focus on the provision of core services across each sector. Affordable expenditure plans need to be developed within a realistic medium term fiscal outlook, particularly given significantly declining resource sector revenue. AusAID stated that it will continue to discuss the issue of affordability with PNG counterparts and ensure that it does not raise or maintain unrealistic service delivery expectations through the delivery of aid.¹¹

4.19 However, the Government of PNG is currently heavily reliant on donor programs through the development budget to deliver services. AusAID stated, and the Committee agrees, that it is in Australia’s interest to guard against this dependence and promote sustainable outcomes. Donors are working with PNG to maximise self-reliance which can only be achieved by taking a long-term approach to development in PNG. Strengthening governance is obviously central to this issue.¹²

4.20 An example of the new sector wide approach is in the health sector in PNG. AusAID will explore the possibility of this sector wide approach being applied in the education and justice sectors of the PNG program.

4.21 Three conditions are critical for success:

- political stability;
- a sustained commitment to reform by successive PNG governments; and
- a sustained commitment to addressing crime and lawlessness.

4.22 In relation to governance and addressing crime and lawlessness, AusAID highlighted the Incentive Fund¹³ as one Australian initiative that is promoting good governance and strengthening civil society in PNG. The current law and justice program targets community-based policing, supports anticorruption measures and includes activities to improve the performance of the legal and judicial system.

4.23 As described in Chapter Two, PNG rates poorly in relation to many social indicators in the areas of health and education. In addition, almost two million people

be provided by the government in rural areas. Pacific Beat, “PNG: Resource companies feeling the burden of responsibility”, 7 July 2003 (www.abc.net.au/ra/pacbeat/stories/s896297.htm)

10 *Submission 17*, p. 7 (AusAID)

11 *Submission 17*, p. 7 (AusAID)

12 *Submission 17*, p. 7 (AusAID)

13 The Incentive Fund was introduced in July 2000 and provides financial grants to organisations across the spectrum of PNG government and society that have demonstrated their capacity to deliver outcomes that further PNG’s development strategy. The Incentive Fund rewards high performing government agencies, businesses, community, church and charitable organisations, effectively bringing a greater degree of contestability into the program. See below, paragraphs 4.82—4.85 for further discussion of Incentive Fund projects.

(over a third of PNG's population) live in poverty, 94 per cent of these in rural areas. The recent census shows that PNG's population continues to grow rapidly, placing even more pressure on government services and rural resources. Rural poor face declining services, worsening access to transport infrastructure, law and order problems, a lack of transparency and accountability of government and a stagnating rural economy. Rural communities are the most disadvantaged because of difficult terrain and the high cost of delivering health services to remote communities.¹⁴

4.24 HIV is also emerging as a major health and development challenge for PNG. Indications are that PNG is facing a major HIV epidemic with infection rates increasing annually by 15–30 per cent. A Centre for International Economics report commissioned by AusAID, highlights the potential for HIV to lead to a major decline in economic and social indicators in PNG. By 2020 the labour force could be 13–38 per cent smaller than that projected without HIV, and the budget deficit could increase by 9–21 per cent.¹⁵

4.25 AusAID provided a detailed submission of its programs in PNG¹⁶ and the Committee notes the list of AusAID's achievements in PNG.

The Pacific Islands

The development process in the Pacific region is particularly complex and fragile. Also, the poverty profile of this region differs from those parts of the developing world where there is abject poverty. Few Pacific islanders can be shown to be without minimum levels of food, shelter or water. However, as a result of their geographic and climatic disadvantages as well as generally poor standards of governance, many islanders have very limited economic development prospects. For some, recent political instability and internal conflict have eroded even these.¹⁷

4.26 Again, this description adequately reflects the Committee's experience as visitors to a number of the Pacific island countries. AusAID advised the Committee that Australia's aid program seeks to "assist countries in the region to maximise their potential for sustained increases in the income and welfare of their people within the constraints of their size, isolation and resource endowments".¹⁸

4.27 AusAID emphasised that a fundamental point to be recognised in addressing Pacific issues is that the Pacific is not an homogenous region. While it is the case that a few countries have seemingly entrenched problems, others are moving forward. The different cultural contexts, the different development challenges and prospects faced

14 *Submission 17*, p. 4 (AusAID)

15 *Submission 17*, p. 4 (AusAID)

16 See also, AusAID, *The Contribution of Australian Aid to Papua New Guinea's Development 1975–2000*, June 2003.

17 *Submission 17*, p. 12 (AusAID)

18 *Submission 17*, p. 9 (AusAID)

in Polynesia, in Melanesia, in Micronesia require, in AusAID's view, a calibrated and nuanced approach for their development partnership and the delivery of their development assistance.¹⁹

4.28 The Pacific Regional Strategy, a periodic (3–5 yearly) assessment of the challenges to poverty reduction and sustainable development in the region, provides the analytical basis for the program. The strategy is developed in consultation with Pacific island governments, regional organisations, expert advisers and other donors and includes a whole-of-government analysis of issues involving other Australian departments and agencies. The strategy sets out the program's objectives, expected outcomes, and directions for program development and management to enhance effectiveness and efficiency.

4.29 The Committee notes that the Government is due to release its new Pacific Islands Development Strategy which the Committee understands will build on the earlier strategy making specific adjustments for the current developments in the Solomon Islands.

4.30 AusAID's effort in the Pacific gives priority to programs that address the problems of conflict, increasing urbanisation, equitable access to services and economic opportunity, and the role of civil society organisations.

4.31 In pursuing support for sound economic and financial management, AusAID considers the aid program to be helping to make the Pacific region more economically viable and attractive to investors, as well as better able to cope effectively with external developments such as the liberalisation of trade and open capital markets. Better financial management also reinforces countries' ability to deal with threats to their financial stability, including international money laundering operations. In promoting Australia's national interests, the development assistance program supports:

- Improved customs and quarantine services to facilitate trade and raise quarantine standards in the region and to help combat transnational crime such as illegal movements of goods.
- The law and justice sector which is aimed at strengthening the police, public prosecutors and courts, to enable them to deal effectively with crime in their own countries and to cooperate with international efforts to counter transborder crime.

4.32 The development assistance programs framework for poverty reduction comprises four broad strategies:

- promoting inclusive economic growth;
- enabling the poor to increase their productivity;

19 *Committee Hansard*, 28 March 2003, p. 396 (AusAID)

- encouraging accountability of governments and institutions; and
- reducing the vulnerability of the poor.

4.33 AusAID advised the Committee that this framework informs the key priorities of the program currently being delivered:

- support for sound economic management, through activities to strengthen the policy and management capacity of key economic agencies, especially finance ministries and central banks;
- strengthening capacity to deliver services effectively and equitably, including health, education, transport, power supplies, customs and other business-related services;
- improving the functioning of legal, justice and accountability institutions, such as police forces, attorneys-general, auditors-general, courts and prisons;
- supporting sustainable natural resource management and utilisation, with particular emphasis on mining, fisheries, forestry and the environment;
- strengthening the capacity of political institutions and the organs of civil society, including parliaments, electoral offices, media and community organisations;
- improving professional, technical and administrative skills in the public and private sectors; and providing humanitarian and emergency relief in response to natural and man-made disasters.

4.34 AusAID's submission in relation to its programs and projects in the Pacific island countries was comprehensive and the Committee commends AusAID's achievements in this region.

4.35 The Committee also notes AusAID's Australian Youth Ambassadors for Development Program (AYAD). The program has been in place since 1998 and places skilled young Australians, aged 18–30, on short-term assignments of between 3–12 months, in developing countries throughout the Asia Pacific region. Youth Ambassadors work with Australian organisations and their overseas counterparts in a broad range of areas that include health, environment, rural development, gender, governance, justice, education and infrastructure development.

4.36 Under the AYAD Partnership Program Australian companies, educational institutions, government agencies, NGOs, and community organisations nominate a young Australian for an assignment that the organisation has sourced through its own networks in the Asia Pacific region. The program then provides the administrative and financial support needed for the assignment to go ahead.²⁰

4.37 Whilst AusAID is the primary vehicle for the delivery of development assistance, valuable contributions are made by other departments and agencies and whilst not an exhaustive list, these include:

20 See <http://www.ausaid.gov.au/youtham/default.cfm>

- Australian Customs Service;
- Attorney-General's Department;
- Australian Federal Police;
- IP Australia;
- Department of Defence;
- Australian Centre for International Agricultural Research;
- Department of Agriculture Fisheries and Forestry;
- Environment Australia; and
- Department of Immigration and Multicultural and Indigenous Affairs.

International development goals

4.38 In September 2000 at the UN Millennium Summit, the member states of the United Nations issued the Millennium Declaration, committing themselves to a series of targets, most of which are to be achieved by 2015. These became known as the Millennium Development Goals and they represent a framework for achieving human development and broadening its benefits. The goals are:

- 1) eradicate extreme poverty and hunger;
- 2) achieve universal primary education;
- 3) promote gender equality and empower women;
- 4) reduce child mortality;
- 5) improve maternal health;
- 6) combat HIV/Aids, malaria and other diseases;
- 7) ensure environmental stability; and
- 8) develop a global partnership for development.

4.39 The Millennium Declaration considers good governance and the promotion of the rights of women as central to achieving these goals.

4.40 AusAID advised the Committee that there have been few tensions between meeting international development targets and shaping responses appropriate to the Pacific context. It is also important to note that international development goals are aspirational targets at the global level and the route to achieving them will differ between countries.²¹

21 *Answers to questions on notice*, 10 December 2002, p. 10 (AusAID)

4.41 Whilst the Committee was not tasked to measure Australia’s effectiveness in meeting these goals, the Committee considers Australia’s development assistance programs to be consistent with these goals.

Australia’s support for good governance

4.42 Australian Government policy in the region is focussed at all levels on the need to achieve good governance through institutional reform as well as recognising the need for development of an effective skill base, transparency, accountability and sustainability.

4.43 Evidence to the Committee explored both the scope and depth of this focus. Australian Volunteers International stated that Australia’s governance building programs have tended to focus on national government, legal and financial institutions but governance programs, and national government functions, are not always widely understood or supported in the general community.²² Australian Volunteers argued that there is a need to broaden the scope of governance to develop civil society and to address issues of equity, community participation, promotion of human rights, inclusiveness and recognition of the existing indigenous governance infrastructure which are an integral part of contemporary debate about governance in the region:

The link between good governance and strengthened civil society is increasingly important in light of the complex social, economic and environmental issues which affect the region...²³

4.44 Similarly, Mr Nicholas Maclellan stated that current good governance programs are often based on Western modes which downplay the significant rights entrenched in many Pacific Constitutions:

Palau’s Constitutional guarantees on land ownership, open access to government documents and bans on nuclear activity; the Bill of Rights in the 1997 Fiji Constitution, which entrenches the National Human Rights Commission and extensive anti-discrimination provisions (unlike Australia!); Papua New Guinea’s commitment to women’s rights.²⁴

4.45 In addition, Mr Maclellan advised the Committee that “good governance” rhetoric has increasingly been criticised for failing to address the motives of the donor nations in prioritising aid projects that focus on institutional strengthening of central government bureaucracies in the Pacific:

There has been growing concern of the social and cultural impacts arising from the neo-liberal economic orthodoxy that underlies programs of

22 *Submission* 28, p. 5 (Australian Volunteers International)

23 *Submission* 28, pp. 4–5 (Australian Volunteers International). See also, *Submission* 30, p. 10 (Mr Nicholas Maclellan); *Submission* 37, p. 31 (Australian Council for Overseas Aid); and *Submission* 71, p. 4 (Foundation of the Peoples of the South Pacific International)

24 *Submission* 30, pp. 10–11 (Mr Nicholas Maclellan)

structural adjustment in the region. Critics have noted that the good governance agenda “is seen by some as a way of explaining the disappointing lack of progress which emanates from basic flaws in the donors’ policies; by others as a device for legitimating a reduction in aid volumes; as a means of disciplining states which fail to provide the capacity for the implementation of projects; and as a means of assuaging domestic discontent by those in donor states facing new austerity measures associated with economic restructuring.”²⁵

4.46 The Australian Council for Overseas Aid (ACFOA) also suggested a need for more awareness of the cultural and social impacts of the good governance agenda:

In the Cook Islands, for instance, when the Public Service was downgraded, that had a very big impact on other people. If they had not had the safety net of going to New Zealand to get jobs, it could have been quite disastrous. Often there is an inappropriate model brought in with some of the good governance programs and they are forgetting all the things like communal ownership of land, the humanitarian values, the customary structures et cetera. It is an imposed system from outside and Australia is seen very much as being aligned with the ADB and the World Bank. They come in and often are not thinking of the fact that in a lot of these Pacific island economies those working in the Public Service are often the breadwinner for a whole range of people who are very dependent on them. The good governance agenda is an appropriate one but it needs to be slightly tailored to suit Pacific island needs.²⁶

4.47 Another consideration in the implementation of the good governance agenda is the fact that most countries in the region are relatively young democracies which have adopted (or had imposed) a ‘western’ system of government. This has implications for what we are now expecting of these countries, including the extent to which cultural political relationships fit within that model:

Despite the efforts to train local replacements for expatriate workers, and the pool of considerable talent that resulted, their manifest lack of long-term experience in the relatively new Western systems of government was a critical weakness. Moreover in much of the Pacific the value system that underpins Western democracy has never been fully internalised. Gradually, as expatriate support staff left, as linkages to developed countries weakened, as the system of checks and balances disintegrated, and as the new scope to attain ‘bigman’ status through exploitation of political power spread, the imposed and often poorly understood system of national-level government deteriorated.²⁷

25 *Submission 30*, p. 10 (Mr Nicholas Maclellan)

26 *Committee Hansard*, 18 October 2002, pp. 73–74 (ACFOA). See also, *Submission 30*, p. 7 (Mr Nicolas Maclellan); and *Submission 32*, p. 4 (Save the Children Australia)

27 *Submission 66*, p. 11 (Dr Jo Herlihy). However, the Committee notes the efforts of business working with governments on good governance and particularly the establishment of

4.48 The Committee agrees that the body of in-depth knowledge within Australia about PNG and the Pacific is now less wide-ranging than it was in the decolonisation period.²⁸ It was highlighted to the Committee that Pacific politics has always been a neglected field and the politics of achieving 'bigman' status in Melanesia is a significant factor in dealing with change. It was suggested that the damage which Australia's lack of in-depth knowledge can cause, in particular with regard to how Pacific Island political systems operate, is illustrated by the consequences of the Australian decision in 2000 to refuse the security assistance requested by the Solomon Islands Government.²⁹

4.49 For example, in relation to need to strengthen law and order and prevent corruption, Dr Herlihy advised the Committee that it not necessarily a lack of willingness on the part of governments (although this varies from government to government), it is more a case that because of Pacific political relationships, governments cannot address it:

First, many do not recognise corruption as such, and see it as a distributive mechanism where the benefits are returned to the people. Second, the essence of Pacific Island 'bigman' status is the power to control the flow of resources for the benefit of his clan or group rather than just for himself. It is a political culture built on traditional mechanisms of patronage. The 'bigman' who fails to deliver loses popular support, whether he diverts funds for his personal use or whether he is an honest politician who refuses to participate in the rorting. Third, the threats, blackmail and extortion which have been known to accompany a failure to deliver can put lives at risk. This risk can apparently validate a variety of dubious actions.³⁰

4.50 The Committee strongly supports the good governance agenda and considers the efficiency, effectiveness, transparency and accountability of institutions and

Transparency International in PNG. See also *Committee Hansard*, 20 February 2003, p. 327 (Business Councils); and *Committee Hansard*, 28 March 2003, p. 396 (AusAID)

28 *Submission* 66, p. 11 (Dr Jo Herlihy). See also, Chapter Eight.

29 *Submission* 66, p. 11 (Dr Jo Herlihy). For further discussion in relation to the Solomon Islands request, see Chapter Seven.

30 *Submission* 66, p. 14 (Dr Jo Herlihy). These issues are not necessarily insurmountable. Dr Herlihy also stated that "a tendency has existed in the developed world to take an anthropologically purist interpretation of the word 'culture' and to assume that it involves static traditional practices which are often at odds with Western institutions such as national government. In fact, however, village cultures are as dynamic and as responsive to external influences as are Australian communities. This is perhaps most evident in Melanesia, as in many other Pacific nations, in the move from traditional mechanisms for compensation and distribution to corruption, the negative effects of which are still not widely understood. In Papua New Guinea and in Solomon Islands, some of these relatively new aspects of the culture need addressing as a matter of urgency, and for various reasons probably can only be effectively addressed with outside assistance. Various academic and international bodies have provided valuable analyses of the nature and costs of corruption, and methods whereby it can be reduced, and simple techniques are also available for the promotion of culture change". See p. 24. See also, *Submission* 77, p. 2 (Mr Bob McKillop)

governments to be fundamental features of successful countries. The Committee also recognises that these countries are relatively immature democracies which have limited experience in the operations of the machinery of good governance.

4.51 However, the Committee supports the view that Pacific politics is not understood as well as it could be by policy makers in Australia and therefore the fusing of indigenous systems with the good governance agenda can sometimes create tensions. It is the view of the Committee that Australia should consistently review its approach to ensure that the governance agenda adequately takes account of Pacific political relationships, cultural and social impacts, country specific requirements and embraces all levels of society.

Recommendation 12

The Committee recommends that:

- Australia’s official engagement with Pacific countries be informed by a nuanced appreciation of each country’s indigenous cultural practices, social mores and authority structures;
- the promotion of Australian institutional procedures, premises, codes of conduct and values in a Pacific governance context be carried out with due regard to local needs and conditions but without undermining the essential principles of justice, equity, efficiency and accountability that such institutional practices are intended to uphold; and that
- to these ends, DFAT officials sustain regular dialogue with researchers and scholars of international repute who are active in Pacific and development studies.

Concerns for the effectiveness of Australia’s development assistance in PNG and the Pacific

4.52 Throughout the inquiry, a number of concerns were raised regarding the effectiveness of the delivery of Australia’s development assistance to PNG and the Pacific. These issues included:

- the trade versus aid debate;
- use of consultants for the delivery of aid—‘boomerang aid’;
- the definition of development;
- aid that is ‘crisis driven’;
- failure to address the underlying causes of lack of development;
- relevance of development programs; and
- capacity building and aid to civil society.

The trade versus aid debate

4.53 In a submission to the Committee, Professor Helen Hughes stated that since 1970 US\$50 billion (in 1998 dollars), or A\$100 billion, has gone to the Pacific in aid but that growth and development have not resulted.³¹ Professor Hughes stated that aid is therefore not the solution to Pacific development, but a major part of the problem:

The lack of economic growth and development in the Pacific does not arise from geographic, social or cultural characteristics, but is the result of inappropriate economic policies that have failed to deal with the negative economic effects of aid and mineral incomes. Only by understanding the economic implications, can Australia, as a major aid donor, seek to counterbalance the negative impact of aid on the Pacific.³²

4.54 Professor Hughes explained that the failure of aid to lead to growth does not arise from ill will, but from the failure to understand the economics of aid:

Economic theory indicates that mineral rents attract resources disproportionately to mining. Mineral rents lead to exchange rate appreciation, appropriately for mineral exports, but exchange rates become overvalued for import substitution and non-mineral exports. Investment becomes unprofitable in agriculture and manufacturing. Labor-intensive export industries fail to develop. Aid has similar effects. Because aid flows to governments, it attracts investment and employment to the public sector and biases incentive away from employment.

The expectation of aid, as of mineral incomes, discourages the build up of foreign reserves and encourages fiscal and monetary irresponsibility, with inadequate taxation, budget deficits and borrowing, leading to inflation and capital flight and so further undermining private investment. Waste and corruption at the top combine with low employment creation, leading to crime on the streets, so that business can not operate.³³

4.55 However, AusAID strongly rejected the argument that 'aid has failed' in the Pacific on the basis that such statements wrongly assume that development assistance is critical in achieving development:

There are those who would argue that aid to the Pacific has failed because the region is not an overwhelming development success story. This argument is based on the incorrect premise that aid is the critical factor in pursuing development. It is not. Countries themselves are responsible for and must continue to lead their own strategies for development. Aid can play an important supporting role, but it is not sufficient to ensure that development occurs. The importance of Pacific countries themselves taking

31 *Submission 61*, p. 2 (Professor Helen Hughes). See also, *Committee Hansard*, 28 March 2003, pp. 443–453 (Hughes)

32 *Submission 61*, p. 2 (Professor Helen Hughes)

33 *Submission 61*, p. 6 (Professor Helen Hughes)

the lead in pursuing good governance, in developing sound policy frameworks and robust public institutions, in maintaining stability, in strengthening the rule of law and in investing in the health and education of their people cannot be overstated. It is in this policy framework that aid can make a more effective contribution to economic growth and poverty reduction.³⁴

4.56 One submission argued that the failure of some aid projects “is an argument in favour of building up expertise in aid, of carefully targeting and monitoring aid, but not of abandoning aid”.³⁵ AusAID also stated that any reduction or suspension of aid would affect the health and wellbeing of many island countries:

...withdrawing or reducing aid at this particular stage in terms of the status of development that a number of these countries have would, in effect, drastically affect the delivery of basic services. In other words, you are going to affect people’s health and you are going to affect the number of children who can actually go to school. That is something that we would be very conscious of with any reduction in aid and that we would not accept.³⁶

4.57 Professor Hughes argued that inappropriate institutional frameworks extended to Pacific countries at independence were not modified to take account of the culture, particularly in Melanesian countries, which has set the stage for corruption and aid flows have enabled excessive public employment to be expanded at the cost of further employment creation:

High unemployment in urban areas, and high underemployment in villages, is the Pacific’s central problem... The lack of employment is sustained by clan safety networks, but their existence prevents entrepreneurial families from saving and investing, retarding small scale business which could grow into large scale enterprises. The lack of jobs encourages cargo cult mentalities with crime, now spreading to the villages, mirroring high level corruption.³⁷

4.58 Professor Hughes also argues that communal land ownership and clan loyalties, a ‘nostalgia for the colonial era’, inappropriate political, economic and industrial relations policies, corruption and crime and budget deficits as factors affecting growth and development.

4.59 Whilst Professor Hughes acknowledges that a suspension of aid is not realistic, she suggests an alternative that would require AusAID to impose conditionality on the disbursement of development assistance under the principle of mutual obligation. That is, the destination of all aid would have to be mutually agreed

34 *Committee Hansard*, 28 March 2003, p. 397 (AusAID)

35 *Submission 36*, p. 5 (Mr Hank Nelson and Mr David Hegarty)

36 *Committee Hansard*, 28 March 2003, p. 407 (AusAID)

37 *Submission 61*, p. 2 (Professor Helen Hughes). Specifically in relation to PNG, see discussion in *Submission 67* (Mr Stephen Day)

and monitored with aid disbursements dependent on the meeting of mutually agreed and independently audited benchmarks with the creation of labour intensive employment being a priority area.

4.60 This view was supported by Mr Bob McKillop who stated that “Australia’s role in the Pacific provides it with the opportunity to play a much stronger hand in ensuring that the release of aid funds is conditional on good governance criteria being met”.³⁸

4.61 However, this suggestion was strongly rejected by AusAID:

...our ability to support good governance is linked to the commitment of the governments themselves to get their own houses in order. It is by no means clear that we will increase their commitment by reducing aid and forcing them to submit to conditions that they do not believe in. Indeed, reducing aid could contribute to further decline.³⁹

4.62 AusAID considered incentives rather than conditions to be far more effective in fostering positive change. Conditions placed on development assistance can be complex and do not take into account the limited resources available to recipient countries.⁴⁰

4.63 Similarly, in a recent paper, Mr Satish Chand stated that research during the 1990’s confirmed that sustainable policy reform cannot be enforced through conditionality—countries have to have “ownership” of the reforms in order for them to be successful.⁴¹

4.64 The Committee does not support any suspension or reduction in development assistance and is not convinced that the imposition of such conditionalities would produce growth and development, particularly as Professor Hughes also highlights the need for the fundamental problems of Pacific societies to be addressed by the Pacific countries themselves. That is, such conditionalities on development assistance in isolation from addressing the development challenges discussed above will not create growth and development.

4.65 Aid strategies should include practical local accountability mechanisms for providing the intended recipients of aid (villagers, for example) with knowledge about the level and frequency of financial support that should be flowing to them. By ensuring that those villagers (or school teachers or health workers) have clear expectations of what is due to them, the pressure for domestic governments to deliver as required will come not from the ‘paternalistic donor’ but from the citizens themselves. Unfulfilled expectations have a distinctively energising effect on those

38 *Submission 77*, p. 6. (Mr Bob McKillop)

39 *Committee Hansard*, 28 March 2003, p. 400 (AusAID)

40 See *Committee Hansard*, 28 March 2003, p. 407 (AusAID)

41 Satish Chand, *Impact of rich country policies on the Pacific Island Countries*, June 2003, p. 19.

who have been disappointed. In this way, agitation for better performance by the government will come from the constituents themselves, not a foreign aid bureaucrat or ‘first world politician’.

4.66 The Committee appreciates that the provision of such knowledge or intelligence to people at the local level might be regarded as ‘subversive’ or ‘interfering’ by government authorities. There seems no reason, however, why this passing of information to the locals could not be properly handled by indigenous agents who have a commitment to equity and social justice. It does not have to be done by ‘white fella’ aid workers or volunteers—nor could it be sustained on that basis anyway.

4.67 There is an assumption here that any particular domestic government remains in power long enough to be vulnerable to the kinds of pressure being proposed. The pressure will be ineffective if those to whom it is applied disappear from the picture at regular intervals. It will then be like pushing on the end of a string.

Use of consultants for aid delivery—‘boomerang aid’

4.68 The most common concern raised with the Committee in relation to the delivery of aid was for the tendency for AusAID to use consultants, typically from Australia which lead to the perception of ‘boomerang aid’:

The first common complaint about Australian aid is that it is “boomerang aid”. A large proportion returns to Australia either in the form of equipment and supply purchases or through employment of Australian consultants. It is ironic that one of the goals of the aid programme is to increase capacity in PNG and PNG consultants are not allowed to tender for AusAID projects. Recently there has been some movement towards use of PNG consultants as counterparts but the lead consultants have to come from Australia or New Zealand. The private sector would like to see eligibility of PNG consulting firms for AusAID contracts.⁴²

4.69 This view was also supported by OXFAM Community Aid Abroad, stating that consultants are viewed by many in the region as “an overpaid, transitory and mercenary elite” and “outsiders who are seen in many cases to be compromised by their association with major development banks”.⁴³

4.70 These allegations were vigorously challenged by AusAID in relation to aid to PNG:

The Australian aid program ensures that PNG citizens benefit from commercial opportunities, skills formation and capacity building. PNG citizens account for over 65 per cent of personnel employed directly by the

42 *Submission 75*, p. 10 (Business Council of PNG and Institute of National Affairs). See also, *Committee Hansard*, 18 October 2002, pp. 18, 21 (McCall, McLeod)

43 *Submission 19*, p. 16 (OXFAM) See also, *Submission 30*, p. 8 (Mr Nicholas Maclellan)

aid program and over 70 per cent of goods and materials used in aid projects are purchased in PNG. The role of Australian consultants is to provide critical technical expertise unavailable in PNG and to transfer skills to PNG counterparts.

For example, in the infrastructure sector, all construction and road maintenance work is undertaken by PNG based firms and citizens, while Australian managing contractors assist the Government of PNG to contract suitable PNG based firms.⁴⁴

4.71 AusAID also advised the Committee that the Treaty on Development Cooperation between Australia and PNG includes performance benchmarks that seek to increase PNG participation in the delivery of the aid program. In 2001, over 44 per cent of the aid budget was spent via PNG agencies compared with the Treaty benchmark of 42 per cent.⁴⁵

4.72 AusAID is implementing several initiatives to further increase PNG participation in the delivery of the aid program which will increase the involvement of technically capable and efficient PNG organisations in the program.⁴⁶

4.73 The Committee acknowledges AusAID's response to this issue. However, the Committee notes the June 2002 report of the Australian National Audit Office (ANAO) on AusAID contract management which states that "AusAID estimates that Australian firms and individuals under contract management to AusAID deliver around 90 per cent of Australia's bilateral aid program, which accounts for some 60 per cent of the overseas aid program."⁴⁷ These figures appear to support the view that Australian development assistance has a 'boomerang effect'.

4.74 The Committee acknowledges that are two apparently contradictory factors that need to be reconciled in this debate. First, the Committee is firmly of the view that aid should be delivered to the advantage of the recipient country to meet the purpose for which it is given. The nature of such assistance inevitably requires a need for capacity building and knowledge transfer so that development is sustainable and does not create an aid dependency. Logically, this would involve the local delivery of aid but the Committee also recognises that developing countries do not always have the expertise and resources to do so. Second, Australian and New Zealand companies are often the only ones with the expertise to deliver aid contracts and the supplementary argument is that, as it is Australian taxpayers' money being used for development assistance, Australian companies should be able to take advantage of the commercial interest.

44 *Answers to questions on notice*, 30 May 2003, attachment 4 (AusAID). See also, *Committee Hansard*, 28 March 2003, pp. 410–411.

45 *Answers to questions on notice*, 30 May 2003, attachment 4 (AusAID)

46 *Answers to questions on notice*, 10 December 2002, p. 7 (AusAID)

47 See Australian National Audit Office, *AusAID Contract Management*, Audit Report No. 59, 2001–2002, p. 35.

4.75 This issue was frequently raised during the Committee's visit to the region. The Committee suggests that the Australian Government through AusAID encourage the objective of aid being delivered to the advantage of the recipient country to meet the purpose for which it is given. A strong focus by all stakeholders on this objective should mean that so long as AusAID continues to incorporate PNG and Pacific consultants and industry in the delivery of programs (increasing that involvement where appropriate) and so long as effective knowledge transfer is occurring to ensure the long-term viability of projects through in-country management, then the extent to which projects are delivered by Australian consultants should not be a concern. The Committee suggests that this objective tends to get lost in this argument.

4.76 On a related issue, the Committee is also interested in the quality and effectiveness of contracts and notes the ANAO's conclusions in relation to micromanagement of contracts, excessive contractor reporting affecting cost and quality and AusAID performance feedback to contractors. The Committee hopes these issues are being addressed by AusAID and suggests that the Parliament, through the Estimates process, continue to monitor AusAID's progress in this regard.

Relevance of development programs

4.77 Some concern was raised that development strategies are being defined by the Australian Government and do not accurately reflect the relative circumstances or need of the recipient country. The National Council of Churches advised the Committee that agendas and strategies are perceived as not being arrived at through consultation with in-country practitioners and some in-country practitioners feel they are working within a structure where they are applying for financial assistance to achieve externally defined aims and objectives that deviate from the real needs and situation.⁴⁸

4.78 AusAID advised the Committee that it develops country strategies for all countries to which Australia provides bilateral aid which are reviewed regularly to ensure relevance.⁴⁹ AusAID also advised the Committee that, whilst country strategy development processes may vary between different bilateral programs, it will typically involve the following:

- the formulation of a country poverty analysis, issues papers, and peer review processes internal to AusAID;
- consultations with other Australian Government Departments;
- consultations within Australia (NGOs, interest groups, academics, private sector); and

48 *Submission 47*, pp. 8–9 (National Council of Churches). See also, *Submission 42*, pp. 4–5 (Professor Maev O'Collins); and *Committee Hansard*, 18 October 2002, pp. 15–16 (O'Collins)

49 *Answers to questions on notice*, 30 May 2003, p. 1 (AusAID). See also, *Committee Hansard*, 28 March 2003, p. 407 (AusAID)

- consultations within the partner country (relevant Government Departments, local NGOs, local stakeholders, local academics).

4.79 Strategies are subject to a review process that may involve either annual reviews or mid-term reviews. These reviews may be undertaken by program area staff or specialist consultants. Also informing the country strategy formulation process are reviews and evaluations providing information on the efficiency and effectiveness of individual projects.⁵⁰

4.80 The Committee acknowledges the requirement for relevance. From the Committee's experience travelling in the region, most governments and civil society groups expressed general satisfaction with the level of consultation in relation to development strategies. The Committee is encouraged by the *Treaty on Development Cooperation* between Australia and PNG and whilst it was arrived at under different circumstances to Australia's bilateral relations with other countries in the Pacific, the Committee views this treaty as a formalisation of the policy of development strategies being arrived at in conjunction and consultation with all relevant stakeholders.

4.81 The Committee suggests that DFAT and AusAID give consideration to the development of bilateral treaties on development assistance with other Pacific island countries in order to formalise the process for consultative development strategies. Such bilateral treaties should also include performance benchmarks that seek to increase local participation in the delivery of the aid program as in the case of the *Treaty on Development Cooperation* between Australia and PNG.

Recommendation 13

The Committee recommends that the Australian Government conclude bilateral treaties on development assistance with all bilateral government partners in the Pacific region. The treaties should formalise the process for consultation with all stakeholders and include performance benchmarks that seek to increase local participation in the delivery of programs as in the case of the Development Cooperation Treaty between Australia and Papua New Guinea.

PNG Incentive Fund

4.82 The Committee notes the PNG Incentive Fund as one means through which civil society groups in PNG can access aid funds for the delivery of services. However, the Committee received some evidence that suggested that funding initiatives are not always accessible to small non-government and community-based organisations. For example, Australian Volunteers International (AVI) stated that there is little opportunity for many Non-Government Organisations to successfully access the Incentive Fund because they do not have the capacity or infrastructure to absorb the minimum level of funding required of projects.⁵¹ Whilst AVI

50 *Answers to questions on notice*, 30 May 2003, pp. 1–2 (AusAID)

51 *Submission 28*, p. 8 (AVI)

acknowledges that the Community Development Scheme is designed to provide an alternative option for community organisations, AVI considers the scheme to have been difficult to administer as a national program and has subsequently remained out of reach to many communities.

4.83 AVI suggested that it is critical to ensure that there is an effective interface between these schemes and that the focus is on allowing communities and organisations to develop at a scale and pace which is appropriate to their needs:

If the provision of aid is based only on the notion of commercially based contestability it will disadvantage the small organisations which work at the community level. The end result of this approach is that those organisations which have a 'proven track record' continue to grow and those that do not continue to struggle.⁵²

4.84 On the other hand, Dr Tim Anderson stated that the Incentive Fund is misconceived and acts like a parallel government funding infrastructure on an ad hoc basis and removing the coordination function from the PNG Departments of Education, Public Works and Finance.⁵³ The Committee also received evidence questioning the relevance of projects funded. For example, the Committee was advised that the Incentive Fund was supporting multi-million dollar projects with four private universities in Madang but there is only one high school in Madang.⁵⁴

4.85 The Committee notes these concerns. The Committee experienced first-hand some projects being developed through the Incentive Fund such as the Tari Hospital and Tari Secondary School and sees enormous benefit in the scheme promoting good governance and particularly notes the enthusiasm with which those working in both projects viewed the benefits the scheme delivered. However, based on the evidence received, the Committee suggests that there may be a need for a strategic review of the Fund to ensure that the assistance provided is also targeted to areas of development in most need and is consistent with the poverty alleviation focus of the aid program.

Recommendation 14

The Committee recommends that AusAID undertake a review of the Papua New Guinea Incentive Fund to determine whether the Fund is adequately targeting development initiatives consistent with a poverty alleviation focus.

The review should consider:

- whether the Incentive Fund is meeting its objectives;

52 *Submission 28*, p. 9 (AVI)

53 *Submission 60*, p. 5 (Dr Tim Anderson). See also, *Submission 67*, p. 3 (Mr Stephen Day)

54 *Committee Hansard*, 28 March 2003, p. 423. See also, *Submission 60*, p. 5 (Dr Tim Anderson)

- whether the assessment of projects to be funded adequately meets the criteria; and
- an analysis of lessons learnt through this form of aid delivery.

Definition of development

4.86 The Committee received some evidence which suggested that the ‘western’ definition of development is not consistent with a ‘Pacific’ definition of development:

...Pacific people challenge western concepts of “development” and “poverty”, arguing that our use of these terms implies a criticism of traditional life and systems already in place. Pacific people maintain that while they may not have much in the way of material possessions or money, they are not poor providing they still have their land, culture and community. They argue that the concept of “development” used by aid organisations and western governments fails to recognise that Pacific peoples have been developing for thousands of years. What many in the west would identify as “development”, Pacific communities view as “rapid change”, change largely imposed from outside and often destructive to communities and the environment.⁵⁵

4.87 OXFAM argued that the definition of development should incorporate a recognition of traditional values, knowledge and initiatives, cultural identity and belief systems, and over which communities develop the organisational capacity to control the rate and nature of this change. This view was also supported by the Australian Council for Overseas Aid (ACFOA).⁵⁶

4.88 The Committee considers these issues as important in the context of the speed with which developed nations sometimes expect these countries to progress. These are the kinds of issues that should be prominent in the consciousness of both policy makers and AusAID in the development and consultation for programs and projects.

Capacity building and aid to non-government and church organisations

4.89 The Committee received a lot of evidence that suggested that greater emphasis should be placed on the delivery of aid through civil society, particularly in relation to community development:

Emphasis should be on on-the-ground support, and focus on existing local structures. Working with Australian NGOs who have an established on the ground engagement with Pacific communities can provide an effective way of delivering aid and development programs, provide a valuable source of

55 *Submission 19*, p. 16 (OXFAM)

56 *Committee Hansard*, 18 October 2002, p. 73 (ACFOA)

information, and help counter the “consultancy image” of the Australian aid program.⁵⁷

4.90 This view was supported by Mr Nicholas Maclellan:

A crucial weakness in many Australian government programs is the dismissive attitude to the community sector in the Pacific, but many church and non-government organisations (NGOs) are long established and well respected, and play a crucial role in development, governance and national policy. Some of the most dynamic and outspoken Pacific leaders are to be found in local churches, women’s groups and NGOs.⁵⁸

4.91 It was also suggested that support for capacity building of civil society would assist with advocating for good governance and holding government accountable at local, national and regional levels throughout the Pacific.⁵⁹

4.92 ACFOA suggested that there are a number of ways that Australian agencies could refocus attention on the Pacific islands region, especially through support for capacity building initiatives, with grants for training, equipment, workshops, and the allocation of resources for capacity building for agencies within Australia, to enable them to operate more effectively in the Pacific region.

4.93 According to some witnesses, the role of the churches was neglected by Australian development assistance:

The Australian government has failed to recognise that churches are also social organizations with effective operational networks. These networks act as vehicles and infrastructure for social change in civil society. Churches are not only societal benchmarks for truth and justice but are well established as practitioners. Due acknowledgement of them as major stakeholders is not reflected in policy and strategy. In Melanesia the churches are the only primary organisation that currently reflects and maintains the operational integrity, stability and capacity that is required at this fragile time in the South-west Pacific.⁶⁰

57 *Submission 19*, p. 16 (OXFAM). See also, *Submission 28*, p. 10 (OXFAM); *Submission 32*, pp. 4–5 (Save the Children Australia); *Submission 50*, pp. 11–12 (World Vision Australia); *Committee Hansard*, 20 February 2003, p. 273 (OXFAM); *Committee Hansard*, 20 February 2003, pp. 290, 293, 295, 308. (World Vision Australia, Australian Volunteers International, Save the Children Australia); *Committee Hansard*, 27 March 2003, p. 349 (ACTU)

58 *Submission 30*, p. 8 (Mr Nicholas Maclellan). See also *Committee Hansard*, 25 October 2002, p. 127 (Maclellan)

59 *Submission 19*, p. 23 (OXFAM)

60 *Submission 47*, pp. 8–9 (National Council of Churches) See also, *Committee Hansard*, 18 October 2002, pp. 8, 10, 20, 73; *Committee Hansard*, 19 February 2003, p. 209 (National Council of Churches); *Committee Hansard*, 28 March 2003, p. 393 (National Council of Churches) and *Submission 30*, p. 8 (Mr Nicholas Maclellan). Mr Maclellan stated that there is a common—but unfounded—attitude in AusAID that NGO and community development initiatives don’t have a great deal of sustainability.

4.94 ACFOA referred to the situation in the Solomon Islands where, due to the incapacity of the government to provide basic services, grassroots organisations are managing to provide some services with minimal resources:

... the Solomon Islands government has no credibility anymore. People are doing things by themselves and getting on the best they can. If there were more aid money going into some of the grassroots activities—and I think the churches do have their fingers on the pulse in some of these countries at the grassroots—I think there could be many activities going on that would be quite sustainable if you were targeting the right people.⁶¹

4.95 In response, AusAID advised the Committee that it is supportive of the role of civil society in the region and currently funds civil society operations in many different countries and circumstances.⁶² AusAID provides funding to community groups and churches for local-level initiatives through the Community Development Scheme in PNG and AusAID negotiated with government to provide a level of contestable funding each year to government, civil society or private sector organisations that have a track record of excellence in service delivery, through the Incentive Fund. A significant proportion of bilateral support negotiated with government has also effectively funded and supported church-based schools and health clinics, as in many cases government programs are delivered directly through church-based organisations.⁶³

4.96 In the Solomon Islands, the Community Peace and Restoration Fund has supported over 500 activities at the community level throughout the country. Assistance is also provided to strengthen the capacity of the Solomon Islands Red Cross to deliver effective services, and to the Save the Children Fund's Youth Outreach Program with a view to building life skills and confidence in Solomon Islands youth.

4.97 The Committee agrees that a high level of community participation in aid projects engenders a sense of community ownership and thereby a greater chance of success or sustainability. However, the Committee is persuaded by the view that development assistance should be delivered in the most effective manner and therefore does not seek to place limits on the percentage of funding that could be directed towards funding non-government and church organisations.

61 *Committee Hansard*, 18 October 2002, p. 78.

62 *Answers to questions on notice*, 30 May 2003, p. 3 (AusAID). The provision of development assistance through civil society is also now being done by the Asian Development Bank. For example, the Committee notes that the ADB's recent announcement that it has approved a US\$500,000 regional technical assistance grant to help NGO's design and implement innovative projects. See <http://www.adb.org/Documents/News/2003/nr2003075.asp>

63 See also, *answers to questions on notice*, 10 December 2002, p. 4 (AusAID). See also, *Committee Hansard*, 28 March 2003, p. 411 (AusAID)

4.98 The Committee encourages AusAID’s dialogue with such organisations to ensure that adequate consultation is undertaken in relation to the most effective means of delivery of programs and projects.

Crisis driven aid

4.99 Evidence to the Committee suggested that a distortion to the development picture and the response taken by Australia to regional developments is that Australian aid tends to be ‘crisis driven’:

Recent crises in Fiji, Papua New Guinea, Timor and Solomon Islands have provoked a new bout of concern on the rise of “ethnic tension” in Melanesia, and media commentary about the “arc of instability” to the north of Australia. One leading journalist warns: “Melanesia is on fire and the flames will one day engulf Australia”.

In the overseas aid sector, development priorities have been sharply affected by these crises. In recent years, the Australian Agency for International Development (AusAID) has reallocated tens of millions of dollars from long-term bilateral and regional programs, towards emergency relief, rehabilitation and reconstruction programs in Bougainville, Timor Lorosa’e and Solomon Islands.⁶⁴

4.100 Such realignments downplay or ignore the diversity of the region, the dynamism of change, and the fact that Pacific islanders are engaged in dealing with the social, environmental and political problems affecting the region.⁶⁵ In fact, many of the problems affecting the Pacific island countries are global ones and not particular to the region.

4.101 This is not to say that emergencies should not be responded to. But the Committee is adamant that responses to emergencies and crises should not be to the detriment of the long term plan for development of the region. This may require a re-evaluation of the division of the aid budget so that an “emergency fund” is established in conjunction with the general budget so that as situations arise, they are able to be funded through the “emergency fund” rather than redirecting aid from the long term budget.

Recommendation 15

The Committee recommends that a discrete “Emergency Fund” be considered, additional to the general budget for Papua New Guinea and the Pacific region to avoid a redirection of aid from the long term development plan as emergencies arise.

64 *Submission 30*, p. 3 (Mr Nicholas Maclellan)

65 *Submission 30*, p. 3 (Mr Nicholas Maclellan). See also, *Committee Hansard*, 18 October 2002, p. 73.

Failure to address underlying causes

4.102 Some concern was raised that Australia's development assistance programs and projects, whilst targeting necessary areas, do not address the underlying reasons for lack of development:

There is a perception that the analysis of in-country situations by the Australian Government to the media and public does not necessarily make accurate links to either the real source of the problem or the appropriate response that is required. Descriptions and solutions would appear to be minimised to prevent offence or antagonism. While it is important to project an optimistic outlook this must be done in relation to the ultimate source of the problems. Otherwise reform is superficial and has the capacity to reflect change that is both qualitatively inaccurate and misleading. Consideration of diplomatic ties should not be at the expense of quality development.⁶⁶

4.103 This view was supported by the Papua New Guinea Eco Forestry Forum which provided the example of the large investments by Australia in the forestry sector in PNG. The Forum argued that none of the support has seen any improvement in the quality of forest management or any reduction in the level of corruption. The Forum also argued that future support should be linked to strong and positive measures on corruption.

4.104 The Committee discussed the major negative impact of corruption on good governance and the distribution of essential social and infrastructure services in Chapter Three and whilst the Committee appreciates the sensitivities attached to the discussion of this issue, the consistency with which such concerns are raised in this area cannot be dismissed.

4.105 As a means of addressing this issue, the Committee refers to its discussion earlier in this chapter, in relation to the 'aid versus trade' debate. That is, aid strategies should include practical local accountability mechanisms for providing the intended recipients of aid with knowledge about the level and frequency of financial support that should be flowing to them. Such knowledge should encourage transparency and accountability in both directions.

4.106 This may not specifically address the issue raised by the Papua New Guinea Eco Forestry Forum but it may be one way of indirectly tackling the potential for corruption and to ensure that aid funds reach the intended recipients. Issues more specific to the forestry sector are discussed in Chapter Five.

Rural development

4.107 Attention was also drawn to the focus on administrative and policy reform in central government bureaucracies. It was suggested to the Committee that such focus

66 *Submission 47*, pp. 8–9 (National Council of Churches). See also, *Submission 19*, recommendation 13, p. 17 (OXFAM)

has overlooked the need to focus on rural development programs, and on creating economic, educational and employment options for young people in rural and outer island communities.⁶⁷ Similarly, the Committee notes the recent statements by the UN Secretary General, Kofi Annan about the need to refocus on rural development.⁶⁸

4.108 The Business Council of Papua New Guinea and the Institute of National Affairs highlighted this issue in relation to PNG and advised the Committee that the Consultative Implementation and Monitoring Council in PNG and the PNG Government also recognise that the rural and urban informal sectors are the only likely basis for growth in employment or income generation in the near future.⁶⁹ As a means of addressing this issue, PNG is concerned to reintroduce the cooperative movement which was successful in the 1960-70s to help growers obtain better prices for its produce and obtain materials and supplies at a cheaper price and more reliably. However, the Business Council and the Institute of National Affairs stated that a lot more resources should be given to these sectors. Both resources and the development of the cooperative proposal are areas in which Australia might be able to assist.⁷⁰

4.109 In relation to Fiji, the Fiji Australia Business Council stated that there is an enormous amount of undeveloped potential in the agribusiness sector. The Fiji Australia Business Council suggested to the Committee that Australian influence in the development of this sector could either be in the form of technical consulting, to assist Fijian industries to become more effective, or through direct commercial involvement in Fiji.⁷¹

4.110 A supplementary consideration was the emphasis placed on the need to establish development contact and interchange programs as an important means of facilitating self-help among rural communities. It was argued that in addition to the educative and developmental advantages, contact and interchange programs also have the capacity to disperse many of the costs of assistance, at a low and acceptable level, across the donor community.⁷²

4.111 The Committee received evidence that suggested that the range and availability of external contacts for rural communities has diminished in countries such as PNG and the Solomon Islands, forcing rural communities to withdraw into traditional customs with the possibility of further extending behavioral patterns which are currently problematic. This is believed to make rural communities especially vulnerable particularly given the decline in human development indicators—

67 *Submission 30*, p. 8 (Mr Nicholas Maclellan)

68 See UN Wire, "Annan Call for Action on Rural Development", 1 July 2003.

69 *Submission 75*, p. 5. (Business Council of Papua New Guinea and the Institute of National Affairs)

70 *Submission 75*, p. 6. (Business Council of Papua New Guinea and the Institute of National Affairs). See also, *Submission 77*, pp. 6-7 (Mr Bob McKillop)

71 *Submission 87*, pp. 28-29. (Fiji Australia Business Council)

72 *Submission 66*, p. 6 (Dr Jo Herlihy)

notwithstanding such communities being tagged with the epithet 'subsistence affluence'.⁷³ It was suggested that the window of opportunity for addressing these issues is closing rapidly.

4.112 To facilitate such external contact, it was also suggested to the Committee that considerable scope exists for establishing arrangements between Australian and Pacific communities that are not confined to government-funded programs but specifically target rural communities. One possible means of re-igniting mutually beneficial interchanges is through 'twinning' arrangements similar to those currently in force between some Australian and overseas cities. Under a similar model, Pacific villages could be 'twinned' with Australian local councils.⁷⁴

4.113 Dr Herlihy explained that one example of how 'twinning' interchanges could be orchestrated is through an 'Adopt-a-village' proposal which aims to encourage local government councils in Australia or elsewhere to befriend or mentor a village in, say, the Solomon Islands. Details of what such an arrangement could either be standardised at a certain basic level, or could be a matter for negotiation between the respective local councils and the 'adopted' rural communities. The project would be designed to help Islander rural communities establish outside contacts, as a source of various types of assistance, both through the formal association with overseas councils and through the presence of individual visitors from that council area. Since most contact would be directly between the two areas concerned there would be minimal administrative costs, other than the costs of the preliminary promotion and coordination which could be handled relatively easily by a number of organisations.⁷⁵ It was suggested that the initial project exploit the existing links between Rennell-Bellona village in the Solomon Islands and Queanbeyan City Council in New South Wales.

4.114 In light of the Committee's discussion in Chapter Eight about Australians' knowledge of the region and the need to build relationships between Australians and countries in the region, the Committee considers that such a proposal has merit.

4.115 On the need for building relationships, the Committee is impressed by the Australian Youth Ambassadors for Development (AYAD) Program and the work of Australian Volunteers International (AVI). The Committee considers these programs to be effective and cost-efficient means of aid delivery at the same time as building relationships and educating Australians about the development challenges facing the region. Indeed, an extension of these programs was also proposed that would "tap the

73 *Submission 66*, pp. 7–8 (Dr Jo Herlihy)

74 *Submission 66*, p. 17 (Dr Jo Herlihy). Dr Herlihy also suggested that such arrangements would bring the average Australian into closer contact with the Pacific countries, and make Pacific Islanders generally more familiar with Australian lifestyles and values. This would also have an important educative component that could be supplemented, but probably not matched, by changes to Australian school curricula. Further discussion of Australia's knowledge and personal contact with the region is made in chapter Eight.

75 For further explanation of the proposal, see *Submission 66*, attachment 1 (Dr Jo Herlihy)

‘greying’ Australian workforce” by developing a working holiday scheme for Australian retirees in the Pacific.⁷⁶ However, the Committee notes that AESOP Business Volunteers largely performs this function by harnessing the skills of senior professionals in Australia who are retired or close to retirement.⁷⁷

4.116 Because positions within AYAD and AVI attract only mid-range salaries or salaries equivalent to the local salary, the Committee agrees that, in the long term, such an approach may assist in addressing the perception that the administration costs of many projects are disproportionate to the resources that actually reach target communities.

4.117 It was also suggested to the Committee that in order to ensure the most effective work outcome, Australia, when considering overseas postings of Australian personnel, consider adopting more flexible mechanisms for filling position. Long-term postings could be complemented by alternative methods such as multiple personnel on shorter-term postings and individual personnel on sequential short-term postings.⁷⁸

Recommendation 16

The Committee recommends that the Australian Government, through AusAID fund the administrative costs of a pilot “twinning project” involving a Pacific community and an Australian local government council.

The Committee recommends that following a two year review of the pilot, the Australian Government give consideration to further development and expansion of the project.

Recommendation 17

The Committee recommends that the Australian Government expand its Australian Youth Ambassador Program by 25 per cent by 2006.

Recommendation 18

The Committee recommends that the Australian Government embark on a program of annual expansion of funding to Australian Volunteers International and AESOP Business Volunteers to maintain the real value of the programs.

76 *Submission 66*, p. 17 (Dr Jo Herlihy)

77 For more information in relation to AESOP Business Volunteers, see www.aesop.org.au.

78 *Submission 66*, p. 9 (Dr Jo Herlihy)

AusAID corporate knowledge and staff turnover

4.118 The Committee also received some evidence commenting on the apparently high turnover of staff within DFAT and AusAID which affects the corporate knowledge and on-the-ground expertise in the region. Indeed, OXFAM gave a sense of a lack of interest by some in the department and suggested that postings in the Pacific region should not be viewed as a stepping stone to more glamorous postings for career diplomats.⁷⁹

4.119 Similarly Mr Nicholas Maclellan raised the issue of staff turnover and also advised the Committee that many Pacific islanders have stressed the issues of building relationships and spending time in-country to understand the complex dynamics of Pacific cultures.⁸⁰

4.120 The Committee also notes the comments of the ANAO in relation to retaining knowledge and the impact of high staff turnover in AusAID.⁸¹ In 1999, AusAID estimated that the average time a desk officer spent in one position was ten months and a senior contract manager 14 months. The ANAO acknowledged that this rate of turnover arises because of the high internal mobility of AusAID staff rather than separations from the agency however, the ANAO considered the high rate of desk officer turnover to have the following consequences:

- Unfamiliarity with a project, affecting speed and quality of decision-making;
- Contractors investing time and effort in frequent briefing of new desk officers;
- Inconsistent standards and approaches in dealings with contractors;
- Contractors benefiting from lack of corporate memory (e.g. by raising previously rejected issues);
- The cost of aid delivery increasing as a result of internal inefficiencies or from the risk of additional costs to contractors being passed on to the Commonwealth.⁸²

4.121 The Committee notes that AusAID is aware of this problem and the ANAO reported that AusAID has sought to address this by taking some measures in recent years. However, the ANAO also stated that the measures taken in the past have yet to be assessed for effectiveness.

79 *Submission 19*, p. 16 (OXFAM)

80 *Submission 30*, p. 8 (Mr Nicholas Maclellan). See also, *Committee Hansard*, 18 October 2002, p. 15. (O'Collins); *Committee Hansard*, 18 October 2002, p. 71 (ACFOA); and *Committee Hansard*, 25 October 2002, pp. 132–133 (Maclellan)

81 See Australian National Audit Office, *AusAID Contract Management*, Audit Report No. 59, 2001–2002, p. 51.

82 Australian National Audit Office, *AusAID Contract Management*, Audit Report No. 59, 2001–2002, p. 52.

4.122 DFAT advised the Committee that all DFAT officers posted overseas are expected to acquire a good knowledge of the culture and society of the country concerned, appropriate to their responsibilities. In relation to language training, 46 per cent of the DFAT positions in PNG, Vanuatu, New Caledonia and Solomon Islands are classed as “Language Designated Positions” (LDPs) therefore, officers posted to these positions receive long-term language training to bring them up to a tested level of professional proficiency, in recognition of the importance of language skills at these posts.⁸³

4.123 Similarly, AusAID stated that it was aware of the importance of building relationships and trust in-country and the ability to develop relationships with partner government counterparts is also an important factor, not just the length of time a person might spend in-country. AusAID also explained that it has a number of measures in place to ensure that AusAID staff can continually enhance their level of knowledge of the country upon which they are working.⁸⁴

4.124 Nevertheless, the Committee stresses the value of corporate and in-country knowledge and is concerned at the apparently high internal movement and attrition rate of Pacific-focused staff. The Committee suggests that both DFAT and AusAID give strong consideration to means of addressing this issue. In the case of AusAID, the Committee notes that the ANAO recommended that AusAID monitor the effectiveness of measures taken to reduce the impact of high desk officer turnover on contract management, to which AusAID agreed. The Committee suggests that the Parliament continue to monitor this issue through the Estimates process.

Issues of concern

Institutional strengthening

4.125 Evidence to the Committee has suggested that many state institutions have almost no capacity to implement policies whether they are directed at important national issues or the delivery of services at the local level. Professor Nelson gave the example of PNG during last year’s elections:

The Papua New Guinean state tried very hard to run an efficient election. There were parts of the Southern Highlands where they simply could not run an election, because the central state has no writ, so elections have not been held. It simply did not have the physical capacity to hold elections there. It did not have the capacity to organise rolls. It did not have the capacity to get ballot papers to the points where elections were to be held. There is about \$15 million still owing in payments to officials and all those sorts of things. The state was trying hard to run those elections. There are a whole range of inefficiencies.⁸⁵

83 *Answers to questions on notice*, 3 December 2002, question 4 (DFAT)

84 *Answers to questions on notice*, 10 December 2002, p. 7 (AusAID)

85 *Committee Hansard*, 18 October 2002, pp. 4–37 (Nelson)

4.126 This was a reoccurring theme throughout the inquiry. Professor Nelson argued that, what was most necessary, was the development of a capacity within PNG and the Pacific that is able to implement policies throughout all levels of government and society. This is a complex and challenging issues and no suggestions were made as to how this might be achieved. However, the Committee has considered particular issues relating to law and justice sectors, the public sector generally and the capacities of parliaments for oversight and a check on accountability.

Law and justice sectors

4.127 Australia has been criticised for the lack of effectiveness of its projects in the law and order sectors, most often in PNG and Fiji. As discussed in Chapter Three, it is clear to the Committee that poor or declining law and order is a major impediment to growth, particularly in Melanesian countries.

4.128 Overwhelmingly, evidence to the Committee reiterated that effective development assistance is inseparable from assistance to recipient countries to overcome their core problems. For example:

There is little perceived value in providing services while people live in fear that they may be killed—and are killed—if they step out of line or offend a neighbouring ‘bigman’ or his hired gunman. Promoting economic development programs is a difficult and often futile task if the fruits of the program can be stolen at gunpoint or diverted by corruption.⁸⁶

4.129 Dr Herlihy suggested to the Committee that law and order issues may be addressed in the longer term through training courses and educational sponsorships, but in the short term, assistance is urgently needed for hands-on assistance, of the type which has in fact been requested by some Pacific countries.⁸⁷

4.130 The PNG Government stated that there is a need to examine the mechanisms through which aid is delivered because at present, there is a tendency to provide advisors to government agencies when it may be preferable to place these advisors in actual ‘line’ positions, without undermining the sovereignty of PNG.⁸⁸

4.131 This view was strongly supported by Mr David Guinn in relation to PNG. Mr Guinn argued that despite more than 13 years of AusAID assistance and in excess of A\$180 million to the Royal Papua New Guinea Constabulary (RPNGC), which has consisted of the provision of technical advisors from various spheres of policing background to the RPNGC, the project has been largely unsuccessful with the RPNGC arguably in a worse condition now than when the program started.⁸⁹ Mr Guinn believes that the problem lies in the fact that the provision of advisers means

86 *Submission 66*, p. 21 (Dr Jo Herlihy)

87 *Submission 66*, p. 21 (Dr Jo Herlihy)

88 *Submission 63*, p. 21 (PNG Department of Prime Minister and National Executive Council)

89 *Submission 80*, p. 1 (Mr David Guinn)

that they have no authority in a culture of “pips and stripes”. This hampers their ability to make substantial change.

4.132 Mr Guinn argued that a new strategic direction is required, based on a proposal for contract officers to be engaged by the RPNGC to assist with day-to-day duties. The contract officers would be policemen employed as line officers which primarily hold middle management ranks. Positions at these levels would allow direct interfacing with the rank and file and would mean that the officers would be more hands-on. Mr Guinn’s proposal included:

- employment of contracted officers being handled entirely by the RPNGC (with advice from AusAID);
- AusAID funding for the recruitment process and ongoing cost of the contracted officers whilst on duty in PNG;
- advertising and recruitment from throughout the Commonwealth on a merits basis; and
- a condition of the contracts being that the positions would be non-promotional, ie “sideways” positions in order to diffuse possible complaints by PNG officers concerned that their promotional prospects may be prejudiced.

4.133 Mr Guinn also acknowledged a role for specialists in an advisory capacity to the Constabulary. However, as a generalisation, he suggested that these should be restricted to the more formal educational issues such as teaching in a classroom environment. Mr Guinn also suggested a twinning project between the RPNGC and one or more of the various police services in Australia with PNG police staff coming to Australia for one–three years with the respective equivalent officers being transferred to PNG for the same period.⁹⁰

4.134 The Committee notes these suggestions and can see the benefits of “hands-on” training in-country by specially contracted foreign police officers. However, if such an arrangement were to be put in place, the Committee admits the risk that officers transferring to the RPNGC for a contracted period might become ‘indispensable’, leaving key gaps in the Constabulary when they left. It becomes a matter of judgment as to whether the residual benefit to the force as a whole is sufficient to outweigh the loss incurred by the departure of the officer.

4.135 In relation to the twinning program, whereby PNG officers spend time in a foreign police service, the Committee has some sympathy with the view that such programs may be of little use to police officers when they return to their home country, because they will not have access to the level of resources that was available to them in, say, the Australian police force. It is argued that it is counter-productive to train police officers in Australian methods, with Australian resources when they are

90 *Submission 80*, p. 3 (Mr David Guinn)

unable to utilise that knowledge and training when they return home. (See Chapter Seven, paragraphs 7.90–7.93.)

4.136 On the other hand, training is more than the development of resource intensive or technology-dependent skills. A twinning arrangement would hopefully encourage a transfer of values and codes of conduct from the host police culture to the trainee. Basic principles of investigation may be pursued without resort to sophisticated equipment. Preparing a police prosecution for delivery in court would be a similar exercise, regardless of jurisdiction. Disciplined routines, whether of physical fitness or of taking notes, are of universal benefit to policing wherever they are carried out.

4.137 The absence of even the most basic of items, however, is undeniably a serious impediment to the administration of justice. Ms Maxine Pitts highlighted for the Committee the dire situation of the justice sector in PNG:

The agencies are incapacitated because they lack basic resources—for example, pens, paper, postage stamps, printer cartridges, typewriter ribbons, electricity, the ability to read and understand legislation written in English, the ability to interpret and apply such legislation so that it manifests in appropriate practice and procedure every day, and the ability and commitment of both politicians and senior officers to ensure appropriate activity occurs.⁹¹

Most police are frustrated that they cannot provide information to prosecutors in some cases because ... they have no pens or paper, the typewriter has gone bung and there is no typewriter ribbon. They cannot provide accurate briefs to prosecutors. Or the filing system is not working, so they cannot find the file anyway. Then the police prosecutors are frustrated that they cannot do a proper prosecution. And so it goes on.⁹²

4.138 Ms Pitts argued that PNG has received too much aid too quickly and therefore, conditions should be placed on that aid to ensure that outcomes are delivered. Should the outcomes not be delivered, Ms Pitts argued that Australia should delay the next segment of aid until those outcomes are met.⁹³

4.139 AusAID also highlighted the issues facing the Solicitor General's Office in PNG where the government is losing approximately 100 million kina per year in court cases against it because it lacks the wherewithal to attend court and argue the cases brought against it. Had the government been able to represent itself, it would have won most of those cases.⁹⁴ AusAID advised the Committee that following a written

91 *Committee Hansard*, 18 February 2003, p. 166 (Pitts)

92 *Committee Hansard*, 18 February 2003, p. 170 (Pitts)

93 *Committee Hansard*, 18 February 2003, p. 172 (Pitts). As the Committee has detailed in Chapter Three, AusAID prefers the use of incentives to conditions.

94 *Committee Hansard*, 25 October 2002, pp. 108–109 (AusAID)

request from the government of PNG, AusAID would consider assistance to this area. This issue was restated by the PNG Government in its submission to the Committee.⁹⁵

4.140 Ms Pitts also raised the important issue of the apparent double standard in relation to law and order. Considerable emphasis has been given to preventing violence and the upholding of the rule of law by the ordinary members of society, and yet observing and obeying the law appears to be an option for the higher levels of society involved in corruption.⁹⁶

4.141 AusAID advised the Committee that it is providing support to Pacific island governments to tackle high level corruption. In Fiji, AusAID is providing support to the office of the Director of Public Prosecutions to assist with a large number of trials, some of which are high-profile. In PNG, AusAID is providing support to the National Fraud and Anti-Corruption Squad and has also provided support to the Ombudsman's Commission, which has resulted in a doubling of the number of cases that it has been handling.⁹⁷ The question then lies in the extent to which these offices remain independent and therefore, effective.

4.142 Dr Herlihy advised the Committee that Australia's interests in the region, and the region itself, require mechanisms whereby legal action can be taken by donors, Australian businessmen, or Pacific Islanders to obtain redress or to expose corrupt or criminal behaviour in situations in the event that the legal system of the country concerned is unable or unwilling to do so.⁹⁸ This would require a package of measures, including practical assistance with policing and strengthening the judicial and ombudsman systems as well as specialised bodies to handle corruption.

4.143 Dr Herlihy also proposed a regional court or tribunal to handle issues that would be controversial, dangerous or simply ignored in-country, but which impact on the integrity of national governments or which have international ramifications for the region.⁹⁹ Such a regional court or tribunal—a modest version of, say, the European Court of Human Rights or the International Criminal Court—could operate under the auspices of the Pacific Islands Forum:

In the first instance, court or tribunal members could be nominated from judicial systems within the region and convened as the need arose, until or unless it became clear that a permanent body was required. To address the frequent problem within the region of a failure to address recommendations emerging from an Ombudsman investigation, it may be appropriate to

95 See *Submission 63*, p. 14 (PNG Department of Prime Minister and National Executive Council)

96 *Committee Hansard*, 18 February 2003, p. 168 (Pitts)

97 *Committee Hansard*, 28 March 2003, pp. 409-410 (AusAID)

98 *Submission 66*, p. 15 (Dr Jo Herlihy)

99 *Submission 66*, p. 15 (Dr Jo Herlihy)

enable the Ombudsmen in Pacific Island countries to seek a Regional Court authorisation for action that they have recommended.¹⁰⁰

4.144 The Committee suggests that, if such a court or tribunal were to become a reality, it could only be at the instigation of Pacific island governments themselves.

4.145 The Committee considers the basis of good governance to be grounded in:

- an independent judiciary;
- a police service free from corruption;
- the capacity for a free and independent auditor (to conduct both financial and performance audits);
- an ombudsman;
- an administrative appeals tribunal; and
- an independent commission against corruption.

4.146 If these mechanisms are in place, law and order will emerge. Some countries in the region cannot meet the ideal requirements at this time but the Committee considers that development assistance should be targeted at achieving these ideals as well as educating governments and civil society about the benefits in achieving these ideals. It is only where institutional independence cannot be guaranteed that countries should consider the use of external courts as described above. Should countries in the region approach Australia for such assistance, the Committee believes the Australian Government should be supportive.

4.147 The Committee is very concerned about the reports of lack of resources above and suggests that these are issues that must be given the highest priority. The Committee notes the recent comment by the Prime Minister in relation to notions of 'pooled regional governance'.¹⁰¹ The Committee understands that this is in relation to the pooling of resources and specifically the proposal for the training of police in Fiji for use in different parts of the region. The Committee assumes that such initiatives will build on the existing bilateral initiatives and encourages these developments.

Recommendation 19

The Committee recommends that as part of regional initiatives in the law and justice sectors, the Australian Government make supplies and equipment that are surplus to Australian police and judicial requirements available for distribution to Pacific forces.

100 *Submission 66*, p. 15 (Dr Jo Herlihy)

101 See Transcript of the Prime Minister, the Hon John Howard MP, Press Conference, Canberra, 22 July 2003.

Recommendation 20

The Committee recommends that the Australian government fund an initiative through the AESOP project to encourage retired magistrates and legal practitioners to volunteer their services to assist the judicial systems of Pacific island countries. Recruitment of suitable volunteers could be undertaken, on a fee-for-service basis, by one of the Law Societies or other relevant professional legal associations.

Public sector reform

4.148 Public sector reform is seen as a critical governance issue for a number of countries in the region. This issue is most evident in PNG and the Solomon Islands where the numbers of ‘ghost workers’, together with the relative size of the public service are a considerable drain on budgets. However, reforms to this sector have been a source of considerable unease in the region, particularly evident in the community protests against privatisation in PNG in 2001.

4.149 Australian Volunteers International highlighted the ongoing dilemma of the balance between structural adjustment and poverty reduction strategies:

The downsizing of government and the need to achieve efficiency and accountability have to be reconciled with the fact that it creates unemployment in communities where the government is a major employer and there is no alternative safety net. It is clear that there are simply not the natural resources or the potential for economic growth of industry to offer viable alternatives for employment in many countries. This potentially reduces the impact of poverty reduction strategies and, therefore, could feed the factors which underpin increasing law and order issues in various countries within the region.¹⁰²

4.150 The Committee acknowledges these issues and also notes the resentment when public sector reforms have often meant that local staff are dismissed, while overseas advisors, consultants and volunteers are retained with outside funding.¹⁰³

4.151 Mr Peter Spencer considered there to have been a total collapse of government services in PNG primarily because western democracy is not compatible with the culture of Melanesian society.¹⁰⁴ As a means of addressing this issue, Mr Spencer suggested that cultural change was necessary and proposed the tying of all aid to public sector reform, managed and supervised through a unit set up in a university. Similar to the program outlined above in relation to the PNG Constabulary, Mr Spencer proposed a “cultural exchange” of public servants, essentially to learn the “cultural orientation” of accountability and transparency.¹⁰⁵ Mr Spencer believed that

102 *Committee Hansard*, 20 February 2003, p. 296 (Australian Volunteers International (AVI))

103 *Submission 30*, p. 7 (Mr Nicholas Maclellan)

104 *Submission 7*, p. 8 (Mr Peter Spencer). See also, *Committee Hansard*, 25 October 2002, p. 59 (Spencer)

105 *Committee Hansard*, 25 October 2002, p. 62 (Spencer)

within three generations, a nation would become totally self-sustainable, with a public service culture that functioned properly.

4.152 The Committee supports the view that as the public sector is reduced, appropriate measures need to be put in place to enable individuals and communities to pursue alternative economic and social development options.

4.153 The Committee is encouraged by the reform undertaken by the Samoan Government which saw many workers form private companies that were then re-engaged by the public sector on a contract basis. It is essential that public sector reform is carried out in conjunction with programs to assist private sector development. As discussed in Chapter Three in relation to economic reform, the Committee believes such efforts must go hand-in-hand with a public education process whereby the public is informed about the reasons for reform and the benefits that will be derived.

Recommendation 21

The Committee recommends that the Australian Public Service Commission coordinate the investigation by Australian Government departments of opportunities for 'twinning' arrangements with their Papua New Guinean and Pacific Island counterparts in order to develop linkages between the departments and share the knowledge and expertise of Australian public servants.

Parliaments

4.154 The Committee regards a nation's parliament as having a crucial role in the promotion of governance through the parliament's exercise of its accountability mechanisms. The Committee received very little evidence relating to the effectiveness of parliaments in scrutinising the public sector in relation to this issue. Informal conversations during the Committee's trip highlighted an apparent need for development assistance to parliaments to ensure that both parliamentarians and parliamentary officials develop knowledge and expertise in relation to the effective functioning of the accountability role of parliament.

4.155 For example, members of the Opposition in Samoa suggested a need for an Institutional Strengthening Project for the Parliament. Opposition Members highlighted the enormous benefit of parliamentary exchange programs and encouraged that program, but said that the Parliament would benefit from an institutional strengthening program to ensure transparency, strengthen accountability of Parliament, and to build the capacity of Parliament for its scrutiny tasks.

4.156 Any attempts to improve governance in the Pacific must recognise the fundamental and strategic role played by the country's parliament both in developing legislative frameworks and carrying out the essential scrutiny and accountability functions.

4.157 Australian parliaments at both State and national levels have extensive experience in training members of parliament and parliamentary staff in procedures

and practices. As well, Australian parliaments have substantial expertise in educating the community about the role and operations of parliamentary democracy.

4.158 The Committee believes that these resources should be made readily available to Pacific nations. To some extent, this already happens through institutions such as the Inter-Parliamentary Union and the Commonwealth Parliamentary Association. However, it seems that Australia’s official aid strategies do not include a mechanism to coordinate training opportunities.

4.159 The use of Parliamentary resources is an extremely cost-effective way of making experience available for in-country training. Parliamentary officers have proven themselves adept at delivering culturally and institutionally appropriate training.

Recommendation 22

The Committee recommends that representatives of the Australian Division of the Inter-Parliamentary Union, the Commonwealth Parliamentary Association and the Centre for Democratic Institutions, along with relevant officials from the Department of Foreign Affairs and Trade and AusAID, develop a vehicle for the coordinated provision of training services aimed at the institutional strengthening of parliaments in the Pacific Region.

Recommendation 23

The Committee recommends that the Presiding Officers develop strategies for the closer involvement of officials and parliamentarians of the Australian Parliament to assist in the promotion of good governance in the Pacific Region.

HIV/AIDS

4.160 The committee is very concerned that the HIV/AIDS epidemic has the potential to seriously affect the health and economy of the region, particularly in Melanesia. Indeed, the spread of HIV/AIDS in our near neighbours also has the potential to have a serious effect on Australia.

4.161 The Committee was particularly concerned that, with the highest rate of infection in the region, a worst case scenario for PNG is that it could lose as many as 37 per cent of the adult population by 2020 to the epidemic.¹⁰⁶ The Committee was advised that reports also suggest that, in the past two years, the epidemic in Fiji has shifted from one that was slowly developing to one that is expanding rapidly. Whilst Vanuatu and the Solomon Islands have yet to register a significant number of HIV infections, it is considered likely that the HIV epidemic will spread rapidly in those

106 See *Submission 19*, p. 19 (OXFAM)

countries due to the presence of similar risk factors to other HIV-affected countries and communities.¹⁰⁷

4.162 OXFAM stated that, with the exception of Papua New Guinea, governments in the region have been slow to act in response to HIV/AIDS and the overall level of NGO capacity is poor. This is coupled with a widespread lack of understanding of HIV and AIDS across the region, minimal care being provided to those affected by HIV and extensive attitudinal, social, behavioural, cultural and religious issues impacting on the spread of the virus.¹⁰⁸

4.163 Some criticism of the delivery of projects relating to HIV/AIDS was received. For example, one project, run by the South Pacific Community in Noumea and funded by AusAID, was criticised for being slow to get off the ground¹⁰⁹ and an education project in PNG was criticised for being presented and circulated in English rather than pidgin or the local language.¹¹⁰

4.164 AusAID advised the Committee that it is addressing this issue in the Pacific region through a number of programs such as the Pacific Regional HIV/AIDS Project which is currently under development. This project builds on previous AusAID support that encouraged countries to undertake analysis of the current situation of HIV/AIDS in the region and to develop appropriate strategies to address this and enhancing awareness of HIV/AIDS, education and changing behaviour will be a significant part of the new regional project. Through this project, AusAID will also provide support to the Secretariat of the Pacific Community (SPC) to develop and evaluate behaviour change communication (BCC) strategies and materials. SPC will provide training in BCC methods to governments, NGO and other community groups in the Pacific region.¹¹¹

4.165 In addition, AusAID is funding the South Pacific Reproductive Health and Family Planning Training Project which is helping teacher training institutions and nursing schools to update their curricula to include thorough training in sexual and reproductive health. Key educators in the five biggest Pacific Island countries are training community educators who are delivering similar training to youth groups, church groups, NGOs and other community groups, encouraging people to discuss the facts and issues of sexuality and reproduction.¹¹² The Committee is also pleased to note the recent announcement that Australia will be contributing up to \$1.8 million

107 *Submission 19*, p. 19 (OXFAM) See also, *Submission 30*, p. 9 (Mr Nicholas Maclellan)

108 *Submission 19*, p. 19 (OXFAM)

109 *Committee Hansard*, 18 October 2002, p. 74.

110 *Committee Hansard*, 18 October 2002, p. 21 (McLeod)

111 *Answers to questions on notice*, 30 May 2003, p. 7 (AusAID)

112 *Answers to questions on notice*, 30 May 2003, p. 7 (AusAID)

over five years to develop and implement a regional strategy on HIV/AIDS and sexually transmitted infections in a joint initiative with the Government of France.¹¹³

4.166 In relation to PNG, AusAID advised that the National HIV/AIDS Support Project is working across all 20 provinces of PNG which, in addition to national programs such as awareness-raising campaigns, the project works with Provincial AIDS Councils and with local organisations, to ensure that activities are appropriately targeted to meet the needs of communities. The programs work with church-based organisations to deliver a range of services, including awareness raising, counselling and care.¹¹⁴

4.167 The Australian Council of Trade Unions (ACTU) suggested that there is scope for trade union involvement in an AIDS education program to deliver programs direct to workers.¹¹⁵ Whilst the Committee acknowledges that the ACTU is not accredited with AusAID to receive grant funding as a non-government organisation, the Committee encourages dialogue between AusAID and the ACTU.

4.168 The Committee is also pleased to note the submission from the Queensland Government which advised the Committee that Queensland Health has developed extensive collaborative arrangements with the PNG Health Department for addressing cross border communicable disease control issues, including HIV/AIDS and sexual health.¹¹⁶

4.169 The Committee supports the view that it is vital that Australia continue to support regional government and NGO initiatives on HIV, AIDS and STDs, promoting multi-sectoral responses to the epidemic and addressing questions of policy on care, confidentiality, testing and anti-discrimination.

The role of women in development

4.170 The problems faced by women in the Pacific include illiteracy, poverty, unemployment, poor health, discrimination, heavy daily workload, violence, and low participation in the political process and decision-making at all levels. A number of submissions addressed the need for a greater focus on the role of women, not only for matrilineal societies but also because of the role played by women throughout the region in the maintenance of the subsistence base.¹¹⁷

113 Minister for Foreign Affairs, "Joint Australia-France HIV and STI initiative for Pacific Islands", *Media Release*, 18 July 2003.

114 *Answers to questions on notice*, 30 May 2003, p. 8 (AusAID). See also, Additional Estimates 2002–2003, *Answers to questions on notice*, pp. 6–16 (AusAID)

115 *Submission 22*, p. 4 (ACTU). See also, *Submission 22A*, p. 5 (ACTU)

116 *Submission 58*, p. 3 (Queensland Government)

117 See for example, *Submission 66*, p. 19 (Dr Jo Herlihy); *Submission 19*, p. 24 (OXFAM); *Submission 38* (Ms Nicole George); and *Submission 40*, pp. 2–3 (Dr Bronwen Douglas). See

4.171 Professor O’Collins stressed that it was essential that development assistance continue in the areas of literacy, reducing maternal mortality rates and access to non-formal education for rural women, particularly in remoter areas. Professor O’Collins also suggested that projects to enable women to participate more fully in economic and social development need to include practical strategies, which are both accessible and culturally acceptable, as well as greater access to technical and management training.¹¹⁸

4.172 However, Professor O’Collins also highlighted one of the concerns of the Simons Review in stressing that policymakers must also address the structural and systemic constraints that produce uneven development and ongoing discrimination against women. These issues relate to the order and authority in a community and the risks of violence against women. Sustainable assistance strategies to address constraints on women’s development include:¹¹⁹

- maintaining and strengthening Australian Development Assistance contributions to women’s education and health;
- ensuring that the position and development needs of women are not assessed in isolation from their communities;
- working with all stakeholders to appropriately address domestic and other violence which constrain women’s ability to actively participate in economic, political and social development; and
- identifying and building on women’s productive contributions in the informal sector.

4.173 In relation to the issue of women and violence in Fiji, one submission argued that there was a need to confront the issue by examining the broader social and economic climate in which violence takes place:

It became evident that many saw a strong correlation between the continuing fact of violence at the national level—the idea that Fiji was stuck in a “coup cycle”, unresolved intercommunal tensions, rising poverty levels—and violence between men and women at the micro level.¹²⁰

4.174 Ms George stated that the challenges for NGOs and donors are many but what is first needed is not legal literacy training, but liaison services which put women in touch with social welfare programs and show them how they can be used to protect their rights and their children’s rights to a decent standard of living.¹²¹ The Committee acknowledges these arguments, particularly having visited the Fiji Women’s Crisis

also, *Committee Hansard*, 18 October 2002, p.30 (Douglas); and *Committee Hansard*, 28 March 2003, p. 451 (Hughes)

118 *Submission 42*, p. 9 (O’Collins)

119 *Submission 42*, pp. 9–10 (O’Collins)

120 *Submission 38*, p. 2 (Ms Nicole George)

121 See *Committee Hansard*, 18 October 2002, pp. 16–17 (George)

Centre in Suva. Employees of the Centre advised the Committee that they would assist 70–90 women per week. The Centre is primarily concerned with counselling but also participates in community outreach and lobbying. The Committee considers the work of the Crisis Centre to be invaluable particularly as employees of the Centre also provide training and consciousness-raising courses to the police and military. The Centre's lobbying has gained the support of the Fiji Government.

4.175 OXFAM Community Aid Abroad stated that there is a great need for gender awareness to be a part of programs and policy at all levels and for men to be challenged in their attitudes towards women, in particular, with regard to violence against women. Domestic violence is a growing concern in the region yet efforts of the governments and organisations to address this are inadequate.¹²²

4.176 OXFAM believe that in order for this to change the economic, social and political participation of women and marginalised groups will need to significantly increase, and their changing status will need to be recognised through effective representation in state and civil society structures at all levels. However, the majority of the countries in the Pacific have not ratified the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW).¹²³

4.177 The Committee supports the view that Australia should encourage Pacific governments that have not signed the CEDAW to do so. However, the Committee is also aware that many of these countries would not have mechanisms in place which would allow them to meet their obligations under the Convention. Therefore, the Committee suggests that development assistance in relation to women should include a focus on education about the obligations that arise out of CEDAW and should assist Pacific island governments to make the necessary domestic changes that will allow them to meet their obligations under the Convention with a view to signing and ratifying the Convention.

4.178 Another submission to the inquiry questioned why previous programs such as sewing machine projects, water supplies, sanitation facilities and income earning or import substitution programs have collapsed or disappeared and why people—a full generation later—have reverted to traditional methods or simply done without.¹²⁴ It was suggested that the reasons for the collapse of these programs should be examined as they are considered highly beneficial programs for gender development.

4.179 The Committee also considers it important to ensure that development programs address the needs of women and empower women through increased access to information and the promotion of their active involvement in leadership, decision making and politics throughout the Pacific.

122 See *Submission 19*, p. 24 (OXFAM)

123 Other than Australia and New Zealand, Fiji, PNG, Samoa, the Solomon Islands, Tuvalu and Vanuatu are parties to CEDAW.

124 *Submission 66*, p. 19 (Dr Jo Herlihy)

Recommendation 24

The Committee recommends that AusAID develop other mechanisms to support women's increased involvement in the aid program and reward those projects that have a demonstrable involvement of women.

Recommendation 25

The Committee recommends that AusAID continue its funding to the Fiji Women's Crisis Centre and investigate opportunities for similar centres to be established elsewhere in Fiji as well as in other Pacific island countries to address issues related to violence against women.

Infrastructure

4.180 As discussed in Chapter Three, the Committee received a lot of evidence relating to the state of infrastructure in many countries in the region, particularly in relation to roads which have an enormous impact on the ability to get goods to markets. Inadequate roads not only impact on economic development but also make the delivery of services and access to health and education more difficult. Poor infrastructure is largely the result of poor original construction but more importantly, lack of funds to allow maintenance.

4.181 This issue was highlighted by the Business Councils who also expressed concern that funding to infrastructure had decreased:

A lot of the countries in the Pacific are suffering from lack of infrastructure and, in particular, lack of maintenance of that infrastructure. We have built a lot of things out there over the years, such as roads and bridges, but they are not being maintained. They are in a poor state of repair. It is a matter of how we spend the money and also of putting in place maintenance programs. We have spoken with AusAID—particularly in relation to PNG, because that is where most of the money goes—about providing something that is sustainable and gives the infrastructure to facilitate trade.¹²⁵

4.182 The Business Councils also discussed the Highlands Highway in PNG as an example of poor infrastructure and one that is severely impacting on economic opportunities. The Business Councils suggested that, if one could get the economies in the middle of countries like PNG moving, one would not have the flow of people to the city, so one would not have the economic and law and order problems.¹²⁶

4.183 AusAID acknowledged this issue, particularly the benefits that may be derived to rural communities in PNG and advised the Committee that it was being addressed by AusAID in coordination with the World Bank and the ADB:

125 *Committee Hansard*, 20 February 2003, p. 329 (Lyon)

126 *Committee Hansard*, 20 February 2003, p. 32 (Lyon)

The Highlands Highway is the critical artery within the country. At the moment, various studies have indicated that, due essentially to lack of access to markets, there is a significant amount of agricultural production which is not getting to markets and therefore a considerable amount of income is being forsaken. There are different numbers which are being floated around but, just for example, the secretary of the PNG treasury was saying to us last week that, just by increasing the infrastructure maintenance of the Highlands Highway at a fairly basic level, they were looking at potentially more than 200 million kina of additional income getting back into some of the rural economies. We consider that quite a conservative estimate. Some of the studies being done by the World Bank for the big Highlands Highway program that they are looking to introduce—hopefully it will be going to the World Bank board either in December or early next year—are showing that very significant benefits will come to the economy, particularly the rural economy. Commodities getting to market, some of which will be able to be exported, will also bring additional income to the public purse in the country.¹²⁷

4.184 AusAID also advised the Committee that it has been very concerned through the aid program about infrastructure, and for a number of years has put quite a significant proportion of the aid budget into the infrastructure sector in PNG.¹²⁸

4.185 The Queensland Government advised the Committee that Main Roads Queensland has been contracted on a fee for service basis, to undertake a feasibility study into the construction of the Trans Island Highway in PNG.¹²⁹

4.186 This issue is also acknowledged by the PNG Government. The PNG Government advised the Committee that it was addressing this issue in the 2003 budget and bills establishing a Roads Authority in PNG have been drafted and (at the time of submission) were before Parliament. The Roads Authority will oversee the award of all contracts for roads and is to have both private sector and public organisation membership. The Roads Authority will also introduce much needed transparency and independence into the road contracting process and will ensure that money which is budgeted for road maintenance is spent for that purpose and not diverted elsewhere. In relation to the maintenance of wharves and maritime infrastructure, the PNG Government advised the Committee that a similar Maritime Authority had been proposed.¹³⁰

4.187 The Committee considers these developments in PNG to be positive. The Committee also acknowledges AusAID's response and does not seek to limit the flexibility of development assistance by suggesting a certain percentage of

127 *Committee Hansard*, 25 October 2002, p. 106 (AusAID)

128 *Committee Hansard*, 25 October 2002, p. 106 (AusAID)

129 *Submission 58*, p. 3 (Queensland Government)

130 *Submission 63*, pp. 15–16 (PNG Department of Prime Minister and National Executive Council)

development assistance should go to the infrastructure sector. However, the Committee considers infrastructure, and particularly rural infrastructure, to be of the utmost importance to economic development and growth, not to mention of benefit to the delivery of health and education services. The Committee is of the view that development and maintenance of infrastructure should be given a high priority.

Education and training

4.188 The Committee notes AusAID's education and training programs which include both the provision of assistance to primary, secondary and tertiary education as well as the provision of scholarships for Pacific islanders to study in Australia. However, on the data available, the Committee is also concerned at the rates of illiteracy in Pacific island countries (as outlined in Chapter Two). The Committee stresses the importance of education in development assistance and urges AusAID to continue its funding to these areas, specifically addressing those areas highlighted to be in need.

4.189 The Committee also received reports that the introduction of fees for primary schooling has severely impacted on attendance rates. The Committee also urges AusAID to note these reports and consider what additional assistance can be provided in these areas.

4.190 In relation to technical assistance programs, the Business Councils advised the Committee that the delivery of these programs could be much enhanced by:

- greater consultation with business in programs which have an effect on economic production and the operation of the business sector.
- more careful selection of aid program managers to ensure there is an understanding of the national environment and a strong personal commitment to the development of the particular country—it is the perception of business that some aid program managers are not so committed, but see their work as just another job in the continuum of their career.
- ensuring that programs are designed in bite sized chunks which are digestible within the relevant administrative environment.
- expanding the contract selection criteria to enable greater participation of indigenous companies in the program, and to design aid delivery contracts to require external aid contractors to engage in serious and effective skills transfer to local companies to enhance their capacity to compete for future work.
- ensuring that aid program review mechanisms produce an honest appraisal of their effectiveness, and not one which seeks to justify that the resources input has been effective (the “met or exceeded objectives” syndrome should be avoided).

4.191 The Business Council consider it critical that education and training programs be designed to be relevant and effective as too much focus on the policy framework at

the expense of basic skills and trade training will fail to deliver the desired skills improvements in the community.¹³¹

4.192 The Business Councils also advised the Committee that they consider the control of education and training programs through development assistance mechanisms is too narrowly focussed. Since business is the major consumer of skills developed through education and training programs, they would like to develop a closer working relationship with education and training providers.¹³²

4.193 This view was supported by the Samoa Chamber of Commerce and Industry during the Committee’s visit. The Chamber clearly outlined a need for more people to be trained in trades such as electricians and plumbers. The Chamber informed the Committee that outside assistance was required to provide more apprenticeships in-country in these vocational areas.

4.194 In relation to other in-country educational courses, Dr Herlihy cautioned against delivery by ‘training of trainers’ without serious analysis of whether the knowledge provided will be relevant in and applicable to the local situation. Dr Herlihy preferred the concept of cluster training or the training of workplace groups which can be mutually reinforcing at the conclusion of the training. Dr Herlihy stated that such training is now widely accepted as preferable to one-on-one training in attaining educational targets.¹³³

4.195 The Committee sees merit in this suggestion, particularly in relation to the mutual reinforcement at the end of the training. If training is provided in this way, course participants are able to build a support network of people who can assist when problems are encountered or simply for information sharing. The Committee is of the view that AusAID should investigate where it might be able to apply “cluster-training”, including where it might be able to incorporate such training in future contracts.

‘Brain drain’

4.196 A number of submissions highlighted a major difficulty facing countries of the region from the ‘brain drain’ caused by emigration of many of the “best and the brightest” to Australia and New Zealand (and to other countries):

131 *Submission 15*, p. 11 (Australia Fiji Business Council, Australia Pacific Islands Business Council, Australia Papua New Guinea Business Council)

132 *Submission 15*, p. 11 (Australia Fiji Business Council, Australia Pacific Islands Business Council, Australia Papua New Guinea Business Council) See also, *Submission 58*, p. 3. (Queensland Government). The Queensland Government advised the Committee that TAFE Queensland’s Open Learning Institute and the Queensland Department of State Development are working with the Manufacturers Council of PNG to develop the first industry-wide vocational training system for the PNG private sector.

133 *Submission 66*, pp. 17–18 (Dr Jo Herlihy)

This flight of intellectual capital is a significant impediment to the long term economic, political and social development of these economies. Australia is a willing partner in this flight, and it is our view that steps need to be taken to staunch the flow.¹³⁴

4.197 The Business Councils explained that through Australia's development assistance program, scholarships are provided for citizens of Pacific island countries to study in Australia. Anecdotal evidence however suggests that, in many cases, scholarship holders see the scholarship as a means of positioning themselves to qualify for migration to Australia, and if successful, they deprive the recipient country of the full benefit of the scholarship award.¹³⁵

4.198 The Business Councils recommended further investigation of the rate at which scholars migrate to Australia and suggested that the period at the end of the course of study that precludes the grant of a migrant visa should be extended to ensure that the recipient country receives the benefit of the scholarship.

4.199 AusAID advised the Committee that, in PNG, an Australian Development Scholarship (ADS) targeting strategy has been agreed between both Governments whereby the strategy targets awards to areas agreed to be of greatest importance for the development of PNG. This approach will help to ensure that returning awardees are well-placed to return to productive work in PNG. For example, priority has been given to awards in public sector administration, economics and related governance areas.¹³⁶

4.200 In addition, the *PNG Tertiary Students on AusAID Scholarships Tracer Study* was undertaken in 1997–98. The objective of the study was to assess the effectiveness of Australian training awards in contributing to PNG development needs, through the professional and technical development of awardees. The study evaluated the impact of AusAID-funded training on the capacities and careers of graduates who completed their awards over the ten-year period from 1987 to 1996. The study was able to interview approximately 31 per cent of awardees, of whom 75 per cent returned to employment in the public sector, with the remaining 25 per cent employed in the private sector.

4.201 Following a review of the PNG ADS program in 2002, AusAID advised the Committee that the current managing contractor is setting in place arrangements for ongoing monitoring of returnees. The monitoring will evaluate the impact of ADS on the awardees in terms of completion, employment and career paths, and the impact of the program on PNG agencies and businesses that have sponsored or have subsequently employed awardees.

134 *Submission 15*, pp. 11–12 (Australia Fiji Business Council, Australia Pacific Islands Business Council, Australia Papua New Guinea Business Council)

135 *Submission 15*, p. 12 (Australia Fiji Business Council, Australia Pacific Islands Business Council, Australia Papua New Guinea Business Council)

136 *Answers to questions on notice*, 30 May 2003, p. 10 (AusAID)

4.202 AusAID also advised the Committee that most Pacific Island countries do not monitor employment and work opportunities of scholarship holders. In Fiji, AusAID distributes a follow up questionnaire which is given to students requesting information on current employment, and requests comments on finding employment. Tonga carried out a tracer study in July 2001 and the period covered was from 1990 onwards. The study showed that 83 per cent were employed immediately, while the remainder were unemployed for periods ranging from one to six months.

4.203 Vanuatu also had a similar tracer study in 1998, funded by AusAID through a strengthening project within the Government training and scholarships unit. The study showed that 82 per cent of the returned students were working; 64 per cent were working for government, 21 per cent in the private sector, and 15 per cent were found to be with non-government organisations (NGOs).

4.204 AusAID also stated that the high employment rate of scholarship awardees constituted a significant increase in Pacific island countries human capital which has indirect economic spin-offs:

In PNG the 1998 tracer study indicated that many of the students acknowledged that their additional skills and knowledge had been recognised by their employing organizations on their return to PNG, and believed these skills had been utilised. As a result, many were given further responsibilities. Many stated that they had been able to introduce new initiatives into their work environments. Australian scholarships in Vanuatu have educated the majority of persons in senior government and other senior positions in that country. Similarly in Fiji, Kiribati, Tonga and Samoa, returned students achieved high rates of employment in both the public and private sector.¹³⁷

4.205 A somewhat different perspective was provided by Professor Helen Hughes, who stated that it is “facile to regard these students’ migration as ‘brain drain’ since in the present dire state of the Pacific, there are no jobs for them”.¹³⁸ Professor Hughes argues that those students who move abroad maintain ties to their homeland and contribute substantial remittances and some are likely to return, with considerable practical experience, if suitable jobs become available. For those that do stay in Australia, some are likely to start up businesses in their homeland and could establish strong links with the Pacific.¹³⁹

4.206 The Committee notes the concerns outlined above. However, the Committee does not seek to limit the opportunities available to Pacific islanders by recommending an extension of the period between the end of the course of study and

137 *Answers to questions on notice*, 30 May 2003, p. 11 (AusAID)

138 Professor Helen Hughes, “Helping the Islands to help themselves”, *Quadrant*, vol. 47 (7–8), p. 48.

139 Professor Helen Hughes, “Helping the Islands to help themselves”, *Quadrant*, vol. 47 (7–8), p. 48.

the grant of a migrant visa. The Committee encourages AusAID to continue its tracer studies in order to evaluate the scholarship program and suggests that AusAID work in conjunction with DIMIA in order to begin to develop data on the numbers of migrants to Australia that had previously been awarded scholarships in order to fully test the anecdotal evidence.

4.207 The Committee also suggests there is a need to consider this issue in a broader context. 'Brain drain' is generally the result of unemployment and lack of opportunities in the home country which are serious issues needing to be addressed, but ones quite separate from the provision of Australian scholarships.

Other donors and the extent of 'donor harmonisation'

4.208 Given the number of donors in the region, both bilateral and multilateral, the Committee sought to consider the extent to which Australia coordinated and harmonised its programs and projects with other donors. It was widely recognised in evidence that the aid program should take into account other donor activities in the same area, which may lead to conflicting imperatives or dilution of outcomes. The Committee is pleased to note that Australia is taking the lead in relation to donor coordination and harmonisation in the region and has been commended:

Australia and New Zealand's recognition of the importance of harmonisation of donor policies and practices in delivering aid to the Pacific, has also been applauded in the Pacific Islands region. Donor coordination has been on the regional agenda for a number of years, and a range of donor countries and organisations have discussed the importance of (i) information sharing, (ii) avoiding duplication, (iii) strengthening inter-agency contacts and facilitating the flow of ideas. Australia and New Zealand have specifically taken concrete steps and shown a commitment to seriously address some major donor aid coordination issues through the Joint Mission, commissioned by AusAID and the New Zealand Ministry for Foreign Affairs and Trade (MFAT), resulting in the March 2001 report, 'Harmonising Donor Policies and Practices in the Pacific'.¹⁴⁰

4.209 The 'Australia/New Zealand Review on Harmonising Donor Policies and Practices in the Pacific' was a joint study undertaken by both governments in 2000–2001. AusAID advised the Committee that both governments endorsed the recommendations of that report and through regular consultations and communication, substantial progress has been made in implementing those recommendations.¹⁴¹

4.210 AusAID advised the Committee that following an Australian initiative in 1997, senior officials of Pacific bilateral and multilateral donors meet annually to discuss emerging issues. This dialogue supports ongoing donor cooperation at the policy and operational level. Recognising the burden that different aid administrative

140 *Submission 37*, p. 1 (ACFOA). See also, *Committee Hansard*, 18 October 2002, p. 74 (ACFOA)

141 *Answers to questions on notice*, 10 December 2002, p. 11 (AusAID)

systems impose on island countries, Australia and New Zealand agreed in June 2001 to harmonise progressively, as far as practicable, their Pacific aid programs.¹⁴² Australia also works closely with a range of donors in the Pacific including Japan, France, EU, ADB, World Bank, IMF, Commonwealth Secretariat and various UN agencies. High level consultations with many of these donors, such as the Annual Pacific donors meeting, as well as information sharing on the ground enables donors to provide assistance that is increasingly complementary.¹⁴³

4.211 Examples where Australia is advancing donor coordination more broadly include:

- working with the World Bank and Asian Development Bank to develop a joint country strategy for PNG;
- delivering complementary aid projects in the Pacific with the EU (in water and education);
- collaborating with Japan in the education sector in Fiji;
- in Kiribati, Australia is working closely with New Zealand to develop a joint program of assistance in the education sector. Both AusAID and NZAID are encouraging counterparts in other donor countries to take part in this trial in the education sector to work toward one coordinated program of assistance; and
- AusAID is also working with the Government of Fiji to develop program sector frameworks that will facilitate support from other donors.

4.212 The Committee is also encouraged that Australia, together with the ADB and the United Kingdom, financed a regional technical assistance project that has developed a Tripartite Cooperation Framework to strengthen cooperation among the ADB, member governments and NGOs.¹⁴⁴

4.213 AusAID also advised the Committee that Australia is supportive of the South Pacific Forum taking the lead in initiatives at a regional level. This could include coordinating the assistance of donors and Partner Governments. The Committee notes that the Forum Secretariat is organising the Pacific Regional Workshop on Donor Harmonisation scheduled for October this year.

4.214 However, the PNG Government advised the Committee that there is always a need to improve coordination between donors:

142 *Submission 17*, p. 11 (AusAID). See also, *Committee Hansard*, 25 October 2002, pp. 114–115 (AusAID)

143 *Answers to questions on notice*, 30 May 2003, pp. 9–10. See also, *Answers to questions on notice*, 10 December 2002, p. 10. See also, *Committee Hansard*, 25 October 2002, pp. 114–115 (AusAID)

144 See Asian Development Bank, “Tripartite Cooperation Framework for ADB, Governments and NGOs”, *News Release*, 12 May 2003. (www.adb.org/Documents/News/2003/nr2003066.asp)

They all have their own viewpoint and their own ideas on what the Government's priorities should be. While the Government welcomes this interest, occasionally donors end up undermining their mutual efforts. It is important that action occurs only after the Government has been consulted and after it has had time to examine the consequences of action in one area for agreed aid projects in other areas.¹⁴⁵

4.215 The Committee also notes that Australia currently cooperates closely with NGOs through a range of programs in the Pacific. AusAID advised the Committee that Australian NGOs are important partners in delivering community based development activities. In line with AusAID's Strategic plan, AusAID is moving toward linking NGO programs and expertise more strategically to the overall aid strategy. In the area of disaster mitigation in the Pacific, Australia is negotiating agreements with a range of NGOs to implement disaster preparedness and mitigation activities in the Pacific region and in the Solomon Islands to encourage greater involvement of civil society in reconstruction and rehabilitation.¹⁴⁶

4.216 The Committee also understands the challenges to donor coordination including the differences in the way donors approach aid, the way they deliver aid and the timeframe in which assistance is provided. The Committee acknowledges that these differences make it difficult to achieve immediate changes in assistance programs but nevertheless, should be persisted with.

4.217 However, the Committee also acknowledges the emergence of donors such as China and Taiwan in the region. For example, in 2002, China provided 'unconditional' budget support to Fiji of US\$3.5 million but with an expression of interest in the commercial harvesting of Fiji's mahogany plantations and on several occasions, Taiwan has extended budgetary support to island governments, the most recent being to Vanuatu.¹⁴⁷

4.218 The Committee considers that Australia should be concerned about these developments, both in terms of the use of development assistance as a 'blunt foreign policy tool', as well as for Australia's position and influence in the region.

4.219 The Committee notes the guidelines of the OECD Development Assistance Committee (DAC) that promote international best practice for effective official development assistance. OECD Member States must abide by proscribed definitions as to what constitutes official development assistance and submit to a peer review of each others development assistance programs.¹⁴⁸ The Committee strongly encourages such mechanisms to ensure transparency in the delivery of development assistance and to prevent the exploitation of developing countries.

145 *Submission 63*, p. 20 (PNG Department of Prime Minister and National Executive Council)

146 *Answers to questions on notice*, 30 May 2003, p. 9 (AusAID)

147 Satish Chand, *Impact of rich country policies on the Pacific Island Countries*, June 2003, p. 21.

148 See *Committee Hansard*, 28 March 2003, pp. 401–404 (AusAID)

The future direction of Australia's development assistance to Papua New Guinea and the Pacific

4.220 The inquiry prompted much discussion and debate on the issue of development assistance and the future development cooperation program with many suggestions as to ways in which Australia's development assistance might be best directed in the future.

4.221 The Committee accepts the criticism that successive Australian governments have tended to regard the aid budget as something adjusted in the light of overall budgetary strategy rather than as a constant factor. This has resulted in competing tensions about how we decide the level of our aid. The Committee believes that strong, stable signals about what the reliable aid input will be are crucial if recipient countries are to be able to plan properly.

4.222 It is clear to the Committee that Australia's provision of aid has been long term in the sense that Australia has provided aid for a number of decades, rather than having a longer-term strategy in place. Clearly, the development picture in the region suggests that Australia will need to provide development assistance almost indefinitely. The Committee sees no value in creating the impression that Australia's development policy is anything other than committed to the long haul.

4.223 The Committee considers that one way of providing efficient and cost-effective development assistance will be to develop 20–25 year strategies for its regions of activity with a minimum guarantee of funding for five years. This will provide planning certainty and reduce the risk of ad hoc and inadequate programs and projects. It may also go some way to addressing the issue of differing definitions of development. The fear that assistance is short-medium term may also be what fuels the squandering of some of it.

4.224 The Committee is also supportive of AusAID's focus on sector-wide approaches, on programs and projects in economic development, health, education, law and order, and the participation of civil society. Whilst the Committee is supportive, the Committee also considers a need to ensure that this focus is achieving its objective in the most efficient and effective way and with proper coordination with other donors. It is possibly too early to tell if this is the case now, therefore the Committee suggests that the Senate continue to revisit this issue.

Recommendation 26

The Committee recommends that in 2006, the Senate asks the Senate Foreign Affairs, Defence and Trade Committee to conduct an inquiry into the efficiency and effectiveness of AusAID's program delivery in Papua New Guinea and the Pacific. This inquiry should include reference to AusAID's effectiveness with regard to:

- stability in the region;
- promotion and fostering of good governance;

- the incorporation of civil society;
- incentive schemes; and
- the effectiveness of regional pooling of resources to address governance issues, particularly those in the policing and justice sectors.

4.225 Aside from a refocus on the time frame for commitment, the Committee considers that the future direction of Australia's development assistance should focus on increasing performance benchmarks that seek to increase local participation in the delivery of programs and formalising development strategies with partner governments that include the longer-term focus.

4.226 The Committee supports the view that incentive programs are far more likely to foster positive change than the imposition of external conditions which recipients may or may not be capable of implementing or to which they do not subscribe.

4.227 As a means of addressing both the need for cost-effective development assistance and people exchanges and knowledge transfers, the Committee strongly supports the AYAD, AVI and AESOP programs. The Committee sees enormous benefit to both the recipient country and Australia of strengthening these programs.

4.228 The Committee also considers there to be a need for a renewed commitment and focus on the objective of development assistance: that aid be delivered to the advantage of the recipient country to meet the purpose for which it is given.