

# Chapter 15

## Australia's assistance—strengthening governance

### Effective administration

15.1 The committee has clearly identified a range of impediments that impinge directly on the potential for economic growth in Pacific island countries. As noted earlier, some of these are inherent structural problems that cannot be changed—small size, land mass, limited range of natural resources, remoteness and susceptibility to natural disasters. The circumstances that flow from these, however, can be managed in a way that makes the economy more resilient. The committee also found the governments of Pacific island countries have much scope to generate greater productivity and enterprise by improving their own performance in service delivery and economic management. In this chapter, the committee identifies some of the major Australian initiatives that are designed to assist Pacific island countries build capacity within their bureaucracy and to improve the overall standard of governance.

15.2 The Australian Government has given a clear preference for assisting Pacific island countries improve the performance of their public institutions. In his 2008 Budget Statement, the Minister for Foreign Affairs indicated that Australia would continue to work at all levels of society in partner countries to contribute to improvements in government capability, responsiveness and accountability. He announced that spending on governance in 2008-09 would be approximately 22 per cent of the development assistance program.<sup>1</sup> The same proportion of Australia's ODA would be allocated to governance-related areas in 2009-2010.<sup>2</sup> Statistics provided by AusAID on the sector breakdown for ODA to PNG and the Pacific indicated that a far higher proportion of funding is allocated to governance in the region. In 2007–08, it accounted for 46 per cent of total ODA for the region (\$395,287,186 from a total \$850,826,693). For 2008–09, it jumped higher to 52.8 per cent (\$524.8 million from a regional total of \$992.8 million).<sup>3</sup>

15.3 AusAID explained that the reference to governance 'covers a broad suite of activities, including the many programs around economic and public financial management, law and justice and government'. In its 2009 Budget Statement, the government indicated that it would give priority to improving financial management

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1 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008-09: Australia's International Development Assistance Program*, 13 May 2008, p. 31.

2 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2009-10: Australia's International Development Assistance Program*, 12 May 2009, p. 31.

3 AusAID, answer to written question on notice no. 2, following 19 June 2009 hearing.

and working with sub-national levels of government in partner countries.<sup>4</sup> It should be noted that the work of the AFP in Solomon Islands is included under the term 'governance' and is considered in detail in Volume II.<sup>5</sup>

### **Public sector capacity**

15.4 In the 2008 Budget Statement, the minister announced a new \$107 million Pacific Public Sector Capacity initiative that would support public sector training and workforce development and assist essential public sector reform.<sup>6</sup> Six million dollars was allocated for 2008–09. The minister explained that this initiative would 'address a key impediment to poverty reduction, by helping to improve service delivery and enable growth'.<sup>7</sup> In partnership with the governments of Pacific island countries, the initiative was designed to:

- establish strong and enduring partnerships between Australia and the region, particularly between governments and tertiary institutions in order to strengthen the capacity of local and regional institutions to undertake public sector workforce performance improvement;
- address public workforce development needs across the region by providing workforce development assistance to address priority organisational and individual capacity needs, especially in leadership and core skills such as administrative competencies, planning, budgeting and financial management; and
- support the planning and implementation of public sector reforms crucial to economic growth and delivery of basic services by identifying opportunities to support locally-led reform efforts in areas such as public financial management, human resource management and microeconomic reform.<sup>8</sup>

15.5 There are a number of specific government programs that together form a multi-pronged approach to helping Pacific island countries address problems with the performance of the public sector. For example, AusAID referred to the four-year, \$9 million Pacific Executive (PACE) program designed to enhance the management

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4 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2009–10: Australia's International Development Assistance Program*, 12 May 2009, p. 32.

5 *Committee Hansard*, 12 March 2009, pp. 6–7.

6 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 29.

7 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 30.

8 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 30.

and leadership capacity of senior public servants in the Pacific as a way to improve administrative governance. (The 2008 PACE program comprised 40 mid-level and senior public servants from Fiji, Kiribati, Nauru, PNG, Samoa, Solomon Islands, Tonga and Vanuatu.)<sup>9</sup> The 2009–10 Budget announced that Australia would provide 20,000 training opportunities over four years for Pacific public servants to improve core writing, accounting and administrative skills.<sup>10</sup>

15.6 Developing capacity in managing the financial affairs of state is a key area in which Australia is directing its governance aid. Through a number of targeted technical assistance programs, the Australian Government is assisting Pacific island countries build capacity in key institutions such as treasury and finance departments and independent oversight bodies including the office of ombudsman and auditors. The minister explained that this assistance could include 'training, deployment of advisers, and links with agencies in Australia'.<sup>11</sup>

15.7 AusAID stated that Treasury is one of the government agencies engaged in a range of capacity building programs intended to improve administration.

### ***Department of the Treasury***

15.8 Treasury's work in the Pacific began in earnest in 2003. Treasury has established a Pacific and Assistance Division with prime responsibility for helping foreign economic ministries. It supports ministries in Nauru, Solomon Islands and PNG; assists some Treasury ministers in their work; and advises Australia's Treasurer on matters related to the Pacific.<sup>12</sup> The bulk of the division's work involves deploying staff to assist 'the whole-of-government efforts in building functioning treasuries and finance ministries' in these three countries'.<sup>13</sup> The Division focuses on public financial management; is involved in microeconomic reform; and advises on macroeconomic matters.<sup>14</sup>

15.9 Treasury has six staff in Port Moresby, six in Solomon Islands and two in Nauru. Staff are at the senior level (Executive Level 2) and headed by an advisor at the Senior Executive Service level. All are advisers with the exception of one position in the Solomon Islands classified as 'in-line'. Treasury noted that in Solomon Islands, there is a particularly complex whole-of-government arrangement because they work

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9 AusAID, *Submission 65*, pp. 13–14.

10 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2009–10: Australia's International Development Assistance Program*, 12 May 2009, p. 26.

11 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 32.

12 *Committee Hansard*, 20 November 2008, p. 2.

13 *Committee Hansard*, 20 November 2008, p. 2.

14 *Committee Hansard*, 20 November 2008, p. 2.

with a range of agencies, including the New Zealand Inland Revenue Department, Customs, and the Australian Office of Financial Management. Australia's team leader in Solomon Islands is an under secretary in the Ministry of Finance and Treasury.

15.10 In PNG, Australia has provided support for core governance programs 'designed to strengthen some of the central platforms of state functioning'. These programs have 'assisted with better budget processes, improved public financial management and increased transparency of intergovernmental financial systems'.<sup>15</sup> Through the Strongim Gavman Program, Australian officials work with local staff in PNG departments of Finance and Treasury to improve accounting and auditing practices, and macroeconomic development.<sup>16</sup> Treasury has a twinning arrangement with PNG whereby PNG officers are located in Australian offices for three months and Australian officers spend time in PNG helping them with special tasks when PNG requires the necessary expertise.<sup>17</sup>

15.11 As evidence of success, AusAID reported that the support given to PNG to improve budget preparation and execution was 'reflected in higher scores against these categories in an independent review of the country's public expenditure and financial accountability systems'.<sup>18</sup> The Australia Papua New Guinea Business Council strongly endorsed the Strongim Gavman Program.<sup>19</sup>

15.12 ANZ was of the view, that although there had been improvements in financial management, Australian Government assistance would 'be crucial in helping PNG to build an effective, transparent bureaucracy and to assist it to address institutional weaknesses...and other necessary reforms across government'.<sup>20</sup> Mr Graham, Esso, also saw a continuing role for Australia's assistance. He suggested that the government could help PNG ensure that 'economic gains translate into lasting economic and social benefits for all of the peoples of PNG'.<sup>21</sup> With regard to the PNG LNG project, Esso believed that the Australian Government has the opportunity to assist the PNG Government by providing 'early support for the State's macro and micro-economic planning for the Project revenues'.<sup>22</sup>

15.13 With regard to Solomon Islands, AusAID reported that the development of new payroll and financial management systems and the introduction of an automated customs system showed the increased capacity of Solomon Islands Ministry of

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15 AusAID, *Annual Report 2007–08*, p. 43.

16 AusAID, *Annual Report 2007–08*, p. 43.

17 *Committee Hansard*, 20 November 2008, p. 2.

18 AusAID, *Annual Report 2007–08*, p. 38.

19 *Submission 70*, p. 6.

20 *Submission 51*, p. 4.

21 *Committee Hansard*, 26 March 2009, p. 40.

22 *Submission 34*, p. 3.

Finance and Treasury staff and systems. It also noted that 'local staff are now leading projects such as budget development and corporate planning'.<sup>23</sup>

15.14 Australia is also supporting efforts by Kiribati and Tuvalu to improve public financial management. The 2009 Budget Statement indicated that Australia provides annual contributions, linked to reforms, to the Tuvalu Trust Fund and related budget mechanisms 'to support both recurrent government budgets and Tuvalu's long-term financial viability'.<sup>24</sup> One of the primary means by which Australia intends to help Tuvalu achieve prudent management of its limited resources is through 'continued annual contributions to the Tuvalu Trust Fund'.<sup>25</sup> (The committee discussed Tuvalu's trust fund at paragraph 14.31.)

### ***Immigration and Customs***

15.15 The Department of Immigration and Citizenship and the Australian Customs and Border Protection Service devote a significant proportion of their work in the region to the revenue collection elements and to stopping 'revenue leakage'.<sup>26</sup> Several of its capacity-building projects in Pacific countries focus predominately on improving border management systems, identity management and document and data analysis. Customs has four officers based permanently in PNG under the Strongim Gavman Program, one of whom is the Deputy Commissioner of PNG Customs.<sup>27</sup> The department also has a twinning program, where officers from Australia are placed in PNG to work alongside their local counterparts. Ms Wimmer, Australian Customs Service, explained that they are involved in developing manuals and standard operating procedures and assisting in analysis to identify where help may be required in the future. People from PNG also work in Australian Customs so that they can learn 'how a modern customs organisation does work'.<sup>28</sup>

### ***Other agencies***

15.16 There are a number of other Australian government departments and agencies working in partnership with Pacific island countries to build capacity so that they are better able to perform the functions of state. In its report on Australia's involvement in peacekeeping, the committee cited the work of the Australian Electoral Commission. The Australian Broadcasting Commission is working with national public radio in the

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23 AusAID, *Annual Report 2007–08*, p. 38.

24 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2009–10: Australia's International Development Assistance Program*, 12 May 2009, p. 48.

25 Partnership for Development, between the Government of Australia and the Government of Tuvalu, signed 6 August 2009.

26 *Committee Hansard*, 21 November 2008, pp. 56–57.

27 *Committee Hansard*, 21 November 2008, p. 57.

28 *Committee Hansard*, 21 November 2008, p. 57.

region to help strengthen public broadcasting while the Australian Public Service Commission is supporting its regional counterparts with human resource and workplace development. Other agencies working in the region to improve the efficient operation of government administrations through technical assistance have been mentioned previously, for example, ACIAR and DAFF. The ADF, AFP and related agencies also assist Pacific island countries to improve their capability to detect illegal activities such as in the fishing or forestry areas. The 21-year-old Pacific Patrol Boat Program, mentioned in chapter 6, has played a role assisting Pacific island countries to police their exclusive economic zones.<sup>29</sup>

### **Key institutions—oversight and accountability**

15.17 Achieving good governance is one of the four primary goals of the Pacific Plan. It recognises that Pacific island countries need to improve the performance of key institutions including Audit and Ombudsman Offices.<sup>30</sup> The Pacific Plan Good Governance Work Program 2008–2010 stated clearly:

The challenge for countries in the region is to continue to strengthen their performance in areas of accountability, government effectiveness, regulatory quality and the control of corruption. Governance indicators compiled by monitors of good governance, such as the World Bank, suggest that political and financial accountability, including accountability by public officials, requires greater attention among public institutions.<sup>31</sup>

15.18 The Australian Government recognises the important role that oversight and integrity systems have in holding those in public office accountable for the management of state resources and delivery of basic services.<sup>32</sup> In this regard, it notes the importance of having 'checks and balances on the way that the powers of the state are exercised'. In its view, 'transparency of government decision-making is important

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29 *Committee Hansard*, 21 November 2008, p. 87 and paragraphs 6.25–6.30.

30 Kalibobo Roadmap on the Pacific Plan, Attachment C to Pacific Islands Forum Secretariat, *The Pacific Plan for Strengthening Regional Cooperation and Integration*, November 2007. The Vava'u decision supported the strengthening of accountability and integrity institutions and, in particular, Auditors General and Ombudsman offices, Vava'u Decisions on the Pacific Plan, Attachment E(A) to Pacific Islands Forum Secretariat, *The Pacific Plan for Strengthening Regional Cooperation and Integration*, November 2007.

31 Pacific Islands Forum Secretariat, *Good Governance Work Program 2008–2010*, pp. 3–4, [http://www.asiapacificforum.net/services/capacity-building/nhri-development/pacific-island-states/downloads/background-papers/Pacific\\_Plan\\_Good\\_Governance\\_2008-10.pdf](http://www.asiapacificforum.net/services/capacity-building/nhri-development/pacific-island-states/downloads/background-papers/Pacific_Plan_Good_Governance_2008-10.pdf) (accessed 4 May 2009).

32 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 31.

in keeping the state responsive and accountable to its citizens, as well as reducing the opportunities for corrupt practices'.<sup>33</sup>

### *The Australian National Audit Office*

15.19 Government auditors have a key role in shining a light on the use of government revenue and exposing poorly-managed public expenditure and corruption.<sup>34</sup> Although the capacities of supreme audit institutions across the region differ, all experience similar human resource capacity constraints. These include 'small numbers of trained and qualified personnel, the disproportionate effects in small offices of staff turnover or absences, difficulties in attracting and retaining staff...and the absence of structured career and professional development paths'.<sup>35</sup> These challenges intensify as financial reporting becomes increasingly complex and the scope of audits extends to performance and environmental auditing.<sup>36</sup>

15.20 Australia supported the Pacific Association of Supreme Audit Institutions to conduct a major review of auditing competencies and capabilities of audit institutions in the Pacific.<sup>37</sup> The Australian National Audit Office (ANAO) is a member of this association and through its membership contributes to the association's objectives to encourage, promote and advance cooperation among members in their public audit functions.

15.21 The ANAO also works closely with the PNG Auditor-General to help him improve performance in core functions. A twinning program, funded by AusAID, operates whereby PNG staff are deployed to ANAO offices and ANAO staff work in PNG. Currently, the ANAO has two senior officers working for the PNG Auditor-General under the Strongim Gavman Program. Generally, they spend two or more years in PNG as advisers and provide both technical and strategic management advice and support to the Auditor-General and his office.<sup>38</sup> In partnership, the New South Wales Audit Office and ANAO are also hosting four PNG officers 'who are participating in the respective offices' graduate programs'. In addition, ANAO informed the committee that it had recently initiated short-term twinning activities of

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33 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008–09: Australia's International Development Assistance Program*, 13 May 2008, p. 31.

34 Peter Larmour and Manuhua Barcham, *National Integrity Systems: Pacific Islands, Overview Report 2004*, Transparency International, Australian National University, 2004, p. 10.

35 Pacific Association of Supreme Audit Institutions, *Pacific Regional Audit Initiative: Summary Design*, Information Document for the 2008 Forum Economic Ministers Meeting, Port Vila, Vanuatu, October 2008, pp. 42–43.

36 Pacific Association of Supreme Audit Institutions, *Pacific Regional Audit Initiative: Summary Design*, Information Document for the 2008 Forum Economic Ministers Meeting, Port Vila, Vanuatu, October 2008, p. 26.

37 AusAID, *Annual Report 2007–08*, p. 38.

38 *Submission 32*, p. 1.

PNG officers to Australia and ANAO officers to PNG that relate to 'specific business projects or an identified skill or knowledge gap'. This program is also funded by AusAID.<sup>39</sup>

15.22 ANAO's primary responsibility is to fulfil its core responsibilities in Australia. Thus, its ability to contribute to activities and programs designed to develop professional practices, to raise the standard of public auditing and the capacities of auditors in the Pacific depends on the resources available for such purposes. It informed the committee that there have been occasions when ANAO has 'declined requests for assistance by our peers in the Pacific due to our inability to devote sufficient resources'.<sup>40</sup>

### ***Commonwealth Ombudsman***

15.23 Ombudsmen also occupy an important position in the development of more effective and accountable state institutions. They not only help to resolve individual complaints, but have a central role in 'identifying systemic weaknesses in policies and processes and recommending reforms to public administration'. Their work often leads 'to significant security, welfare and financial benefits for the communities in which they operate' and they can also defuse tensions within a community 'before these escalate to violent conflict'.<sup>41</sup> The Commonwealth Ombudsman recognised that ombudsmen in the Pacific region have 'an integral part to play in improving public administration in their countries' which extend to:

...delivering better quality public services in growth-critical areas such as health, education and the provision of public infrastructure, and to overcoming some of the key hurdles to business investment and economic growth, including political instability and internal conflict.<sup>42</sup>

15.24 In 2004, Transparency International found, however, that ombudsmen in the Pacific islands 'were rarer than auditors and where these offices did exist, they seemed relatively invisible and ineffective'.<sup>43</sup>

15.25 The Commonwealth Ombudsman is actively engaged in the region. In January 2006, an agreement for a 'Commonwealth Ombudsmen–PNG Ombudsman Commission Twinning Program' was signed. Under this program, officers undertake work placements of around three months in length and provide short-term expert advice and workshops.<sup>44</sup> The support given to PNG has assisted the Ombudsman

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39 *Submission 32*, p. 1.

40 *Submission 32*, pp. 1–2.

41 *Submission 4*, p. 3.

42 *Submission 4*, p. 1.

43 Peter Larmour and Manuhaia Barcham, *National Integrity Systems: Pacific Islands, Overview Report 2004*, Transparency International, Australian National University, 2004, p. 10.

44 *Submission 4*, p. 1.



Commission of Papua New Guinea to improve its liaison with key law and justice sector agencies for the more efficient resolution of complaints. The Commonwealth Ombudsman explained:

The placement to my office in 2006 of the (late) Senior Investigator John Hevie, commenced a process which culminated in June 2007 in the signing of a Memorandum of Understanding between the Papua New Guinea Ombudsman Commission and the Royal Papua New Guinea Constabulary. The agreement will help to improve the internal administration of complaints within the Police Constabulary, as well as setting out protocols for more cooperative relationships between the two agencies where independent complaint investigation is required.<sup>45</sup>

15.26 The Ombudsman's office has also been involved in helping to forge a similar agreement with the PNG Defence Force.

15.27 ANZ noted that PNG's Office of the Ombudsman has 'been able to maintain a degree of independence and has done a relatively good job as the public's watchdog on the conduct of political leaders'. It was of the view that the Ombudsman's role in policing PNG's Leadership code 'should be strengthened to allow it to assume a more prominent role in driving transparency and accountability across government'. ANZ suggested that continuing assistance by the Australian Government 'to strengthen PNG's law and order and accountability institutions will be important in helping to break serious bureaucratic bottlenecks and to tackling endemic corruption'.<sup>46</sup>

15.28 The work of the Commonwealth Ombudsman extends beyond PNG. He informed the committee that his office is funded under the terms of a Pacific Governance Support Program agreement (PGSP), signed in April 2006, to undertake placements and network-building activities to the benefit of Pacific islands countries. He explained:

Six Pacific Islands Countries with Ombudsmen (Samoa, Solomon Islands, Tonga, Vanuatu, Papua New Guinea and the Cook islands) are currently active in this network. Under the terms of a second PGSP agreement, the office consulted widely in 2007/08 on ways to extend complaint handling services to Small Island States without Ombudsmen.<sup>47</sup>

15.29 He indicated that based on this work, a new Pacific Ombudsman Alliance was expected to be formed which should enhance 'the sustainability of these arrangements by putting in place a formal Board structure to improve Pacific leadership of Ombudsman support initiatives over a ten-year time frame'.<sup>48</sup> The alliance was

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45 *Submission 4*, p. 2.

46 *Submission 51*, p. 4.

47 *Submission 4*, p. 1.

48 *Submission 4*, p. 1.

launched in November 2008 with the Commonwealth Ombudsman elected chair.<sup>49</sup> It is providing advice and support to Palau, Nauru and Niue as they consider the establishment of an ombudsman's office.<sup>50</sup> The Ombudsman concluded:

Pacific Ombudsmen have benefited from these programs both through their impact on fostering systemic improvements in work practices, and through the facilitation of greater contacts between them and their offices.<sup>51</sup>

15.30 He was of the view that their experiences 'have highlighted the potential benefits of collaborating with other government agencies engaged in the Pacific':

One special feature of our approach is the inclusion of other Australian and New Zealand Ombudsman offices, widening the pool of expertise available to Pacific Ombudsmen through staff exchanges and visits.

...

We have witnessed the usefulness of a genuinely regional approach based on facilitating dialogue between public sector specialists in Pacific Island countries.<sup>52</sup>

15.31 AusAID reported that improving regional networking, including that of the Ombudsman, through the strengthening of partnerships between Australian Government agencies and their counterparts was a major achievement.<sup>53</sup>

### ***The Australian Prudential Regulation Authority***

15.32 The Australian Prudential Regulation Authority (APRA) is engaged in strengthening institutional capacity among its Pacific regulatory counterparts through 'a series of tailored, principally AusAID funded, technical assistance programs'. These programs are intended to assist regulators in the region 'to improve the standards of prudential supervision as part of broader whole-of-government efforts to strengthen public sector governance in the Region'.<sup>54</sup>

15.33 APRA runs two main programs. Under the first, selected people from Pacific island countries spend from four to 17 weeks in frontline units in APRA. During this time, they learn about APRA's processes of prudential regulation with a view to applying this knowledge to their work in their home country. According to Mr Chris

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49 Foundation members include the Ombudsmen from the Cook Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu, New Zealand, and the Commonwealth and New South Wales Ombudsman from Australia. Pacific Islands Forum Secretariat, 'Pacific Ombudsman Alliance launched', Press Statement 124/08, Friday, 14 November 2008.

50 Pacific Islands Forum Secretariat, 'Pacific Ombudsman Alliance launched', Press Statement 124/08, 14 November 2008.

51 *Submission 4*, p. 1.

52 *Submission 4*, p. 3.

53 AusAID, *Annual Report 2007–08*, p. 58.

54 *Submission 27*, p. 1.

Gaskell, over the last four years, APRA has accommodated 24 interns with most coming from the Bank of Papua New Guinea and others from Fiji, Micronesia, Vanuatu, Cook Islands and Samoa. He explained that with the global financial problems, APRA's core business has had to take priority and the intern program has been suspended.<sup>55</sup>

15.34 Its companion program involves on-site supervision in various countries in the region whereby an APRA expert provides training assistance. Mr Gaskell explained that the programs are designed so that people do at least two or three on-site sessions so they can build on their knowledge. Interns on their return are also encouraged to attend these programs to consolidate their experience and knowledge.

15.35 In the 2006–07 financial year, APRA conducted three training visits in PNG which were attended by supervisors from Fiji, Samoa, Solomon Islands and Vanuatu. During the past year, five training visits were made to Fiji and PNG. The program extends across banking, savings and loans societies, superannuation entities and general insurance companies. This project continued in the 2008–2009 financial year.<sup>56</sup>

15.36 Mr Gaskell informed the committee that APRA's program in the Pacific is unique and its practical hands-on teaching, as opposed to classroom teaching, is often not something that is commonly done by agencies that are helping to train.<sup>57</sup> He drew attention, however, to the limits of the amount of technical assistance that Pacific island countries can absorb. He explained that a Pacific island country authority that has a dozen staff in the prudential function can only afford to have one or two away at any one time.<sup>58</sup> APRA is also constrained in the assistance it can provide as indicated by the suspension of the intern program because of current demands on APRA's core business. Mr Gaskell noted that AusAID's budget for the two programs have totalled about \$300,000 a year, reaching a peak in spending at about \$470,000 in 2007. The amount budgeted for 2008–09 was about \$600,000 but, according to Mr Gaskell, it would be rare for APRA to spend the entire amount because Pacific island countries are unable to make use of the opportunities due to demands on their own staffing requirements.<sup>59</sup>

### **Parliamentary oversight**

15.37 In 2004, Transparency International stated that the oversight role in Pacific island countries was often limited by the weakness of parliamentary accounts

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55 *Committee Hansard*, 25 March 2009, p. 48.

56 *Submission 27*, p. 1.

57 *Committee Hansard*, 25 March 2009, pp. 51–52.

58 *Committee Hansard*, 25 March 2009, p. 49.

59 *Committee Hansard*, 25 March 2009, p. 49.

committees, which failed to read, debate or act on their [auditor's] reports'.<sup>60</sup> When asked about the effectiveness of parliamentary committees in their oversight capacity, Mr Bruce Davis, AusAID, noted:

There are certainly some committees in some countries that work well. There have been periods, for example, in the Solomon Islands in the more recent past, where they have actually had scrutiny of their budget in a way that has never happened before courtesy of parliamentary committees. However, I would certainly not claim that that is a comprehensive approach.<sup>61</sup>

15.38 He agreed with the proposition that there was no effective parliamentary oversight of public spending in the region.<sup>62</sup>

15.39 A number of Australian bodies provide assistance to Pacific Island countries to help them strengthen their parliamentary processes. The Australian Branch of the Commonwealth Parliamentary Association (CPA) has set aside up to \$20,000 a year from its Education Trust Fund to provide training and assistance for Pacific island countries. Funding will only be considered for equipment if training assistance is also to be provided. The types of training and equipment covered by this funding could include: secondments and visits of Australian parliamentary officers, such as librarians, committee research and Hansard officers to parliaments in the region.

15.40 In July 2008, the Australian Region Management Committee of the CPA formally endorsed the following twinning arrangements between Australian states and territories and Pacific island countries:

- Australian Capital Territory with Kiribati
- New South Wales with Bougainville and Solomon Islands
- Northern Territory with Niue
- Queensland with Papua New Guinea
- South Australia with Tonga
- Victoria with Fiji, Nauru and Tuvalu
- Tasmania with Samoa
- Western Australia with Cook Islands.

15.41 Since then, a number of parliaments have taken positive steps to develop their relationship with their twinned island state. For example, the Speaker, Deputy Speaker and Clerk of the ACT Legislative Assembly visited Kiribati in July 2008 to explore

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60 Peter Larmour and Manuhua Barcham, *National Integrity Systems: Pacific Islands, Overview Report 2004*, Transparency International, Australian National University, 2004, p. 10.

61 *Committee Hansard*, 12 March 2009, p. 24.

62 *Committee Hansard*, 12 March 2009, pp. 24–25.

opportunities for parliamentary development and assistance between them. The ACT Legislative Assembly is sending two officers to Kiribati—one to assist on IT matters and the other on parliamentary procedures.<sup>63</sup>

15.42 AusAID indicated that the vast majority of work concerned directly with parliamentarians is through the Centre for Democratic Institutions (CDI) at the Australian National University. It provides core funding to the Centre to assist Pacific island states develop good governance and democratic institutions.

15.43 The centre works closely with the CPA and with other organisations such as the UNDP. Its main activities focus on training new parliamentarians, for example, through induction programs for those newly elected to parliament. Professor Ben Reilly informed the committee that CDI is currently planning a training course specifically for ministers in the Pacific. He noted that a large part of their parliamentary training deals with clerks and other officials, such as committee secretaries.<sup>64</sup>

### ***Leadership programs***

15.44 In chapter 11, the committee noted the Pacific Leadership Program, through which AusAID works to improve leadership practices emerging at national, local and regional levels.<sup>65</sup>

### **Policy coherence**

15.45 The committee has documented the work of the many Australian agencies helping Pacific island countries to promote good governance through improved financial management and more transparent and accountable administrations. The activities of agencies such as ANAO, Commonwealth Ombudsman, APRA, CDI and various departments, including Treasury, Attorney-General's and Customs are making a valuable contribution. But it remains unclear how well they complement and support each other's work. For example, through its research and training courses, CDI could be at the hub of the network of Australians engaged in helping Pacific island countries improve the performance of their parliaments and administrations. Yet, it appears to operate in isolation from the activities of the ANAO, the Commonwealth Ombudsman, the Pacific Leadership Program and Australian officers working with their counterparts in Pacific island countries.

15.46 The OECD articulated the committee's concerns about the lack of integration in this area of governance. It could see benefit in Australia developing a policy framework on governance that would reflect Australia's new orientations and guide its

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63 Information provided by the Secretariat, Commonwealth Parliamentary Association, Parliament House, Canberra.

64 *Committee Hansard*, 19 June 2009, p. 36.

65 Explanation contained in AusAID's call for research proposals, Pacific Leadership Program.

aid program. In its view, this would facilitate coherence in the approaches of the various Australian departments and agencies involved in governance programs. It encouraged Australia:

...to develop a policy framework on governance synthesising its different components and delivery modalities into a single policy. Such a framework would guide the aid programme and ensure consistency across stakeholders.<sup>66</sup>

15.47 In 2007, Australia's Office of Development Effectiveness suggested that all technical assistance 'would benefit from strategies to link activities that may have impacts on governance'. It explained:

For this approach to work well, it should be integrated with other activities in the aid program, including through sectoral programs and at a subnational level.<sup>67</sup>

15.48 AusAID's November 2008 annual report on governance noted that overall its performance in this area 'may be improved by clear strategic guidance that ties the diverse but interconnected governance portfolio together and supports governance work within other sectors'.<sup>68</sup>

### *Committee view*

15.49 The committee commends the many Australian agencies engaged in helping Pacific island countries improve their financial management and to develop a more transparent and accountable public sector. It believes, however, that the work of all those engaged in promoting good governance in the region would benefit from having a framework that integrates their individual activities into a more coherent, unified effort. It fully endorses the findings of the OECD peer review and AusAID's own findings that Australia's governance program would benefit from having a single strategic policy framework that would guide the activities of its many separate components.

### **Recommendation 12**

**15.50 The committee recommends that the Australian Government direct AusAID to formulate a strategic single policy framework to guide its governance program in the Pacific region. The emphasis would be on integrating more effectively the activities of the different departments and agencies engaged in promoting good governance in the region.**

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66 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 20.

67 AusAID, *Approaches to anti-corruption through the Australian aid program: Lessons from PNG, Indonesia and Solomon Island*, 2007, p. 36.

68 AusAID, *Governance annual thematic performance report 2007–08*, November 2008, p. 31.

15.51 In the following chapter, the committee continues to explore the role of governments in the region as enablers of economic growth and development. It looks at the extent to which the regulatory environment, corruption, law and order and political stability influence business and investment decisions.

