

Chapter 18

Effectiveness of Australian aid—policy framework

18.1 Australia's aid program in the region is extensive. Work is being done, for example, in agriculture, fisheries, forestry, mining, managing natural disasters, climate change, economic infrastructure, education, health, financial management, governance, law and order, land tenure and financial services. Across the range of these sectors, Australian funding is being used for research and development, for building and improving infrastructure, and to provide advice, training, education and technical assistance. The committee acknowledges the individual efforts of agencies and departments that are making a valuable contribution to assisting Pacific island countries develop their economies and improve the wellbeing of their people. In this chapter, the committee's main focus is on the policy framework within which they provide such assistance and the extent to which their activities contribute to a whole-of-government effort.

Australian official development assistance to the Pacific

18.2 Australia is the main source of aid to the Pacific and the top donor of gross official development assistance (ODA) to Fiji, Nauru, PNG, Solomon Islands, Tonga and Vanuatu.¹ Currently, just under one third of Australia's total ODA goes to PNG and the Pacific.² In 2008–09, \$999.5 million was allocated specifically to PNG and the Pacific region, which rose to \$1,090.9 million for 2009–10. Based on 2007–08 figures, governance (46 per cent) received the largest proportion, followed by health (13.9 per cent), infrastructure (13.4 per cent) and education (12 per cent). Interestingly, these proportions changed for 2008–09 with governance still commanding a large share of total ODA for the region with 52.9 per cent, followed by health (14 per cent), education (13.3 per cent) and infrastructure which had fallen to 6.4 per cent.³

18.3 Australia's ODA has been increasing recently and funding for the region is likely to grow in line with this trend.⁴ The committee notes, however, that while increased aid flows to the region are welcomed, the quality and effectiveness of that aid is a major consideration.

1 Statistics taken from OECD website, <http://www.oecd.org/dataoecd/42/31/40040098.gif> (accessed 13 October 2008).

2 The Australian Government allocated an estimated \$3,818 million in ODA for 2009–10.

3 Based on figures taken from Table 18.1.

4 Australia's total ODA rose from 0.33 per cent to 0.34 per cent for 2009–10 and is anticipated to increase further to 0.4 of GNI by 2012–13 to 0.5 per cent by 2015–16. See also the Hon Alexander Downer MP, Minister for Foreign Affairs, *Australia's Overseas Aid Program 2007–08*, 8 May 2007, p. 6.

Table 18.1: Australian ODA to PNG and the Pacific by key sector in A\$m⁵

Key sector	ODA 2007–08	ODA 2008–09
Education	102.6	131.9
Environment and Natural Resource Management	13.5	21.4
Governance	395.3	524.8
Health	118.1	138.8
Humanitarian, Emergency and Refugee Aid	9.5	10.5
Infrastructure	114.3	63.8
Rural Development	22.8	53.1
Other	74.7	48.5
Total	850.8	992.8

Table 18.2: Australian ODA by partner countries in the Pacific⁶

Country/Region	Actual (\$m) 2007–08	Budget Estimate (\$m) 2008–09	Estimated Outcome (\$m) 2008–09	Budget Estimate (\$m) 2009–10
PNG	374.0	389.4	400.3	414.3
Solomon Islands	237.5	236.4	245.0	246.2
Vanuatu	41.0	51.8	53.6	56.3
Fiji	34.8	26.9	37.9	35.4
Tonga	18.2	19.3	19.4	21.3
Samoa	18.4	28.3	31.8	32.4
Kiribati	8.7	18.4	16.0	17.7
Tuvalu	6.5	6.3	7.4	7.5
Nauru	28.4	26.6	26.1	23.4
Micronesia	4.7	6.5	7.1	7.7
Cook Islands	4.1	5.1	4.1	3.1
Niue and Tokelau	2.7	2.7	3.0	3.1
Regional and other Pacific	84.0	181.9	140.9	222.5
PNG and Pacific	862.9	999.5	992.8	1,090.9

5 Answers to question on notice no. 1 following public hearing 12 March 2009 and no. 2 following public hearing 19 June 2009.

6 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. 17.

Priorities

18.4 Some witnesses to this inquiry questioned how effectively Australian aid is directed and delivered.⁷ For example, Professor Clive Moore told the committee that he has often regarded some areas of Australia's development assistance to the Pacific as 'not very well spent'.⁸ Both he and Mr Keith Jackson, President, PNG Association of Australia, were of the view that much of what Australia does 'is admirable but piecemeal'. They suggested that often Australia's assistance to Pacific island countries is 'a reaction to specific political, social and economic circumstances' and there 'is a need for an embracing strategy and long-term re-conceptualisation'. According to them:

The Regional Assistance Mission to the Solomon Islands [RAMSI] is a good example where Australian involvement was necessary but, after five years, with initial stabilisation accomplished, there seems to be no clear direction, signs of policy drift and feelings of disengagement by Solomon Islands leaders.⁹

18.5 In their view, this situation is 'symptomatic of the lack of a more comprehensive strategy that would represent a shared future vision of how Australia and the Solomon Islands might better work together on shaping and implementing effective policy responses to development issues'.¹⁰ They referred to the importance of a 'strategic integration of effort'.¹¹

18.6 The committee has identified the many areas where Pacific island countries could, and do, benefit from Australian assistance. But setting priorities from among the numerous competing needs is a significant task for the Australian Government. Indeed, the OECD peer review of Australia's development assistance praised AusAID as a 'highly dynamic organisation working in an increasing number of sectors and trying to be responsive to the needs of partner governments'.¹² It noted, however:

The downside of this positive attitude may be an attempt to do too much, leading to a loss of focus and/or dissipation of energy, thereby ultimately weakening impact.¹³

7 Mr Satish Chand argued that to date the focus had been on increasing inputs—funding teachers, school buildings, road, etc—with the assumption that this would lead to increased outputs and improved developmental outcomes, see *Submission 2*. Professor Helen Hughes and Mr Gaurav Sodhi formed the view that while the Pacific Islands had received high aid flows, the principal effect of aid had been to avoid the adoption of policies necessary for growth. *Submission 11*, attachment, p. 3.

8 *Committee Hansard*, 26 March 2009, p. 3.

9 *Submission 3*, p. 3.

10 *Submission 3*, p. 3.

11 *Submission 3*, p. 3.

12 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 14.

13 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 14.

18.7 Thus, one of the major challenges for the Australian Government is to set a policy framework that provides clear focus: that enables it to target its aid into areas that are likely to provide the best means for Pacific island countries to achieve positive long-term economic and human development.

Formal versus informal sector

18.8 An indication that the current policy framework is not providing that sure direction comes from the numerous concerns raised about Australian aid not reaching those most in need. Moreover, that one of the key building blocks for economic growth and human development—basic education—was missing out. In this regard, it should be noted that the Australian Prime Minister recently referred to problems in the historical delivery of aid into PNG. He noted that too much money had been consumed by consultants with not enough going to the delivery of essential services, such as teaching, infrastructure and health, on the ground in villages across the country.¹⁴

18.9 Professor Hughes was of the view that the privileged had absorbed most of the aid; while those in the rural areas had 'seen none of that aid'.¹⁵ She said:

...we have encouraged resource development that has all gone to a small group of elites. Nauru is the worst example—there are 10,000 Nauruans, and a small group blew \$2 billion. We have not encouraged literacy. We have not encouraged education. All our inputs into schooling have been counterproductive, because there is no basic literacy and numeracy in the Pacific.¹⁶

18.10 She and Mr Sodhi suggested that Australian aid devoted to promoting good governance had 'not resulted in better government outputs despite higher inputs'. They noted the importance of education to improving both economic and political outcomes, and further that democratic government is likely to be more successful in countries where citizens can read, write and understand policy.¹⁷

18.11 Ms Hayward-Jones was concerned that continuing emphasis on good governance, which essentially is public sector spending, would mean that, in 10 years time, the same number of people would be living in poverty and with no improvement in health and education statistics. She explained further that education, 'the engine of the country', is an area Australia has ignored while focusing on the top end—the elite.¹⁸ She said:

14 Prime Minister of Australia, Interview, Joint Conference with the Right Honourable Grand Chief Sir Michael Somare, Prime Minister of Papua New Guinea, Parliament House, 28 April 2009.

15 *Committee Hansard*, 24 March 2009, p. 24.

16 *Committee Hansard*, 24 March 2009, p. 27.

17 *Submission 11*, pp. 2–3.

18 *Committee Hansard*, 24 March 2009, p. 15.

In Papua New Guinea, the Solomon Islands and Vanuatu, 80 per cent of the population has almost no contact with the capital and sometimes no contact with the services the capital supposedly delivers yet we spend the vast majority of our aid program on building public sector capacity. My concern with that balance is that we are leaving a lot of people behind and we are not helping the development of a private sector or the development of a community sector and we are expecting public sector capacity to trickle down over time, which technically should happen. There is no evidence to date, particularly in Melanesia, that that has happened...Where are they going to come from if we are not seeing even a majority of Papua New Guineans finishing primary school?¹⁹

18.12 Mr John Millet referred to PNG's low ranking on the human development scale and asked:

...would universal primary education be a distant dream still for too many of the two million children under 15 years of age, if the tertiary sector didn't absorb more than half the education budget?²⁰

18.13 Dr Max Quanchi used Fiji to illustrate what he believed was the failure of the government's aid program to achieve better results. He observed:

All our money is in Suva for infrastructure development, going into government departments and governance building. Out in the villages, people are getting water tanks from Japan and Canadian medical clinics. We are not doing that, although we are doing it in some places.²¹

18.14 On the other hand, a number of witnesses indicated that private enterprise was neglected in Australia's aid programs, yet was an area likely to contribute to economic growth and development. For example, the Australia Pacific Islands Business Council submitted that AusAID staff had only recently recognised the importance of the private sector's role in delivering economic growth but that the recognition had been patchy. Together with the Australia Fiji Business Council, it argued that there appears to be uncertainty within AusAID about 'how to effectively engage with the private sector'.²² Both councils argued that the aid program should focus more on business development:

This goes beyond supporting capacity building and improvement of the business enabling environment, but includes supporting the building of business and entrepreneurial skills through the aid program and, very

19 *Committee Hansard*, 24 March 2009, p. 9.

20 *Submission 21*, p. 6.

21 *Committee Hansard*, 26 March 2009, p. 26. Dr Quanchi informed the committee that his 'opinions and general observations...are based on teaching, research and being involved in Pacific Islands fieldwork, organisations and associations since 1973 in both Australia and the Pacific Islands'. See *Submission 24*, p. 9.

22 *Submission 58*, p. 6; and *Submission 60*, p. 4.

importantly, assisting small business with access to capital which at present is a significant impediment to small business growth.²³

18.15 The Lowy Institute also raised concerns about Australia's engagement with the private sector. It compared the six-year \$20.5 million allocated to the Enterprise Challenge Fund to the \$107 million being invested in the Pacific Public Sector Capacity project over four years.²⁴ It suggested that the private sector suffers from the similar constraints of a low skills base but receives little donor support for capacity building. In its view, if Australia wants to achieve tangible development outcomes for Pacific island countries, 'it needs to move beyond government-to-government assistance'. The Institute added:

Australia could assist...in a more direct fashion...leveraging increased corporate and philanthropic interest in assisting communities lift themselves out of poverty. Public private alliances and tax incentives to encourage more philanthropy and investment should be considered. Greater participation by Australian companies in Pacific Island economies will help to create employment opportunities and generate more professional linkages beyond the aid and government sectors.²⁵

18.16 It noted a US government's aid agency initiative, Global Development Alliance, which recognises the emergence of the private-for-profit sector and the nongovernmental sector as significant participants in development.²⁶ Witnesses from both the tourism and mining industries have proposed the involvement of Australian aid in assisting private ventures as a way of creating jobs for the community, boosting local businesses and ultimately alleviating poverty. ANZ suggested that the Australian Government could work with it to improve financial literacy in the region.

18.17 The committee has shown, however, that different sectors are closely linked and cannot be considered in isolation. For example, farmers may benefit from research to boost productivity but they need a good transport, storage and handling system to get their produce from the farm gate to the market. To provide the necessary impetus to start up a small business, budding entrepreneurs require finance. First, however, they need to have access to financial services which in turn depends on roads, improved communications and a safe and secure environment. Financial literacy is also critical so they can make use of the services. Lending institutions have to be satisfied that all the necessary support structures—economic infrastructure, regulatory and political environment, land ownership—do not pose a risk to their investment. Finally, underpinning economic activity across all sectors is basic education but the

23 *Submission 58*, p. 6; and *Submission 60*, p. 4. The Councils were of the view that there was merit in the recommendation proposed in 2007 that Australian companies investing in Pacific island countries might qualify for Australian tax concessions provided certain specified criteria about the investment were met. *Submission 58*, p. 6; and *Submission 60*, p. 5.

24 *Submission 14*, p. 5.

25 *Submission 14*, pp. 5–6.

26 *Submission 14*, p. 6.

delivery of this essential service relies not only on funding but good policy makers and administrators and the necessary infrastructure to support programs. ELearning, for example, requires the installation of technology such as computers but also technicians to service them, qualified teachers to instruct, basic infrastructure including electricity to the schools, and a bureaucracy that can effectively manage the interrelationship between all these components.

18.18 The Pacific Islands Forum Secretariat highlighted the importance of donor countries having a broad understanding and appreciation of the interrelatedness of the various sectors when planning for and providing assistance to Pacific island countries. It used infrastructure development to demonstrate the need to take account of the 'complex array of solutions, including technical and marketing expertise, local entrepreneur development, availability of finance etc'.²⁷ Also using infrastructure to demonstrate the degree of reliance between sectors, Dr Lake, AusAID, noted that consideration should not be confined to the actual infrastructure but should also take account of governance issues around how policy, budget and financial management work. She said:

If you are talking about private sector development, health and education services or banking services, it is not so much upgrading a road and then leaving a country to maintain it, it is the reliability of those linkages that is really important.²⁸

18.19 The committee cited a number of instances in the report where Australian assistance programs do not appear to be part of a coherent development framework. They included training courses not aligned with, or anticipating, local workforce and business needs; scholarships 'not closely connected with the aid programme'; and environmental matters not part of the mainstream of Australia's assistance package. The Pacific seasonal worker scheme is another that does not appear to be well integrated in Australia's development framework, while tourism is an omission. Moreover, as noted earlier, many witnesses were of the view that the funding allocated to improving governance had failed to deliver in key areas, particularly education, and, importantly, that the flow-on benefits from assistance packages did not always reach those most in need.

18.20 Even within sectors, Australia's contribution appears to lack a clear overarching policy framework. The committee detailed the many government departments, agencies and statutory bodies that, in their own field of expertise, are engaged in helping to improve governance in Pacific island countries. There is no question that their individual contribution is valuable but, as noted in chapter 15, the committee doubted whether they came together effectively as a joint effort.

18.21 A final consideration relates to possible tension between policy on Australia's development assistance with other areas of government policy. The Pacific seasonal

27 *Submission 69*, p. 10.

28 *Committee Hansard*, 12 March 2009, p. 14.

worker scheme demonstrates the potential for loss of focus or confusion about the scheme's priorities. DEEWR is the designated lead agency with DIAC, AusAID and DFAT as participants. From AusAID's perspective the scheme should be an identifiable and integral part of Australia's regional assistance program, with the upskilling of Pacific Island seasonal workers and building people-to-people links with the region prominent features of the scheme. Thus, while AusAID's interest is in the development opportunities for Pacific Island countries, DEEWR is properly more concerned with the benefits for Australian farmers and the administration of the scheme. In such cases, where there is a possible misalignment of objectives, the importance of clear policy is heightened. Australia's skilled migration policy and the problem of brain drain in the region is another example of the potential for policy objectives to run counter to one another (see paragraph 12.45).

Committee view

18.22 Without doubt, government departments and agencies are making a valuable contribution to economic and human development in the Pacific. The committee, however, is of the view that Australia's aid program could benefit from a policy framework that would bring together the many, varied and separate projects together as a cohesive whole to ensure that the benefits of Australian assistance reach those most in need.

Capacity building and institutional strengthening

18.23 To be effective, the policy framework should also anticipate future developments and likely risks that would undermine the value of Australia's assistance to the region. For example, too often there are reports about equipment or facilities from donor countries falling into disuse because funds are not available for maintenance, up-dating technology or developing or retaining the required pool of skills.²⁹ In this regard, the committee notes the observation by Professor Moore that 'there are a lot of dead computers out in the Pacific'.³⁰ Mr Paddy Crumlin, Maritime Union of Australia, drew attention to a perception that:

We go in and we dump a whole truckload of money in there, feel good, they build the infrastructure, hospitals and roads, and there is no more money for the maintenance, skills, training or the development of the business. It has been a haphazard business.³¹

29 See for example, an evaluation by the ADB on one of its projects in Tonga that noted that although computers were used: they no longer operate due to out-of-date technology and exposure to salt in non-air-conditioned environments—'The trucks are still operating, but the motorbikes have disappeared and the outboard motor for the boat no longer works'. Asian Development Bank, *Tonga: Outer Islands Agriculture Development Project Performance Evaluation Report*, July 2006, p. 8.

30 *Committee Hansard*, 26 March 2009, p. 11.

31 *Committee Hansard*, 25 March 2009, p. 41.

18.24 Dr Quanchi similarly noted:

We have given roads that are now potholed and unusable, we have built bridges that have been washed away in floods, we have given ships that cannot travel between islands because the docks are not big enough to take the ships; we have given a lot of money but it has not had much effect.³²

18.25 AusAID acknowledged that while it is easy to provide large capital investment, it is much harder to provide the necessary support and engagement that results in long-term improvement of services. Dr Lake, AusAID, informed the committee that the returns on the recurrent side tend to be much higher than on the capital investment side and that sometimes the size of the capital investment can actually overwhelm a country's capacity to support the recurrent side. For example, she noted the limited capacity of countries to maintain roads. She explained that the 'fiscal capacity of these countries to support the recurrent side of services—whether it is infrastructure, health, education—is a real issue' and has required a shift in the thinking of donors away from being responsible just on the capital side. According to AusAID, it has shifted its 'expenditure on roads from upgrading a small number of roads to actually working with government to maintain the key national roads of the country'.³³

Committee view

18.26 The committee also believes that one of the major risks to the effectiveness of aid is failing to take account of the resources available into the future and the capacity of the recipient country to sustain the long-term benefits of assistance particularly when it takes the form of capital equipment or major works such as roads, bridges etc. Where Australia has accepted responsibility for much of the on-going maintenance and running costs of equipment or major works, it must be wary of creating a situation where the recipient country becomes dependent on that assistance or the aid undermines the incentive for that country to assume responsibility. These risks should be reflected and articulated clearly in planning and review processes.

18.27 The Pacific Patrol Boat Program highlights the dilemma for Australia in providing necessary assistance but then having to ensure that the boats are used to best advantage. In the committee's view, such a situation does not mean that Australia should stop providing long-term assistance but should be cautious of, and monitor, the likely risk to the effectiveness of such aid.

Transfer of skills

18.28 This observation about the capacity of a recipient country to sustain the benefits of donor aid once it is withdrawn also applies to capacity building. An important part of the capacity building component of Australia's assistance programs

32 *Committee Hansard*, 26 March 2009, p. 25.

33 *Committee Hansard*, 12 March 2009, p. 14.

is directly concerned with the effective transfer of skills through a range of practices, including scholarships, workshops, exchange programs, and in-country training. A number of programs involve people from the Pacific islands working in their equivalent department or agency in Australia and Australian personnel working in-country with their regional counterparts. These programs provide opportunities for people from the Pacific island countries to learn through hands-on practical experience.

18.29 In this regard, there are two major risks that technical assistance will not lead to lasting institutional strengthening—failure to transfer skills and brain drain. The Pacific Islands Forum Secretariat explained that institutional strengthening is long term and continuous and aims 'to provide the government agency with the ongoing ability to implement those skills by themselves without the need for additional assistance'.³⁴ Professor Moore and Keith Jackson observed:

Though a large amount of money is being spent annually by Australia, there seems to be a large degree of waste and no clear evidence of a permanent transfer of skills to Pacific peoples, such as would create economic sustainability and national self-reliance.³⁵

18.30 Even where skills have been transferred successfully, complications may emerge. The committee has raised the problem of brain drain on a number of occasions, highlighting the need for Australian policy makers to allow for this likelihood when providing technical assistance and in framing its education and training programs.

Sustaining long term benefits

18.31 Thus, in some cases, technical assistance serves more as a stop gap measure. As soon as funds are withdrawn and advisers leave, the capacity shortfall and old deficiencies resurface. An example drawn from governance in education cited in chapter 11 demonstrates this possibility. AusAID noted that:

...work on policy advice and budget management has generally not improved service delivery, but attempts to supply services directly often achieve good results that fall away once projects are complete. Assistance therefore needs to be informed by a more complete understanding of the entire service delivery system—setting policy, managing at central and decentralised levels, delivering at point of service, and achieving of outcomes.³⁶

18.32 Another example comes from the forestry sector where a comprehensive SPC study noted the positive results from funding mainly from the Australian Government and UNDP. It observed, however, that as the projects wound up, there was no money

34 *Submission 69*, p. 9.

35 *Submission 3*, p. 3.

36 AusAID, *Tracking Development and Governance in the Pacific*, 2008, p. 18.

'to maintain vehicle fleets and demonstration forests, and to visit the forest independently for monitoring and auditing purposes'. It reported:

Funds for training have dried up and the effectiveness of past training programs is questioned. With 'foreign experts' gone, forestry agencies understaffed and underfunded and political commitment turned into lip service, the old ways of doing things have returned.³⁷

18.33 These assessments send a strong message to Australia as a major donor about ensuring that assistance is long-lasting: that the benefits from any contribution to develop capacity endure into the future. It also highlights the importance of avoiding situations where the recipient country becomes dependent on aid.

Committee view

18.34 Clearly for aid to have an enduring positive influence on economic and human development, policy making and planning has to go beyond the actual period of implementation to how particular programs build on past achievements and are a stepping stone to future progress. Consideration should be given to aspects such the capacity of the recipient country to assume responsibility for maintaining the program, including the required level of skills, and/or the need for recurrent funding or support from donors to ensure that the benefits from aid programs are not lost. The committee also notes the importance of monitoring the progress of projects and assessing the extent to which achievements endure.

Continuity of funding

18.35 The importance of taking a long-term approach to the delivery of aid also applies to the funding schedules for various projects. Australian government departments and agencies run some very worthwhile programs that rely upon non-recurrent funding from AusAID. The Department of Infrastructure, Transport, Regional Development and Local Government stated:

Currently, the restrictive conditions of annual funding programs and the lengthy application process prohibit meeting resource needs. A more flexible aid program, reinforced by proactive initiatives (as opposed to reactive responses) would address needs effectively with a relatively small amount of funding.³⁸

18.36 Mr Tranter, AusAID, responded to comments about the limitations imposed on aid programs by year-to-year funding approvals. He explained that many of the partnerships in the aid program had been 'running for nearly four years and many of

37 Thomas Enters Tan and Associates Thailand, *Independent assessment of the implementation of codes of logging practice in Fiji, Papua New Guinea, Solomon Islands and Vanuatu*, Secretariat of the Pacific Community, April 2007, p. 12.

38 *Submission 43*, paragraph 27. AUSTRAC, for example, rely on the Pacific Governance Support Program (PGSP) to deliver their 'FIU-in-a-box' training.

the agencies have received follow-on funding from previous grants'. In his view, 'they have become multiyear partnerships, but the agencies have had to reapply for funding each year'. AusAID recognised that the uncertainty created by the current arrangement of having to reapply for funding places was a 'bit of a limitation on agencies' and undermines the partnership objectives of the scheme. Mr Tranter informed the committee that AusAID shared the assessment that funding should be available on a multiyear basis which would alleviate some of the limitations on the scheme.³⁹ According to Mr Tranter, AusAID is currently reviewing that scheme:

...with a view to moving to multiyear agreements so that agencies have greater certainty in the financial flows to them, but also so that they can indicate to their partners overseas that they will be there working with them this year, next year and the year after.⁴⁰

18.37 Mr Davis, AusAID, explained that the APSC was a good example of where AusAID had 'already moved to a longer-term funding base'.⁴¹ The committee is of the view, that a move to longer-term funding would certainly assist in continuity of planning and providing certainty to forward plans for departments and agencies engaged in Australia's aid program.

18.38 The committee wrote to AusAID to obtain an up-date on the commencement of multi-year agreements with agencies but the response was in the context of funding to regional organisations and not Australian agencies. In light of the committee's uncertainty about progress toward multi-year funding for Australian agencies, the committee makes the following recommendation.⁴²

Recommendation 14

18.39 The committee recommends that the Australian Government provide for longer-term funding for projects that are to span a number of years, as distinct from year-to-year funding approvals, in order to provide greater certainty in the financial flows to them.

Ownership and complementarity

18.40 In its report on Australia's involvement in peacekeeping, the committee considered at length the difficulties, complexities and sensitivities involved in assisting developing countries to build capacity in their state institutions. It highlighted the importance of the country or local community having ownership of the project and the project being compatible with local culture and traditions. During this inquiry, a number of witnesses again emphasised this important matter of local ownership, sensitivity to cultural norms and practices, and alignment of projects with

39 *Committee Hansard*, 12 March 2009, p. 12.

40 *Committee Hansard*, 12 March 2009, pp. 11–12.

41 *Committee Hansard*, 12 March 2009, p. 11.

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

the country's priorities.⁴³ Moreover, the Office of Development Effectiveness raised similar concerns in its annual review of development effectiveness published in 2008. It found:

Australian and international research suggests that high levels of technical assistance can sometimes be problematic in fragile states, particularly if it undermines local ownership and initiative, and bypasses local systems. Research also suggests that technical assistance can have limited impact on building local capacities. Further work is needed to ensure that Australia's investment in technical assistance avoids such pitfalls.⁴⁴

18.41 This view was reinforced in the recent OECD peer review of Australia's development aid:

A challenge for Australia's engagement in fragile contexts is to maintain the focus on ownership and alignment, even when short-term considerations favour more hands-on approaches, especially in conflict situations.⁴⁵

18.42 In light of these more recent observations about the importance of local ownership and cultural sensitivity, the recommendations that the committee made in its peacekeeping report apply with equal force today. It found, among other things, the need for Australian policy makers to:

- understand and respect the importance that the host country attaches to its sovereignty;
- have a sound appreciation of culture and local customs when introducing or strengthening state institutions to ensure that capacity building aligns with the priorities, capacity and capability of the host country and does not replicate systems that gave rise to the initial conflict;
- use all available means to promote local ownership of the...process by involving local people in decision making, planning and re-building state institutions, and by encouraging, training and equipping local people to take over all aspects of the administration of their country; and

43 For example, both Professor Clive Moore and Mr Keith Jackson referred to anecdotal evidence suggesting that 'many Pacific Island public servants, although equipped with university degrees, find difficulty in operating efficiently because an 'idealised' or culturally inappropriate education in developed countries has not equipped them appropriately for the realities they face back home', *Submission*. The Pacific Islands Forum Secretariat noted a problem with funding for infrastructure development from overseas donors in the sense that, in most cases, it 'is not tagged or aligned with national planning and town council development.' *Submission 69*, p. 15. See also Mr Hodgson, *Committee Hansard*, 25 March 2009, p. 73; Combined Unions, *Submission 10*, pp. 5–6. The trade unions noted that they are experienced in structures which engage across the tiers of decision and policy making and are well placed as communication channels.

44 AusAID Office of Development Effectiveness, *Annual Review of Development Effectiveness 2007*, p. ix.

45 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 12.

- engage with community groups and local leaders and NGOs to help the mission achieve its objectives.⁴⁶

18.43 While necessary in the planning stage, those engaged in the implementation of an aid project should be equally aware of the importance of local ownership and the cultural and local customs. The committee considers this in chapter 20 looking at the training of Australian personnel working in the region.

Relevance and compatibility

18.44 As noted on many occasions, the resources available to, and the size of, Australia's bureaucracies dwarf those in Pacific island countries. Therefore aid, particularly technical assistance, should take account of this mismatch in capacity. Professor Moore was of the view that a state bureaucracy was probably the best model to use because, apart from defence and foreign policy, it compared more favourably with such institutions in the region.⁴⁷ Mr Anderson also recognised the problem created by the disparity in the size of public institutions and urged caution about:

...trying to transpose, say, an Australian idea of bureaucracy to a smaller economy, because sometimes the model that gets put into some of these countries, which we have seen in Fiji, is that they try to model themselves on Australia or New Zealand and it is just too cumbersome.⁴⁸

18.45 Along similar lines, Treasury noted that the level of expertise and experience required in some Pacific island countries may equate more with a smaller government body such as a local council.⁴⁹

18.46 Mr Tranter, AusAID, informed the committee that there had been a review looking at issues around 'opening up the scheme [the Pacific Governance Support Program] to greater participation by state and local governments'. He recognised that many of the governance functions in the region are 'of a nature that might lend themselves more to local government administration or state territory functions' and that AusAID would like to see 'more participation by agencies at that level'.⁵⁰

46 Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia's involvement in peacekeeping*, August 2008, pp. 239–240.

47 *Committee Hansard*, 26 March 2009, p. 3.

48 *Committee Hansard*, 25 March 2009, p. 72.

49 See for example, Mr Motteram who explained, 'There is a reason why we are focusing mainly on Papua New Guinea, because it is a comparable treasury. We do worry about the three decimal places in our institution. It is not necessarily comparable with what the island states might have. It may be that the state or municipal bodies might be a better way of learning about the issues that people deal with rather than coming to the Australian Treasury', *Committee Hansard*, 20 November 2008, p. 17.

50 *Committee Hansard*, 12 March 2009, pp. 12–13.

18.47 In previous inquiries, the committee has heard from, and was very impressed with, the professionalism and commitment of some local councils, including the City of Melbourne Council, to developing links with overseas countries.⁵¹ In its report on Australia's public diplomacy, the committee was of the view that the Australian Government could work closely with local councils to further Australia's foreign interests. It recommended that the government explore opportunities for greater and more effective collaboration and coordination with Australian capital city councils in promoting Australia's public diplomacy. In response to the committee's recommendation, the government indicated that it currently collaborated with capital city councils in promoting Australia overseas on a case-by-case basis.

18.48 The few references by departments to the contribution by states and local governments to development in the Pacific, apart from their work through state audit offices and the CPA, points to a glaring omission in Australia's assistance to the region. Clearly, the work that the states, territories and local governments do in the region should be part of Australia's overall effort. Furthermore, they should be receiving strong encouragement from DFAT and AusAID to join forces under the one policy framework to assist Pacific island countries. The committee believes that at the moment the potential to include Australian state, territories and local government in Australia's ODA program is untapped.

Recommendation 15

18.49 The committee recommends that the Australian Government take decisive steps to encourage and support state, territory and local governments to participate in Australia's ODA. Further, that Australia's aid policy framework not only recognise the work of all levels of Australian government in its ODA program, but includes their activities as a vital part of Australia's whole-of-nation contribution to the region.

Other donor countries

18.50 The capacity of Pacific island countries to absorb overseas aid is another major factor influencing the effective delivery of Australia's ODA. In the region there are both bilateral and multilateral donors.⁵² According to Ms Hayward-Jones, the sheer number of donors in the Pacific is quite astonishing and includes 'US, China, Taiwan, the EU, New Zealand, the World Bank, the Asian Development Bank and UN agencies'. For example, in a speech to the Lowy Institute, The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance,

51 Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, p. 155 and *Australia's public diplomacy: building our image*, August 2007, pp. 86 and 110–113.

52 See for example, Edward Vrkic, *Committee Hansard*, 19 June 2009, p. 9.

stated that Papua New Guinea 'had over one thousand aid activities in 2007, financed by 23 aid partners, and Vanuatu had 371 activities and 11 donors'.⁵³

18.51 The Lowy Institute drew attention to the increasing engagement of donors in the region and Australia's own intention to increase official development assistance to 0.5 per cent of GNI by 2015–16. Noting that the capacity of Pacific island governments to absorb aid was already in question, it argued that Australia should pay even more attention to aid coordination.⁵⁴ Ms Hayward-Jones believed that, while the donors were not competing for objectives, they were demanding on time, space and ability to implement.⁵⁵

...we find that officials in the Pacific are often spending most of their time—up to 80 per cent of their time—just talking to visiting aid officials about programs into the future. So their ability to do their own jobs is pretty limited. When they are not talking to aid officials, they are being asked to attend conferences in other countries. So this is pretty hard, which is why we have argued that more coordination is necessary and that, rather than six different aid visits happening within a period of two months from each different country or international agency, more coordination would help.⁵⁶

18.52 Dr Quanchi agreed with the view that the number of aid donors in the Pacific placed a huge demand on the capacity of Pacific island countries to manage overseas assistance effectively.⁵⁷ The OECD and the Office of Development Effectiveness also referred to the difficulties Pacific island countries have in coping with the demands of donor countries and their limited capacity to absorb aid from international and bilateral agencies.⁵⁸ Indeed, the most recent AusAID report on the region found:

...aid fragmentation in much of the Pacific is high by international standards, judging from the number of aid-funded activities underway in individual countries. Aid flows are often volatile and unpredictable. Many Pacific island countries have difficulty keeping track of aid flows and coordinating requests for assistance.⁵⁹

53 The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *The Role of Foreign Aid in Responding to the Economic Crisis in the Pacific Islands Region*, Speech to the Lowy Institute at the launch of *Tracking Development and Governance in the Pacific*, 3 August 2009, http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=1290_2635_928_9215_1890 (accessed 6 August 2009).

54 *Submission 14*, p. 2.

55 *Committee Hansard*, 24 March 2009, p. 6.

56 *Committee Hansard*, 24 March 2009, p. 5.

57 *Committee Hansard*, 26 March 2009, p. 31.

58 AusAID Office of Development Effectiveness, *Annual Review of Development Effectiveness 2007*, p. 32.

59 AusAID, *Tracking Development and Governance in the Pacific*, August 2009, p. 3.

18.53 The OECD peer review suggested that where Australia 'is the main donor and often has a leadership role, as in the Solomon Islands, it is crucial that it continues to work closely with other donors to engage them in the dialogue with partner country governments'.⁶⁰ Dr Quanchi supported the notion that Australia should have a relationship with other donors but suggested that currently there was no evidence that Australia was moving in the direction of having those negotiations.⁶¹ The Office of Development Effectiveness was of the view that the aid program could 'build better ways of assessing consistency with partner government policies and harmonisation with other donors and further strengthen the capacity of partner governments to manage their own spending in ways that deliver better outcomes for their citizens'.⁶²

18.54 Ms Hayward-Jones acknowledged the efforts of, and progress made by, Australia to coordinate its aid efforts with other donors indicating that currently coordination between Australia and New Zealand was quite close. She noted that they hold many joint meetings on their Pacific aid programs and joint meetings on the ground in the region. In her view, however, there was scope for greater integration 'even along the lines of having an Australia-New Zealand aid agency which combined both our forces'.⁶³ The Lowy Institute argued that 'a united front' by AusAID and NZAID would enhance coordination. It stated that the two agencies:

...currently pursue near-identical objectives in the Pacific, using independent bureaucracies. Given the high levels of existing cooperation in the Pacific, it would make sense to combine both agencies to the maximum extent possible.⁶⁴

18.55 Turning to other major donors, such as Japan, the institute contended that steps should also be taken to begin to integrate Australia's aid program with their work in the region.⁶⁵ It should be noted that at a meeting of the Leaders of Japan and the Pacific Islands Forum countries in May 2009, Australia, Japan and New Zealand expressed their commitment 'to enhance dialogue on development coordination'.⁶⁶

18.56 Ms Hayward-Jones described Australia's endeavours to coordinate aid work with the EU and US as developing but 'not as far-reaching as they should be'.⁶⁷ In her

60 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 12.

61 *Committee Hansard*, 25 March 2009, p. 31.

62 AusAID Office of Development Effectiveness, *Annual Review of Development Effectiveness 2007*, p. ix.

63 *Committee Hansard*, 24 March 2009, p. 20.

64 *Submission 14*, p. 6.

65 *Submission 14*, p. 6.

66 Ministry of Foreign Affairs of Japan, *PALM 5: Islanders' Hokkaido Declaration*, Hokkaido, Japan, 22–23 May 2009, <http://www.mofa.go.jp/region/asia-paci/palm/palm5/declaration.html> (accessed 3 October 2009). See also Ambassador of Japan, Canberra, *Submission 7*.

67 *Committee Hansard*, 24 March 2009, p. 5.

view, while there was coordination between Australia and the EU and US at the officials' level, greater coordination at a higher level would certainly drive change.⁶⁸

China and Taiwan

18.57 In its 2006 report on Australia's relations with China, the committee expressed its concern at the effect that China and Taiwan's aid programs were having on the countries in the southwest Pacific. It recognised the potential benefits that aid could bring to the financially struggling Pacific states but noted that without appropriate safeguards aid 'may not be directed to where it is most needed'. The committee recommended that both China and Taiwan be encouraged to adhere to the OECD aid effectiveness principles.

18.58 The same concerns about the nature and direction of aid from China in particular were raised during the committee's current inquiry. In its submission, the Lowy Institute noted that Chinese aid is primarily targeted at infrastructure. It stated, 'While the Pacific is in need of critical infrastructure, Chinese-funded projects do not always appear to target priority needs'. In its assessment, this aid can have 'high maintenance costs and be poorly designed for local conditions and could be more usefully delivered in coordination with other donors'.⁶⁹ Mr Fergus Hanson, Lowy Institute, wrote:

The areas Chinese aid is funding are not what you would automatically assume were the most worthwhile aid projects. There are numerous examples of China funding houses for politicians, building residences for the Chief Justice or the Prime Minister, and building numerous sporting facilities. Some of those were quite extravagant. There was a very large aquatic centre built in Samoa, which, quite ironically, had a sculpture of a white elephant out the front. These sorts of projects are not necessarily the most critical infrastructure projects for the countries.⁷⁰

18.59 In his view, it was a way to 'curry favour with local governments'.⁷¹ He also explained:

...generally the trend has been that the funds are disbursed by the China Exim bank for projects over US\$2.4 million. It has to be awarded to a Chinese contractor, who then has to use 50 per cent Chinese products and generally labour...Sometimes that is subject to negotiation with the host government, but in almost all cases where technical expertise is required they bring in Chinese labourers who can complete the building. Quite often they use Chinese specifications rather than local specifications.⁷²

68 *Committee Hansard*, 24 March 2009, p. 6.

69 *Submission 14*, p. 6.

70 *Committee Hansard*, 24 March 2009, pp. 16–17.

71 *Committee Hansard*, 24 March 2009, p. 17.

72 *Committee Hansard*, 24 March 2009, p. 17.

18.60 Mr Hanson asserted that the challenge was to coordinate with China and engage it in a way that was going to make aid, and the difficulties with it, more constructive rather than unhelpful to Pacific governance and security. He suggested that one way to achieve this objective is:

...to have a high-level agreement with China, preferably at a ministerial level, so that Australia and China can cooperate on coordination in the Pacific region. We are the main donor in the region, we are the security underwriters, so it is logical for us to be the initiator of that discussion and to be trying to coordinate aid on the ground.⁷³

18.61 The committee was pleased to learn from AusAID about Taiwan's recent announcement that it would use the OECD guidelines on aid effectiveness and that it was keen to improve transparency and accountability.⁷⁴ Dr Lake, AusAID, observed that there is 'some incentive on both the Chinas to change the way they do business because of their understanding about the quality of engagement with the region'.⁷⁵ AusAID also informed the committee that China is talking increasingly about their understanding of the need to improve the quality of their aid in order to support long-term engagement with recipient countries.⁷⁶

18.62 Dr Lake explained further that AusAID was working with the World Bank to develop a partnership with China that would encourage China to improve its aid practices in the Pacific in order to obtain maximum benefits for the region. In her view, the anticipated outcomes of the partnership include improved understanding by China about the engagement in the Pacific and of the internationally recognised best practices around aid delivery. She observed further that the partnership should increase understanding about the full range of Chinese agencies involved in aid work and improve the coordination between the major donors in the region.⁷⁷ A recent Lowy Institute publication noted:

Beyond on-the-ground engagement, AusAID has made significant efforts to engage China. AusAID engages in working-level discussions with the Department of Aid to Foreign Countries within the Ministry of Commerce on donor issues, including its approach to aid effectiveness and staff training. In February 2009, AusAID hosted a training workshop for 17 mid-level officials from the Ministry of Commerce to expose Chinese aid officers to Australian best practice systems and approaches, and it was subsequently agreed to make this an annual event.⁷⁸

73 *Committee Hansard*, 24 March 2009, p. 18.

74 *Committee Hansard*, 19 June 2009, p. 45.

75 *Committee Hansard*, 19 June 2009, p. 46.

76 *Committee Hansard*, 19 June 2009, p. 46.

77 *Committee Hansard*, 19 June 2009, p. 46.

78 Fergus Hanson, *China: Stumbling through the Pacific*, Lowy Institute for International Policy, Policy Brief, July 2009, p. 8.

18.63 The committee supports AusAID's endeavours to encourage China to adopt recognised international best practice in the delivery of aid and to better coordinate the provision of aid to the region. In chapter 9, the committee mentioned the Pacific Region Infrastructure Facility. Noting that China is particularly interested in infrastructure developments, Australia could actively encourage China to become a partner in this facility.

NGOs

18.64 A number of Australian NGOs are actively engaged in the region. Dr Quanchi noted:

Church groups from all over Australia are constantly going to the Pacific and putting a roof on a school, building a medical clinic, helping a women's group organise a local market.⁷⁹

18.65 In his view, NGOs, other church groups and individuals engaged in this work have had a 'big impact' in the region.⁸⁰ Palms Australia indicated, however, that NGOs 'committed to social justice have been cut out and organisations with long-term commitments in the areas have been marginalised'. According to Palms, Australia's aid program 'is not open and transparent but characterised by strong networks and connections that bypass democratic and durable connections with communities in the region'.⁸¹

18.66 In its peacekeeping report, the committee identified a clear need for DFAT and AusAID to improve cooperation and coordination between NGOs and the public sector. It recommended that ample opportunities be made available for NGOs and government agencies to share knowledge, ideas and concepts and to develop mutual understanding and appreciation of each other's work.⁸² The recent OECD peer review also suggested that:

Australia should consider developing a strategic framework for engaging with civil society partners and in particular with NGOs, covering both policy consultations and partnership mechanisms, so as to expand further their contribution to programme delivery, policy dialogue and in building community support for aid.⁸³

18.67 The committee fully endorses the findings of the OECD peer review.

79 *Committee Hansard*, 26 March 2009, p. 25.

80 *Committee Hansard*, 26 March 2009, p. 25.

81 *Submission 44*, p. 9.

82 Standing Committee on Foreign Affairs, Defence and Trade, *Australia's involvement in peacekeeping operations*, August 2008, paragraphs 14.42 and 14.43.

83 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 18.

Strategic planning

18.68 Numerous considerations come into play when formulating and designing an assistance program. There are many different and diverse Australian departments or agencies engaged across a range of activities, some in highly specialised fields such as auditing and prudential regulation. Furthermore, planning needs to take account of the immediate and long-term priorities, needs and capacities of the recipient countries, as well as the work of other donor countries and organisations engaged in the region. Clearly, if Australian aid is to be more effective, strategic planning shaped by a coherent policy framework that allows for these different factors is required.

18.69 At the moment, Australia has a White Paper on the Australian Government's overseas aid program. This key policy document is intended to provide a strategic framework to guide the program. The main objective shaping this framework is 'to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest'. The Paper identified four ways in which Australia would achieve its main aim: accelerate economic growth; foster functioning and effective states; invest in people; and promote regional stability and cooperation. Under these broad objectives, the paper provided some detail on how the government would work toward them. For example, Australia would support the drivers of growth by investing in infrastructure and building skilled workforces in PNG and the Pacific.

18.70 While an important overarching policy document, the committee believes that the White Paper is too detached from the practicalities of delivering assistance to the region to provide a coherent implementation plan. The committee believes that a bridging document is needed—a strategic plan, free of rhetoric, that concentrates on how, in a practical way, the immediate objectives of programs combine with others to form stepping stones leading to the higher level goals.

Recommendation 16

18.71 The committee recommends that the Australian Government through AusAID produce a bridging document for its ODA in the Pacific that connects the immediate objectives of specific programs with higher level objectives—as articulated in the White Paper, the MDGs and the Pacific Plan. It should be a strategic plan with an emphasis on 'how', in practical terms, the immediate objectives of programs would make a tangible contribution toward achieving these higher level goals.

Recommendation 17

18.72 The committee also expressed concern about assistance not reaching those most in need. In light of the large proportion of Australian funding to the region that goes to governance, the committee recommends that the strategic plan demonstrate how this aid relates directly to improvements for people in need of assistance.

Recommendation 18

18.73 The committee recommends that the Australian Government ensure, largely through AusAID, that the plans for any future development assistance project for the region:

- **recognise and explain the project's role as part of a coherent strategic development plan;**
- **identify companion projects or projects that are complementary and how they are to interact with such projects;**
- **explain measures taken to ensure that when the project ends, the benefits will not fade including not only the maintenance and upgrading of equipment or infrastructure but capacity building;**
- **take account of forward funding needs;**
- **ensure that the project aligns with the development plans and priorities of the recipient country—that there is no mismatch in objectives; and**
- **demonstrate that close consideration has been given to the activities of foreign donors with a view to achieving greater complementarity and coordination between them.**

18.74 A final matter relevant to preparing a strategic plan for Australia's ODA to the region is the quality of statistics.

Statistics

18.75 In its 2003 report on Australia's relations with Papua New Guinea and the island states of the southwest Pacific, the committee drew attention to the lack of detailed information on key development indicators. It concluded that it was in Australia's interest to be 'fully aware of the economic and social picture of the region and that the gathering of this information was vital to the future development'. The committee recommended that the Australian Government investigate ways in which it could assist the governments of the region, possibly through the Pacific Islands Forum, to facilitate the collection of a standard set of relevant economic and social statistics.

18.76 Six years later, the committee again found the same deficiencies in available data. It made a brief reference to the shortcomings in statistics in its introduction and referred specifically to the poor quality of statistics on education and the workforce in Pacific island countries.

18.77 Insufficient or unreliable data affects the planning and delivery of services. For example, one commentator noted that 'more often than not, politicians develop

policies in ignorance of available labour market data'.⁸⁴ The paucity of data also makes evaluating progress toward development goals difficult, including the UN's Millennium Development Goals and the milestones Australia sets for its ODA. The Secretariat of the Pacific Community was given the role of lead agency for 'upgrading and extending national and regional information systems and databases across all sectors'. It noted, however, that:

Despite efforts to secure additional resources since 2006 to implement action on this priority, which underpins most other development sectors (e.g. a framework for regular collection and updating of MDG indicators), development partners did not engage. This year [2008], there is a rush to establish MDG indicators for assessing the status of MDG achievement in the Pacific—we are still talking about them, whereas investment two years ago could have put the region in a good position by now.⁸⁵

18.78 At their August meeting, Forum Leaders placed a high priority on 'committing to sustainable and appropriate collection and compilation of statistics, information management and records keeping to enable better-informed policy making'.⁸⁶

18.79 The committee has for some time recognised the urgent need for Pacific island countries to improve their data gathering and to use standardised methods of collecting and collating statistics. Despite the recognised need, it is clear that progress toward achieving reliable and comprehensive statistics on development indicators in the Pacific is slow.

18.80 Together with regional counterparts and international or regional organisations, Australia should consider more effective ways to assist Pacific island countries in this urgent task.

Measuring effectiveness—Office of Development Effectiveness

18.81 The strategic plan proposed by the committee needs to be supported by a rigorous evaluation process to ensure the effectiveness of Australia's ODA and its continuous improvement.

18.82 The Office of Development Effectiveness was established in April 2006 to monitor the quality and evaluate the effectiveness of Australia's aid program. It is intended 'to enhance AusAID's analytical capacity, and the quality and performance of its programs'. Its budget is about \$3 million, with a significant amount of the money

84 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, pp. 96–102.

85 Secretariat of the Pacific Community, Paper presented by the Secretariat, 'Agenda item 4.1: Pacific Plan Implementation—three years on', Thirty-eighth meeting of the committee of representatives of governments and administrations, Noumea, New Caledonia, 13–16 October 2008, Regional Policy Agenda.

86 Annex C, *Forum Communiqué*, Fortieth Pacific Islands Forum, 5–6 August 2009, p. 18.

used to contract international expertise. The office is described as a 'freestanding AusAID-based unit that is independent from program management'.⁸⁷ The office answers directly to the Director General of AusAID and is physically placed inside AusAID which, according to Mr John Davidson from the Office of Development Effectiveness, allows it 'to have the shortest feedback loop possible'.⁸⁸

18.83 The OECD peer review was of the view that Australia had been innovative in setting up the office which 'helps to address critical issues and improve transparency'. Its reports are publicly available which, according to the review, 'provide frank assessments, including progress made and remaining challenges' for Australia's aid program. In the OECD's assessment, 'the impact of this initiative should be shared widely with other donors'.⁸⁹ The Pacific Islands Forum Secretariat also commented on the work of the office and suggested that 'it has certainly been held up as a good model among bilateral donors'.⁹⁰

Recommendation 19

18.84 The committee fully supports the work of the Office of Development Effectiveness and recommends that it continue.

18.85 The committee, however, would like to see the Office of Development Effectiveness give greater attention to assessing the long-term effectiveness of Australia's aid program. The committee was concerned that far too often the achievements from an assistance program are short-lived and leave no tangible lasting benefit. For example, the committee noted the problem of infrastructure or equipment falling into disuse when funds and technical assistance are withdrawn. With this in mind, the committee makes the following recommendation.

Recommendation 20

18.86 The committee recommends that the Office of Development Effectiveness evaluate the success of a few projects two to three years after their completion and use them as case studies on the durability of Australia's assistance to the region. The office's analysis and findings on these case studies are to be included in its annual review.

87 AusAID Office of Development Effectiveness, *Annual Review of Development Effectiveness 2007*, p. vii.

88 *Committee Hansard*, 19 June 2009, p. 56.

89 OECD Development Assistance Committee, *2008 Peer Review of Australia*, p. 17.

90 *Committee Hansard*, 19 June 2009, p. 13.