



Efficiency Audit— Administration of Bilateral Overseas Aid

Report

201

Joint Committee of
Public Accounts

DEPARTMENT OF THE SENATE
PRESENTED 2599
11 NOV 1982
<i>W. Cunningham</i>
Clerk of the Senate

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

201ST REPORT

EFFICIENCY AUDIT: ADMINISTRATION OF AUSTRALIA'S

BILATERAL OVERSEAS AID PROGRAM

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Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

8.(1) Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE


The Australian bilateral overseas aid program administered by the Department of Foreign Affairs through the Australian Development Assistance Bureau is estimated to reach \$544,028,000 in 1982-83. Just under half of this amount, \$263,748,000, is allocated to Papua New Guinea.

On 29 October 1981 the Auditor-General tabled his Report on an Efficiency Audit: Administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau. The Report was referred to the Joint Parliamentary Committee of Public Accounts for inquiry and report. This was the first occasion the Parliament has specifically referred an Efficiency Audit to the Committee. A sectional committee, chaired by Mr P.D. Shack, M.P., was formed to examine the Report. The Committee took evidence from six Commonwealth Departments or authorities, two staff associations, representatives of non-government aid agencies, professional consultants involved in the aid program, and individuals.

The Committee's Report has concentrated its remarks on four factors which directly affect Australian and overseas perceptions of the quality of Australia's Bilateral Overseas Aid Program. These are the program's flexibility in meeting new policy initiatives; the resources available for its administration; domestic and overseas perceptions of its impartiality; and its public profile. The Committee has also provided some general comments on the management of the program and, since the Government intends to review the efficiency audit function shortly, the Report includes comment on Efficiency Audit methods and objectives and the role of Parliamentary Committees in evaluating Reports on Efficiency Audits.

The Committee has placed particular stress in its recommendations on the value of the Australian community's support for overseas development aid and the need for development aid issues to be widely understood and debated. Further debate should follow the release of this Report, to the benefit of the Parliament, Australia's interests overseas and Australians' awareness of their impact on the Third World.

For and on behalf of the Committee.


M.J. Talberg
Secretary
21 October 1982


David M. Connolly, M.P.
Chairman

SUMMARY OF RECOMMENDATIONS

Aid to Papua New Guinea

1. The effectiveness of the arrangements for untied grants to Papua New Guinea be re-examined before the current agreement expires. (1.12)

Ministerial Arrangements for Overseas Aid

2. The Government appoint a Parliamentary Secretary for Overseas Aid to improve the aid program's accountability to the Parliament and the community and reflect ADAB's status as a separate organisation within the Department of Foreign Affairs. (3.9)

Administrative Arrangements for Overseas Aid

3. Pending government consideration of changes to ADAB's Ministerial Arrangements, the Department of Foreign Affairs continue its efforts to maintain and improve ADAB's administrative autonomy. (3.12)
4. The Department of Foreign Affairs maintain the classification of the Director of ADAB at the same level as other officers of Deputy Secretary rank in the Department. (3.10)
5. Establish a development assistance career stream within the Department. (3.10)
6. The Government formalise the existing arrangement whereby the Director of ADAB advises the Minister for Foreign Affairs directly on matters affecting overseas aid. (3.10)

Overseas Aid Policy

7. The Minister for Foreign Affairs make a policy statement to the Parliament on overseas aid at least annually and issue a consolidated policy directive to the Department and ADAB periodically. (4.10)

Public Awareness Programs

8. The Department of Foreign Affairs develop ways of highlighting Australia's involvement in bilateral aid project administration on site. (4.12)
9. The proportion of the Information and Public Relations Budget of the Department of Foreign Affairs allocated to promotion of Australia's overseas aid program be increased. (4.14)

Delegations

10. The Department of Foreign Affairs examine opportunities for delegating greater decision making powers and accountability to field missions and officers overseas. (4.16)

Staffing

11. The Department of Foreign Affairs, in conjunction with the Public Service Board, undertake a series of reviews of ADAB's establishment, and include:
 - (a) a Staff Utilisation Review of the bilateral projects area;
 - (b) a review of the Department's management services area, particularly its capacity to provide adequate services to ADAB;
 - (c) an examination of career streaming for development assistance officers;
 - (d) the need for and role of professionally qualified staff in ADAB. (5.11)
12. The Public Service Board treat ADAB's staff ceiling separately from that of Foreign Affairs to emphasise ADAB's role as a separate organisation within the Department of Foreign Affairs. (5.11)
13. The number of ADAB officers stationed overseas be increased. (5.11)
14. The classification of ADAB officers stationed overseas be increased. (5.11)

Training

15. The Department of Foreign Affairs ensure that its officers posted overseas are adequately trained to undertake Aid Officer responsibilities where such an officer is not included as part of a mission. (5.15)
16. The Department of Foreign Affairs extend training programs in overseas aid administration and aid issues generally to its officers, to officers of other Departments involved with the Aid program and to non-government organisations and consultants. (5.15)

Accommodation

17. ADAB office accommodation be upgraded immediately and elements of its Central Office co-located as a matter of the highest priority. (5.23)

Professional Resources

18. The Department of Foreign Affairs examine the suggestion of the Australian Professional Consultants' Council with a view to determining whether a professional advisory group could improve ADAB's liaison with professionals involved in the aid program. (5.27)
19. The Department of Foreign Affairs and the Public Service Board examine the creation of a classification of Development Assistance Officer. (5.27)

Auditor-General's Report

20. The Auditor-General's major recommendations, as modified where appropriate in this report, be implemented as soon as resources permit. (6.4)
21. The consultative arrangements between Commonwealth Departments in respect of the Overseas Aid Program need not be changed. (6.4)
22. ADAB continue to monitor the co-ordination process to ensure continuing satisfactory consultation and take every opportunity to consult with other Commonwealth authorities as early and as widely as possible. (6.4)
23. The Department of Finance continue to take a positive and supportive attitude to ADAB requests for increased flexibility in budgeting within the constraints of the Government's economic strategy. (6.4)

Efficiency Auditing

24. The Auditor-General prepare guidelines specifying in broad terms the scope of efficiency audits and make them available for comment by the proposed Government review of Efficiency Auditing to commence this year. (7.13)
25. The report of this review be referred to a Parliamentary Committee before decisions are taken on the future of the efficiency audit function. (7.14)
26. The Auditor-General's Office prepare a training package and background material on Efficiency Auditing for use by Departmental training sections and managers. (7.20)

Overseas Inspections by Parliamentary Committees

27. The Government examine the circumstances under which Parliamentary Committees may be permitted to make overseas inspections with a view to issuing guidelines under which Committees' requests may be approved. (1.6)

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CHAPTER 1

BACKGROUND

Introduction

1.1 The report by the Auditor-General on the administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau (ADAB) was tabled in both Houses of the Parliament and referred to the Joint Parliamentary Committee of Public Accounts for inquiry and report on 29 October 1981. The Report is the first Auditor-General's efficiency audit to be referred to the Public Accounts Committee. As a result, a part of the Committee's inquiry has been devoted to consideration of some of the issues raised by this form of audit. The Committee's conclusions in respect to the value of this efficiency audit and efficiency audits generally, together with recommendations to improve future efficiency audits, are set out in Chapter 7 of this Report.

1.2 After preliminary examination of the Audit Report the Committee appointed a sectional committee, chaired by Mr P.D. Shack, M.P., to undertake the inquiry and report to the full Committee. Other members of the Committee were Senator G. Georges, Senator M.E. Lajovic, Senator J.O.W. Watson and Mr D.M. Connolly, M.P. The sectional committee submitted its report to the full Committee in October 1982.

1.3 The sectional committee met 12 times and held eight public hearings in April to July 1982. A list of submissions received and witnesses appearing before the committee appears in Appendix A. In view of the Auditor-General's comments on unsatisfactory aspects of ADAB's office accommodation the committee undertook inspections of ADAB's Central and A.C.T. Regional Offices in Canberra and, to assist in related aspects of the inquiry, inspected premises occupied by Community Aid Abroad and World Vision of Australia. The Committee would like to thank these organisations for their willingness to receive the Committee and their hospitality during the Committee's inspections.

1.4 Section 6A.(1) of the Public Accounts Committee Act 1951 prevents the Committee from meeting formally outside Australia. However, after discussion with the Auditor-General's Office, which had examined on site the administration of fifteen overseas aid projects in three countries during its investigation, the Committee considered that a brief inspection of a sample of overseas aid projects

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- 1 Report of the Auditor-General on an Efficiency Audit: Administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau, AGPS, Canberra, 1981.

would substantially assist its assessment of the Audit recommendations. The Committee was particularly concerned to assess the impact of the Audit recommendations on project administration in the field, following claims made by witnesses about the adequacy of ADAB's overseas staffing, project monitoring and review procedures and analysis of the costs and benefits of different methods of project administration. The Committee also wished to take account of recipient government's perspectives of Australian aid programs. Government approval to undertake the inspections was refused however, and the Committee informed that successive governments had followed the principle that Parliamentary Committees should normally not travel overseas. Nevertheless the Committee believes its report has not suffered because of the lack of opportunity to study first hand the impact of Australia's contribution.

1.5 The Thirteenth Committee is conscious of the cost of its inquiries in money terms and in terms of the expenditure of members' and witnesses' time. It has always sought to maximise the value of its inquiries and reports. Given that the major impact of the overseas aid program is felt overseas and that the cost of the proposed inspections, although substantial, was relatively minor compared to the total cost of the inquiry and the potential benefits of providing a comprehensive and balanced report, the Committee believes that the application of the precedent that Parliamentary Committees are not funded to travel overseas should be reviewed.

1.6 The Committee recommends that:

27. The Government examine the circumstances under which Parliamentary Committees may be permitted to make overseas inspections with a view to issuing guidelines under which Committees' requests may be approved.

Australia's Bilateral Overseas Aid Program

1.7 Australia's aid program is a complex network of elements designed to assist the Third World and to bring international credit to Australia. During 1982-83 Australia's net Official Development Assistance (ODA) is estimated to total \$727,207,000, 0.49% of Australia's Gross National Product (on a deposit basis²) and 1.55% of the Commonwealth

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- 2 ODA can be measured on an 'encashment' or 'deposit' basis depending on whether promissory notes lodged with international aid organisations are included in net ODA at the date of issue of the notes ('deposit' method) or when the notes are drawn on by the organisation ('encashment' method). The Development Assistance Committee of the Organisation for Economic Co-operation and Development has decided that the 'deposit' method be used in calculating international reporting of aid flows, cf. 1982-83 Budget Paper No. 9, Australia's Overseas Development Assistance Program 1982-83, AGPS, Canberra 1982, pp. 16-17.

Government's total outlays. Bilateral aid forms the major part of the Official Development Assistance Budget and was estimated at \$544,028,000 for 1982-83.

1.8 In 1982-83 the Bilateral Aid Program was divided as follows:

TABLE A
BILATERAL OVERSEAS AID PROGRAM³

	1981-82 Actual	1982-83 Estimate
	\$'000	\$'000
Aid to PNG	252 897	263 748
Bilateral Aid (Other than PNG)		
Bilateral projects, technical assistance and related activities	126 288	150 453
Education and training	21 490	26 074
Australian Centre for International Agricultural Research Trust Account	200	3 800
Association of South East Asian Nations - Australia Economic Co-operation Program	7 473	12 000
Food aid and food security	86 055	74 352
Disaster and Humanitarian Assistance	6 264	4 428
Assistance to non-government organisations	5 240	7 212
Expenditure by other government departments and instrumentalities	3 198	1 961
Total	509 105	544 028

³ 1982-83 Budget Paper No. 9, Australia's Overseas Development Assistance Program 1982-83, AGPS, Canberra 1982, p. 3.

Aid to Papua New Guinea

1.9 In 1982/83 PNG will receive \$263.7 million in assistance with the bulk of this amount (\$253 million) in the form of an untied grant for budgetary support. The balance of funds allocated PNG in 1982/83 was made up of termination payments and retirement benefits for overseas officers of the former administration and the Australian Staffing Assistance Group, construction of runways and related works, the PNG-Australia Technical Co-operation Program and minor miscellaneous budget items and direct expenditures in PNG.

1.10 The basis for the aid agreement with PNG was reviewed in 1980 by Sir John Crawford. The Government has accepted his recommendation that budget support grants during 1981-86 will take account of inflation in Australia and provide for a 5 per cent annual reduction in the grant in real terms.

1.11 Although the Committee did not examine Aid to PNG in detail several members expressed concern at the release of such a high proportion of Australia's Bilateral Aid Program as an untied, non-accountable grant.

1.12 The Committee therefore recommends that:

1. The effectiveness of the arrangements for untied grants to Papua New Guinea be re-examined before the current agreement expires.

Bilateral Projects

1.13 The bilateral projects component of the Bilateral Program comprises specific development projects undertaken by developing countries with Australian assistance. This sub-program absorbs the greater part of the personnel and physical resources devoted to the Bilateral Program in ADAB's Central Office and was the main focus of attention for the Audit Report and this inquiry.

Education and Training

1.14 Australia will provide training and study opportunities for some 3,500 students and trainees from developing countries in 1982/83. This section of the Bilateral Program has been subject to review in recent years and during this time there was some reduction in its size in real terms. 1981/82 and 1982/83 have seen some restoration of the program to its historic level.

ASEAN - Australia Economic Co-operation Program

1.15 The ASEAN - Australia Economic Co-operation Program has provided funds for specialised research and trade promotional projects largely implemented by ASEAN.

Food Aid and Food Security

1.16 The Food Aid component of the Bilateral Program is intended to cover the purchase and shipping costs of food aid to developing nations. Over 450,000 tonnes of food grains were provided by Australia in 1981/82.

Australian Centre for International Agricultural Research

1.17 The Australian Centre for International Agricultural Research (ACIAR) was established in 1981 to fund research undertaken by Australian institutions specifically to benefit developing countries. 1982/83 will be the Centre's first full year of operation.

Assistance to Non-government Organisations

1.18 ADAB provides funds to a range of non-government organisations (NGO's) involved in development assistance overseas to assist in the implementation of specific projects or programs and as a grant to the Australian Council for Overseas Aid for its co-ordinating function with NGO's and public information activities.

1.19 The Committee agreed with the Auditor-General that detailed examination of the administration of aid to Papua New Guinea and ADAB's education and training program was inappropriate in view of the recent reviews of both programs by independent consultants. The Committee concentrated its attention on the bilateral projects section of the Bilateral Aid Program including the ASEAN - Australia Economic Co-operation Program, Food Aid and Assistance to Non-Government Organisations. In the Committee's view both ACIAR and recent development import assistance schemes (the Development Import Grant Scheme and the more recent Development Import Finance Facility Scheme) were established too recently to draw useful conclusions about their administration and objectives.

Australian Development Assistance Bureau

1.20 The Bilateral Aid Program is administered by ADAB, a bureau located within the Department of Foreign Affairs and sharing the Department's management services resources. Although the Minister for Foreign Affairs has given instructions that ADAB is to be retained as a separate entity

together with its own director⁴, the incorporation of ADAB within the Department in 1976 has meant that the Department Head of the Department of Foreign Affairs is responsible under S.25(2) of the Public Service Act 1922 for the administration of the program.

Audit Conclusions

1.21 The Auditor-General's report made an assessment of ADAB's systems for administering bilateral aid, providing useful background and analysis of the processes involved in supporting policy development, planning aid programs for regions and countries, selecting aid projects, controlling the delivery of aid and evaluating outcomes. The Committee commends the Efficiency Audit for the comprehensiveness of its coverage and the accessibility of its observations and recommendations.

1.22 The Audit Report's main conclusions are that:

- ADAB is responsible for program and project administration in a highly complex and difficult area and many of its operations occur remote from its administrative centre with results often only expected in the medium to long term. Its task by its nature contains much in the way of uncertainties. Its actions are subject to international, national and administrative influences;
- Budgetary forward estimates for Australian development assistance expenditure should, as far as possible, incorporate analysis of the returns likely to accrue to Australian aid objectives;
- ADAB should put more emphasis on the planning and development of country programs for Australia's principal aid recipients, derived from assessment of Australia's bilateral relations with and appreciation of the development needs and priorities of those countries;
- ADAB should pay greater attention to value for money and the achievement of direct project results and impact on broader development objectives in the selection, design and control of individual aid projects. In this connection ADAB should make greater efforts to accelerate its implementation of the USAID project framework which identifies and links the direct inputs and outputs of individual projects with wider development goals;

4 Minister for Foreign Affairs, the Hon. Tony Street, MP, News release, 30 April 1981.

- The adoption of more flexible and responsive systems for project identification, selection, design and control is recommended. To this end the capability of overseas posts should be enhanced to more actively identify and assist in the appraisal of projects and to facilitate the development of country programs. The introduction of automatic data processing to monitor the status and progress of projects should be given high priority;
- There should be a tightening of requirements for the performance of project managing agents, recipient country agencies and the respective governments to conform with project specifications set out in formal agreements at the inception of individual projects;
- Notwithstanding the considerable changes in its organisational structure and staffing in the last decade ADAB has developed and implemented improvements in the planning and delivery of aid, including those exposed by an earlier Audit feasibility study and this Audit report. Full implementation of the recommendations in this report can be accommodated without further major changes to organisation.

Bilateral Aid Administration in Australia

1:23 The development and rapid expansion of overseas development aid has been essentially a post-war phenomenon. As Western programs of assistance to the Third World have expanded and diversified, the philosophies and objectives influencing development assistance programs have become increasingly complex and sophisticated to take account of the range of interrelated factors which can affect the success of projects and programs.

1:24 In Australia, as overseas, the general trend has been for the administration of overseas aid to be seen as an increasingly specialised and professional activity. Few other Western countries, however, appear to have experienced the same rate of change to the organisational framework for the administration of their overseas aid programs as has Australia in recent years. This degree of turbulence has imposed considerable costs on the Australian aid program and the staff involved in its administration. In the space of a decade responsibility for the administration of Australia's aid program has been handled by seven different Departments (pre-1973), an interim office made up of the staff of five Departments (1974), a statutory authority (the Australian Development Assistance Agency)(1974), a semi-autonomous Bureau

5 Report of the Auditor-General on an Efficiency Audit, op. cit., p. v-vi.

of the Department of Foreign Affairs (the Australian Development Assistance Bureau) (1976) and by a fully integrated Bureau within the Department of Foreign Affairs (1981).⁶ Each subsequent aid organisation has been formed by re-organising and restructuring the resources and functions of its predecessor.

1.25 The Bureau is currently organised into two divisions under a Director classified at Deputy Secretary level. The Director's position was upgraded to the same level as other Deputy Secretary positions within the Department of Foreign Affairs during the course of the Committee's inquiry. The two divisions of the Bureau are the Bilateral Programs Division and the Policy, Training and Organisations Division. The Bilateral Programs Division administers the bilateral assistance program through about 300 projects in some 40 developing countries and is the main area of Commonwealth administration examined in the Efficiency Audit. The Policy Training and Organisations Division also has some involvement in the bilateral program through its policy co-ordinating role and its involvement with the training of recipient country personnel, public relations programs and the procurement of Australian goods and services for use with bilateral programs. Management services functions, including staffing, accommodation, communications, typing and related support services are provided through the Department of Foreign Affairs Management and Foreign Service Division.

6 Joint Committee of Public Accounts, Auditor-General's Report on an Efficiency Audit: Administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau, Minutes of Evidence, AGPS, Canberra 1982, p. 17.

CHAPTER 2

THE DELIVERY OF OVERSEAS AID

Introduction

2.1 The administration of Overseas Development Aid (ODA) is a distinct and complex area of Australian Government administration. It is separated from the mainstream of other Australian government activities in that the primary recipients of the assistance the ODA program distributes are citizens of other countries. Perhaps as a result, the ODA program has attracted little Parliamentary attention considering its size, its impact on recipient nations and their resulting perceptions of Australia. The overseas development assistance program has however developed its own academic, commercial and charitable infra-structure in Australia and its own distinctive philosophies, ideals and jargon. The Committee observed that, perhaps partly because of the program's individuality, it has also attracted the interest of people in both private and public sectors, with strong motivations, high ideals and considerable dedication.

2.2 The Committee's inquiry into the Report of the Auditor-General on an Efficiency Audit was concerned with only one element of Australia's total ODA, the Bilateral Overseas Aid Program. Nonetheless it is worthwhile emphasising that the delivery of overseas aid is a complex and difficult task and that because of the Australian Government's direct responsibility for the Bilateral Aid Program, this program is probably the most significant and sensitive element.

2.3 Apart from the practical difficulties of establishing a wide range of projects under difficult circumstances in foreign countries with little direct involvement of Australian government officers, the key features of the Bilateral Aid Program which serve to complicate both its analysis and administration, appear to be the range of policy influences which impinge on the Program, the difficulty of establishing and measuring the varied objectives of individual projects and country programs, and the rapid developments in international perceptions of desirable forms of aid.

2.4 In terms of establishing firm policy parameters for ODA, the history of bilateral aid administration in Australia and overseas suggests that it is not possible or desirable to stipulate inflexible policies to be applied to all projects or programs. In respect of almost every aid project or program, for example, ADAB needs to balance a range of Australian and recipient country interests to ensure that Australian interests and policy objectives are maximised but not to the extent that the recipient nation loses interest, or

that the interests of the local communities involved are jeopardised. Within Australia ADAB needs to balance the demands of a very wide range of interests. The Department of Foreign Affairs for example, may wish to strengthen diplomatic ties with a potential recipient; the Department of Trade and Resources may wish to ensure that a substantial proportion of the aid project funds are tied to the acquisition of Australian goods and services; the Department of Finance may not wish to guarantee forward commitment beyond three years, the Treasury may argue that a program will only exacerbate the recipient country's dependence on a particular commodity and the Department of Home Affairs and Environment may advise that a project will have damaging environmental effects on the entire region. The considerations exemplified here vary, of course, from project to project, from country program to country program and from time to time during the development and implementation of individual projects or programs.

2.5 In view of the problems in establishing absolute policy objectives which can be applied across the range of aid projects, it is not surprising that the Audit Report found that ADAB had difficulty in formalising project objectives and in adequately evaluating project implementation to ensure that objectives had been achieved. As one witness for a non-government organisation explained, there are few projects which do not claim to improve the social environment of the recipient country or community but 'no one has got the capacity at the moment to measure social development'. Nonetheless the Committee agrees with the Auditor-General that evaluation of the social, economic and physical effects of projects is crucial to the development of new policy directions and improved techniques for program management.

2.6 The final factor which significantly complicates bilateral aid administration has been the rapid evolution of improved methods of administering aid programs and, more importantly, developments in the emphasis of overseas development strategies. Development assistance initially concentrated on economic growth, emphasising the need to build up recipient countries' infrastructural potential by major capital projects, power stations, dams, roads etc., on the basis that the economic benefits from improved infrastructure would 'trickle down' reasonably rapidly to the groups most in need. Later, in the 1960s, the dominant strategy adopted by Western European donors changed: first to emphasize the creation of employment opportunities in the developing countries and then to emphasize 'basic needs' projects designed to benefit directly those most in need by the provision of facilities, eg. clean water, appropriate transport and improved security from famine.

1 Minutes of Evidence, op. cit., p. 633.

2.7 A second important trend in development assistance philosophies in recent years has been increasing questioning of overseas development aid by both 'Marxist' and 'free market' economists. Stated in extreme form, the first group condemns all aid on the grounds that it impedes the developing countries from following revolutionary economic and social policies which could 'liberate' them from economic dependence and poverty. The 'free marketers' on the other hand argue that aid encourages the centralisation of economic power within the governments of developing countries and discourages the development of an efficient economy by disrupting the 'free market' allocation of resources within and between nations. While the Committee has no wish to add to either debate in this Report it is pleased to note that Australian development administration strategies have remained relatively bipartisan, appear to be in keeping with international trends which emphasise 'basic needs' projects and that, at least in the area of improving trading links with developing countries, Australia ranks second only to the United States in the quantity of manufactured products it imports per capita from those countries.

2.8 These constraints on the efficient administration of effective overseas development assistance programs are shared by most Western donor nations, but there are other factors affecting the efficiency of the aid program which are unique to Australia, particularly those brought about by Australia's size as a donor and its geography. The size of the Australian aid program is significant in that although Australia ranks high among donor nations relative to the percentage of its Gross National Product it devotes to overseas aid, it is, in quantity terms, only a relatively minor donor. The relative size of the Australian program in turn affects the type of projects which can be included in it. As a general rule, large projects, particularly major infrastructural and integrated development programs are undertaken by the larger donors - the United States and the international development institutions (such as the World Bank) and small projects, often only involving some tens of thousands of dollars, are usually most effectively implemented by non-government organisations. Australia and other middle level donors compete for the limited range of useful projects remaining.

2.9 Australia's geographic position has increased pressure on the ODA program to spread Australia's aid between a relatively large number of South-East Asian and South Pacific countries while the demands of its own physical geography have affected the type of aid it is most often asked to provide, notably practical engineering and transport projects, projects involving work in rough terrain and agricultural development projects. Despite these constraints

2 Development Cooperation, Australia's DAC memorandum 1980, AGPS, 1981, p. 23.

Australia is well positioned to improve its reputation as a successful donor if it continues to exploit its geo-political advantage as a developed nation close to the Third World with wide experience of agricultural production under difficult conditions, a stable political environment, a relatively developed economy, a skilled workforce and limited colonial involvement.

Australia's Bilateral Overseas Aid Program

2.10 Evidence put to the Committee and members' experience overseas satisfied the Committee that Australian Bilateral Aid is generally considered abroad to be of high 'quality'. Other material available to the Committee supported witnesses' claims regarding the repute of Australia's aid program. ADAB has managed to attract a high standard of well motivated and highly qualified personnel to its service and the recent appointment of Mr J. Ingram as Director of the World Food Program suggests some recognition of the quality of Australia's senior administrators by the international aid community. On more objective data Australia performs equally well. Australia is currently ranked sixth amongst equivalent Western nations in the proportion of its Gross National Product which it devotes to overseas aid and is distinguished by the relatively low proportion of its aid budget consumed by the administration of the program (see Tables B and C below), although the latter measure is no guarantee of an efficient and effective aid program.

TABLE B

ADMINISTRATIVE COSTS(1) AS A PERCENTAGE OF³ OFFICIAL DEVELOPMENT ASSISTANCE, 1978-1980

	1978	1979	1980
Australia	1.5	1.5	1.6
Austria	2.5	3.5	3.0
Belgium	1.5	1.9	3.8
Canada	2.3	2.9	3.8
Finland	4.0	n.a.	4.0
France	2.3	n.a.	n.a.
Germany (2)	0.8	0.7	0.7
Netherlands	4.0	4.9	3.4
New Zealand	n.a.	n.a.	1.5
Norway	n.a.	n.a.	2.8
Sweden	3.2	2.6	3.3
United Kingdom	1.4	n.a.	n.a.

Notes

1. Administrative costs of main aid institutions.
2. Training assistance administered by private foundation.

³ DAC statistics provided in evidence by Development Assistance Officers Association.

TABLE C

OFFICIAL DEVELOPMENT ASSISTANCE AS A PERCENTAGE OF G.N.P.⁴
(deposit basis)

Donor Country	1975 77	1976 78	1977 79	1978 80	1979 81
Australia	0.49	0.46	0.50	0.52	0.47
Austria	0.18	0.20	0.23	0.23	0.30
Belgium	0.52	0.51	0.52	0.51	0.55
Canada	0.50	0.49	0.49	0.47	0.44
Denmark	0.58	0.64	0.70	0.74	0.74
Finland	0.17	0.16	0.18	0.20	0.24
France	0.61	0.60	0.59	0.60	0.65
Germany	0.36	0.35	0.38	0.41	0.44
Italy	0.11	0.12	0.11	0.13	0.15
Japan	0.21	0.21	0.23	0.27	0.29
Netherlands	0.81	0.84	0.87	0.93	1.01
New Zealand	0.44	0.38	0.35	0.33	0.32
Norway	0.73	0.81	0.89	0.89	0.87
Sweden	0.88	0.90	0.94	0.88	0.85
Switzerland	0.19	0.19	0.20	0.22	0.23
United Kingdom	0.41	0.44	0.48	0.44	0.43
United States	0.26	0.26	0.24	0.25	0.22
DAC Average	0.34	0.34	0.34	0.36	0.36

2.11 International respect for Australian aid administrators, measures of Australian generosity as a donor and a relatively lean aid administration are, at best, only peripheral to assessments of the 'quality' of Australia's aid program. The Committee spent some time seeking to determine what factors most influenced domestic and international perceptions of the quality of the Bilateral Aid Program. In the Committee's view there were four factors which significantly affect perceptions of the quality of an aid program. These are:

Flexibility of approach. The administration of bilateral aid is a relatively new field and it is essential that donor nations keep abreast of developments, modifying their programs to suit what are proved to be the most effective and efficient ways of delivering aid to the target populations. Australia's record is excellent in this regard. In the words of a former Minister for Foreign Affairs: 'For example, appraisal and evaluation procedures have been instituted, which critically examine bilateral proposals for both economic viability and

⁴ 1982/83 Budget Paper No. 9 Australia's Overseas Development Assistance Program 1982-83, AGPS, Canberra, 1982, p. 6.

social effects. Program planning missions have initiated genuine dialogue with recipients, a far cry from the old 'shopping list' approach. Multi-bilateral aid projects have been funded for the first time. Food aid and emergency relief have been systematised; the former is no longer a stop-gap to soak up excess funds, and the latter is more systematic. We are now willing to meet local costs, and untie our aid to a greater extent than ever before. Our willingness to enter into multi-year forward commitments with major bilateral and some of our multilateral recipients gives those countries and organisations an assured basis for forward planning.'

- Perceived Impartiality of the Aid Program. Several witnesses outside government indicated that in their view it was essential that the aid program be seen both overseas and domestically as a humanitarian program, independent of party political or overt national interest. While the Committee can appreciate these views and the reasons they are held, it feels that it would be unreasonable and unwise for a national government to set aside national considerations entirely in the development of an aid program. If Australian aid were entirely altruistic, the majority would go to Africa, Latin America and the Indian sub-continent. If allocated on entirely 'political' grounds, South-East Asia would be the chief recipient. The Committee believes that the current distribution of aid (majority directed to South-East Asia and Oceania and substantial programs in Africa, the Middle East and the sub-continent) is a reasonable compromise.

- Domestic and Overseas Awareness of the Australian Aid Program. Australian aid projects overseas must be identifiably Australian if Australia is to reap international approval for its program. The Committee also believes that it is essential that the aid program be accountable to the Parliament and the Australian community. It particularly welcomes the increasing involvement of non-government organisations in the development of the program and in the administration of specific projects. Without an adequate level of political and community involvement in the program it cannot properly reflect Australian interests.

5 The Hon A.S. Peacock M.P., Address at Consultations between Non-government Organisations and ADAB. 7 September 1977.

- Perceived Professionalism of Aid Administrators and Project Managers. The aid program involves more than a simple transfer of material resources. Benefits from training of recipient country personnel, from contact with effective and professional experts and from the transfer of technology will probably be as significant for the long term development of the Third World as the introduction of specific facilities or services. There is some doubt that any of these benefits can be realised, however, unless Australia's aid administrators and project managers are seen to be, and are, technically competent, sympathetic to recipient country needs and trained to maintain the highest professional standards.

2.12 These factors are of course interdependent. It is very difficult, for example, to imagine an aid program with high technical standards and an innovative approach unless its administrators are competent and have a professional approach to their task. Similarly, it is unlikely that an aid program will be able to attract professional and effective administrators unless there is substantial political and community support for the aid program.

2.13 After examining Australia's Bilateral Overseas Aid Program in the light of these four criteria the Committee concluded that, while the quality and reputation of Australian overseas aid remained high and Australia had kept abreast of trends in development strategies, there were some signs that Australia's reputation for delivering quality aid in an efficient and effective manner was in danger. Although the Committee is aware that an assessment of the quality of Australian aid from within Australia, which on the basis of information provided by third parties cannot be considered totally reliable, it is convinced that there are measures which the Australian Government could take to improve the efficiency of the aid program and reduce the instances where Australian aid projects have attracted critical attention.

2.14 In summary the Committee found that there were three areas where the reputation of Australia's aid program could be considered at risk or where its effectiveness could be improved. These were:

- Impartiality of the Aid Program. Several witnesses believed that the inclusion of ADAB within the Department of Foreign Affairs had led or would lead to increasing use of the aid program to meet diplomatic objectives at the expense of humanitarian considerations.
- Support for the Aid Program. Although the Committee has little doubt that the Australian aid program continues to enjoy community and political support it

was surprised at witnesses' widespread ignorance of Australia's aid program, policy and objectives.

• Professional Inputs to the Aid Program. The Committee noted with concern witnesses' suggestions that the organisation responsible for the administration of the aid program, ADAB, had distanced itself from aid programs in the field as a result of declining administrative and staff resources. The Committee found other evidence for this assertion within the Audit Report and by recent trends in the administration of the aid program, for example ADAB's increasing use of external consultants in project administration in preference to employed 'experts', restrictions on staff travel, insufficient staff participation in evaluation studies and the increasing centralisation of aid program planning in Canberra.

2.15 The Committee discusses its findings in relation to these three problems and draws conclusions from its analysis in the three succeeding chapters.

CHAPTER 3

IMPARTIALITY OF THE AID PROGRAM

3.1 Evidence from non-government organisations and ADAB staff associations argued strongly in favour of making Australia's overseas aid agency independent of the Department of Foreign Affairs, chiefly on the grounds that the most effective aid is based on humanitarian motives. Such motives are not always consistent with the policies of national self-interest which the Department of Foreign Affairs is expected to pursue.

3.2 Although there are considerable differences in the administrative practices and legal and constitutional requirements of Western European donor nations, several nations with widely respected aid programs have moved to separate their aid agencies administratively from their foreign policy agencies, often by establishing statutory authorities (eg. Denmark, Sweden and Canada). Australia followed this practice until 1976 when the Australian Development Assistance Agency (ADAA), then a statutory authority, was incorporated within the Department of Foreign Affairs. While the Committee did not inquire into the reasons for the incorporation of ADAA and eventually ADAB in the Department it is clear that there were opportunities for staffing economies in combining the two organisations and that the Government saw a need to improve co-ordination between ADAA and the Department. In 1981 the Minister for Foreign Affairs announced moves to further integrate ADAB within the Department by combining management services functions while preserving ADAB as a separate entity with its own Director¹.

3.3 There is no doubt that the current arrangement whereby ADAB is included within the Department's establishment has considerable advantages, particularly in its potential for reducing staff numbers, improving opportunities for staff development in both organisations and in the Department's flexibility in allocating staff in Australia and overseas. The Committee also believes that integration of the two areas has the potential to strengthen ADAB's position in coordinating policy inputs from other departments involved in the development of the aid program. As witnesses pointed out to the Committee, however, the integration of the two organisations is a mixed blessing. The Committee noted a strong feeling in submissions from non-government aid organisations and individuals that the closer involvement of the Department of Foreign Affairs in program development and establishment of policy could lead to a diminution in Australia's reputation for the delivery of overseas aid which

1 The Hon. Tony Street, MP, Minister for Foreign Affairs, News Release, 30 April 1981.

is relatively free of political and foreign policy constraints. There was also some suggestion that the good relations that ADAA and ADAB had previously sought to foster between non-government aid organisations and the government aid agency could be jeopardised by the involvement of a major coordinating department with wider objectives for the aid program.

3.4 Submissions from staff organisations suggested that the integration of the management services functions had led to administrative inefficiencies, in that ADAB is now in less direct control of basic management support functions such as typing, courier services, telex machines etc. The staff associations also felt that the greater involvement of the Department's 'political' stream in the aid program and their status as officers of the Department could jeopardise the quality of the aid program and their 'professional expertise' as development aid administrators.

3.5 The Department of Foreign Affairs appears well aware of the problems which the integration of the two organisations could bring about and has taken steps to maximise the advantages of the arrangement, for example by arranging for the pooling of overseas staff positions to improve flexibility in allocating staff overseas, including ADAB in its staff development scheme (which involves rotation of staff through different areas of the Department) and by appointing senior officers from ADAB as Heads of Mission in Bangladesh and Tanzania. The Department has also introduced measures to reduce potential criticism of the arrangement by preserving the Director of ADAB's direct access to the Minister of Foreign Affairs, seeking to strengthen and formalise ADAB's ties with non-government organisations, preserving the Director of ADAB's delegations as chief officer of ADAB and by the issue of a staff policy paper to improve staff awareness of proposals for change to staffing arrangements for the foreign service, including ADAB's integration with the Department of Foreign Affairs.

3.6 The Committee believes that while there are advantages in the current administrative arrangements for the bilateral aid program in terms of limited staff economies and closer links with the co-ordinating Department, the arrangements are imperfect. Specifically, the current arrangements:

- increase speculation that Australian aid is excessively influenced by political considerations;
- may reduce prospects of useful co-operation between the aid authority and non-government organisations;

- adversely affect ADAB staff perceptions of their professional standing and worth;
- do not increase public involvement in and support for the aid program (this issue is covered in more detail in Chapter 4); and
- do not encourage Parliamentary scrutiny of the aid program.

3.7 The Committee further believes that there are other organisational arrangements which would improve perceptions of the quality of the Australian aid program for little additional administrative cost in terms of increased staffing or radical change to ADAB's methods.

3.8 A number of alternative arrangements were considered:

Ministerial Arrangements

- Creation of a Ministry for Overseas Development responsible to a Minister for Overseas Development. This arrangement would undoubtedly increase Parliamentary and public involvement in the aid program but, in the Committee's opinion, would lead to an undesirable degree of separation of aid issues from foreign policy. The British Government has experimented with similar arrangements on several occasions since 1964 but has found that separation of the aid administration from the diplomatic service has brought problems in coordinating foreign policy and in controlling increases in administrative costs².
- Creation of a Department of Overseas Development responsible to the Minister for Foreign Affairs. This arrangement would improve co-ordination between the two areas of foreign policy relative to the first option and would be almost as effective in increasing Parliamentary and public scrutiny of the aid program. The Committee considers however that the responsibilities of the Minister for Foreign Affairs are already sufficiently complex and time consuming, particularly in terms of meeting Australia's diplomatic obligations overseas, to make this option unworkable. The Committee noted, by way of comparison, that the UK Foreign and Commonwealth Office (which includes the UK Overseas Development Administration) is currently headed by a Foreign

² See, for example, the Hon. Judith Hart, Aid and Liberation, Gollancz, London 1973, p. 179-187.

Secretary assisted by four Ministers of State for Foreign and Commonwealth Affairs (or Assistant Ministers), and two Parliamentary Under-Secretaries of State, with a spokesman on Foreign Affairs in the House of Lords as well. One of the Assistant Ministers has special responsibility for Overseas Development.

Appointment of a Parliamentary Secretary to the Minister for Foreign Affairs under the Parliamentary Secretaries Act 1980. The Committee believes that this option would have substantial advantages over the existing arrangements, particularly if the Parliamentary Secretary could be given special responsibility for overseas aid. Appointment of a Parliamentary Secretary for Overseas Aid would improve Parliamentary and public scrutiny of the aid program, relieve demands on the Minister for Foreign Affairs, provide a useful channel for public input to the aid program and establish a desirable degree of separation of the aid program from foreign policy. A Parliamentary Secretary would also be of substantial value to the Acting Minister for Foreign Affairs in improving continuity of political leadership during the Minister's absences overseas.

3.9 The Committee recommends that:

2. The Government appoint a Parliamentary Secretary for Overseas Aid to improve the aid program's accountability to the Parliament and the community and reflect ADAB's status as a separate organisation within the Department of Foreign Affairs.

Administrative Arrangements

Pending Government consideration of possible changes to ADAB's ministerial arrangements the Committee believes that the Department of Foreign Affairs should continue its efforts to maintain and improve ADAB's administrative autonomy. Two key issues it should examine as a priority are:

- Maintenance of the classification of the Director of ADAB at the level enjoyed by other officers of Deputy Secretary rank within the Department of Foreign Affairs. The Director's position was upgraded to equal that of other Deputy Secretaries in the Department (Level 5 in the Second Division) during the course of the inquiry, but the Committee has been informed that the Public Service Board is now considering a proposal to reclassify all

Departmental Deputy Secretary positions, except the Director of ADAB, to Level 6 Second Division. The Committee does not believe that the demands on the Director of ADAB in the consideration of policy issues are significantly less than those of other Deputy Secretaries in the Department of Foreign Affairs and that, in any case, the separate status of ADAB, the need to coordinate a wide range of policy inputs from different departments and responsibility for the expenditure of \$727 m are sufficient to outweigh any minor differences in quality of policy advising.

- Formal establishment of a development assistance career stream within the Department of Foreign Affairs. Officers of the Department of Foreign Affairs are currently divided into three career streams (political, consular and administrative, and keyboard/technical), with occasional references to development assistance as a separate career path. The Committee sees definite advantage, especially in improving the professional status of ADAB officers, in formalising development assistance as a separate career path. At the same time the Committee agrees that movement between different career paths is an important part of officer development and urges that officers continue to be encouraged to move between career streams, preferably early in their careers.

3.10 The Committee recommends that:

- 4. The Department of Foreign Affairs maintain the classification of the Director of ADAB at the same level as other officers of Deputy Secretary rank in the Department;
- 5. Establish a development assistance career stream within the Department;
- 6. The Government formalise the existing arrangement whereby the Director of ADAB advises the Minister for Foreign Affairs directly on matters affecting overseas aid.

3.11 Recommendation 5 could be implemented by the establishment of a Statutory Office of Director, alterations to the Administrative Arrangements Order or a Ministerial statement in Parliament. In the Committee's view, although revised administrative arrangements cannot replace revised

ministerial arrangements they would serve to reduce allegations of undue 'political' involvement in the aid program and have the advantage, in administrative terms, of only preserving and formalising the current arrangements for advice to the Minister on aid issues.

3.12 The Committee recommends that:

3. Pending government consideration of changes to ADAB's Ministerial Arrangements, the Department of Foreign Affairs continue its efforts to maintain and improve ADAB's administrative autonomy.

CHAPTER 4

PUBLIC PROFILE OF THE OVERSEAS AID PROGRAM

4.1 The Committee believes that there is a tremendous reservoir of public support for the provision of aid by Australia and for the principles successive governments have laid down for its disbursement. Australians have proved remarkably generous in their donations for specific appeals, such as the recent appeal for Kampuchea, which raised \$10.5 m, and generally in their support for and involvement with non-government aid organisations. This general level of support for overseas development aid provides the domestic basis for Government ODA programs and it is essential that the Government take every opportunity to publicise and engender support for Australia's ODA program.

4.2 The importance that the Australian Government places on the bilateral aid program is evidenced by the growth of the program in recent years during a period of overall restraint on government expenditure. In 1975/76 total development assistance amounted to \$347 m. Of this, the segment most closely examined by the Audit Report and the Committee, the Bilateral Project Program, amounted to \$45 m. In 1982/83 the aggregate figure provided in the Budget allocations was \$727 m with a Bilateral Project Program of \$150 m.

4.3 Given the level of general public support for development aid and Government expansion of the bilateral component of the Australian ODA program, the Committee was surprised at the number of witnesses, outside the senior ranks of the Department of Foreign Affairs, who professed ignorance of the objectives and philosophy of Australian development assistance. Although Parliamentary debate on foreign aid issues is relatively infrequent, due in part to the bipartisan nature of much of Australia's foreign aid policy, the Committee felt that the size of the program, its importance to Third World perceptions of Australia and the level of academic debate about its value would have encouraged a wider awareness of Australian aid policy, particularly amongst junior officers of the Bureau and staff of the non-government organisations involved in the aid program.

4.4 The Committee does not believe however that the Australian Overseas Aid Program lacks a coherent philosophy or that recent Ministerial policy statements have been unusually complex or obscure. Rather that a pragmatic approach to overseas aid issues has discouraged Ministers and departments from seeking to issue comprehensive and definitive policy statements. The Committee's concern at the lack of a

1 Minutes of Evidence, op. cit p. 252.

definitive policy statement, however, relates primarily to efficiency of administration. In this area the Committee agrees with the Royal Commission on Australian Government Administration, that:

... it is axiomatic that efficiency is unlikely to be achieved if those engaged do not know to what end or ends their efforts should be directed, or appreciate the relationship of those ends to the wider purposes of the government's programs.²

4.5 The Committee felt that the centralisation of program administration and ADAB staffing in Canberra had also worked to reduce Australians' awareness of aid policy by reducing ADAB officers' direct involvement in projects and restricting its evaluation of projects.

4.6 The Committee considered that realistic evaluations of a range of Australian projects would provide a very useful basis for a public relations and information campaign. Evaluation activity would also serve to reduce the incidence of adverse reports of Australian aid projects.

4.7 Much of the impact of the aid program and its value to Australia is obtained overseas. In the Committee's view much of the value of the aid program to Australia, in international policy terms, is lost unless the Australian aid program is seen by recipient countries as distinctively Australian, and unless Australian officers involved in aid projects overseas and Australian project consultants are seen as professional, informed and effective.

4.8 While the Committee is prepared to accept that the most effective aid projects are those which maximise the recipient countries' identification and involvement with the project, Committee members noted with concern that some aspects of Australian bilateral aid administration tended to reduce the chances that projects would have identifiably Australian elements or that Australian officers working overseas were sufficiently professional and effective. Aspects of particular concern were:

- ADAB's centralisation of authority and staffing in Canberra coupled with its minimal overseas presence (30 officers for 40 recipient countries) must tend to reduce overseas perceptions of Australian Government involvement in aid projects;

2 Australia, Parliament, Report of the Royal Commission on Australian Government Administration, Parl. Paper 185/1976 Canberra, 1976 p. 33.

- inadequate coordination with other departments and non-government organisations overseas. NGO witnesses particularly do not appear to see ADAB officers overseas as having an advisory or facilitating role in NGO aid projects;⁴
- project consultants or managers and overseas based officers of other Commonwealth departments, particularly officers of the Department of Trade and Resources and officers of the Department of Foreign Affairs outside ADAB appear to lack awareness of the aid program and Australia's approach to development assistance issues. The Committee feels their ability to assist in aid related matters would be greatly helped by the issue of a comprehensive aid policy statement and training in development issues and approaches;
- there is a danger that Australia's practice of redirecting bilateral aid funds to multi-lateral agencies where the funds cannot be spent bilaterally tends to reduce the efficacy of the bilateral aid program as a means of projecting Australia's image overseas;
- the involvement of State governments in the aid program in sponsoring commercial development schemes overseas must be confusing to recipient countries. In the Committee's view there would be substantial advantages in having all development assistance projects, including commercial development assistance, co-ordinated by one national authority;
- delegations to ADAB and Department of Foreign Affairs officers overseas to approve minor variations to development projects are inadequate and have not been reviewed to keep pace with inflations.

4.9 The Committee believes that the Minister for Foreign Affairs should issue a consolidated policy directive periodically to the Department of Foreign Affairs and ADAB and make a statement to the Parliament on at least an annual basis detailing progress in implementing the aid program. The policy directive should include information on Australia's general overseas aid objectives, philosophies and preferred approaches and set out the criteria to be employed in developing overseas aid programs and the selection of

3 Auditor-General's Report on an Efficiency Audit, op. cit., p. 15.

4 Minutes of Evidence, op. cit., p. 690.

5 ibid. p. 149.

projects. In the Committee's view it would also be useful for summaries of ADAB's 'country profiles' of recipient country capacity to include within the policy directive particular types of aid, and a policy in respect of Australian Government involvement in State sponsored development projects. The policy directive should be publicly available.

4.10 The Committee recommends that:

7. The Minister for Foreign Affairs make a policy statement to the Parliament on overseas aid at least annually and issue a consolidated policy directive to the Department and ADAB periodically.

4.11 Given the potential of the bilateral aid program to affect recipient and other countries' perceptions of Australia, ADAB should review ways in which greater emphasis could be placed on the development of programs and projects which highlight Australian involvement in on-site project administration. Implementation will inevitably require the involvement of more ADAB staff overseas to ensure Australian projects are given a distinctively Australian flavour. It will also require the provision of training and experience in Australia's development assistance policy and objectives for officers of other departments posted overseas and other Foreign Affairs representatives.

4.12 The Committee recommends that:

8. The Department of Foreign Affairs develop ways of highlighting Australia's involvement in bilateral aid project administration on site.

4.13 The proportion of funds within the Department of Foreign Affairs Information and Public Relations Budget allocated to the promotion of Australia's overseas aid program (\$61,000 in 1982/83) should be increased in order to maximise the benefits which will flow to Australia from an increasing awareness of its aid in recipient nations. In addition it is essential that ADAB's public relations strategy be reviewed so as to make the best use of any additional funds obtained.

4.14 The Committee recommends that:

9. The proportion of the Information and Public Relations Budget of the Department of Foreign Affairs allocated to promotion of Australia's overseas aid program be increased.

4.15 In line with Development Assistance Committee guidelines, ADAB and the Department of Foreign Affairs should examine opportunities for delegating greater decision making powers and accountability to field missions and officers overseas. Current delegations should be re-examined with a

view to increasing their scope and arranging for regular adjustments to be made.

4.16 The Committee recommends that:

10. The Department of Foreign Affairs examine opportunities for delegating greater decision making powers and accountability to field missions and officers overseas.

CHAPTER 5

RESOURCES AVAILABLE TO THE AUSTRALIAN DEVELOPMENT ASSISTANCE BUREAU

5.1 Although the Committee noted earlier in this report that the current restrictions on public sector growth had encouraged the Department of Foreign Affairs and ADAB to adopt innovative strategies for the administration of overseas development assistance, the Committee shares the Auditor-General's view that some increase in the resources available to ADAB is likely to be required if the quality of Australia's overseas aid is to be maintained and improved¹. The resources required fall into four major categories: additional staff, additional training facilities, improved accommodation and increased access to professional services.

Staffing Resources

5.2 Staffing resources available for the administration of Australia's overseas aid program have been a contentious issue for some time. The overwhelming body of evidence available to the Committee indicates that administration of bilateral overseas aid would be made more effective if additional staff were made available. In 1979 the Senate Standing Committee on Foreign Affairs and Defence recommended that 'that the staff requirements of the Bureau be given the support they require to fulfil their functional responsibilities effectively'². In 1981, based on material developed in 1979 and 1980, the Auditor-General reported that 'the recommendations made in this report could lead to requirements for more rather than fewer staff in the bilateral projects area'³ and recommended that the Bureau should undertake a staff utilization review of its Bilateral Aid Administration in conjunction with the Public Service Board. In 1982 an Organisation for Economic Co-operation and Development (OECD) review of Australia's development assistance program concluded that there has been, in no other country belonging to the Development Assistance Committee of the OECD, such a severe and sudden cut back in staff during a time of rising ODA programme and it is to be hoped that any adverse effects can be avoided in the interests of the efficient management of Australian aid.⁴

- 1 Auditor-General's Report on an Efficiency Audit: op. cit p. 11.
- 2 Senate Standing Committee on Foreign Affairs and Defence, Australian Representation Overseas - the Department of Foreign Affairs, AGPS Canberra, 1979, p. 6.
- 3 Auditor-General's Report on an Efficiency Audit, op. cit p. 26.
- 4 ADAB, Forward Staff Estimates 1982/83, p. 3 Attachment to Program 13.

5.3 Although the Committee was unable to undertake a detailed staff analysis of ADAB and agrees with the Public Service Board that it is difficult to draw firm conclusions by comparing the volume of overseas development aid against staff numbers allocated for its administration, it has the firm impression that ADAB is currently understaffed to an extent which jeopardises the efficient administration of the Bilateral Aid Program.

5.4 Apart from submissions and oral evidence from witnesses suggesting that ADAB's staff resources were overstretched, the Committee was able to identify a number of other indicators of staffing problems.

5.5 There was a substantial under-expenditure of \$10.4 million in 1981-82 on the aid program. This was explained in the Senate by the Minister representing the Minister for Foreign Affairs on 24 March 1982 in part as follows:

Some funds have been transferred from bilateral project aid to food aid because of difficulties being experienced by Australian Development Assistance Bureau staff in adequately assessing some proposals in sufficient time for them to be implemented this year.⁵

5.6 The Committee notes this explanation with concern especially because submissions from witnesses to the inquiry questioned the efficacy of food aid as a development tool unless such aid has been carefully planned and preferably used in combination with other forms of development assistance.⁶

5.7 ADAB has been making increasing use of public and private sector consultants in both developing and implementing projects. Such consultants are a charge against the aid program and their recruitment and operating expenses (such as overseas travel) are therefore not within the controls imposed by staff ceilings or Government measures designed to reduce administrative expenditure to the essential and unavoidable. There is also some evidence to suggest that the introduction of consultants to the aid program may have developed more rapidly than is desirable. The Audit Report makes several criticisms of the use of consultants, particularly in terms of providing reports from projects, the training of staff and in inadequate adherence to tendering procedures.⁷ In the Committee's view the dangers inherent in the use of

5 Australia, Parliament, Hansard, 24 March 1982, p. 1096.

6 Minutes of Evidence, op. cit., p. 545.

7 Auditor-General's Report on an Efficiency Audit, op. cit., p. 22 and p. 20.

consultants and managing agents are such as to discourage their use in recipient countries, unless ADAB is in a position to assess their competence prior to selection, is able to provide the training required, and unless experienced ADAB staff are available in the recipient country for advice, assistance and supervision.

5.8 The turnover of staff within ADAB, particularly junior and better qualified staff, appears higher than desirable. Although the Committee was impressed by the calibre and dedication of staff who gave evidence it considered that the turnover rate of staff was high for an area of administration where many of the job skills necessary for efficient performance could only be learned 'on the job'.

5.9 Staff morale within ADAB was reported to be low. Although morale is difficult to quantify the Committee accepted staff associations' assertions that this was the case. The Committee commends ADAB management for its action to discover the motivators of ADAB's staff with a view to improving staff morale and motivation.

5.10 An inspection of ADAB offices in August confirmed a number of administrative inefficiencies brought about by a shortage of support staff. Following the integration of ADAB's Management Services functions with those of the Department of Foreign Affairs the Committee was informed that ADAB has been required to cut its library staff from seven to two, plus one part-time officer; reduced its public relations and office services areas; amalgamated its training area with that of DFA with no increase in overall staff numbers; reduced its typing services and lost all its telex operators⁸. This latter reduction is a particularly clear example of the inefficiencies which can be brought about by a staff ceilings policy, in that, despite ADAB's need for regular overseas and interstate telex communication and its continued ownership of telex machines, ADAB no longer has immediate access to a telex operator.

5.11 The Committee recommends that:

11. The Department of Foreign Affairs, in conjunction with the Public Service Board, undertake a series of reviews of ADAB's establishment, and include:

- (a) a Staff Utilisation Review of the bilateral projects area;

8 ibid., p. 119.

9 Minutes of Evidence, op. cit., p. 284, p. 454.

10 ibid., p. 298, p. 294.

- (b) review of the management services area of the Department of Foreign Affairs, particularly its capacity to provide adequate services to ADAB;
 - (c) examination of career streaming for development assistance officers;
 - (d) the need for and role of professionally qualified staff within ADAB.
12. The Public Service Board treat ADAB's staff ceiling separately from that of Foreign Affairs to emphasise ADAB's role as a separate organisation within the Department of Foreign Affairs.
 13. The number of ADAB officers stationed overseas be increased. The Committee has no view on whether vacancies overseas for ADAB officers should be created by the withdrawal of other Foreign Affairs officers or whether additional positions overseas should be allocated but is satisfied that there is a demonstrated need for additional Development Assistance Officers overseas. Program planning missions are a useful supplement to officers resident overseas and should be further developed.
 14. The classification of ADAB officers stationed overseas be increased. The classification of ADAB officers overseas currently varies between class 5 and class 10. The Committee believes that class 5 officers are generally too inexperienced to be asked to take responsibility for development assistance activities overseas without supervision and considers that class 7 level should be the minimum for Aid Officers operating alone overseas. The Committee is aware that increases in classification levels overseas may require some concomitant decentralisation of responsibility and changes to central office classifications.

Training Resources

5.12 The integration of the Management Services functions and the progressive redeployment of staff previously employed by ADAB within its Management Services area has led to a substantial reduction in the training facilities available for ADAB staff and for contract personnel engaged to implement particular projects. The Committee considered that the reduction of resources in this area during a period of rapid change to the schemes administered by ADAB will be unproductive in the long term. This is particularly so, during the introduction of ADP and when there is increasing reliance on third parties to implement projects. It urges

the Department of Foreign Affairs and the PSB to take all possible steps to restore the training facilities to the level enjoyed by ADAB until 1981.

5.13 There is also scope for expansion of the Training Program. In addition to the Auditor-General's adverse comments on the training made available by ADAB to consultants¹¹ the Committee was concerned to note that few, if any, officers of other Departments involved with the aid program in Australia or overseas have the opportunity to be thoroughly grounded in Australia's policy and approach to development issues and the underlying principles of development assistance¹². The Committee believes that the provision of training on development assistance objectives and methods is necessary for all Commonwealth officers expected to serve in countries receiving Australian aid and, should staff resources permit, for non-government organisation staff employed on overseas development projects. Such training would substantially improve the quality of other Departments' input to the aid program and the performance of non-government organisation staff on their aid projects.

5.14 The Committee noted that the Report from the Senate Standing Committee on Foreign Affairs and Defence regarding Australian representation overseas recommended that the Department of Foreign Affairs 'should examine a program of secondments to international organisations as a valuable means of providing training and developing expertise among ADAB officers involved with the management of the Australian development assistance program'¹³. Since then several ADAB officers have taken up opportunities to serve with multilateral organisations and even development assistance administrations of other nations. The Committee considered that such secondments, particularly if they could take the form of exchanges of officers, provide valuable background for ADAB officers and useful input into ADAB's administrative arrangements. The Committee urges that the Department of Foreign Affairs examine the scope for increasing such secondments or exchanges and suggests that it consider the inclusion of non-government organisations and other departments involved with the aid program for further exchanges..

11 Auditor-General's Report on an Efficiency Audit, op. cit., p. 20.

12 Minutes of Evidence, op. cit., p. 212.

13 Senate Standing Committee on Foreign Affairs and Defence, op. cit., p. 6.

5.15 The Committee recommends that:

15. The Department of Foreign Affairs ensure that its officers posted overseas are adequately trained to undertake Aid Officer responsibilities where such an officer is not included as part of a mission.
16. The Department of Foreign Affairs extend training programs in overseas aid administration and aid issues generally to its officers, to officers of other Departments involved with the Aid program and to non-government organisations and consultants.

Accommodation

5.16 In 1979 the Senate Standing Committee on Foreign Affairs and Defence in respect of ADAB accommodation in Canberra recommended that:

a very unsatisfactory situation exists where some 310 ADAB staff in Canberra are located in five separate buildings. The Committee recommends that this matter be kept under review with the aim of remedying the situation as soon as possible.¹⁴

5.17 Two years later the Auditor-General observed in his Report that -

ADAB's Central Office in Canberra is located in four separate buildings, all remote from the Department of Foreign Affairs building. This militates against the achievement of effective liaison, policy formulation and working level co-ordination.¹⁵

5.18 Since the Auditor-General's Report ADAB's Central Office has been required to move into an additional office building pending renovations to Derwent House. It is now spread between five separate buildings up to four kilometres apart and all separate from the Department of Foreign Affairs office accommodation and facilities.

5.19 The Committee sought advice from the Department of Administrative Services regarding its plans for the future accommodation of ADAB. The Department of Administrative Services informed the Committee that:

14 ibid., p. 7.

15 Auditor-General's Report on an Efficiency Audit, op. cit., p. 26.

Plans are well advanced for the refurbishment of Derwent House to co-locate ADAB in more satisfactory accommodation. The refurbishment of Derwent House is expected to be completed by September/October 1982. Individual floors will however be available for occupancy from July 1982 onwards.

Co-location of the Bureau within the Department of Foreign Affairs in the Administrative Building remains a firm long term objective and is expected to be achieved in 1987/1988 when refurbishment of that building is completed.¹⁶

5.20 The Committee is surprised that the Department of Administrative Services has been unable to co-locate some 300 staff in less than five buildings in the three years since the Senate Committee reported and urges the Minister for Administrative Services to ensure that current accommodation is upgraded immediately or alternative accommodation located as a matter of urgency.

5.21 The Chairman of the Sectional Committee inspected ADAB's accommodation on 7 May. In the Committee's view accommodation in at least two of the five buildings occupied by ADAB central office is seriously below standard and the Committee was informed that there had been little improvement to the accommodation for several years. Evidence provided by the Department of Foreign Affairs at the Committee's request also indicated that the damaged and irregular flooring in one of the buildings and the inadequate fixture of telephone and power cables in others had brought about several injuries to staff and a number of Workers' Compensation Claims. The Committee believes that the quality of accommodation permitted ADAB has substantially reduced the efficiency of the organisation and urges that the Department of Foreign Affairs examine ways of making the necessary repairs as a matter of priority pending overall refurbishment of the building.

5.22 ADAB accommodation is too widely spread for efficient administration and seriously below standard in terms of quality of furnishings and fittings. Upgrading of office accommodation and co-location of ADAB central office staff should be regarded as a matter of the highest priority.

5.23 The Committee recommends that:

17. ADAB office accommodation be upgraded immediately and elements of its Central Office co-located as a matter of the highest priority.

16 Submission by Department of Administrative Services p. 2.

Professional Resources Available to ADAB

5.24 The administration of overseas aid involves a mix of professional skills as well as generalist administrative expertise. Although ADAB officers on average appear to have a higher proportion of graduate and post-graduate qualifications than their contemporaries in most other areas of the public service, both the Australian Professional Consultants' Council, whose members are becoming increasingly involved in project implementation, and the Acting Director of ADAB, Dr Richard Manning, agreed¹⁷ that ADAB should examine the need for greater involvement of professionally qualified officers in the development and implementation of individual projects. The APCC suggested to the Committee that it saw:

A vital need for the integration of a group of high level people within the Bureau, having diverse technical and professional skills to ensure proper inputs to policy, project identification and preparation of project programming and project oversight through all phases in an advisory role, and project evaluation.¹⁸

5.25 The Committee believes there may be merit in this suggestion, but is also aware of the dangers of imposing a professional filter within what is already a complex and time-constrained administrative task. The Committee therefore suggests that the Department of Foreign Affairs should examine the suggestion with a view to determining whether inclusion of a professional advisory group could improve ADAB's liaison with its professional consultants and efficiency at the project level, at little cost to its efficiency of administration.

5.26 The Committee also received a suggestion from the Development Assistance Officers' Association (DAOA) that officers of ADAB should be permitted a 'professional' classification.¹⁹ A classification along the lines of existing public service professionals (e.g. dentist, teacher, psychologist) may be unsuitable, but the Committee believes that development assistance should be included as a definite career stream within the Department of Foreign Affairs. The Department should re-examine the value of establishing a Development Assistance Officer classification within the existing clerical administrative structure in the same way members of the existing 'political' stream within the department are classified as Foreign Affairs Officers. The Committee believes that the establishment of such career

17 Minutes of Evidence, op. cit., p. 829.

18 ibid., p. 710.

19 ibid., p. 373.

streams within a general administrative structure need not necessarily hinder officers' mobility between streams and should definitely not discourage short term transfers between streams for training purposes.

5.27 The Committee recommends that:

18. The Department of Foreign Affairs examine the suggestion of the Australian Professional Consultants' Council with a view to determining whether a professional advisory group could improve ADAB's liaison with professionals involved in the aid program.
19. The Department of Foreign Affairs and the Public Service Board examine the creation of a classification of Development Assistance Officer.

CHAPTER 6

MANAGEMENT OF THE AID PROGRAM

6.1 The majority of the Auditor-General's observations and recommendations for improvement to the efficiency of ADAB's administration of the Bilateral Overseas Aid Program suggest ways of moving the administration of the program closer to Audit's 'ideal model of program implementation'.¹ The model used by Audit is essentially a multi-year program budgeting model following a cycle of project appraisal, program development, project selection, project design, activation and implementation followed by evaluation and feedback to policy development. The Committee noted witnesses' general support for this approach and believes that this model is appropriate to the Bilateral Aid Program.

6.2 The Committee is also satisfied that the Department of Foreign Affairs has accepted the majority of recommendations and has a commitment to implement them as soon as resources allow. As a result the Committee does not propose to comment on more than a limited number of the recommendations. Details of the action the Department of Foreign Affairs has taken to date and proposes to take in respect of each of the recommendations listed by the Auditor-General are set out in Appendix C.

6.3 The Committee does wish to make specific comment on several recommendations however. These comments are set out below with cross references to paragraphs in the Auditor-General's Report relating to individual recommendations.

1. Consultation with other Departments (paragraph 2.2.1 and 2.2.2).

The Committee sought evidence from the Treasury, the Department of Trade and Resources and the Department of Finance regarding the Auditor-General's suggestions for improvements to consultative processes between these three Departments and ADAB. The Department of Trade and Resources, and Treasury, which had initially suggested that consultation was not adequate,² agreed in oral evidence that the current level of consultation was satisfactory and there would be little benefit in more formal consultative arrangements.³ The Committee noted however that ADAB needs to draw policy inputs and advice from a wide range of Commonwealth Departments and urges the management of both ADAB and the Department of Foreign Affairs to take all possible steps to familiarise its officers with resources available in other departments and

1 Auditor-General's Report on an Efficiency Audit, op. cit., p. 10.

2 Minutes of Evidence, op. cit., pp. 191 and 205.

3 ibid., pp. 201 and 209.

to present its own policy position as clearly as possible. The Committee also considered that there would be merit in taking more active steps to exploit the resources of other Departments as early as possible in the development of particular projects or programs, for 'example, the Committee believes that the Treasury should have had early input into the development of country profiles describing recipient countries' economies and their ability to absorb Australian aid.

2. ADAB Budgetary Procedures (para. 2.3.1).

The Auditor-General's Report briefly discussed ADAB's forward planning and forward commitment arrangements and canvassed a suggestion made to his officers that some of ADAB's planning problems 'could be eased if the Government were able to set broad financial parameters for a rolling three year program'.⁴ The Auditor-General went on to say 'this suggestion is for the Government to consider and beyond Audit's brief to address'.⁵ ADAB's current arrangements allow it to forward commit one hundred percent of the preceding year's allocation, with forward commitment or undischarged obligation level for the following year and for the third and later years combined, commonly set at about 75-85 percent of the current year's appropriation. In the Committee's experience this is an unusually flexible budgetary arrangement particularly during a time when it is government policy to limit forward commitment to items that are essential and unavoidable. Although the Department of Foreign Affairs has argued that further flexibility in terms of a rolling three to five year program would assist financial planning and allow it to budget more securely for long term programs the Committee believes that the current arrangements are sufficiently flexible to allow ADAB to implement its program and take account of Government commitments in excess of three years (eg. to Papua New Guinea and Zimbabwe). The Department of Finance submission to the Committee on this aspect has been attached as Appendix B to this Report.

3. Modes of Project Management (para. 2.5.1 and 2.5.2).

Partly as a result of restrictions on its own staffing ADAB has recently expanded the range of ways it can arrange for a project to be managed. The Auditor-General's Report observes that 'these various innovations have in some cases not been sufficiently assessed for their impact on Australian policy interests or on the effectiveness of aid for recipient countries'⁶ and

4 Auditor-General's Report on an Efficiency Audit, op. cit., p. 14

5 ibid. p. 14.

6 ibid., p. 13

recommended that 'ADAB should make a detailed assessment of the general costs and benefits associated with each of the modes of management'.⁷ While the Committee would agree that it is important that ADAB be aware of the advantages and disadvantages of certain modes of management and should inform the Minister for Foreign Affairs of its observations, it does not believe that a general cost-benefit assessment would be particularly useful given the imponderables involved, the variety of projects within the program and the different attitudes, skills and approaches of agents included within a particular mode of management.

4. Staff selection by consultants. (para. 2.5.2 and 6.2.1)

The Audit Report details a number of deficiencies it found in the selection of staff for overseas projects by managing agents responsible for project implementation and their training by ADAB and the managing agents. The value of ADAB expanding its training program to provide a better grounding for less experienced consultants has been mentioned in Chapter 5 but the Committee would like to stress that it sees no way that ADAB can effectively monitor the recruitment and training needs of managing agents' staff unless it has greater staff involvement overseas, both in terms of more staff and higher classifications.

5. Country Profiles. (para 2.3.2)

ADAB is currently developing 'country profiles' of major recipient countries. The profiles provide some relevant social and economic data on the recipient country and a summary of its development objectives and development assistance history. In the Committee's view the development of country profiles is a potentially useful tool in aid administration and it agrees with the Auditor-General that ADAB should put greater effort into completing the profiles.⁸ The Committee urges that the profiles be completed by mid 1983 at the latest and be publicly released for the assistance of other organisations involved in overseas aid projects.

6. Evaluation. (p. 2.5.5 and 2.5.6)

In the Committee's view evaluation is the key to effective program management in a complex and rapidly changing area of administration such as overseas aid. Evaluation completes the program cycle providing essential feedback to the development of new projects, is an essential

7 Auditor-General's Report on an Efficiency Audit, op.cit., p. 2.

8 ibid., p. 14.

contributor to policy development and, particularly important in an area where public support is crucial, provides the basic material for an effective information program.

Evaluation in overseas aid must, in the Committee's opinion, also be useful to the recipient country and, if possible, applied to the full range of programs and projects. The Committee was therefore particularly concerned to note the Auditor-General's comments that evaluations have generally emphasised assessment of the Australian contribution to projects, have had limited on-site inspection components, which must lessen their usefulness to recipient countries,⁹ and that there was 'no systematic feedback for reporting on the efficiency and effectiveness of the elements of Australian aid to support the policy development process.'¹⁰ The Committee urges the Department of Foreign Affairs and ADAB to direct more resources to the evaluation process and to ensure that project documentation is prepared in such a way as to facilitate the evaluation process. The Department should also seek to ensure that evaluation studies are of maximum relevance to recipient countries, and preferably include recipient country personnel at all stages of study.

Recommendations

6.4 The Committee recommends that:

20. The Auditor-General's major recommendations¹¹, as modified where appropriate in this Report, be implemented as soon as resources permit.
21. The consultative arrangements between Commonwealth Departments in respect of the Overseas Aid Program need not be changed.
22. ADAB continue to monitor the co-ordination process to ensure continuing satisfactory consultation and take every opportunity to consult with other Commonwealth authorities as early and as widely as possible.
23. The Department of Finance continue to take a positive and supportive attitude to ADAB requests for increased flexibility in budgeting within the constraints of the Government's economic strategy, provided ADAB maintains a high standard of program monitoring and makes use of facilities within the budgetary system to gain exemptions for particular projects.

9 Auditor-General's Report upon an Efficiency Audit, op. cit., p. 130

10 ibid., p. 12

11 ibid., p. 28-32.

CHAPTER 7

EFFICIENCY AUDITING

7.1 The Auditor-General's Efficiency Audit of the administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau is the third Efficiency Audit to be tabled in the Parliament. As mentioned in Chapter 1 of this Report the Efficiency Audit of the Bilateral Overseas Aid Program is the first such audit reported on by the Public Accounts Committee and the Committee considers that some discussion of the value of the Efficiency Audit concept, methodology and the Auditor-General's approach would be appropriate.

Background

7.2 A number of other nations, notably the United States, have developed large scale programs of efficiency auditing. In Australia, serious consideration of the possibility of introducing a system of efficiency auditing stems from the report of the Royal Commission on Australian Government Administration (RCAGA)¹ which proposed 'that there should be a regular program of efficiency audits in which departmental performance will be assessed'. On 9 December 1976 the Prime Minister informed the House of Representatives that 'the Government has approved in principle the Commission's recommendations for implementation of a system of efficiency audits'. The proposal was then referred to a Working Party of Officials on Efficiency Audits whose Report was tabled on 7 November 1977.²

7.3 Following Government consideration of the officials' recommendations on the scope and objectives of Efficiency Audits, the Auditor-General commenced development work for a program of Efficiency Audits under the existing provisions of the Audit Act 1901 (in particular Section 51A and Section 54) pending the drafting and enactment of appropriate amendments to the Act. Amendments to the Audit Act, including a new division devoted specifically to Efficiency Audits were inserted by the Audit Amendment Act 1979. To date the Auditor-General's Office has tabled four reports on Efficiency Audits and is currently working on eight more.

7.4 Section 48 of the Audit Act empowers the Auditor-General to carry out, at his discretion, Efficiency Audits of all or any of the operations of departments, public authorities or Commonwealth organisations in such manner as

1 Australia, Parliament, Report of the Royal Commission on Australian Government Administration Report, Parl. Paper 185/1976 Canberra, 1976, p. 46.

2 Report of Working Party of Officials on Efficiency Audits, AGPS, Canberra, 1977.

the Auditor-General thinks fit. The Act also requires the Auditor-General to report to the Parliament on the results of Efficiency Audits and to provide a general report giving particulars of the costs and benefits of Efficiency Audits. The Act defines an Efficiency Audit as follows:

Section 2(4)

- (a) an examination of the functions performed by, and the operations carried on by, the body or person for the purpose of forming an opinion concerning the extent to which these operations are being carried on in an economical and efficient manner; and
- (b) an examination of the procedures that are followed by the body or person for reviewing operations carried on by the body or person, and an evaluation of adequacy of those procedures to enable the body or person to assess the extent to which those operations are being carried on in an economical and efficient manner.

7.5 The Act does not however require the Auditor-General to make recommendations as a result of his Efficiency Audit.

7.6 A central concern for the Royal Commission, the working party of officials and the Parliament in its consideration of the 1979 amendments to the Audit Act was to preserve the Auditor-General's political impartiality. Each group sought to protect the Auditor-General's political impartiality by distinguishing between efficiency and effectiveness and by encouraging the Auditor-General to restrict his analysis of departmental functions to questions of economy and efficiency rather than effectiveness. Effectiveness, the general consensus suggests, is more appropriately handled by departments within their normal review of policy or by special groups within, for example, the Department of the Prime Minister and Cabinet undertaking what have been termed 'program effectiveness reviews'. In line with this approach the Working Party of Officials supported the United States Government Accounting Office's (G.A.O.) description of an economy and efficiency audit:

a review of efficiency and economy shall include inquiry into whether, in carrying out its responsibilities, the audited entity is giving due consideration to conservation of its resources and minimum expenditure and effort. Examples of uneconomical practices or inefficiencies the auditor should be alert to include:

- (a) Procedures, whether officially prescribed or merely followed, which are ineffective or more costly than justified;
- (b) Duplication of effort by employees or between organisational units;

- (c) Performance or work which serves little or no useful purpose;
- (d) Inefficient or uneconomical use of equipment;
- (e) Overstaffing in relation to work to be done;
- (f) Faulty buying practices and accumulation of unneeded or excess quantity of property, materials or supplies; and
- (g) Wasteful use of resources.³

Methodology

7.7 On page 10 of the Report, the Auditor-General informs the Parliament that 'the audit has concentrated on what was seen as an ideal model of program implementation, having as its guiding features articulated operational objectives, evaluation of options to achieve these objectives through effective and efficient aid projects, control of delivery consistent with the foregoing and, finally, ex-post review to determine how effectively and efficiently the program or projects objectives were achieved'.⁴

7.8 The Auditor-General informed the Committee in a supplementary submission that:

the methodology which Audit has applied to the examination of the administrative efficiency and effectiveness of ADAB's administration of the Bilateral Aid Program broadly follows Audit methodology which the Auditor-General's Office and the Audit Office and the Audit Offices of other countries have adopted and used for assessment of the efficiency of a range of government bodies and their operations.⁵

7.9 The Committee notes that both the Auditor-General's Report and his submission to the Committee refer to his examination of both effectiveness and efficiency and discusses this aspect below. As a general comment and in relation to Audit methodology only, the Committee considers that adoption of this 'ideal model' or 'normative approach' to program administration is a legitimate method of examining program efficiency.

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- 3 Report of Working Party of Officials on Efficiency Audits, op. cit., p. 16.
 - 4 Report of the Auditor-General on an Efficiency Audit, op. cit., p. 10.
 - 5 Public Accounts Committee File 1981/6, submission to Joint Committee of Public Accounts, comments by the Auditor-General's Office on the submission of the Department of Foreign Affairs.

Audit Conclusions

7.10 As might be expected from the adoption of an ideal model describing a programming cycle by the Auditor-General the bulk of the Efficiency Audit's conclusions are directed to improving elements of that cycle and interconnections between them. In the Committee's view it would be possible to argue that the Audit Report recommendations go beyond the examples of uneconomical practices or inefficiencies exemplified in the United States description of economy and efficiency audits. Audit's recommendations relating to how guidelines for project appraisal prior to approval should be developed⁶ and that ADAB should assess the costs and benefits of different modes of management,⁷ although supportable in the Committee's view, may be criticised for moving the Audit into effectiveness considerations beyond the identification of ineffective procedures mentioned by the GAO.

7.11 It could be argued, for example, that the first recommendation might have the effect of restricting criteria for the selection of projects and the second could be seen to seek to apply purely economic criteria to the selection of modes of project management. Similarly observations or recommendations suggesting an expansion of activity or a series of recommendations suggesting a net increase in staff numbers during a period of staff restraint could be said to involve, in the first instance, a recommendation that a particular, perhaps essentially political, decision be taken and, in the second, an argument for the relaxation of a pre-existing political decision.

7.12 The Auditor-General has sought to avoid such potential criticisms by reference to an audit continuum, ranging from financial/compliance audits through efficiency audits to program effectiveness reviews and by distinguishing between 'operational' or 'administrative' effectiveness and program effectiveness. In this context the Auditor-General appears to have taken operational/administrative effectiveness as the maximisation of desirable operational results for a given level of expenditure and effort, and program effectiveness as the maximisation of achievement of broader Government objectives by means of particular programs.⁸ In the Committee's view however attempts to define the scope of efficiency auditing by refining the common meaning of the words efficiency and effectiveness are unlikely to produce a result useful to administrators, auditors or the Parliament.

6 Auditor-General's Report on an Efficiency Audit, op. cit., p. 17

7 Ibid., p. 21.

8 Public Accounts Committee File 1981/6, Auditor-General's Submission 24 August 1982.

7.13 The Committee accordingly recommends that:

24. The Auditor-General prepare guidelines specifying in broad terms the scope of efficiency audits and make them available for comment by the proposed Government review of Efficiency Auditing to commence this year.

7.14 The Committee agrees with the House of Representatives Standing Committee on Expenditure⁹ and recommends that:

25. The report of this review be referred to a Parliamentary Committee before decisions are taken on the future of the efficiency audit function.

Value of Audit Report

7.15 The total cost to date of direct salary and travel costs associated with the Efficiency Audit of the Bilateral Overseas Aid Program according to the Auditor-General's figures, is \$80,429, including the costs attributable to the Auditor-General's assistance to the Public Accounts Committee. Probably the best measure of the value of the Report is the acceptance of its recommendations by this Committee and the Department involved. On such criteria and in view of the major charge that the Bilateral Overseas Aid Program makes against Consolidated Revenue the Committee believes that the Report has proved worthwhile.

7.16 It is essential however, that the Auditor-General's recommendations, qualified where necessary by the findings of this Committee, are pursued. Given the wide ranging nature of the current report the Committee believes that amendments to the existing Department of Finance minute procedures may be required in respect to efficiency audits and proposes to inform the Parliament of the revised arrangements after discussions with the Department of Finance and the Auditor-General's Office.

Other Criticisms of the Audit Report

7.17 While the major recommendations of the Audit Report appear to have been well accepted in principle by the Department of Foreign Affairs and ADAB, other elements of the report attracted substantial criticism from witnesses. The Committee is satisfied that many of these criticisms are a product of the witnesses' lack of familiarity with the

9 Australia, Parliament, Report of the Auditor-General on an Efficiency Audit Department of Administrative Services - Australian Property Function, Parl. Paper No 110/1981, Canberra. 1981, p.7.

efficiency audit concept and efficiency audit procedures, a defect which the Public Accounts Committee to some extent shares. Nonetheless the Committee feels that there is benefit in setting out some of these criticisms and the Committee's response.

7.18 The major criticisms were:

- (a) The report made insufficient acknowledgement of the complexity and unpredictability of aid administration. In the Committee's view Audit acknowledged the difficulties involved in overseas aid administration on several occasions, although strictly speaking the Auditor-General has no explicit legislative responsibility to outline in detail the range of factors that can interfere with the best laid plans of administrators. Perhaps the best indicator of Audit's appreciation of the difficulties of aid administration is the acceptance of the validity of its recommendations. As this Report has already noted the Auditor-General's recommendations have, by and large, been accepted.
- (b) Many of the Auditor-General's recommendations were already being implemented by ADAB. To an extent the Committee believes that this criticism of the report reflects favourably on the management of ADAB which, quite properly, did not wait for problems and difficulties to be publicised by Audit before taking remedial action. A degree of redundancy in Audit's recommendations is also to be expected in any audit that takes a period of years to complete and which is preceded by a feasibility study made available to the management of the subject organisation.
- (c) Auditor-General's use of an 'ideal model' failed to take account of ADAB's resource constraints. Use of an ideal model, in the Committee's view, must inevitably lead to the constraints imposed by resources or their shortage being placed second. The use of an ideal model however appears essential to this form of efficiency audit if the audit is not to become merely a form of staffing or resource utilisation review.
- (d) The Audit Report failed to allocate priorities between recommendations. The Committee agreed that certain of the recommendations were more significant than others but felt that the establishment of priorities between recommendations was more a responsibility for management than for an external auditor. The Committee did consider however that there could be benefit in the Auditor-General providing further specification of the impact that particular recommendations might be expected to have on the programs or procedures affected.

- (e) The report failed to provide an assessment of the resources that particular recommendations would require to implement. Again the Committee felt that such assessments were more a matter for management and were an inevitable by-product of the use of an ideal model.

7.19 In the Committee's view such criticisms are to be expected in a new field such as Efficiency Auditing and will die down as Departments become familiar with the Auditor-General's procedures and approach.

7.20 The Committee recommends that:

26. The Auditor-General's Office prepare a training package and background material on Efficiency Auditing for use by Departmental training sections and managers.

Consideration of Future Efficiency Audit Reports

7.21 The then Minister assisting the Prime Minister in Public Service matters informed the Parliament on 7 November 1977 when tabling the Report of the Working Party of Officials on Efficiency Audits that the Chairman of the House of Representatives Standing Committee on Expenditure and the Joint Committee of Public Accounts had agreed to special arrangements for the examination of the Auditor-General's Efficiency Audit Reports. These arrangements are set out at page 31 of the House of Representatives Standing Committee on Expenditure Review of the Auditor-General's Efficiency Audit Report; Department of Administrative Services Australian Property Function.¹⁰

7.22 The Committee has found that analysis of an extensive Efficiency Audit Report has placed heavy demands on the time of Members and the Secretariat in addition to its other current references. In the Committee's view substantial streamlining of procedures, increases in Secretariat staffing, increased use of smaller sectional committees or a reduction in other issues examined by the Committee will be necessary.

7.23 Nonetheless the Committee is aware that it is well placed to provide the analysis that the Parliament requires of Auditor-General's Reports. It has a well developed relationship with the Auditor-General, the Department of Finance and the Public Service Board, a legislative base for its operations, a firm arrangement for follow up of recommendations and the advantage of the joint involvement of both Senators and Members. The Committee is also concerned that, as with distinctions between efficiency and effectiveness audits, the distinction between

10 ibid. p. 31.

compliance and efficiency audits is becoming increasingly blurred as the Auditor-General seeks to make his compliance audits more useful to departmental managers. The Chairman of the Committee accordingly proposes to discuss possible alternative arrangements with the President of the Senate and the Speaker, and will seek the Parliament's approval for the revised arrangements in due course.

APPENDIX A

LIST OF WITNESSES, OBSERVERS, SUBMISSIONS AND DATES OF
HEARINGS

WITNESSES

DEPARTMENT OF FOREIGN AFFAIRS

Mr Peter Graham Faithfull Henderson, Secretary,
Department of Foreign Affairs, Canberra,
Australian Capital Territory

Dr Richard Cole Manning, Acting Director,
Australian Development Assistance Bureau,
Canberra, Australian Capital Territory

Dr Ian Stuart Mitchell, First Assistant Secretary,
Policy Training and Organisations Division,
Australian Development Assistance Bureau,
Canberra, Australian Capital Territory

Miss Margaret Rosaleen McGovern, Acting First
Assistant Secretary, Bilateral Programs
Division, Australian Development Assistance
Bureau, Canberra, Australian Capital Territory

Mr John Michael Powell, Assistant Secretary,
Finance and Services Branch, Australian
Development Assistance Bureau, Canberra,
Australian Capital Territory

Mr Graham Lee Lawless, Acting Assistant Secretary,
Policy Development and Co-ordination Branch,
Australian Development Assistance Bureau,
Canberra, Australian Capital Territory

Mr Peter Haldon Hodge, Acting Assistant Secretary,
Program Planning and Review Branch, Australian
Development Assistance Bureau, Canberra,
Australian Capital Territory

Mr Robert Maxwell Moore, Acting Assistant Secretary,
South East Asia Programs Branch, Australian
Development Assistance Bureau, Canberra
Australian Capital Territory

Mr Edward John Coghill, Acting Assistant Secretary,
Pacific Asia Africa Programs Branch, Australian
Development Assistance Bureau, Canberra,
Australian Capital Territory

Mr Richard William David Harman, Head, Food Aid
Unit, Program Planning and Review Branch,
Australian Development Assistance Bureau,
Canberra, Australian Capital Territory

Mr Charles Edward Timothy Terrell, Acting First Assistant Secretary, Policy Training and Organisations Division, Australian Development Assistance Bureau, Canberra, Australian Capital Territory

Mr Richard John Smith, First Assistant Secretary, Management and Foreign Service Division, Department of Foreign Affairs, Canberra, Australian Capital Territory

TREASURY

Mr John Desmond Moore, Deputy Secretary General, Department of the Treasury, Canberra, Australian Capital Territory

Mr Graham Charles Evans, Assistant Secretary, International Development Finance Branch, Department of the Treasury, Canberra, Australian Capital Territory

Mr Raymond Gwynne Jones, Acting Chief Finance Officer, Multilateral Bank Section, Overseas Economic Relations Division, Department of the Treasury, Canberra, Australian Capital Territory

TRADE AND RESOURCES

Mr Geoffrey Joshua Hall, Acting First Assistant Secretary, Trade Promotion and Services Division, Department of Trade and Resources, Canberra, Australian Capital Territory

Mr Bruce Reginald Jacobs, Assistant Director, Finance Insurance and Investment Overseas Section, Department of Trade and Resources, Canberra, Australian Capital Territory

Mr Robert Bruce Whan, Director, Australian Council for Overseas Aid, East Row, Canberra City, Australian Capital Territory

FINANCE

Mr Gary Ronald Potts, Assistant Secretary,
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Newlands Street, Parkes, Australian
Capital Territory

Mrs Kathryn Muriel Kang, Chief Finance
Officer, Overseas Development Assistance
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Street, Parkes, Australian Capital Territory

PUBLIC SERVICE BOARD

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Public Service Board, Canberra, Australian
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ACOA

Mr Anthony Joseph Kelloway, Chairman
Administrative and Clerical Officers
Association Section Committee, Australian
Development Assistance Bureau, Canberra,
Australian Capital Territory

Mr Peter Reinhard Callan, Member,
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Association Section, Australian
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Mr Roger Donald Peacock, Member,
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Mr Ivor Maurice Lloyd, Councillor and
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Consultants Council, 105 Walker
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Mr Ian Douglas Tuck, Treasurer and
Councillor, Australian Professional
Consultants Council, 105 Walker
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OBSERVERS

Auditor-General's Office : Mr M. Jacobs
Auditor-General's Office : Mr R. Lapthorne
Auditor-General's Office : Mr J. Jones
Department of Finance : Mr J. Louttit
Department of Finance : Mr A. Agaonoff
Department of Finance : Mr G. Potts
Public Service Board : Mr G. Beer
Public Service Board : Mr H. Ingliss
Public Service Board : Mr B. Thornton
Public Service Board : Mr R. Minns

FORMAL SUBMISSIONS

Department of Foreign Affairs
ADAB Department of Foreign Affairs
ADAB Department of Foreign Affairs
ADAB Department of Foreign Affairs
ADAB Department of Foreign Affairs
Department of Trade and Resources
Department of Treasury
Australian Council for Overseas Aid
ACOA Section Committee
Development Assistance Officers Association
Department of Finance
Dr W.R. Stent, Senior Lecturer in
Economics, La Trobe University, Melbourne
Community Aid Abroad
World Vision of Australia
The Australian Professional Consultants Council

OTHER SUBMISSIONS

G.P. McGowan, Consultant,
Auditor-General's Office,
Comments on Foreign Affairs Submission
Department of Administrative Services

DATES OF HEARINGS

22	April 1982	Canberra
27	April 1982	Canberra
29	April 1982	Canberra
18	May 1982	Canberra
20	May 1982	Canberra
25	May 1982	Canberra
8	June 1982	Melbourne
26	July 1982	Canberra

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Report of the Auditor-General on an Efficiency
Audit of the Administration of Australia's Bilateral Overseas Aid
Program

Explanatory Statement by the Department of Finance

This document is tendered by the Department of Finance in response to a request by the Committee for an explanatory statement in relation to certain matters raised in the abovementioned Report, namely the consultative arrangements for resolution of policy differences in respect of the bilateral aid program (s 2.2 of the Report) and the appropriation arrangements for the program (s 2.3).

(a) Finance views on current consultative arrangements

2. The Department of Finance considers that the present arrangements for consultation between Departments on aid matters are generally satisfactory.

3. There is consultation between the Australian Development Assistance Bureau (ADAB) and Finance on all areas of the aid program, with the nature and extent of consultation varying according to the type of aid activity involved. In most cases consultation occurs on an ad hoc basis as matters with financial implications arise, although there is a standing arrangement under which Finance provides ADAB with comments on proposals for major bilateral aid projects before ADAB submits such proposals to the Minister for Foreign Affairs for approval. Where Finance considers there is a need for its involvement in a particular aspect of the aid program (eg in the development of administrative guidelines for implementing new forms of assistance, such as concessional export finance), ADAB has generally welcomed Finance participation and often has initiated the consultative process.

4. Major policy issues which emerge from time to time are generally handled by ad hoc interdepartmental committees. Such issues have included aid to Papua New Guinea (in the context of negotiating the current 5-year aid agreement with PNG, and preparing for the annual PNG Development Review discussions between Australian and PNG officials), aid to the South Pacific region, development assistance as an issue on the CHOCM agenda and in the North-South dialogue, etc. ADAB has generally taken action to establish interdepartmental committees whenever it is clear that a range of Departments has an interest in the subject matter under consideration.

5. Finance is unaware of any major instances of inadequate consultation arising in recent times under the present ad hoc consultative arrangements, and would not suggest altering them unless it could be demonstrated that alternative arrangements would clearly be preferable. While more formal standing consultative arrangements might appear at first sight to have some advantages, they could easily lead to cumbersome and unnecessarily involved administration of the aid program and so reduce efficiency. If individual Departments considered their interests were not adequately catered for, it would seem preferable for them to seek to establish improved bilateral consultative arrangements directly with ADAB. In general, however, it should be ADAB's responsibility to ensure that other Departments with clear policy interests in a particular aid activity are fully consulted in the development and implementation of related proposals.

6. As indicated above the ADAB/Finance consultative arrangements are considered to be generally satisfactory. However, Finance believes that some improvement would be made in the procedures for consulting on bilateral project proposals if its views were sought at an earlier stage, possibly at the time of aid programming discussions with each recipient country, so that they could be taken into account in the subsequent development of project proposals. Consultation shortly before a proposal is put to the Minister for Foreign Affairs for approval can limit the usefulness of comments,

particularly those which may cast doubt on the basic thrust of the project and which cannot therefore be taken into account during implementation of the project.

(b) Current appropriation arrangements for the bilateral aid program

7. The bilateral aid program is funded entirely from annual appropriations. This is consistent with the practice of using annual appropriations wherever possible, as part of the Commonwealth's established annual budgeting and financial system. Although a few areas of the multilateral aid program where multi-year legislative commitments are required are funded from special appropriations, these are strictly (and properly) confined to those cases where annual appropriations will not suffice.

8. As part of the annual Budget decision-making process, a global allocation is determined for the overseas aid program to cover both on-going and new activities; the sub-allocations for bilateral and multilateral aid activities in that year are then decided by the Minister for Foreign Affairs in consultation with the Minister for Finance and the Treasurer. It is recognised that certain activities in the aid program, as in many other government programs, cannot be carried out satisfactorily without entering into some financial obligations that will not mature for payment until subsequent financial years. For this reason, and as a means of controlling future expenditure commitments, undischarged obligation limits (UOLs) are established for different parts of Government expenditure programs. For each appropriation item concerned these limits set the level of financial obligations permitted to remain undischarged at the end of the new financial year, disaggregated into separate limits for obligations maturing for payment in each of the next 2 financial years, and a limit for obligations maturing in the third or later years.

9. Undischarged financial obligations in the bilateral aid program take various forms. These include the 5-year PNG aid agreement, a commitment to provide 400,000 tonnes of foodgrain annually under the current Food Aid Convention (a proportion of this amount is provided bilaterally), and obligations to incur expenditure on bilateral and regional aid projects that have been agreed with recipient governments, to continue payment of living allowances etc to current recipients of ADAB training awards, and to pay for special development training courses which are conducted by other bodies under contract to ADAB.

10. In the case of the bilateral projects program (which is the program given particular emphasis in the Auditor-General's Report) the usual practice is to set the UOL for the forthcoming financial year at approximately the same level as the current year's Budget appropriation. This - assuming the following year's appropriation is larger than the current year's as is expected for this program - avoids its being fully committed at the beginning of the year, and so provides scope for new commitments to be entered into and discharged within the year. The UOLs for the following year, and for the third and later years combined, are commonly set at about 75 to 85 per cent of the current year's appropriation. Thus the limit for all obligations remaining undischarged at the end of the current financial year is about 2.5 times that year's Budget appropriation.

(c) Arguments for the continuation of current appropriation arrangements

11. As outlined in (b) above, current appropriation arrangements for the aid program are part of the established system of annual budgeting for Commonwealth outlays and the associated system for controlling forward expenditure commitments. In view of the high proportion of total outlays not readily open to variation from year to year, it is Government policy to limit forward commitments to those that are absolutely essential and unavoidable. The objective of this is to retain budgetary flexibility where possible so that

Government expenditure, in terms of both amount and type of program, can be responsive to changing circumstances, economic conditions and community preferences. The ability to consider expenditure programs one against another in the annual Budget context, without an unnecessary degree of predetermination of expenditure for individual purposes, also allows greater scope for determining priorities among existing programs and proposals for new expenditure, so facilitating the task of making more effective and efficient use of resources at the Government's disposal. It should be noted that, with regard to the overseas aid program, the Government has on a number of occasions considered and rejected proposals designed to provide more rigid financial guidance for future years.

12. To justify any departure from the appropriation arrangements and forward commitment controls currently applied to the aid program it would need to be established that the advantages for efficient administration of the program clearly outweighed the wider-reaching disadvantages resulting from the loss of budgetary flexibility. ADAB's claims on this matter (as presented in the Audit Report and in the Department of Foreign Affairs' submission to the Public Accounts Committee Inquiry) centre on a proposed financial planning framework for the bilateral aid program, the essential feature of which would be broad financial parameters for a rolling 3-year program determined by the Government in November each year. ADAB claims that such a framework would increase the efficiency of program implementation in the following ways:

- (1) It would reduce bunching of expenditure towards the end of each financial year, by (i) allowing implementation of more major projects earlier in each year, specifically during the Supply period, and/or (ii) removing the "spending imperative" that purportedly arises because funds that are not spent in the current financial year cannot routinely be carried over to the following year(s).
- (2) It would reduce the incidence of "start-stop" situations for project proposals under negotiation and development, and/or remove the incentive, claimed to be inherent in the present system, to bring forward inadequately prepared projects for accelerated implementation.

These claims are examined in the following paragraphs.

13. The claim (1)(i) that the Supply provision constrains ADAB's ability to implement major projects in the first half of the financial year is not supported by the evidence. As indicated in the table presented under section (e) below, ADAB does not always spend the full Supply allocation for the bilateral projects appropriation item during the Supply period. If the Supply provision did become an operative constraint in any given year, funds could be made available from the Advance to the Minister for Finance provided the necessary pre-conditions were met; and if this became a recurring situation Finance would certainly give consideration to a larger Supply allocation. It should be noted that as far as we can ascertain, ADAB has never requested funds from the Advance to the Minister for Finance for the bilateral projects program during the Supply period.

14. ADAB's claim (1)(ii) rests on the belief that there would be merit in a system under which bilateral aid funds not spent in the current financial year would routinely be provided in the following year(s), in addition to the indicative amounts already specified for those years in the proposed rolling 3-year program. As the results of underspending in past years can be taken into account by Government (and brought to its attention by Departments) in setting allocations for subsequent years, there is no evident reason to assume such an arrangement would lead to a better long-run reflection of Government priorities. Neither is there any necessary presumption that underspending of funds provided in one year should justify spending above that which would otherwise have occurred in the following year. Furthermore, the forward obligation procedures outlined above typically ensure that there will be no doubt of funding in subsequent years to cover projects initiated in the ordinary course of events towards the end of a year. The arrangement envisaged, it is also argued, would help reduce the pressure of the end-of-year "spending imperative" and so result in the spending of moneys in a different - and, it would presumably be claimed, more efficient or effective - manner. This argument, however, does not appear valid when examined. Underspending from

year to year of the annual allocations for bilateral aid would still be seen, and rightly so, as an indication that the level of funding for the rolling 3-year program was being pitched too high to allow for efficient or effective administration of the program. Thus underspending would still be seen by ADAB as putting at risk future levels of funding for bilateral aid as well as the achievement of such policy objectives as reaching a certain ODA to GDP ratio for the financial year. ADAB would therefore still have a strong incentive to spend annual allocations as fully as possible, with the result that the spending imperative would remain and might be diminished only marginally, if at all.

15. As to ADAB's claim (2) above, a "start-stop" situation could arise in the negotiation and development of a project proposal if a point were reached where progress depended on ADAB entering into a financial obligation, and ADAB lacked the necessary authority to do so. This could happen either because the current year's appropriation for the bilateral projects item was already fully committed (or near to fully committed), or because undischarged obligations in respect of future years had already reached (or were near to reaching) the approved UOL. Given the relatively high element of forward commitment already available for this program, the latter case would appear unlikely to arise frequently. In the case of the current year's appropriation being fully committed, it would be entirely consistent with the established financial arrangements (and the Government's priorities as reflected by the appropriation) for the project to be delayed (unless the circumstances were so compelling as to justify an additional appropriation). In the case of the UOL being the limiting factor, Finance would be willing to consider recommending an increase in the level if it were shown to unreasonably constrain responsible planning, but the fact is that, despite ADAB's claims that UOLs have constrained their programming of bilateral aid projects, no specific instance of this has been drawn to Finance's attention. It is therefore concluded that there has been no occasion where an increase in the UOLs was believed necessary on these grounds. That conclusion is consistent with the fact that ADAB can already plan not only in the expectation (based on experience) that funding

levels will usually be at least approximately maintained, but in the certainly, under present UOLs, that a large proportion of current levels of funding will be available in subsequent years.

16 For the reasons given in paragraph 14 above, the bringing forward of inadequately prepared projects for accelerated implementation would be likely to continue under ADAB's proposed financial planning system because of the implications of underspending of annual allocations for overall funding levels for future years. ADAB's proposed system does involve higher UOLs (and larger Supply provisions) than the present system but, as pointed out above, neither the UOLs nor the Supply provisions appear in fact to be an operative constraint on the programming of bilateral aid projects in the present system. It is therefore likely that such constraints are posed more by the uncertainties and difficulties inherent in negotiating and implementing a large number of projects of varying degrees of complexity, on the basis of bilateral agreements with recipient governments, and that altering the financial framework as proposed by ADAB would not substantially reduce these uncertainties and difficulties. (In these circumstances it may not be necessary to remark that if UOLs set after appropriate consideration by the Government did to some limited degree constrain forward planning of a particular program that would not necessarily be inconsistent with sound financial management of Government expenditures taken as a whole.)

17. ADAB has also claimed that, by preserving a margin between the indicative levels of funding for the proposed rolling 3-year program and the approved undischarged obligation limits for the program, the Government's budgetary flexibility could be retained. It is doubtful, however, whether this would be the case. If the indicative levels of funding were to acquire any status at all (as would certainly be the case if they were published, or made known to recipient governments), then it would be extremely difficult to exercise the flexibility notionally retained by setting UOLs any lower than the indicative levels. Such indicative levels of funding invariably become regarded as the base for determining future funding levels and so would render UOLs meaningless as a forward commitment control technique.

18. In summary, Finance believes that a rolling 5-year program for bilateral aid as proposed by ADAB would not have any significant advantages. Rather, like any arrangement for assuring levels of funding in future years for a particular program, it would detract from the budgetary flexibility available to the Government to respond to changing circumstances and community preferences. While there is a need for some degree of forward funding authority to facilitate efficient program administration, and a substantial degree of such authority is in fact provided in this case, this can most appropriately be met by providing suitable forward commitment authority for individual programs where such arrangements are clearly required. As indicated in the section above on current appropriation arrangements, many individual areas of the aid program are covered by forward commitments of varying amounts and duration. Some of these, such as for the bilateral projects program, have been established specifically in recognition of the importance for program administration of adequate forward funding authority, while other commitments reflect considerations of a quite different kind (eg obligations arising out of international agreements).

19. It is Finance's view that the need for forward funding authority should continue to be considered on a program-by-program basis in the context of Government policy on limiting the extent of forward commitments.

(d) Requests for additional forward commitment authority

20. Finance frequently receives requests for increases in undischarged obligation limits for various parts of the aid program. Almost without exception these are approved as they relate to well defined Government undertakings or are not considered to result in an unacceptable loss of budgetary flexibility. Details of cases in which the increase agreed with ADAB has been less than that initially sought cannot readily be extracted from Finance records, but there are thought to be few, if any, such cases.

21. The only major instance where Finance has not agreed to a requested increase in UOLs concerns the bilateral training program, and is detailed below. There have been two cases in recent times where requests of this kind have been only partly met, but as these were resolved between Ministers (and in any case did not concern specific bilateral aid projects) it would not appear appropriate to deal with them in this context.

Bilateral Training Programs

22. In June 1980 ADAB sought Finance's agreement to a change in the basis for determining the undischarged obligation limits for bilateral training programs which would have involved setting the UOL for the following year at the same level as the current year's appropriation for those programs. ADAB envisaged that this new arrangement would provide both the Bureau and recipient governments with greater forward planning capacity so as to facilitate decision-making on types of training suited to the recipients' development training priorities.

23. Finance did not agree to this request principally on the grounds that UOLs are not designed simply to assist Departments in planning future levels of expenditure (but also and more basically as a means of forward expenditure control), and that the advantages for administration of the program were not sufficient to justify an exemption from Government policy of retaining maximum budgetary flexibility. Finance considered that administration of the training programs need not be hindered by the current UOLs (which relate to future payments to trainees already in Australia and payments under contractual arrangements for the conduct of courses extending beyond the current financial year), since forward planning could be done on the basis of an expectation of (but not a firm commitment to) funds availability in the following financial year not being less than the current year's appropriation. In particular, it was considered that recipient countries, in making arrangements for new trainees, could adequately proceed on this basis, while for educational institutions in Australia arranging group courses for ADAB, planning had not

previously been impaired by inadequate forward commitment authority. In recognition of the possibility that the UOLs might need to be varied during the year in specific circumstances (eg if a tertiary institution should insist on the signing of a contract covering repeat courses in later years), the option was left open to ADAB to approach Finance on a case by case basis. No subsequent requests have been made.

(e) Supply allocations for the bilateral aid program over the past five years

24. The information sought by the Committee is presented in the Attachment to this statement.

(f) Exhibit ADAB/3

25. Finance is able to confirm the accuracy of the figures supplied to the Committee under Exhibit ADAB/3, with the exception of the UOL sought by ADAB for 1978-79 of \$85.1 million. According to records held by Finance this figure should be \$96.1 million. In respect of the UOL sought by ADAB for 1982-83 the amount initially sought was \$135 million but this was subsequently revised to \$144.1 million.

Department of Finance
21 May 1982

ATTACHMENT

SUPPLY ALLOCATIONS FOR THE BILATERAL AID PROGRAM 1977-78 TO 1981-82

SUB-DIVISION	SUPPLY PROVISION	EXPENDITURE TO END NOV \$	EXPENDITURE TO END DEC \$
<u>Financial year 1977-78</u>			
318-3: Bilateral Aid - Papua New Guinea	109,789,000	107,816,606	109,426,057
318-4: Bilateral Aid Projects, Technical Co-operation and Related Activities	21,141,000	19,660,252	24,463,855
318-5: Bilateral Training	6,900,000	5,253,175	6,336,094
318-6: Food Aid (a)	na	na	na
318-7: Support for Non- Government Organisations	445,000	1,006,368	1,043,888
<u>Financial year 1978-79</u>			
318-3: Bilateral Aid Papua New Guinea	113,960,000	115,077,783	118,965,441

SUB-DIVISION	SUPPLY PROVISION	EXPENDITURE TO END NOV \$	EXPENDITURE TO END DEC \$
318-4: Bilateral Aid Projects, Technical Co-operation and Related Activities	29,931,000	32,661,426	36,796,473
318-5: Bilateral Training	6,790,000	5,243,494	6,078,820
318-6: Food Aid (a)	11,080,000	481,204	2,579,745
318-7: Support for Non- Government Organisations	716,000	857,442	975,808
<u>Financial year 1979-80</u>			
318-3: Bilateral Aid - Papua New Guinea	117,700,000	117,397,489	118,754,319
318-4: Bilateral Aid Projects, Technical Co-operation and Related Activities	41,046,000	32,742,540	39,185,338
318-5: Bilateral Training	5,860,000	3,800,545	4,803,566
318-6: Food Aid (a)	10,000,000	10,127,079	20,489,720
318-7: Support for Non-Government Organisations	828,000	806,356	1,124,322

SUB-DIVISION	SUPPLY PROVISION \$	EXPENDITURE TO END NOV \$	EXPENDITURE TO END DEC \$
<u>Financial year 1980-81</u>			
318-3: Bilateral Aid - Papua New Guinea	121,639,000	121,579,123	122,445,814
318-4: Bilateral Aid Projects, Technical Co-operation and Related Activities	43,462,000	43,681,899	53,731,622
318-5: Bilateral Training	5,848,000	5,985,072	6,852,418
318-6: Food Aid (a)	22,570,000	1,261,364	7,430,980
318-7: Support for Non-Government Organisations	1,036,000	1,467,997	1,508,242
318-9: Emergency Humanitarian Relief	3,000,000	500,000	2,659,558
<u>Financial year 1981-82</u>			
318-3: Bilateral Aid - Papua New Guinea	126,501,000	125,895,941	127,186,985
318-4: Bilateral Aid Projects, Technical Co-operation and Related Activities	51,245,500	39,910,311	48,169,149

SUB-DIVISION	SUPPLY PROVISION \$	EXPENDITURE TO END NOV \$	EXPENDITURE TO END DEC \$
318-5: Bilateral Training	7,028,000	6,775,115	8,507,975
318-6: Food Aid (a)	26,728,000	10,268,632	15,815,106
318-7: Support for Non-Government Organisations	1,465,000	1,104,236	2,100,964
318-9: Emergency Humanitarian Relief	1,000,000	709,997	712,997

(a) Notional Supply allocations and the corresponding expenditure figures shown for this sub-division relate to the bilateral food aid program only.

It should be noted that in each of the past five years the Appropriation Bills were passed by Parliament by the end of November.

SUMMARY TABLE OF DEPARTMENT OF FOREIGN AFFAIRS RESPONSES TO AUDITOR-GENERAL'S RECOMMENDATIONS

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.2.1	Formal consultative processes should be set up between ADAB, the Treasury, the Department of Finance, and the Department of Trade and Resources supported by information collection activities.	Departments of Finance and Treasury are satisfied with existing arrangement. ADAB has agreed to regular consultations with the Department of Trade & Resources beginning August 1982. Consultations with other Departments have also been strengthened. For example, ADAB established a formal IDC to review aid to the South Pacific.	Consultative processes will be set up where there is a need.
2.2.2	Ex-post review of ODA should be strengthened to improve understanding of cause and effect relationships in development. Promulgation of program goals, targets and progress should be strengthened; major project objectives and achievements should be reported.	Agreed.	The recommendation, and its resources implications, will be taken into account in the context of the aid policy and resources reviews to be undertaken by the Department in the near future.
2.2.3	The policy development activities of ADAB related to bilateral aid should be tightened and properly coordinated with Bilateral Programs Division, and allowed adequate resources to discharge the necessary operational policy development responsibilities.	In spite of staffing constraints some action has been taken to bring together the policy and operational areas in the development of the bilateral program i.e. methodology for preparing country policy papers and profiles has been developed and is being implemented as rapidly as staff resources allow.	A Bilateral Programs Committee on which policy formulating areas of ADAB will be represented, will be set up to review country policies and programs and to ensure consistency between these programs and the Government's aid policies.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.3.1	Project timings, uncertainties and options should be evaluated and monitored.	ADAB has researched the alternative methodologies for project planning, monitoring and management and has adopted "networking" as the favoured technique for ensuring that project timings, uncertainties and options are monitored and evaluated.	The Department will ensure that the "networking" approach to project management is used for all recent and new complex projects; and that this approach is properly understood by project managers in Canberra and in the field. This will require special training programs for staff and consultants.
	The specificity of aid commitments and the likely scope for, and impact, of modifications should be established.	The case for multi-year aid programs has been pressed in the context of the South Pacific aid review.	The Department will continue to press the case for adoption of multi-year aid programs in appropriate cases (i.e. not bound by annual expenditure targets) in order to allow Australia's aid to be adapted to suit the changing circumstances of recipients.
	Country profile information should be enhanced.	Procedures for country policy papers and profiles have been established. (See also 2.2.3 above)	The Department will prepare specific country profiles in accordance with the established guidelines as staffing circumstances permit.
	An ADP-based expenditure reporting system should be developed.	An ADP system is being introduced to promote better management and control of the bilateral project program. Constraints on professional ADP resources in the Department generally have delayed introduction of the system.	The ADP-based expenditure reporting system is being developed in the context of ADAB's continuing efforts to improve ADP-supported project management techniques as ADP specialist resources are made available.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.3.1 (con'd)	Quality and quantity of information from the field should be upgraded, by increased deployment of ADAB staff to overseas posts if necessary.	Staff ceiling restrictions limit the extent to which the Department is able to strengthen overseas posts. Recent reviews at certain overseas posts have proposed reductions in current levels of staffing. These proposals are being challenged.	The Department acknowledges the need to improve the quantity and quality of aid-related information from the field. With regard to the resource implications of the recommendation see also 2.2.2. Other approaches for improving project information and assessments are currently being pursued i.e. - training packages in tools of aid management are being developed in a form suitable for distribution to all posts where aid work is undertaken - an ADAB task group has been established to more clearly define the role and responsibilities of staff involved in aid work at overseas posts. This work cannot be finalised until other review have been completed.
2.3.2	To assist the long term aid program management, more background information ("country papers") should be developed, together with enhanced regular reporting from the countries concerned.	A schedule for the preparation of country policy papers and profiles has been drawn up. (see also 2.2.3 above)	In addition to the above the Department will arrange for Posts to contribute to country papers on political, economic and social matters having a bearing on the form and direction of Australian aid; and will require posts to provide regular, systematic reporting on matters affecting the effectiveness of Australia's aid programs (e.g. political, economic/financial, social, internal security). Special training in this kind of reporting will be built into the Department's training programs as resources permit.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.4.1.	ADAB should be more pro-active in assisting recipient countries in identifying projects, by providing technical assistance to those countries' planning agencies if necessary and by greater co-operation with other DAC donors.	Technical assistance, through the staffing assistance scheme, has been provided for some years to South Pacific countries to strengthen their planning capacity.	While continuing to apply the policy of responding to recipient requests and respecting recipient priorities, the Department continues to explore the scope for a more positive identification of recipient needs which match goods and services available from Australia (e.g. specialist skills). Technical assistance to planning agencies in recipient countries and greater co-operation with other donors and aid agencies (e.g. through co-financing and multi-bi funding) are planned for 1982/83 subject to funds being available.
	More emphasis on longer term identification work by ADAB or other overseas staff.	See 2.3.1 point 5 above.	Higher priority will be placed on in-country program planning and project identification as resources permit.
	Program planning missions should be allowed more time for their investigations and greater use should be made of regionally-based experts, overseas post staff and consultants.	Agree in principle, but staffing levels and constraints on travel limit the time that ADAB officers are able to spend on planning missions. Establishment of a regional group of specialists for the South Pacific is being proposed by current IDC.	The Department will review the role, conduct and structuring of program planning missions, including the role of regionally-based experts, overseas post staff and consultants. Staffing and management implications will also be considerations. This review should be completed before the end of the 1982/83 financial year.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.4.1 and 2.4.2 (Cont'd)	Other Australian agencies should be made aware of their limits and their proposals should be subjected to comprehensive appraisal, consistent with other proposals.	Agreed.	The Department will continue to draw to the attention of relevant agencies the problems caused by their unsolicited involvement in project identification.
	The USAID logical framework should be consistently applied in collecting information in recipient countries, which should, in turn, be made aware of the factors affecting the feasibility of aid proposals.	Wider use of logical framework is being introduced for better project design, monitoring and evaluation.	The Department will continue to apply, and further develop the use logical framework, within its limitations, for the identification of project aid options. Special training in the application of this technique is being built into the Department's training program.
	ADAB desk officers should make Greater use of overseas posts to collect information on project selection, thus upgrading the comprehensiveness of their portfolio of project prospects.	See 2.3.1 point 5 above.	Earlier guidelines developed for posts' collection of information on projects are to be revised and reassessed. The procedures of the Bilateral Program Committee will ensure that the reporting of overseas posts is taken fully into account in the formulation of projects.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.4.3 and 2.4.4	<p>Projects should be appraised according to guidelines having regard to:</p> <ul style="list-style-type: none"> the intended level of Australian contribution. uncertainties about project outcome and effectiveness. economic viability of the project. adequacy and availability of Australian expertise. relevance to Australian aid policy intentions. other possibly more cost/effective alternatives. 	Existing appraisal guidelines take these factors into account.	The existing appraisal guidelines will be further strengthened to ensure the consistent appraisal of all project proposals.
2.4.5 and 2.4.6	<p>ADAB should include its own representatives on major project examinations either through use of its own staff or by the use of independent, retained, development experts.</p> <p>Project approval should incorporate requirements for pilot studies if necessary and should provide for review points.</p>	<p>Agreed.</p> <p>Established practice.</p>	<p>The Department proposes that ADAB officers will lead and/or participate in all major project identification and appraisal missions to the extent staffing circumstances permit.</p> <p>Existing practices will be reinforced under the revised procedures associated with the operations of the Bilateral Program Committee.</p>

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.4.5 and 2.4.6 (cont'd)	<p>While oversight by the Department of Finance could be regarded as a duplicated tier of review, it currently provides a useful second opinion from an economic viewpoint. Given that this needs a substitute for adequate in-house strengthening until ADAB's capabilities in this area can be increased. While this situation continues, ADAB should ensure that the necessary information is made available to the Department of Finance.</p>	<p>The Department of Finance has agreed that \$750,000 is an appropriate financial threshold for projects for which its comments are invited. The Department does not see this as a substitute for adequate in-house appraisal capacity.</p>	<p>The Department will continue the current practice whereby Department of Finance comments are sought on major project proposals.</p>
2.4.7 and 2.4.8	<p>Submissions for approval should be comprehensive allowing for a balanced decision to be made.</p> <p>Future design specifications could be improved by:</p> <ul style="list-style-type: none"> • adherence to the USAID logical framework • greater concern for appropriate technology • greater concern for cost effectiveness • concentration on transfer of technical capabilities 	<p>This is established practice.</p> <p>See 2.4.3 and 2.4.4 above</p>	<p>Submissions to the Minister (or his delegate) will continue to be comprehensive and balanced in accordance with instructions issued by his office.</p> <p>Program and project design criteria will continue to be refined to ensure that these considerations are fully taken into account.</p>

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.4.7	careful balancing of Australian and recipient resource inputs		
2.4.8 (cont'd)	co-ordination of necessary Australian and recipient funding approvals		
	greater involvement of recipient personnel in the design process.		
2.5.1 and 2.5.2.	ADAB should make a detailed assessment of the general costs and benefits associated with each of the modes of management. Important factors include: <ul style="list-style-type: none"> the relative visible administrative costs the proportion of administrative costs to be met by recipient governments and the Australian Government the level of administrative oversight and financial control that the Bureau exercises the level of use of Australian goods and services the utilisation of available Australian expertise 	While some limited research has been undertaken, further study into this issue has not been possible due to lack of staff resources.	While such an assessment might provide some useful data, the resources it would require are considerable and cannot be accorded a high priority. All these factors will continue to be taken into account in project design and in selection of implementing agencies.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.5.1 and 2.5.2 (cont'd)	<p>the development of the overseas consultancy services capacity of Australian enterprises.</p> <p>ADAB should take the necessary steps to ensure that all parties concerned arrive at and record prior to the commencement of the project, their agreed understanding about the nature of projects and their respective responsibilities in clear, accurate and comprehensive documents.</p> <p>ADAB's procurement processes are generally sound but improvements in planning and communication with service areas and agents and greater concern for the dollar value of aid would reduce the incidence of procurement problems. There is scope for closer involvement of ADAB's procurement staff in project design to ensure adequate recognition and assessment of instances where Australian supplied goods will be substantially more costly than alternative sources of supply. In such cases it may be decided to allocate Australian aid funds to other components of the project.</p>	<p>Contract documentation has been revised to ensure agreement between all parties is reached before work commences.</p> <p>ADAB follows Australian Government purchasing policy and procedures in all cases where there are not specific Government decisions on aid unttying.</p> <p>The contracting out of minor procurement (up to the public tender threshold of \$10,000) and the extensive involvement of consultants in major procurement has reduced the problems referred to in the Report.</p> <p>The Procurement Section offers a 'Cost and Availability' service to the geographic areas and to managing agents.</p>	<p>The Department will ensure that, as already required, memoranda of understanding or similar project agreement documents are signed before the project is started.</p> <p>Department will give priority to designing and implementing an ADP system appropriate to the procurement function. Procedures will be introduced to ensure that procurement requirements of individual projects are discussed with sections concerned before finalising project design.</p>

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.5.1 and 2.5.2 (cont'd)	ADAB should monitor these aspects and take action to minimise the costly results of poor staff selection and deployment by its agents.	ADAB examines the qualifications and experience of consultants or agents rendering services to the aid program. As a further guarantee, there is a contract provision that replacement of unsatisfactory staff can take place at no cost to the aid program. When required, language training is arranged to enhance working level communication with counterpart staff. Staff movement reporting has been required for some years and monitoring of staff in the field compared with scheduled activities is carried out.	The recommendation and its resource implications will be taken into account in the reviews referred to in 2.2.2 above.
	Clear definition of objectives would facilitate design, review and evaluation of the effectiveness of the training program.	ADAB has established new procedures aimed at improving the effectiveness of project related training. To the extent possible, training objectives are identified in the design of a project. More attention is now being paid to this aspect in the design and appraisal stages of new projects. Terms of reference for feasibility studies and other contract documentation now specifically cover project training requirements both in-country and in-Australia.	Procedures will be kept under view. Constraints continue to be experienced by some managing agents in undertaking this function and lack of capacity in ADAB to take on additional responsibilities for this type of training.
	Some delegation of responsibility for approval may facilitate the process.	The Department agrees.	The resource implications of increased delegation to posts will be examined in the reviews mentioned in 2.2.2 above.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.5.3 and 2.5.4	ADAB should require its officers to undertake more active monitoring of project work and achievement. Greater use of its overseas staff in this role would assist effective control.	Agreed.	The Department will continue to explore ways of further reducing the involvement of posts in day-to-day project administration allowing them to devote more time to monitoring project work and achievement. With regard to the resource implications of this recommendation see also 2.2.2.
	Requirements for reporting by agents have recently been upgraded by ADAB and greater accord with USAID logical framework will give ADAB's officers more information to support their role.	Logical framework and networking techniques in project management are being introduced.	Standard requirements for agent reporting incorporated in project management techniques will be strengthened. As ADP systems are developed and staff trained in their application more and better information will be available for the monitoring of programs by ADAB staff.
2.5.5 and 2.5.6	ADAB should pay close attention to the results of the provision of project aid and technical assistance to improve the performance of project administration and to generate information for the formulation of aid policies and the development of country aid programs. To this end, the conduct of a greater number of comprehensive evaluation studies could be pursued.	Staffing constraints limit the number and depth of expert evaluations undertaken. Therefore priority has been given to the evaluation of on-going projects where the benefits are more immediate and direct.	The Department will draw upon existing evaluation work to improve project administration and to generate information for the formulation of aid policies and the development of country aid programs. As a matter of priority the Department will strengthen ADAB's capacity to undertake appraisals and evaluations as resources are made available.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.6.2	ADAB's effort to assist with food sector strategies for recipients should be enhanced and where possible it should co-ordinate its food aid program with technical assistance. ADAB should do more through international donor groupings to encourage effective domestic agricultural policies by recipients. Its food aid needs model is of value but a number of technical improvements should be considered.	<ul style="list-style-type: none"> ADAB has endeavoured to tighten up the conditions under which food aid is given to ensure accountability and to ensure it has a beneficial development impact. More visits to recipients and formal evaluation by ADAB and consultants is now being done on the food aid program. ADAB endeavours to integrate food aid with recipient food strategies and policies to ensure agricultural productivity is enhanced. ADAB is directing more food aid through the World Food Program as a result of a recent Government decision. This will ensure greater use of food aid for specific developmental purposes. 	The Department will as a matter of priority upgrade ADAB's capacity to assist with food sector strategies by strengthening of ADAB's Food Aid Unit. The Department will continue to support Australian participation in special working groups set up by the Economic Community to encourage effective domestic agricultural policies. With regard to resources implications see 2.2.2 above.
2.6.3		<ul style="list-style-type: none"> The food aid model was and is continuing to be developed to determine relative need more objectively. Consultants have been engaged to look at ways of improving the model and to report on the effectiveness of our food aid. 	

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
2.7.1 and 2.7.2	Minor organisational changes are suggested in the areas of policy development support and project-related training.	Various organisation proposals have been prepared and are currently under consideration within the Department and the Public Service Board.	In the area of policy development support, in addition to the Bilateral Programs committee a strategic planning unit and a Multi-lateral Programs Committee are being established.
	This report and its appendices contain many suggestions aimed at improving the capability for ADAB officers to spend more time and energy on the implementation of aid. This requires special skills and experiences. Audit therefore supports moves toward career planning, with particular emphasis on the need for ADAB personnel to acquaint themselves by experience with relevant policy interests in Foreign Affairs and Trade & Resources, as well as professional background in economics, development assistance and project management.	Agreed in principle.	Career planning in ADAB should be strengthened by the staffing policy announced in July 1981. Implementation of this policy will ensure that personnel development can include a range of political, administrative and other specialist experience. Secondments to relevant Departments and organisations will be promoted as resources and opportunities permit.
	Staff in overseas posts be given greater responsibilities for and allocate increased amounts of time to:	Agreed but see also 2.3.1	The Department will take action along these lines insofar as Posts can be strengthened to the necessary extent.

Section Number	Auditor-General's Recommendations	Action taken to Implement	Proposed Action
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2.7.1 examination of development and assistance options

2.7.2 (cont'd) contact with recipient government officials about the priorities and capabilities of recipient government agencies

liaison with representatives of other donor agencies

assessment of the effectiveness of current development assistance projects and policies in terms of Australia's aid

consideration of foreign policy and other objectives

the continual monitoring of value for money in project expenditure

Staffing levels are a matter for ADAB and the Public Service Board and ADAB should prepare proposals giving special consideration to the issues raised in this report.

Staffing levels for ADAB are a matter for the Department and the Public Service Board. The Department has taken up with the PSB ADAB's staffing requirements. These draw on the special considerations raised in the Report.

The Department in its representations on staffing matters to the Public Service Board will continue to present proposals giving appropriate attention to the issues raised in the Auditor-General's report.