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THE PARLIAMENT OF THE  
COMMONWEALTH OF AUSTRALIA

Joint Committee on  
Foreign Affairs, Defence and Trade

A REVIEW OF THE AUSTRALIAN INTERNATIONAL  
DEVELOPMENT ASSISTANCE BUREAU  
AND AUSTRALIA'S OVERSEAS AID PROGRAM

February 1989

Australian Government Publishing Service  
Canberra

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TERMS OF REFERENCE

A Review of the Australian  
International Development Assistance Bureau  
and Australia's Overseas Aid Program

To investigate and report on the operations of the Australian International Development Assistance Bureau, with specific reference to:

- (a) the effectiveness of AIDAB as Australia's overseas aid unit;
- (b) changes in aid policy and management implemented as a result of the Jackson Committee; and
- (c) the appropriateness of the present amount and distribution of the funds Australia spends on aid.

MEMBERSHIP OF THE COMMITTEE

35th Parliament

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	Mr P M Ruddock MP

Sub-Committee Staff  
Mr A J Moran (until August 1988)  
Mr P N Gibson MC (from August 1988)  
Miss T S Douch

ACRONYMS

ACFOA	Australian Council for Overseas Aid
ADAA	Australian Development Assistance Agency
ADAB	Australian Development Assistance Bureau
ADB	Asian Development Bank
ADF	Asian Development Fund
AfDB	African Development Bank
ANU	Australian National University
ASEAN	Association of South-East Asian Nations
AUSTRADE	Australian Trade Commission
CAA	Community Aid Abroad
CIDA	Canadian International Development Agency
CMEA	Council for Mutual Economic Assistance
CFM	Country Program Manager
DAC	Development Assistance Committee (OECD)
DEET	Department of Employment, Education and Training
DIFF	Development Import Finance Facility
DIGs	Development Import Grants
DFAT	Department of Foreign Affairs and Trade
EFIC	Export Finance Insurance Group of Austrade
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEFR	International Emergency Food Reserve
IFAD	International Fund for Agricultural Development
IFI	International Financial Institutions
JCFAD	Joint Committee on Foreign Affairs and Defence
JCFADT	Joint Committee on Foreign Affairs, Defence and Trade
MDB	Multilateral Development Banks
NGO	Non-Government Organisation
ODA	Official Development Assistance
ODF	Official Development Finance
OPEC	Organisation of Petroleum Exporting Countries
OSB	Overseas Service Bureau
OSC	Overseas Student Charge
PNG	Papua New Guinea
UN	United Nations
UNBRO	United Nations Border Relief Operation
UNFPA	United Nations Fund for Family Planning
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WFP	World Food Programme

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1.

**SECTION 1**

**INTRODUCTION**



## CHAPTER I - PREFACE

### Source of the Reference

1.1 On 16 November 1987 the then Minister for Foreign Affairs and Trade, the Hon Bill Hayden MP formally referred the following matter to the Joint Committee on Foreign Affairs, Defence and Trade for investigation and report:

The operations of the Australian International Development Assistance Bureau, with specific reference to:

- a. the effectiveness of AIDAB as Australia's overseas aid unit;
- b. changes in aid policy and management implemented as a result of the Jackson Committee; and
- c. the appropriateness of the present amount and distribution of the funds Australia spends on aid.

1.2 The Committee resolved to form a Sub-Committee to conduct the inquiry. Dr R E Klugman MP was elected as Chairman of the Sub-Committee and Mr R F Shipton MP was elected Deputy Chairman. Other members of the Sub-Committee were Senator G N Jones, Senator C Schacht, Mr G Campbell MP, Mr D F Jull MP, Mr J V Langmore MP, Mr E J Lindsay RFD MP, and Mr P M Ruddock MP. The Chairman and Deputy Chairman of the Main Committee, Mr G N Bilney MP and the Hon M J R MacKellar MP, respectively, were ex-officio members.

### Conduct of the Inquiry

1.3 The inquiry was advertised nationally on 13 and 14 November 1987. Submissions were invited from the public by 12 February 1988 although submissions were accepted until the Committee's final consideration of its report in February 1989. In addition, the Sub-Committee invited a number of organisations and individuals with interest in development issues to forward a submission. A list of submissions received is at Appendix C.

3.

1.4 Public and in-camera hearings were held in Canberra on 18 February 1988, 11 and 22 April 1988, 16 and 27 May 1988, 1 and 9 September 1988 and 1 December 1988. Witnesses representing a number of departments, government agencies, non-government organisations (NGOs), industry organisations, as well as academics and private individuals, appeared before the Sub-Committee. A list of witnesses is at Appendix D.

1.5 In addition to the formal sessions of the Committee, members undertook a number of visits (both official and unofficial) to countries which are recipients of Australian aid. Information gathered during such visits (such as during the tour of South Pacific nations by members of the Committee's South Pacific Sub-Committee) provided useful background to the conduct of the AIDAB inquiry. Members also met with a number of officials of international aid organisations including Mr Jim Ingram (the Executive Director of the World Food Programme), Dr Nafis Sadik (Executive Director of the UN Population Fund) Mr Jean Pierre Hocke, the UN High Commissioner for Refugees and Mr Barber Conable, President of the World Bank. Those discussions, while not formal evidence, were helpful in forming views on matters relevant to the inquiry.

1.6 In August 1987 the Australian Development Assistance Bureau formally changed its name. Accordingly, this report refers to ADAB prior to the change-over, and to AIDAB after that date.

## CHAPTER II : BACKGROUND TO THE CURRENT REVIEW

A History of Reviews

2.1 The history of the Australian Aid Program has been marked by controversy and change. Arrangements for its administration have run the gamut, from management of discrete programs by a range of implementing Commonwealth departments, to creation of a statutory authority, responsible for the policy formulation and the management of Official Development Assistance.

2.2 In 1982 the Parliament's Joint Committee of Public Accounts (PAC) commented on the turbulent history of aid administration:

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 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). Each subsequent aid organisation has been formed by re-organising and restructuring the resources and functions of its predecessor (PAC, Administration of Bilateral Overseas Aid, 1982, p7).

2.3 Between 1973 and 1983 there were at least eighteen reviews of various aspects of the Aid Program. As the primary concern of most of those reviews was to achieve savings, the nett effect was a demoralised aid administration with little or no consequent improvement in the effectiveness of development assistance.

2.4 The watershed in the history of the Aid Program came in 1984 with the tabling of the first comprehensive review of both aid policy and management. Known as the Jackson Report, its full title is The Report of the Committee to Review the Australian Overseas Aid Program.

2.5 Members of the Jackson Committee came from a number of different disciplines, including management consultancies and development economics. Directly responsible to the Minister for Foreign Affairs, the independent review received over 400 submissions, and heard evidence from a broad range of public and private interest groups - the 'aid constituencies'.

2.6 The significance of the Jackson Committee's assessment lay in its realisation that policy and management issues could not be dealt with in isolation from each other. On the policy of aid, Jackson started with a clear statement of the purposes of official development assistance. This was not in itself new, but the Committee's approach set the scene for coherent aid policies by assigning these purposes clear priorities.

2.7 On the management of aid, the Jackson Report identified the creation of an autonomous administrative unit with adequate professional skills and systems designed to achieve policy objectives as prerequisites for an effective aid program.

2.8 Taken individually, any of these proposals for reform would have been significant. Taken together, they provided a major challenge to both the Government and the Public Service.

2.9 When tabling the Report on 7 June 1984, the then Minister, Mr Hayden, described the important role of the Jackson Committee:

The Jackson Report is the first attempt to analyse official development assistance as a whole, to outline the philosophy behind our aid, to assess the impact of the various forms of aid, to consider the geographic spread of our aid and to examine the way in which the delivery of Australian aid should be managed. The Committee has not only considered; it has made recommendations. These have been put forward, not as a grand design or a detailed blueprint for our aid, but as principles which could have currency for the medium term (House of Representatives Hansard, p3067).

2.10 In order to consolidate the high level of bipartisan support for Australian aid, community discussion of the Jackson Report was encouraged. As part of this process, Mr Hayden asked the Joint Committee for Foreign Affairs and Defence to assess the Review. In its 1985 Report, the Committee strongly supported the Jackson package, and differed from it only on relatively small points of detail.

2.11 In their formal responses to the Jackson Report, also made in 1985, both the Government and Opposition welcomed the broad thrusts of the Report's recommendations; an ambitious program of reform began.

2.12 In assessing the Aid Program today the Jackson Report continues to provide an important frame of reference. But this Committee has not been diverted by too close attention to the fine print of the Jackson Report. It is the effectiveness of the Aid Program, and the efficiency of its administration, which have been the Committee's chief concerns.

#### From the Poor to the Rich

2.13 The Development Assistance Committee (DAC) of the OECD plays an important role in coordinating and monitoring development assistance. Together with the World Bank its data collection and analysis provides an invaluable picture of the

strategies being pursued for development, and of the broader needs of developing countries. The DAC's most recent Report (1988) and the World Bank's two publications, the Annual Report, and World Development Report, highlight some of the key statistics and trends in development over the last few years.

2.14 Many developing countries borrowed large amounts from private banks during the 1970s and early 1980s. Credit was easy to get; oil prices were buoyant, other commodity prices were also high, and real interest rates were low or even negative. The growing national incomes of developing countries made repayments seem a small and affordable price to pay for major investments in infrastructure and public services. It became apparent later that part of the problem was that some of the capital input, leading to debt, did not go into 'infrastructure and public services' but went into capital flight or other more productive areas.

2.15 In 1979 western countries introduced tight monetary policies to counteract inflation. Real interest rates rose dramatically, and with them the repayments on loans. The debt repayment bills for many developing countries became an increasingly large portion of government (and private) expenditure, and of export earnings - especially as commodity prices fell sharply. For some the burden of merely servicing the debt became too much. In 1982, when Mexico rescheduled its repayments, confidence in the international financial system suffered a severe blow. Within a year nearly fifty other countries had applied for rescheduling. Careful negotiations have averted what seemed to some an inevitable collapse. Various plans have been designed to save the banks and the international monetary system. The most notable is the Baker Plan, which proposed a boost in new lending (by \$20 billion by the international financial institutions, and by a similar amount from the commercial institutions) to major debtor countries. This would be in return for the introduction of 'anti-inflationary fiscal and monetary policies, together with structural reforms such as tax reform, market oriented pricing and opening economies to foreign trade and investment' (Life After Debt, p80).

2.16 There are many ramifications of the debt crisis. Indeed, the question of Third World debt forms a major part of a reference currently before the Trade Sub-Committee of this Committee. For the purpose of this report however, it is sufficient to note that the total debt repayment bill for the developing world is now over \$US1000 billion (State of the World's Children 1989, UNICEF, p15).

2.17 Commodity prices, although having risen recently, are still historically weak, and interest rates are climbing again. Loans from private sources remained virtually unobtainable for problem debtors. Private financial flows to developing countries reached a high of 52% of net financial flows in 1980. By 1987 they had fallen to 34% (see Table 2.1).

**TABLE 2.1: TOTAL NET RESOURCE FLOWS TO DEVELOPING COUNTRIES**

		1980		1985		1987	
		\$USbn	%	\$USbn	%	\$USbn	%
I	OFFICIAL DEVELOPMENT FINANCE (ODA)	45.1	35.2	48.5	57.7	59.7	66.5
	of which:						
	ODA	37.3	29.1	36.9	43.9	48.1	53.9
	Other ODF	7.8	6.1	11.6	13.8	11.2	12.6
II	TOTAL EXPORT CREDITS	17.0	13.3	4.6	5.5	-0.7	-0.8
III	PRIVATE FLOWS	66.1	51.6	30.9	36.8	30.5	34.3
	of which:						
	NGOs	2.4	1.9	2.9	3.5	3.5	3.9
TOTAL NET RESOURCE FLOWS (I+II+III)		128.2		84.0		89.0	
Use of IMF credit		2.6		0.8		-4.7	

Source: DAC 1988 Table III-1, p47

2.18 As a result developing countries have been forced to turn more and more to other sources of finance. However, the International Monetary Fund and the World Bank have applied conditions to loans which require governments to adopt particular policies. These usually involve reductions in public expenditure, such as health and education spending - the sectors of most immediate benefit to the poor. The consequences of such economic policies can be hard to bear in political terms. It should be noted that the World Bank is clearly making an attempt to address these problems.

Reducing poverty remains the ultimate challenge of development policy ... during periods of adjustment and austerity this objective need not be discarded ... redirecting spending more toward basic education and health and low-cost urban and rural infrastructure will benefit the poor directly while, at the same time, building the physical and human capital necessary for growth (Stern, 1988).

2.19 Stern (a Senior Vice President at the World Bank) went on to stress the need to set priorities for public investment within sectors. 'In the social sectors more emphasis should be placed on primary education and basic health care ... More than half of the higher education subsidies in Chile, Colombia, Indonesia and Malaysia are received by people in the top 20% of the income scale. In Indonesia, 83% of the subsidies go to this group. And, at the same time, primary school enrolment levels can be 50% or less and illiteracy remains high'. Structural adjustment is certainly bitter medicine.

2.20 The unavailability of private loans, and the highly conditional terms of alternative sources of finance have combined to make official development assistance a more dependable resource for development.



2.21 In 1980 ODA accounted for 29% of net financial flows to developing countries. In 1987 it was 54%. In that year DAC ODA amounted to about \$US41.5 billion, or about 80% of the \$US50 billion total world ODA, which included around \$US5 billion from Eastern bloc (CMEA) countries, and approximately \$US3 billion from OPEC members (Development Cooperation, 1988, Tables 36, 43 and 44. See also Table V-1).

2.22 The DAC Report for 1988 sums up:

With export credits still depressed and private flows only beginning to recover, official development assistance continued to play a critical role - representing about 54% of total financial flows to developing countries in 1987 (Development Cooperation, 1988, p11).

2.23 Despite the dependability of ODA as a source of finance to developing countries, the observation must be made that this is only relative to other sources:

Net official development assistance disbursement from DAC Members declined in 1987 in real terms by about 1% ... This is in contrast to the average annual increase of 3.5% in real terms of total DAC aid during the period 1980-81 to 1985-86. Aid from non-DAC sources declined even more sharply, reducing ODA from all sources by almost 6% in real terms. Official development financing, which includes not only concessional assistance but also development financing at market terms, mainly by multilateral development institutions, declined by about 5% (Development Cooperation, 1988, p57).

2.24 The share of total ODA going to each region is shown in Table 2.2 (Proportion of ODA from Major Sources by Region and Selected Developing Countries). Since 1980-81 there has been a trend towards a larger share of ODA to Sub Saharan Africa, 'other' Asia and Latin America. This has been at the expense of ODA to South Asia, Northern Africa and the Middle East, and Southern Europe.

**TABLE 2.2: PROPORTION OF ODA FROM MAJOR SOURCES BY REGION AND  
SELECTED DEVELOPING COUNTRIES**

Region/Country	% of Total ODA		% of Recipient 1986 GNP	
	1980-81	1986-87		
Sub Saharan Africa	25.8	31.2	6.5	
South Asia	17.9	16.5	2.3	
India		5.8		1.1
Bangladesh		4.1		9.9
Pakistan		2.3		2.6
Sri Lanka		1.4		8.6
Other Asia and Oceania	13.9	18.1	1.0	
China		3.3		0.5
Philippines		2.2		2.8
Indonesia		2.5		1.2
Thailand		1.3		1.3
Indo China		5.7		14.0
Oceania		3.2		19.1
North Africa and Middle East	24.7	16.7	1.2	
Latin America and Caribbean	11.3	13.1	0.8	
Southern Europe	3.3	1.5	0.3	

Source: Development Cooperation, 1988, Table 27

2.25 Despite the massive flows of aid, there is a strong case, supported by World Bank figures, which argues that developing countries are not the net recipients of financial resources from wealthy countries:

The net transfers of financial resources (or the difference between gross disbursements and total debt service) continued to indicate an annual net outflow for the developing countries of well over \$US30 billion (World Bank Annual Report 1988, p26).

2.26 It should be noted that the DAC, which speaks on behalf of those nations which are most highly exposed to Third World Debt, has argued with the Bank's assertion:

There is no reverse flow of funds from the poorest countries to the developed countries. The ... phenomenon, which is attracting so much attention, is basically confined to the middle income countries ... (Development Cooperation, 1988, page 45).

2.27 However, the DAC concedes:

That is not to say, however, that the current trends and patterns in financial resource flows to developing countries are satisfactory ... (Development Cooperation, op cit).

2.28 This report is written in the knowledge that, as finances from private and other sources have dried up, the role of aid has become increasingly important. Australia, although a relatively small donor, has a vital role to play.

### CHAPTER III : THE OBJECTIVES OF THE AID PROGRAM

#### To Promote Social and Economic Advancement

3.1 The Jackson Report was clear on the objectives of the Australian official Aid Program: the first concern of aid is that it be effective development assistance.

3.2 In its assessment of the Jackson Report, the Joint Committee on Foreign Affairs and Defence endorsed the basic concepts:

Firstly, the primary reason for giving aid is humanitarian; that secondly, the goal of the aid program is development; and that, at a third level and without compromising the integrity of the aid program, there can be a coincidence of humanitarian, foreign policy and economic objectives, a 'plurality of mandates': and that humanitarian concerns must be paramount (JCFAD(b), p9).

3.3 That the Government accepted the advice of these two Committees is apparent from the objective for the Aid Program:

to promote the social and economic advancement of the peoples of developing countries in response to Australia's humanitarian concerns, as well as to Australia's foreign policy and commercial interests (AIDAB, Submission, pS158).

3.4 The Committee agrees with this as a sensible statement of purpose. Indeed, the Committee has been impressed with the extent of agreement throughout the various aid constituencies.

... there should be no doubt that the first and most important objective of the aid program is to promote economic and social progress in developing countries ... (DFAT, Evidence, p155).

Austrade completely accepts the primacy of the social development objective of the Australian aid program (Austrade, Evidence, p408).

3.5 However, it is also clear that each group with an interest in the Aid Program wants to place stronger emphasis on one or other aspect of the aid objective.

(The Austrade) view is that, while adhering to that aim, our aid could more effectively contribute towards our industry becoming more export oriented and internationally competitive ... we would be happy to see more weight given to the commercial objective, one of the three objectives of our aid (Evidence, p408).

Development assistance, in our view, can be an extremely important means of advancing Australia's foreign policy and trade interests, and the Department of Foreign Affairs and Trade therefore takes an active interest in ensuring that aid flows are managed and distributed in such a manner as to ensure demonstrable benefit to those interests ... (DFAT, Evidence, p155).

3.6 Some non-government organisations expressed the concern that these differences of emphasis would divert the Aid Program from its central mission:

Primarily, the objective of the aid program is supposedly to assist the poor, to combat chronic poverty. That is the one which we would support. There are secondary benefits: serving Australia's commercial interests ... and serving Australia's political and strategic interests ... of course we have no objection to programs which assist Australia in that way. What we do object to is those secondary spin-off benefits becoming the primary objective and the humanitarian objective of assisting the poor becoming neglected or consciously ignored (Community Aid Abroad, Evidence, p469).

3.7 Differences of expectation of this sort arise from divergent interest and ideology. Taken to their extreme, these different points of view could become irreconcilable.

3.8 However, the Aid Program must not be about extremes. The Committee agrees that the humanitarian motive must be paramount: aid should be given to promote development. But a concern for development effectiveness can be compatible with the pursuit of Australian self-interest. With care, foreign policy and commercial goals can be pursued without corrupting the quality of aid.

3.9 This combination of motives adopted since Jackson provides a workable, practical and principled framework. But it cannot make aid uncontroversial: aid is intrinsically political.

3.10 Indeed, there are those who claim that aid contributes to the problems of underdevelopment, rather than to its solutions:

What lies behind economic achievement and progress? The answer, often shirked or ignored, may appear obvious, even trivial. It lies in the conduct of people, including that of government - on personal, cultural and social factors, and on political arrangements. Access to external markets can be a significant factor; but in practice many benefits derived from this nearly always depend on these primary factors.

Economic achievement and advancement do not depend on financial or natural resources (Bauer, 1988, p75).

3.11 There would be few who would disagree with Lord Bauer's argument that development is fundamentally the result of human action: this observation is not new. But there are many who disagree with his conclusion that development does not need financial resources, but a school of hard-knocks: 'In the advanced countries, people developed unaided the attitudes, conduct and institutions which lie behind their economic progress' (Bauer, op cit, p70).

3.12 To advocate this Western process of unaided development is to ignore the changes in the world since Europeans colonised five continents; it begs, too, the question of cause and effect. To what extent was the wealth of the West founded on the poverty of its colonies - now part of the Third World?

3.13 Bauer's conclusion that aid does not help can also be arrived at from the opposite direction. Therese Hayter, in her introduction to Aid: Rhetoric and Reality, says:

The governments of the rich countries of the West and their ruling class claim, with considerable hypocrisy, that they are providing 'aid' to help the Third World to escape from

the underdevelopment and poverty which they and their predecessors created and continue to create. But much of this aid fails to alleviate poverty even in the immediate context in which it is provided; and its overall purpose is the preservation of a system which damages the interests of the poor in the Third World. To the extent that it is effective in this underlying purpose, aid from the major Western powers therefore probably does more harm than good to the mass of the population of the Third World (Hayter, Aid: Rhetoric and Reality, p1).

3.14 Many of the critiques of aid are in the end much the same: aid distorts, creates dependencies; aid does not work.

3.15 Despite their iconoclastic tone, the critics of aid should be listened to. The Committee does not support their conclusions, but their arguments contain germs of truth. Strident opponents of aid contribute to the debate by forcing development planners and policy makers to be more aware of the possible pitfalls of aid.

3.16 The consensus on both sides of the equation - from donors and recipients alike - is that aid is necessary and aid can work:

Most aid ... succeeds in its developmental objectives ... contributing positively to the recipient countries' economic performance ... not substituting for activities which would have occurred anyway ... Its performance varies by country and by sector ... (However) there is a substantial fraction of aid which does not work (Cassen Report to the joint World Bank - IMF Development Committee, cited in DAC Report 1985, p16).

3.17 One of the major changes therefore is to improve the quality of aid.

#### A Poverty Focus

3.18 One particular manifestation of the ideological differences which distinguish the various aid constituencies is the continuing debate on the best way of achieving development. The Australian Council for Overseas Aid (ACFOA), representing the majority of Australian non-government organisations, argues strongly that aid should have a poverty focus:

Our argument (is) to start with the poverty, to start with the real needs of the people whom we are seeking to help and then add on what is necessary to ultimately achieve the goal. Too often it focuses on the infrastructure and the large-scale, capital-intensive element of the program and not on the more difficult, more time-consuming, lower amounts of money that are needed to work with the people directly (Evidence, page 295).

3.19 The contrary point of view was put by the Director of the National Centre for Development Studies, Professor Hughes, who told the Committee that a grassroots approach to development had been 'very costly to developing countries in the past ten years':.

I am not very much into helping the poor; I really think it is more important to get development going, particularly in a country which is sufficiently conscious of politics to look after its own poor. What they need are the capital goods, the expertise and the foreign exchange, and out of that will come, in the long run ... very good relations and trade opportunities (Evidence, p385).

3.20 The Committee is of the view, however, that the conflict between these two approaches is more apparent than real. Each describes a strategy suited to particular conditions. The choice of the best strategy to use in any given instance depends on a complex array of variables. What are the social and economic conditions in that community? What is Australia's capacity to assist? What are the development policies and priorities? What are the constraints to development? How will poor people benefit?

3.21 To equate infrastructural projects with growth, and grassroots assistance with equity is simplistic. Development assistance should promote growth with equity, and it must avoid damaging either. The challenge for development planners in both developing and donor countries is how to improve the lot of the poor while promoting growth. Growth and equity are compatible goals if appropriate strategies are chosen.



3.22 AIDAB has identified a number of strategies which it already uses to target poverty. These differ from country to country, and include focusing on particularly poor regions (for example in China, Indonesia and Thailand); elsewhere, AIDAB promotes appropriate policies in international organisations. The Committee therefore welcomes AIDAB's announced intention to undertake an internal review of poverty alleviation which will consider ways of increasing the poverty focus of the program, both through improving the effectiveness of existing activities, and through potential new activities.

19.

**SECTION 2**

**THE EFFECTIVENESS OF AIDAB**

**AS AUSTRALIA'S OVERSEAS AID UNIT**

**CHAPTER IV: MANAGING THE AID PROGRAM****Autonomy**

4.1 In 1984 the Jackson Committee made a damning assessment of the Australian Development Assistance Bureau. It found that ADAB had neither the staff nor managerial capacity to implement a program of development assistance. The lack of a strong policy and programming capacity contributed to the fragmentation of the Aid Program. In virtually every area of the program, the Committee found an ailing institution. The Committee called for 'change ... not just marginal or incremental change with a few positions here and there; but dramatic change, a breaking of the mould ...' (Jackson Report, p223).

4.2 The Jackson Report proposed a comprehensive program to reform aid administration, and set out the criteria for an effective aid agency. Underlying the twin concepts of accountability and responsibility for aid management was the assertion that the nature of the Bureau must change. This was an important step: in order for ADAB to fulfil its mandate, it must have control of its own resources; it must become autonomous.

4.3 Since then AIDAB has become an autonomous unit within the Department of Foreign Affairs and Trade. While in practice the Department is consulted on all major issues, AIDAB is free to provide conflicting advice on any matters relating to the Aid Program.

4.4 The Jackson Committee recommended that the position of AIDAB Director General be made a statutory office. However, the Government decided to achieve the same effect by simply arranging for the necessary authority to be delegated to AIDAB's chief officer by the Departmental Secretary. This means that in practice AIDAB has complete control of its own resources, a major change from the pre-Jackson situation.

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4.5 It is important to understand that these rights are not enshrined in any regulation or legislation. They are founded on an informal agreement between the three parties (ie the Minister, the Secretary and the Director General). Neither the Department nor AIDAB has so far felt the need to call for a revision of the arrangement.

4.6 The Committee has heard that good relations exist at all levels between the Department and the Bureau (Submission, pS561). However, the Committee believes that the success of such an informal understanding relies too much on the personal commitment of the parties. The integrity of the Aid Program could be jeopardised by any diminution of AIDAB's autonomy. It may now be an appropriate time to formalise the arrangement that has worked so well. The Committee recommends that the right of the AIDAB Director General to report directly to the Minister, and to control the resources available to administer the Aid Program, be formally protected. Whether or not the Government takes that step, there must be no diminution of the autonomy of AIDAB, or of the integrity of the Aid Program. It should go without saying that even legislatively based authority could be undermined by poor relations between AIDAB and DFAT: the necessity of continuing close coordination and good working relations cannot be overstressed.

4.7 The Committee has noted the Department's preference for physical colocation with AIDAB in order to 'facilitate' the 'habit of easy and regular consultation' (Submission, pS561). However, colocation could undo much of the good work achieved in building AIDAB's autonomy. While it may not have any real impact on the Aid Program, the integrity of aid management would appear to be compromised. As both the Department and AIDAB are satisfied with the relationship as it now stands, it is unnecessary to provoke negative reactions, either within AIDAB or in the broader aid community.

### Ministerial Arrangements

4.8 A number of NGOs continue to call for a separate Ministry for Development Cooperation (Submission, pS765) or for a junior ministry within the Foreign Affairs and Trade portfolio. Fairly representative of these views was Community Aid Abroad, which expressed its concern that there are 'inherent risks involved in incorporation of AIDAB into a super Ministry' (Submission, pS765). The theme common to these submissions is that the objective of the Aid Program would be imperilled by too much attention to strategic and commercial concerns - a tendency, they contend, that has been exacerbated since the merger of Foreign Affairs and Trade in 1987. A different arrangement of portfolio responsibilities would, they argue, go some way to protecting the Aid Program from these distortions.

4.9 At more than one billion dollars per year the Aid Program is larger than many existing portfolios; it is administratively complex; successful implementation requires specialist advice; and its conduct has significant ramifications for Australian interests.

4.10 On these criteria alone the case for a junior Minister for Development Cooperation is strong. Aid and development issues would benefit from the greater Ministerial involvement and advocacy which more specialised Ministerial responsibility would permit.

4.11 A junior Minister for Development Cooperation would also provide a much needed personal point of contact between Australia and the nations of our own region, most particularly in the South Pacific. In many of these countries Australian aid is a major component of the national economy. The creation of a junior Ministry for Development Cooperation would send a powerful signal of Australian commitment to regional prosperity and peace at a time when relations in the South Pacific are becoming more complex and volatile.

4.12 However, these advantages could be undermined if aid issues were seen to be subordinate to the priorities of the broader portfolio. Great care would have to be exercised to ensure that the Aid Program continued to reflect the appropriate balance of objectives (discussed in Chapter III). This would depend to a great extent on the effectiveness of coordination between the various arms of the portfolio. It would also depend on the extent of involvement of the portfolio Minister - who would retain ultimate responsibility for the Aid Program - in the formulation of Aid policy: the portfolio Minister would set the tone of relations between foreign affairs, trade and aid. However, with close and effective liaison between both Ministers and their staff, these problems should be avoided.

4.13 The Committee therefore recommends that a junior Ministry of Development Cooperation be created within the Foreign Affairs and Trade portfolio. The junior Minister would have special day-to-day responsibility for the conduct of the Aid Program, and for the public presentation of development issues relevant to Australia. Ultimate responsibility for the conduct of Australia's Aid Program would remain with the Minister for Foreign Affairs and Trade; continuing close coordination between all aspects of the portfolio would be essential.

4.14 A broader manifestation of AIDAB's new status is its improved reputation in the bureaucracy. AIDAB has had some success in building good relations with those departments with an interest in the Aid Program, and this is reflected in the generally positive comments which these organisations make about the Bureau. In one sense, it is to be expected that their praises will always be conditional. As discussed elsewhere in this report, AIDAB's role is to ensure that, in serving Australia's strategic and commercial interests, the developmental objective is given priority. Other players will presumably always ask more of the Aid Program than the Aid Program can legitimately give.



Program Management

4.15 A corollary of AIDAB's role as chief advisor to the Government on development assistance is that it have the ability to provide high quality policy advice. The Jackson Committee said that:

the lack of a strong policy and programming capacity (had) contributed to the fragmentation of the aid program. As well, there has been little capability to co-ordinate aid within a country. There are no 'country desk officers' as the term is generally used. Responsibility is designated by aid form (for example, project aid) or sector (for example, education) and there is no officer responsible for the management, co-ordination or monitoring of the total program of assistance to any one country. There are no adequate mechanisms to ensure that individual officers become aware of other existing or planned projects or programs in the same country. The result is a lack of cohesion and balance in country aid programs. The situation is similar in respect of other areas such as multilateral aid, programs in association with voluntary agencies, and disaster relief (Jackson Report, p224).

4.16 The Jackson Committee view that the formulation of objectives and policies must be compatible with management systems, and that they are part of the same process has been an important element in the reform of aid management necessitating the complete re-shaping of the organisational structure of the Bureau. The achievement of autonomy, and the redefinition of every job within the Aid Program constituted the 'breaking of the mould' that Jackson had called for. Making the change to an organisation structure capable of articulating and achieving goals was not easy. ADAB and the various departments represented on the committee which oversaw the change are to be congratulated for their effort.

4.17 Relationships and responsibilities in the new organisation reflect aid objectives. Three divisions now take the place of two.

4.18 The first, the Country Programs Division, is responsible for all aid, whether bilateral or multilateral, which is programmed for a particular country or region.

4.19 The second division (Commercial, Community and International Division), covers what are referred to as the 'global programs'. In general, global programs enable the Australian Aid Program to benefit from, and contribute to, the work of other aid institutions. It provides a window onto the Australian community, and onto international organisations, such as the UN development agencies.

4.20 The third, the Policy, Planning and Management Division, is responsible for the bulk of the Bureau's corporate services, a concept which includes policy and executive direction, as well as overall financial and personnel administration.

4.21 The most dramatic change was 'in the former bilateral division, where organisational units dealing with projects, training, etc were realigned into geographical "Country Programs" units.' (AIDAB, Submission, pS199) The restructuring allowed AIDAB to introduce Country Programming as the central concept in the formulation of policy and management for the bulk of the Aid Program. Defined as 'a coherent approach to the planning and delivery of aid on a country basis with the recipient country as the logical management focus' its introduction has been 'one of the most important reforms of recent years'. (AIDAB, Submission, pS199)

4.22 Country programming is a simple idea with a complex history. Its successful introduction depended on the bureau's ability to ensure that the large number of disparate forms of aid be brought together under the management of a Country Program Manager. Since 1984 virtually every form of aid has been reviewed and reformed. The country programming technique is still being fine-tuned. The second generation of country papers are a more sophisticated product than their predecessors; the Committee

expects that subsequent revisions will be better still. These papers provide the framework for more detailed program design, but it will be some years yet before we see the real impact in an improved development product.

4.23 The annual High Level Consultations between AIDAB and individual recipient governments have become a feature of country programming and are a regular part of AIDAB's planning and review cycle. Together with the country papers (which form the basis of the consultations), these consultations provide opportunity for dialogue. AIDAB now has a rational process for policy and program formulation.

#### Human Resources: Quality and Quantity

4.24 As part of the reorganisation of the Bureau a steering committee (with members from the Department of Foreign Affairs, the Public Service Board, the Department of Finance, and ADAB) found that the Bureau lacked sufficient expertise, and its staff numbers were below the critical mass needed to effectively manage the Aid Program. At the time (1983-84), ADAB's staffing level was 400. With the granting of administrative autonomy, ADAB took back from the Department another 38 positions responsible for various clerical duties (such as payroll).

4.25 Every ADAB division, branch, section and position was redesigned. New staff selection criteria, stressing the skills necessary to implement development assistance policy and management, were introduced. Every ADAB officer was guaranteed a place in the new organisation, and a large program of recruitment was undertaken. The numbers of middle and senior managers were increased in line with the Jackson recommendation. (Growth in the number of Administrative Service Officers levels 7 and 8 was most dramatic. There was an increase of almost 75%, from 75 people in

November 1985, to 130 in January 1989.) The entire process was undertaken in close consultation with staff associations. Both management and staff responded to the challenge and successfully avoided the pitfalls which often accompany change of a similar scale.

4.26 Today, AIDAB's average staffing level is 503. This figure is still significantly below the steering committee's agreed level of 538.

4.27 The Committee notes with concern that AIDAB is experiencing real difficulties as a result. Although there have been real cuts in the volume of aid being spent (discussed in Chapter VI), the reductions have virtually all been in the least administratively demanding areas (Papua New Guinea budget support, the student subsidy and contributions to international organisations). At the same time, there has been far greater attention to quality of aid issues, and the introduction or growth of more staff intensive activities (such as programmed activities to Papua New Guinea, more rigorous vetting of Development Import Finance Facility proposals). AIDAB has advised that 'staff in operations or program areas are being stretched to the limit of their capacity. The situation is particularly serious in the important Country Program Division which is responsible for the disbursement of nearly 70% of Australia's aid' (Submission, pS1195). In evidence, AIDAB advised the Committee that it had 'been battling with priorities of staffing ... for five years or six years' (Evidence, p587). AIDAB had to ensure that the program was delivered as the top priority; the number of evaluations was a function of current staffing limits.

4.28 AIDAB should continue to use its best endeavours to ensure that its staff resources remain lean. Constant scrutiny is required. Regular reviews - such as that recently conducted in AIDAB's regional offices - should be conducted to increase efficiencies wherever possible. The impact of policy changes on

resource requirements (such as changes to the student program, discussed in Chapter IX) may be to lessen the need for staff in particular areas, yielding greater resources for other priority areas.

4.29 Nevertheless, the Committee has identified a number of priority issues which may require additional staffing. A greater proportion of staff may be needed in program areas where the lack of adequate staffing increases the risk of poor quality aid due either to inadequate appraisal or monitoring, or to a preference for quick-disbursing forms of aid. Similarly, a greater proportion of staff may be required to carry out evaluations of aid activities and to ensure the feedback of lessons learned into new undertakings (institutional memory). Staff should be able to attain and maintain the necessary standards of professionalism: AIDAB needs to ensure that staff are free to upgrade and maintain their skills.

4.30 The change to program management has meant that AIDAB officers need to have more sophisticated skills than did their counterparts pre-Jackson:

Aid administration is now recognised internationally as requiring a high level of professionalism ... ADAB must foster a high level of professionalism to ensure that it has the staff with the requisite skills for aid delivery. It must be able to gain these through staff training and professional recruitment (Jackson Report, p228).

The Jackson Report identified development economics, social sciences, finance, information systems and engineering as examples of disciplines in which ADAB needed to recruit. It linked these to the urgent need to improve management systems (Jackson Report, p230).

4.31 There are a number of options available to an organisation which needs to upgrade the skills of its staff. It can recruit people who already have the skills; it can train those people already on its staff; or it can acquire the services

of specialists on a short-term consultancy basis. AIDAB has used all three techniques. Even so, the quality of AIDAB's staff is a subject which continues to draw critical comment.

4.32 Professor Hughes observed that:

The quality and morale of staff have been greatly improved, so much so that AIDAB has become a preferred area for quality new entrants to the public service ... Despite serious and sustained management efforts, AIDAB lacks a critical mass of first class professionals with post graduate qualification in economics, finance, management (Submission, pS689).

The Department of Finance noted that:

AIDAB has undertaken a major reorganisation and upgrading with a view to obtaining the skills which Jackson envisaged ... like other government agencies, AIDAB has experienced difficulties in attracting suitably qualified economics graduates (Submission, pS695).

A former consultant to the Aid Program remarked:

The effectiveness of the organisation in policy formulation, the identification of projects, the administration and execution, monitoring and post evaluation will to a large extent be limited by the professional and management capabilities of (AIDAB's) personnel. AIDAB has a difficulty in dealing with professional individuals and bodies at a professional level. If the bulk of the personnel employed remain essentially clerical then it is difficult to see how the organisation can be proficient in meeting its objectives (Submission, pS123).

4.33 There have been those who have called for AIDAB to have, for instance, engineering skills available in-house. Indeed, each sectoral lobby would prefer to have an AIDAB contact with relevant expertise. Such an ideal is probably impossible to achieve. An in-house engineer may be able to advise on electrical grid design, or on airfield tarmacs; it is unlikely that one person could be an expert in both. Nevertheless, it is important that AIDAB have generalised expertise on staff.

4.34 There is also a good case to be made for strategic employment of short-term expertise on contract. This is particularly so in an organisation which needs such a variety of skills for particular one-off activities and system design. AIDAB has used this technique in a number of areas requiring short but intensive development. A good example is in the design of computer software suited to AIDAB's needs.

4.35 In addition, AIDAB's existing stock of in-house expertise - in such fields as health, environment, economics, engineering, agriculture and other areas in which it has major activities - must be carefully nurtured. Frequently, these officers, and their development generalist colleagues, will need the complementary skills of consultants in specialist fields. Where there is the likelihood that the consultant's skills will be lost to the Aid Program once the activity has wound down it may be in AIDAB's interests to require that an element of staff training be included.

4.36 A number of consultant organisations commented on the apparently high turn-over rate of AIDAB staff:

(There is a) general lack of stability within junior and middle levels due to transfer ... as a result ... AIDAB staff are sometimes unfamiliar - due to either short occupancy periods in their current positions or to a lack of relevant technical knowledge, with projects under their control (Submission, pS586).

The Australian Wheat Board agreed:

(Jackson found that AIDAB was) predominantly a clerical rather than a professional organisation ... AWB finds some of these problems still exist. A high turnover of staff, with associated problems of learning curves for new staff, may represent a hindrance to developing longer term expertise (Submissions, pS535).

4.37 Some possible reasons for the perception are the high rate of promotion and recruitment following the decision to reorganise the Bureau, and the need for officers to travel abroad in order to perform their duties. The period of rapid change in

the organisation structure is now over and AIDAB positions are subject to no more than the usual cycle of recruitment, promotion and vacancy. Travel overseas is an important aspect of the performance of aid duties. As long as those travelling brief their temporary replacements, the minor inconvenience to consultants and others will have to be borne.

4.38 AIDAB has 'completely revised its personnel development policy ... Staff at middle and lower levels are encouraged to undertake a wide range of short courses in skills that are of particular relevance to aid management, including such subjects as financial management and computer skills. As well, short courses on development related subjects are held ... Beyond training activities, a positive approach to staff development is reflected through varied work experience, job rotation, exchanges and full-time study opportunities (including a separate AIDAB scholarship scheme)' (Submission, pS208).

4.39 AIDAB estimates that more than 1700 staff days were allocated to personnel development courses in 1987-88. This represented an average of about 3.5 days per officer. The estimate does not include a small number of awards for full-time study in disciplines relevant to the Bureau's needs.

4.40 AIDAB is currently embarking on a major training program for aid managers. The focus of this series is to equip AIDAB staff with the skills and attitudes to plan and implement coherent programs of development assistance. Clearly, this is an important and much-needed series. It is a pity that it has not been possible to present such a course sooner than late 1988. It is to be hoped that it is successful in addressing one of the problems referred to in AIDAB's submission:

The alteration of approach from the simple 'input-output' model to one which focuses attention on the purpose of the program ... required a major attitudinal change both by AIDAB staff and its clients. Progress has been made ... (but) there is obviously still a long way to go (Submission, pS199).



4.41 If AIDAB is to become a first-class aid organisation, personnel development needs to be given a consistently high priority. AIDAB's personnel development policy is sound: broad goals have been identified, and each officer has a theoretical entitlement of ten days training per year. However, tight staffing numbers has meant that the policy has not been pursued as energetically as AIDAB may have wished. A high proportion of the training has been devoted to familiarisation in computer and other systems related to AIDAB's new procedures. Signs are emerging that the emphasis may now be changing. Special short courses in development economics, women in development, and the environmental aspects of aid have been run in the last year. More such courses are needed: AIDAB must strive to achieve the right balance of managerial competence and familiarity with development theory and practice.

4.42 AIDAB officers already participate in a small number of interchange or secondment programs with other aid organisations. Currently, AIDAB officers are working with the Canadian International Development Agency (CIDA), the World Bank, and New Zealand's aid program. The experience gained from these (and other possible placings, for instance, to Britain and the Netherlands) can be valuable for the individual and for AIDAB. More such opportunities should be created.

#### Field Management

4.43 AIDAB remains a highly centralised organisation, with all but a small proportion of its staff stationed in Canberra. There are a number of different models for field management. The United States Agency for International Development (USAID) has devolved the responsibility for almost all program and project design and implementation to field offices. Washington approval is now only needed for broad strategies and for annual action plans. The United Kingdom's Office of Development Assistance has extended the role of its five regional offices (in the Caribbean, South East Asia, the Pacific, Eastern Africa and

Southern Africa) in a bid to improve further the quality, speed and effectiveness of British aid. The Canadian International Development Agency has responded cautiously to a recent recommendation contained in a parliamentary report (the Winegard Report) that CIDA change the balance of its administration to the field. The Committee understands that CIDA may pilot the proposal in one or two regions.

4.44 Following the restructuring of its central office, ADAB conducted a review of its overseas operations which concluded that there should be a small increase in the number of Australia-based officers (from 36 to 40), an upgrading in the classifications at some posts, and an increased number of ADAB officers involved in multilateral and policy work overseas. Since then, the number of overseas positions has indeed grown to 39 (see Table 4.1), but this reflects the need to monitor increased aid to Southern Africa rather than a response to the review's assessment of the work value of the jobs.

**TABLE 4.1: NUMBER OF AIDAB OFFICERS AT AUSTRALIAN POSTS ABROAD**

<u>PACIFIC</u>		<u>ASO LEVEL/S*</u>
APIA	1	ASO 6
HONIARA	1	ASO 6
NUKU'ALOFA	1	ASO 6
PORT MORESBY	3	ASO 8, 7, 6
PORT VILA	1	ASO 6
SUVA	3	ASO 8, 6 (x2)
TARAWA	<u>1</u>	ASO 6
	11	
<u>ASIA</u>		
BANGKOK	3	ASO 8, 7, 6
BEIJING	3	ASO 8, 7, 6
COLOMBO	1	ASO 6
DHAKA	1	ASO 6
JAKARTA	6	ASO 8, 7 (x2), 6 (x3)
KUALA LUMPUR	1	ASO 7
MANILA	4	ASO 8, 7, 6
NEW DELHI	1	ASO 7, 6
RANGOON	1	ASO 7
VIENTIANE	<u>1</u>	ASO 6
	22	
<u>OTHER REGIONS</u>		
HARARE	3	ASO 7, 6 (x2)
NAIROBI	2	ASO 7, 6
PORT LOUIS	1	ASO 6
ROME	<u>1</u>	ASO 8
	7	
TOTAL	39	

Note: Administrative Service Officer ASO8 is the more senior level; ASO6 the more junior. ASO8 top salary level is \$45,848.

Source: AIDAB

4.45 This Committee may soon resume consideration of a reference to conduct a review of Australia's overseas representation - beyond that of the Aid Program - and it does not wish to pre-empt a more considered response. However, there are a number of observations which should be made which concern AIDAB's capacity to manage the Aid Program, and which are therefore of direct relevance to the current inquiry.

4.46 Firstly, as a result of the recommendations of the 1986 Review of ADAB's Overseas Representation (which were themselves in line with the Jackson recommendations) the responsibilities of AIDAB's officers overseas have changed markedly. Posts are now required to monitor the progress of aid activities, as well as to provide policy input into country programs, to negotiate with recipient government departments. They also carry out duties associated with student, emergency relief and other programs. The Development Assistance Officers Association has commented on the increased responsibilities of AIDAB overseas staff without a corresponding increase in numbers (Submission, pS1040).

4.47 Secondly, because the achievement of AIDAB's objective is heavily dependent on its performance in the field, the number, level, distribution and quality of these officers is of critical importance. AIDAB should keep its overseas profile under review, and be prepared to argue strongly for a larger proportion of its staff overseas if it finds that aid would be more effective as a result. On the matter of quality, individual members of the Committee have been favourably impressed by the professionalism and enthusiasm of AIDAB officers posted to the countries they have visited recently - including the Philippines, Thailand and the South Pacific.

4.48 AIDAB's stated policy is that officers due to be posted are entitled to the same language training as their counterparts in the Department. However, in practice few AIDAB officers appear to avail themselves of the opportunity (see Table 4.2). The Department of Foreign Affairs and Trade has said that a crucial

aspect of improved use of AIDAB's staff resources is 'much greater attention to long term language training' (Submission, pS560). AIDAB's own Development Assistance Officers' Association says that language training resources are underutilised compared to DFAT (Submission pS1046).

**TABLE 4.2: LANGUAGE TRAINING IN AIDAB**

		(HOURS)	
	1985-86	1986-87	1987-88
BISLAMA (VANUATU)			40
FRENCH		150	18
INDONESIAN	120	332	136
ITALIAN		120	44
JAPANESE			21
MANDARIN		364	7
PIDGIN		60	
TAGALOG (PHILIPPINES)		50	
THAI		125	
TOTAL	120	1201	266

Sources: DFAT Annual Report 1986-87, Appendix 17, p103, and additional information from AIDAB.

4.49 It is clear that with the increased responsibility for monitoring aid activities AIDAB's staff will need to spend more of their time away from capital cities where they might expect to use English. As ADAB's own 1986 report commented:

The advantages of adequate language training are obvious. As aid administrators a particular advantage is the ability to travel easily to the often more under-developed areas of recipient countries to hold discussions with provincial and local authorities which may have less fluent English language speakers and to effectively monitor/oversight the on-site progress of projects. In some countries, not having a sufficient language ability would make such travel difficult and devalue the usefulness of the visits (Report of the Review of ADAB's Overseas Representation, p80).

4.50 A clue to the Bureau's apparent reluctance to make real progress on this issue is contained in the same report:

The difficulty is to determine overall language training priorities in circumstances of budgetary/resource constraint. The cost of full-time language training courses is considerable, both in staff years and financial cost of courses ... (Report of the Review of AIDAB's Overseas Representation, p80).

4.51 Language training may be regarded as a luxury if it competes with other more urgent tasks for scarce staff time. However, the Committee takes the view that AIDAB has now reached a stage in its development where inadequate language proficiency may be a barrier to full effectiveness in the field.

#### Consultants

4.52 AIDAB's presence in the field is not confined to its own staff. Consultants and other contracted personnel vastly outnumber AIDAB officers. It is these people who manage the day to day implementation of most aid activities. Only Australian-owned consultancies are used. 'Several hundred consultants and experts are involved at any one time; in 1986-87 payments to consultants totalled \$72m' (Submission, pS186). There can be little real improvement in aid delivery if consultants are selected on the basis of a narrow range of technical and managerial expertise. Several submissions pointed to the critical role played by consultants.

4.53 Although there may be some exceptions, the Committee recommends that AIDAB should generally exercise a preference for consultants on long-term assignments who demonstrate familiarity with development issues, who can demonstrate relevant language skills and who are adaptable to local customs and conditions.

4.54 There are indications that AIDAB is moving to encourage consultants to consider some of those issues: as part of its program to Papua New Guinea, AIDAB commissioned a consultant to prepare a cross-cultural induction program for aid personnel undertaking assignments in PNG. This program will complement the AIDAB Briefing Manual for aid personnel working in PNG which is already available.

Financial Management

4.55 The size and complexity of the financial transactions necessary to administer a billion dollar Aid Program were commented on by the Jackson Committee. It regarded greater funding predictability and financial flexibility as important factors in improved aid management (Jackson Report, p225).

4.56 With the cooperation of the Department of Finance, AIDAB has improved its financial flexibility. Annual allocations are now made to aid programs, (for example, South East Asia Country Programs) rather than to particular forms of aid (such as projects or training). This means that managers are now better able to exercise judgement about the most appropriate mix of aid types. AIDAB has told the Committee that further attention needs to be given to within-year financial management, particularly in achieving a more even expenditure pattern (Submission, pS202). Considerable work is being done to improve information systems and planning. However, if the aid budget continues to be volatile, aid managers are likely to find flatter expenditure patterns difficult to achieve.

4.57 The Jackson recommendation that there be a 'five-year rolling forward programming base ... with guaranteed funding for the current financial year and minimum notional levels for subsequent years' (Jackson Report, p234) has not been implemented for the program as a whole. However, significant components are subject to rolling commitments. The most recent instance is in the South Pacific program.

4.58 Lack of a firm basis for financial planning has a profound effect on the quality of Australia's development assistance. AIDAB's submission pointed to the problem:

Overall, AIDAB is subject to year-to-year budgeting. This has caused difficulties given that most aid activities require commitment over many years (Submission, pS202).

It points to improved forward obligation cover negotiated with the Department of Finance but goes on to say:

A range of possibilities for further development of such forward commitment processes exist. Where commitment cover is considered warranted by Government, AIDAB is attracted to the establishment of three year rolling programs. This applies equally to the Aid Program as a whole as well as to particular program elements (Submission, pS202).

4.59 Certainly there is a need to arrive at some mechanism to prevent the 'feast and famine' approach described by ACFOA:

Bureau officers (find) themselves cutting 10% off programs one week, only to be trying to devise ways of spending extra money a few weeks later. The development tap cannot be simply turned on and off to suit the political whims of Government (Submission, pS794).

4.60 In 1985 the Joint Committee on Foreign Affairs and Defence agreed with the Jackson analysis, but set criteria for implementation:

As ADAB's skills develop in the area of country programming and financial control, we believe it would be appropriate for forward budgeting on a five year rolling basis to be adopted, as suggested by Jackson. Increased effectiveness will result in better value for the aid program (JCFAD(b), p17).

4.61 These conditions have been met. It is time for real progress to be made. Nearly all agencies dependent on Commonwealth spending claim that they should be excluded from annual Expenditure Review Committee's deliberations. Obviously this cannot be. It is equally clear that improved effectiveness of future aid programs depends in large part on the removal of the distortions created by 'feast and famine' in funding. A rolling program akin to the current forward estimates process would permit a higher degree of confidence in planning. In each financial year a minimum commitment for the following year would be announced, along with indicative figures for the subsequent years. This system would allow development planners to plan more effectively, and to use public funds more efficiently. It might



also go some way towards removing the tendency to bunch spending towards the end of the financial year. The Committee recommends that the Government consider the introduction of a three year rolling mechanism for the Aid Program, along the lines now operating for the South Pacific program.

## CHAPTER V: ACCOUNTABILITY: AID AND THE PUBLIC

### Effectiveness of AIDAB

5.1 The Committee is in no doubt as to the magnitude and significance of the changes wrought at AIDAB. The Jackson Report identified a number of criteria for an effective aid agency (Jackson Report p228). Against almost all of these, AIDAB does well:

- . AIDAB is accountable to the Minister and has responsibility for all aspects of aid policy and operations. Its Director-General reports directly to the Minister and controls the aid budget and other resources.
- . AIDAB's organisation structure reflects program goals.
- . AIDAB has made a real start on fostering a high level of professionalism; efforts continue to be made to ensure staff have the requisite skills for aid delivery.
- . AIDAB has the support service personnel which allow it to operate as a discrete operation. It has adequate management and program delivery capacity. Its information and communications systems have been completely revised and upgraded.
- . AIDAB's consultative links with Australian government, business and community bodies have probably never been better. Consultations with other governments are regular and productive.

- . AIDAB has achieved real progress in its capacity to undertake policy development, country programming and program management. Financial management has improved.

## 5.2 Many organisations and individuals echo this assessment.

... the (Foreign Affairs and Trade) Department believes that considerable achievements have been made to date in furthering the management and professional goals set out in the Jackson Report (Submission, pS560).

In the area of administration, CAA has little doubt that many of the recommendations emanating from the Jackson Committee have contributed to the efficiency and professionalism of AIDAB (Submission, pS596).

... a much more professional approach by AIDAB to aid administration has emerged in place of what could previously be described as a 'clerical' approach to aid (Foster Parents Plan, Submission, pS685).

Generally, since the implementation of many of the Jackson Committee's recommendations AIDAB has developed both its effectiveness and efficiency (NSW Chamber of Manufacturers, Submission, pS741).

Bob Dun and his team have transformed the aid program. AIDAB is very different from ADAB. Overall and in detail, Australian aid policy makes much more sense now than it did in 1983 ... The whole Aid Program is moving toward greater efficiency in most respects (Hughes, Submission, pS689).

The Committee welcomed the recent improvement in AIDAB's management capacity, in particular the strengthening of the Bureau's policy capability for appraisal, monitoring and evaluation, and the introduction of more systematic and better planned country programming (DAC, 1987).

### Effectiveness of the Aid Program

5.3 The DAC assessment makes the critical link between the effectiveness of AIDAB, and the effectiveness of the Aid Program which it runs. AIDAB's more methodical, rational approach to aid management has already made noticeable improvements. The Department of Finance and AIDAB have provided information to the Committee on the increased quality of aid proposals. The Finance submission noted that:

In general, AIDAB new project appraisals passed to Finance for comment over the last year or so have been well-structured and have included sound analyses of the benefits to be gained, constraints involved, and the likely long-term results. Formal economic benefit-cost analyses have been included wherever possible (Submission, pS694).

5.4 This evidence suggests that AIDAB's planning capacity is now of adequate standard. But there is some force to Treasury's observation that not enough is known about the impact of completed aid activities. It is not yet possible to make a proper comparison of the effectiveness of direct Australian aid with that channelled through the multilateral development banks, partly because AIDAB has not carried out sufficient evaluations (Submission, pS1168).

5.5 AIDAB has advised that its 'Executive takes a direct role in approving an annual evaluation plan and setting priorities for sectoral investigation. Ex-post impact evaluations and sector reviews are underway.' (Submission, pS198). (The term 'ex-post' evaluation refers to an examination of an aid activity's success some time after completion). However, it admits that its 'evaluations and sectoral studies groups are still at quite an early stage', although 'the number and quality of staff to undertake appraisals and evaluation of aid activities has ... been substantially boosted, providing high level professional and technical backup to program managers in the planning, delivery and review of programs' (Submission, pS198). Even so, AIDAB officers told the Committee that because staffing resources were tight and priority had to be given to planning and delivering aid programs, there had been no opportunity to assign sufficient resources to the task of making real headway on evaluations (Evidence, page 588):

AIDAB's Evaluation Section has a staff of four and it is not always possible for AIDAB to provide directly the wide range of expertise necessary to evaluate AIDAB's aid program .... Because of staff constraints, the amount of ex post evaluation in AIDAB has been limited (Submission, pS1199).

5.6 The Committee is strongly of the view that AIDAB must ensure that evaluations of aid activities and programs are conducted as a matter of urgency. Demonstrable achievement of AIDAB's development effectiveness is the next stage in the reform process. AIDAB should organise its staffing to undertake a significant volume of evaluation activities. This should avoid reductions in its program management or policy capacity.

5.7 AIDAB has quite rightly pointed out that an assessment of its performance must take into account more than the sum of its evaluations of individual aid activities (Submission, pS1200). The Department of Finance tempered its praise for AIDAB's achievements with a similar observation:

The effectiveness of an organisation in the final analysis should be judged by the extent to which it meets its program objectives ... it is difficult to be categorical about achievements against these objectives to date under post-Jackson arrangements (Submission, pS696).

5.8 AIDAB's effectiveness review process, which takes account of evaluations as well as internal and external reviews, seems to meet this concern; however, it is still at a very early stage. Success will depend on AIDAB's ability to demonstrate how well the Aid Program meets all its objectives, including reducing poverty and extending Australia's foreign affairs and commercial considerations.

5.9 AIDAB has spent considerable time and effort reviewing its management information systems. Even so, many valuable lessons are continually lost to successive program managers. (For instance, AIDAB must be sure to learn from its experience in Kiribati where the use of local sand in concrete has caused water tanks to deteriorate.) If the Bureau is to improve its institutional memory, continuing attention to computer and other systems development is needed. Much of the information gathered during project monitoring, for example, remains limited to a small circle of people. The experience of managers responsible for one geographic area may not flow on to another because of

limited exchange between administrative areas. Making relevant facts available to those who need it, when they need it, does not necessarily mean more information; it does mean better information systems. AIDAB must take steps to improve its institutional memory, including the incorporation of the lessons learned from evaluations of aid activities.

#### Accountability

5.10 Like other government agencies, AIDAB reports to Senate Estimates Committees on its performance during the previous year. In addition, AIDAB has been subject to periodic reviews by this Committee. Even so, several submissions to the Committee have called for greater accountability of the Aid Program to the Parliament, and to the people.

5.11 AIDAB's annual budget related paper and its chapter in the departmental Annual Report contain some useful information on expenditure and initiatives. But they are inadequate documents for full accountability to the public. Neither provides a comprehensive or analytical discussion of policy. A recurring proposal, originally contained in the 1982 report of the Joint Committee of Public Accounts is that the Minister should make an annual parliamentary statement on the conduct and policy basis of the Aid Program (PAC, op cit). The Committee strongly supports this proposition. The utility of the Ministerial statement depends to some extent on AIDAB making more effort to identify program successes and failures. While administrative issues are still the easiest things for a bureaucracy to talk about, they are not the matters which most concern the community or its representatives.

5.12 AIDAB is now entering the mature phase of its reform in which the product of its new administrative and professional capacity can be tested. It must 'tell us how our aid money is allocated in terms which reveal the development impact of our aid spending' (Submission, pS865). Of course, not all the news will

be good. The Committee recognises that development is a complex and risky process in which no one is yet truly expert. Regrettably, some projects will be less successful than others but the Committee hopes that these will be few in number. AIDAB must also, as discussed earlier, increase its efforts to demonstrate the value of the Aid Program to Australia.

5.13 The Committee also recommends the establishment of an Advisory Council to regularly assess the Aid Program. Composed of about a dozen senior people from business, unions, aid NGOs and other community groups such as churches, the Council would review the Aid Program and suggest improvements in policy and implementation for consideration by the Minister. The Council could perhaps be appointed for three years and meet about twice a year. Such a community review process would effectively complement that undertaken by Parliament which can only be expected to make a review such as this every few years.

#### Public Opinion

5.14 Some have linked increased accountability to improved public support for the Aid Program. As ACFOA told the Committee:

We think there could (be) an increase in accountability. We have called for an annual statement to Parliament by the Minister on aid and development policy and made a number of other suggestions that would give a more public profile to the aid effort. That would hopefully create a more informed debate within the Australian community, and we would believe a more significant support for Australia's efforts in development assistance (Evidence, p278).

5.15 It is clear that a sizeable number of Australians are moved by images of suffering. These are the people who responded so generously to Band Aid's efforts on behalf of starving Ethiopians. But many Australians donate to NGOs on a more regular basis. In 1987 individuals supported Australian NGOs to the tune of around \$73 million. While these observations provide some indication of the level of concern, they do not translate into knowledge about the nature of public opinion on aid and development.

5.16 The Committee is concerned that there is no strong evidence of public support for the Aid Program. Few surveys of public opinion have been conducted. Some NGOs and others have made attempts to test opinion, but those published so far reveal little more than agreement with motherhood statements and are of limited help.

5.17 A number of other donor countries make regular assessments of the state of public opinion on aid. As a result, they are able to identify trends, such as whether there is an increasing cynicism about the value of aid (a phenomenon called aid fatigue). At present there are many assertions about the state of public opinion in Australia, but very few facts. The Committee believes it would be helpful to have more accurate information about public opinion and knowledge of aid arrangements - provided the amount spent is not so large as to compromise the central objectives of the Aid Program.

#### Public Information and Development Education

5.18 AIDAB has made real progress in the quality of its information program. An increasing number of publications and AIDAB supported events, such as the World Development Debate, press tours of development projects and television productions, are improving the Bureau's public profile. These efforts should continue and expand. In making the development program intelligible to the public, AIDAB must be careful to resist reducing complex issues to the level of human interest stories.

5.19 The link between adequate evaluations and the public perception of aid has been made previously by this Committee in 1986 in its report on the Philippines:

Given the widespread misgivings about the Philippines projects in sections of the Australian community and particularly among some NGOs, the Committee considers that ADAB needs to improve its performance in the public information area. ADAB is aware of the need to do more in this important area and to redress the deficiencies



identified in the Jackson Report. The Committee recognises that ADAB is constrained by limited resources in its efforts to address these problems. The Committee also considers that ADAB needs to perform better in the monitoring and evaluation of major projects during their implementation and after their completion (JCFAD 1986, p139).

5.20 ACFOA and other non government organisations have called for the resumption of some apparently discontinued publications. Program Profiles (which provided useful data on all country programs) and Key Statements (policy statements excerpted from various sources) are two examples.

5.21 In addition, a worthwhile start has been made in development education, particularly work on school curricula and teachers' manuals. The Committee believes that it is a legitimate role of Government to encourage and provide the facts for community debate on development issues. However, it is not the role of the public sector to fund the more political activities of some of the more partisan groups. Development education activities funded through the Aid Program should continue to be broadly compatible with Australia's foreign policy.

5.22 There is a real need to increase spending on information about aid and development. In 1984 the Jackson Report recommended that an initial \$1 million be allocated (at the time expenditure was about \$50,000). AIDAB's information budget has grown steadily but is still a relatively low \$500,000. The list of possible additional information activities is long. The \$1 million proposed by Jackson would go some way towards meeting these needs: by 1992 expenditure on information and development education should be somewhat higher, and the Committee recommends accordingly.

SECTION 3

THE AMOUNT AND DISTRIBUTION OF AID

**CHAPTER VI : THE AMOUNT OF AID****Volume: The Impact of the Cuts**

6.1 The most important annual event in the shaping of Australia's Aid Program is the bringing down of the budget.

6.2 Since publication of the Jackson Report Australia has faced an economic crisis. Although Australia's Gross National Product has continued to grow, Government expenditure has been held back, in order to cope with unfavourable movements in our terms of trade, current account deficit and the net external debt.

6.3 As a result, the allocation to aid was slashed by 19% in real terms between 1985-86 and 1988-89 as outlined in Table 6.1 below:

**TABLE 6.1: AUSTRALIAN OFFICIAL DEVELOPMENT ASSISTANCE**  
**1983-84 TO 1988-89**

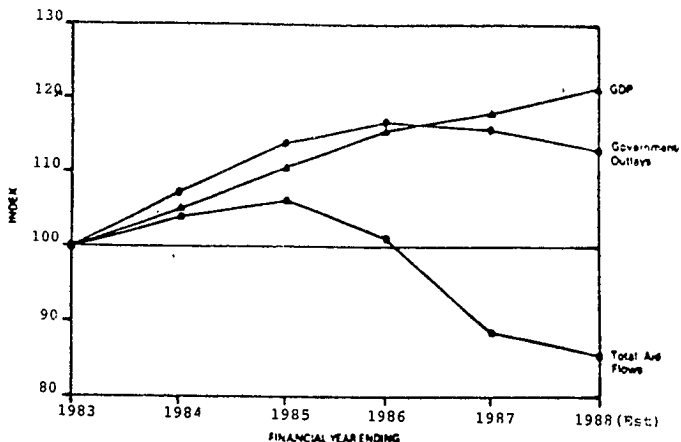
	Current Prices (\$m)	Constant (1987-88) Prices (\$m)	Real Change over Previous Year (%)	ODA/ GNP Ratio (%)
1983-84	931.8	1215.1	4.8	0.51
1984-85	1011.4	1245.6	2.5	0.50
1985-86	1031.0	1187.8	-4.6	0.46
1986-87	975.6	1046.8	-11.9	0.38
1987-88	1019.5	1019.5	-2.6	0.37
1988-89	1093.5	1031.6	1.2	0.36

Note: ODA can be measured on an encashment or deposit basis. This table uses the encashment method. This means that contributions to IFIs are counted only when the organisation has drawn upon the promissory note. The alternative method (deposit) counts aid flows at the time of the deposit of the promissory note.

Source: Budget Related Paper, No. 4 1988-89

6.4 However, as Figure 6.1 shows, Australia's Aid Program bore a disproportionate amount of the burden imposed by the Government's budget strategy.

**FIGURE 6.1: TOTAL AUSTRALIAN AID FLOWS: COMPARISON WITH TOTAL GOVERNMENT OUTLAYS AND GDP**



Source: AIDAB

6.5 These cuts came at a time when conditions were worsening in most developing countries. The World Bank reports:

Poverty in the developing countries is on the rise. Between 1970 and 1980 the number of people with inadequate diets in developing countries (excluding China) increased from 650 million to 730 million. Since 1980 matters have turned from bad to worse: economic growth rates have slowed, real wages have dropped, and growth in employment has faltered in most developing countries. Precipitous declines in commodity prices have cut rural incomes, and governments have reduced their real spending on social services (World Development Report 1988, p4).

6.6 Despite some improvement in commodity prices since that World Development Report was written, the prospects for growth and for improved conditions for the poorest people continue to be bleak. Their economic troubles have much the same profile as those which have afflicted Australia: falling prices for commodities, increasing trade restrictions and high external debt. The crucial difference is that, by comparison, Australia continues to be a wealthy country. Why then was aid hit so hard?

6.7 Governments have a clear first responsibility for the care and welfare of their own citizens. There is a widely held perception that aid is a popular choice for cuts. A public opinion poll published prior to the 1986-87 budget identified aid as the most frequent response (54%) to the question 'If it is necessary in which areas should spending be cut?' (Australian Public Opinion Polls, 1986). Certainly despite a campaign led by ACFOA following budgets in which aid was slashed, the domestic pressure for protecting aid, regrettably, was such that it could go unheeded.

6.8 The most dramatic result of the 11.9% reduction in the 1986-87 budget was the abrogation of Australia's recently concluded aid agreement with Papua New Guinea.

6.9 The commitment by one government to another to provide development assistance, particularly on the scale of Australian aid to Papua New Guinea, entails enormous responsibility. Australian aid flows make up around one fifth of Papua New Guinea's total government revenue (excluding borrowings). A unilateral cut of \$10 million, on top of an already planned reduction, was a significant blow to a close neighbour. Some would argue that the harm to Australian interests in the region might have outweighed the saving.

6.10 But the damage done by the rapid decline in aid in 1986-87 was even more far-reaching. As commitments to the multilateral development banks are non-negotiable and had to be met, there was no room for growth in country programs. In a number of instances, development assistance programs to individual countries were cut. Because attempts were made to protect countries in our own region from the worst effects of the cuts, the burden fell on precisely those regions where most people in chronic poverty live. There were reductions to the populous and desperately poor nations of Africa and South Asia.

6.11 Voluntary contributions to international agencies were reduced, and in some cases, suspended. Fewer studentships were offered; the level of support for Australian NGOs dropped, and procurement of goods and services fell because the implementation schedules of ongoing activities were slowed down.

6.12 Aid effectiveness in the mid to long term was undermined by the loss of AIDAB's capacity to undertake vital planning activities such as feasibility studies. A healthy 'pipeline' of aid projects and other programs is essential for effective delivery. It is probable that the drying up of this pipeline in 1986-87 has had an adverse effect on the quality of Australia's aid in subsequent years.

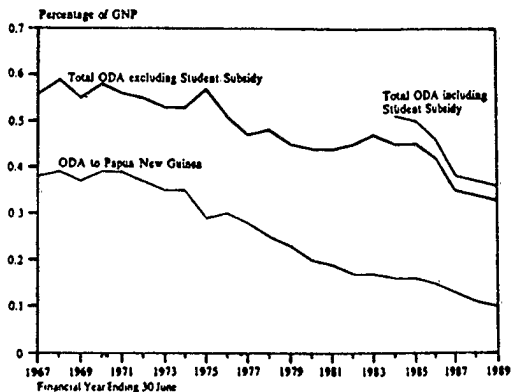
#### ODA : GNP Ratio

6.13 At the time of the Jackson Committee's deliberations, Australian Official Development Assistance was 0.5% of Gross National Product. Indeed, the Jackson Report was based on the explicit assumption that Australia's aid 'should not slip back' (Jackson Report, p4). Since then, however, the estimated ratio of Australian aid to GNP in 1988-89 has fallen to 0.36%.

6.14 The Development Assistance Committee of the OECD - 'the donors' club - has described the fall in Australian aid as 'unprecedented' (DAC Press Release, 1987): that is, no Western country has ever reduced aid so far, so fast. It has called on the Government to resume real growth, and to set targets to

achieve the internationally accepted goal of 0.7%. Late in 1987 the DAC conducted its biennial peer review of Australia's Aid Program. Almost half of its two page press release was devoted to criticism of Australia's declining aid volume; barely one paragraph was devoted to improvements in aid management (See Figure 6.2).

**FIGURE 6.2: AUSTRALIA'S ODA/GNP RATIO 1966-67 TO 1988-89**



Source: Budget Related Paper No 4, Australia's Overseas Aid Program 1988-89

6.15 The Government's decision in the 1988-89 budget to not slip below the DAC average of 0.36% of GNP at least arrested the trend and provided for some very slight real growth (7.3% in nominal terms, and 1.2% in real terms on the previous financial year). There is, as yet, no public guarantee that further slippage will not occur, although the Government has signalled its intention to spend more on aid: 'For the future, the Government aims to increase ODA as a percentage of GNP as budgetary circumstances permit' (Budget Related Paper, No 4, 1988-89, p1).

6.16 In a speech to the NGO community Senator Evans said that he believed it was time for Australian aid to increase - preferably to 0.4% of GNP:

I would like to see a steady increase in the volume of aid, both in dollar terms and as a proportion of GNP. I am concerned that we are slipping back, both in absolute terms and relative to other major aid donors, and I would certainly like to see a significant movement in the aid ratio, back towards at least 0.4 per cent within the next few Budgets. No-one should underestimate the difficulty of achieving this in a Budget climate that will continue to be very tight. The figure of \$1.147 billion for ODA in the current Forward Estimates represents only the maintenance of 1988-89 funding in real terms. Just to maintain aid at 0.36% of GNP would, on present estimates, require the allocation of another \$39 million, and to increase the proportion to 0.37% will require another \$72 million. So it is going to be hard to even maintain the present ratio, let alone get any major improvement in it, but I am hopeful that we will be able to at least start moving in this direction (Australia's Foreign Aid: Objectives and Agenda, November 1988).

6.17 In the past, Australia has taken pride in being 'in the top half of the donors' league'. Now it seeks solace at being 'around the average' (see Table 6.2). Comparisons with other donors can prove anything, or they can prove nothing:

Is aid unfair among the western donors because one donor - the largest - is providing only just over one fifth of 1% of its GNP, while the most generous (Norway) is providing nearly 1.5%, and two of the OPEC donors far larger shares still? Perhaps this is unfair, but the only thing more unfair is when the donors, in the name of 'burden-sharing', allow these



comparisons to slow them to the pace of the most laggard, thus using the recipients (and frequently the multilateral institutions) as hostages in their own competition (Wood, 1988).

**TABLE 6.2: DAC MEMBER COUNTRIES: NET ODA AS A PERCENTAGE OF GNP IN 1987 (DEPOSIT METHOD) (1)**

NORWAY	1.10
NETHERLANDS	0.98
DENMARK	0.88
SWEDEN	0.85
FRANCE(2)	0.75
FINLAND	0.50
BELGIUM	0.49
CANADA	0.46
GERMANY	0.40
AUSTRALIA	0.33(3)
ITALY	0.32
JAPAN	0.31
SWITZERLAND	0.30
UNITED KINGDOM	0.28
NEW ZEALAND	0.21
IRELAND	0.20
UNITED STATES	0.20
AUSTRIA	0.17

- (1) There are two reporting methods used to calculate ODA. The Deposit method is preferred by the DAC.
- (2) Includes Dominions and Territories.
- (3) The Encashment method of calculating ODA is preferred by Australia. On that basis, Australian performance is 0.36%, the figure used elsewhere in this report.

6.18 Ultimately, such comparisons offer little protection. The indisputable comparison is this: since 1983, Australia's ODA to GNP ratio has fallen by almost 30%. Australia's continued commitment to achieve the 0.7% target is in real danger of becoming purely rhetorical.

6.19 In discussions about the quantity of Australian aid it is easy to lose sight of other key indicators of a donor's performance. It should be noted that, compared to the aid programs of some other donors, the quality of Australian aid is high.

### Reverse the Trend

6.20 The time has come to make a renewed commitment to development. The prerequisites for effective, responsible growth have been met: AIDAB has the ability to manage an expanded program. Australia's ability to assist has increased. Certainly, the needs of the poor in the Third World have become more urgent.

6.21 The Jackson Report was based on the assumption that aid would stay at around 0.5% of GNP: to attain that level once again would require an additional \$460 million. It is worth noting that even such a massive increase would place Australia only marginally above the unweighted DAC average which in 1987 was 0.49% (Budget Related Paper, 1988-89, p30). (Calculations of aid expenditure by donor countries do not include the cost of resettling refugees from developing countries. Australia compares favourably with other countries in its generous response to Indo Chinese refugees - See Chapter VII.)

6.22 However, quality growth in the program depends on a number of factors, particularly staffing levels. More ODA without a corresponding increase in quality would be worse than no growth at all.

6.23 The Committee recommends that the Government implement a policy of rapid growth in Australia's ODA as a proportion of GNP: by 1992 Australian aid should once again stand at 0.5% of GNP. However this growth must be linked to AIDAB's capacity to successfully undertake specific program initiatives of high quality.

## CHAPTER VII: THE DISTRIBUTION OF AID

### Geographic Distribution

7.1 The essence of the Jackson critique was that the Aid Program was 'spread over too many countries, with too many initiatives and activities implemented in too many different ways' (Jackson Report, p5). The solution was to group countries according to regions, and to define the menu of aid options available to each category - called the 'eligibility framework' (Jackson Report, p141). What Jackson did not do was find a way of reducing the number of countries receiving Australian aid.

7.2 The eligibility framework was also silent on the question of volume of aid to any single country or region. Although an important policy tool, the framework is primarily a method of easing the administrative complexity of the program, and for increasing its impact.

7.3 AIDAB has adopted the framework. By focusing Australian aid on our own region, but permitting flexible and substantial responses to developing countries further afield, the Jackson model continues to impose a useful discipline. As discussed in Chapter IV, country programming has assisted focus within individual countries. The resulting Aid Program is both more rational and more easily administered. The Committee recommends that the eligibility principles adopted by AIDAB which accord priority to those nations in our own region, should continue to be applied.

7.4 In making its assessment of the appropriateness of the current distribution of aid funds, the Committee has considered a number of factors, including the volume of aid to particular countries, how they rank, and which countries receive too little.

Beyond that, the Committee has also taken into account the very real achievements in country programs which have improved the distribution and effectiveness at both the broad policy and activity levels. Later sections consider multilateral versus bilateral aid, and the way in which other aid organisations, including the multilateral development banks and NGOs, are used in the Aid Program.

7.5 In general terms the Committee regards the current distribution of funds as legitimate and supportable. (For a detailed tabulation of Total Australian Aid Flows to Major Recipients 1984-85 to 1987-88, see Appendix A) With the one glaring exception of the aid distortion created by the subsidy to private students (discussed more fully Chapter VIII), relativities tend to reflect Australia's regional priorities and the needs of developing countries.

7.6 Papua New Guinea is rightly at the top of the list of recipients of Australian aid (\$306m in 1987-88, or around one third of all Australian aid). The Committee welcomes recent moves to broaden the base of donors, and to provide a forum for discussion of PNG's development strategies through the establishment of a World Bank Consultative Group. Consideration of further reductions must take into account the effects of such cuts on the political stability and economic and social development of PNG.

7.7 New arrangements in the South Pacific indicate that the pitfalls of the previous system of indicative planning figures might be avoided in the future. A rolling commitment, with annual revisions, means that the small Pacific island nations will have predictable aid flows, but will not be tempted to treat Australian aid as a development supermarket. The challenges in the region are immense, and AIDAB has put considerable effort into designing innovative solutions to some of the region's particular problems. A case in point is the Tuvalu Trust Fund, which provides an otherwise totally aid dependent nation with

some financial - and thus policy - independence. AIDAB has led the way too, in encouraging a sensible approach to the coordination of donors in the region. Further challenges await. Some are of potentially major significance both to the island nations, and to Australian interests in the region. The dramatic increase in Japanese aid, and a consequent threat of Japanese yen flooding the already aid-saturated economies is one such case. On a lesser scale, the policy on recurrent cost financing should be updated to reflect better the meagre financial resources of the smaller nations.

7.8 The Committee notes that large amounts of aid from various countries have been spent on major items of capital expenditure. Examples include a cultural centre provided to Tonga by Japan, a research institute in the Solomon Islands (from Japan) and an impressive boarding school (again in the Solomon Islands, but built by Australia). Perhaps no country is immune from the attraction of these development monuments, but the small nations of the Pacific are particularly vulnerable because they can ill afford the large recurrent costs involved. AIDAB's best country programming efforts and rigorous appraisals should go some way to minimise the incidence of requests for this kind of assistance.

7.9 The Pacific can no longer be regarded as a placid ocean. Recent events in New Caledonia, Fiji and Vanuatu have made it clear that the island nations are no more immune than were other newly independent countries from dramatic 'second generation' reshaping of the society, the economy and the government. Australian aid is inevitably caught up in these changes. Australia's relations with the South Pacific island states is the subject of another inquiry being undertaken by this Committee. AIDAB has made a detailed submission to that inquiry. It is not, therefore, appropriate for this review to canvass these issues in further detail.

7.10 The nations of ASEAN are not amongst the world's poorest, but many of their citizens are. The increasingly apparent trend in Australia's development assistance to these countries has been to find ways of assisting some of these people. The focus on Indonesia's dry and poor eastern islands (one of the most challenging areas in which to work); the development of the Thai Equity Scholarship Scheme for people from the similarly arid and poverty stricken Northern Thailand (see Chapter VIII); support for indigenous community groups in the Philippines; these are recent examples of a renewed effort to get Australian development assistance to the poorest.

7.11 These efforts have been counter-balanced by a complex array of activities in such sectors as mining, technology, higher education and agricultural research. Many of these represent areas of Australian comparative advantage. Some, such as the Thai Lignite Mine project, hold the promise of eventual commercial returns (in the form of spin off procurement) far in excess of Australian aid expenditure (see Chapter IX). The Committee recommends that AIDAB ensure that its programs reflect an appropriate balance between poverty alleviation and trade creating activities.

7.12 The countries of Indo China received around \$26m in 1987-88, although only Laos is currently eligible for direct Australian development assistance. Vietnam and Cambodia are eligible for humanitarian assistance only: this policy results from Vietnam's military occupation of Cambodia, but is circumvented to some extent by the provision of official support to the efforts of a number of Australian NGOs. Indeed, Australia provides more aid to Cambodia than any other Western country. The Committee expresses the hope that Vietnamese withdrawal from Cambodia will make it possible for all types of Australian aid to be resumed to both countries. After the decades of destruction and suffering for the people of Indo China rebuilding will require a large international effort. Early indications are that change in Vietnam's economic planning may be starting to provide

results. Much more remains to be done. Australia must be ready to resume its development assistance to all the nations of Indo China following Vietnamese withdrawal from Cambodia - subject to our general views on Human Rights and Aid (See Chapter VII).

7.13 Australian aid to China grew by 64% in the five years to 1987-88. In 1988-89, an estimated \$22m will be spent. The shared commitment to mutual benefit from the program provides a useful yardstick by which to test the multitude of development assistance challenges in this huge country. The two economies are, in many ways, complementary, and the Chinese have expressed a desire to use aid in ways which build the foundations for future trade. The early proliferation of small disparate activities is now being rationalised to reflect a greater geographic and sectoral focus.

7.14 The largest number of the world's absolute poor live in South Asia. Australian aid to that region (\$30m in 1987-88) continues to be dominated by food aid to Bangladesh (\$12m in 1987-88). Aid to South Asia has wound down dramatically over the last four to five years (by about 50%). This is at least partly a consequence of the declining aid budget. This is not a desirable trend. There is a good case for increased assistance to these nations, if that assistance is focussed by sector and by region so as to ensure maximum impact. There is evidence that the increasing deforestation of the Himalayan foothills is a significant cause of the floods and consequent diseases which afflict Bangladesh and Northern India. The consequences for the poverty stricken people of Bangladesh pose massive challenges for the governments of the region, and for the donor community. Since 1966 Australia has undertaken a community forestry project in Nepal. Under the expert guidance of the Australian National University's Forestry Department, the project has won international acclaim. In addition Australia has supported a World Bank population and family planning project in Bangladesh. More recently, Australia announced a two year, \$25 million aid package to Bangladesh, including \$22 million worth of developmental food aid.

7.15 AIDAB has pointed out that 'paradoxically, the virtual cessation of project aid to India (in 1986) coincided with Australia's attempts to strengthen the bilateral relationship. Increases in assistance to India have since been limited to DIFF allocations (and these depend on Australian companies winning DIFF supported contracts) and a small number of training awards' (Submission, pS173). Even if Australian aid were to grow dramatically, assistance to a country the size of India would have to be tightly focussed in order to have much impact.

7.16 AIDAB's early efforts to create a program in the Indian Ocean region fell victim to the budget cuts in 1986-87. The Jackson proposition that these small island states face many of the same development constraints as do the Pacific nations is still true. AIDAB is now gaining expertise to add to its considerable experience in tackling these problems. Work done by various academics as part of the Islands Project funded by AIDAB will boost the data base, and help planners. There are clearly real needs in some of these very poor Indian Ocean nations, and even fairly modest levels of aid, if carefully directed, could make a difference. The 1988-89 budget included provision for increased assistance to the region - a recognition of the strategic importance of the Indian Ocean and of the development challenges facing those nations. However, because the programs would need to start from almost nothing, they could be administratively expensive. The Committee recommends that aid to these countries reflect their development needs and strategic significance to Australia.

7.17 One of the more controversial decisions taken in the last few years was to almost double assistance to the Frontline States of Southern Africa making a total of \$100m over three years ending in 1989-90. Most criticism has been based on the argument that the additional \$45 million could be better spent closer to home. The decision was primarily a political one in



support of Australia's strong opposition to apartheid. The rationale for the provision of aid to the Frontline States was to partially offset the damage caused to their economies by the imposition of sanctions on South Africa.

7.18 A significant component of the Southern Africa program is the provision of training, a form of aid which is likely to make a positive contribution to development. The large proportion of commodity assistance in this program can be explained by the short time-frame for start-up; the need to deliver a large volume of aid to a range of countries and by the small number of people in AIDAB available to plan, appraise and implement the program referred to in evidence to the Committee:

The (Overseas Service Bureau) supports the recent initiative ... however we are concerned that with the reduced resources available to the Africa desk ... there will be increased pressure put on limited staff to manage the program. The OSB believes that there should be continuity in both (development cooperation) policy development and the professional capacity of AIDAB to manage the ODA program (Submission, pS757).

7.19 A number of commercial organisations have renewed their calls for Australian membership of the African Development Bank (AfDB). The Department of Industry, Technology and Commerce shares their concern: 'Australia's relatively low interest in (Africa) is an impediment to increasing our share of procurement under multilateral programs and for capturing significant consultancy work' (Submission, pS1026). The Snowy Mountains Engineering Corporation and Consult Australia agreed, and called for Bank membership.

7.20 In its 1985 consideration of the Jackson Report, this Committee considered the pros and cons of Australian membership of the AfDB. It found that, on procurement grounds alone, the case was strong (Australian companies are ineligible to tender as Australia is not a member of the Bank). Adding to that the constraints to Australia mounting any significant bilateral assistance other than training and commodity assistance, and the

poverty of African nations, the case was even more compelling. However, membership of the Bank was not pursued, probably as a result of the subsequent cuts in Australian aid. The time is now right for reconsideration of the most appropriate channels of assistance to Africa. On the basis of its criticism of another regional development bank (see below, paragraphs 7.51-7.60), the Committee urges that a careful assessment be made of the AfDB. If the Bank meets high standards of efficiency and effectiveness, the Committee would reiterate its recommendation (made originally in 1985) 'that very positive consideration be given to seeking early membership of the African Development Bank' (JCFAD(b), p30). Given the need to rely so heavily on commodity assistance, the funds currently earmarked for Southern Africa could more appropriately have been channelled through the African Development Bank.

### Multilateral Versus Bilateral

7.21 Australian aid is no longer easily described in terms of its bilateral or multilateral expenditure. With the introduction of program management (that is, a focus on ends rather than means) the distinction has become rather blurred. For example, multilateral channels may be used to achieve Australian country program objectives. On occasions, international organisations are able to deliver aid in places (such as West Africa and Latin America), on a scale (such as large infrastructure projects or global child immunisation programs), or in a sector (for instance, population planning), where Australian channels are either inadequate or inappropriate.

7.22 However, the issue of the most appropriate mix of multilateral and bilateral aid continues to generate interest. Australia's commitment to multilateralism, that is, to joining with other nations through international organisations to achieve shared development goals, has been questioned. This was particularly so after the dramatic cuts in voluntary contributions to UN agencies following the 1986-87 budget and the controversial decisions to withdraw from IFAD and UNIDO.

7.23 Despite the recent reductions, the proportion of ODA which has been channelled through multilateral organisations has not fallen to any significant extent. Table 7.1 (Australia's Official Development Assistance to Multilateral Organisations) shows that, with minor exceptions, Australian contributions to multilateral organisations increased as a percentage of the aid budget up to the early 1980s, and it is now around 23%. Indeed, far from shirking its share of the international burden, the proportion of Australian aid through multilaterals is higher than the DAC average.

TABLE 7.1: AUSTRALIA'S OFFICIAL DEVELOPMENT ASSISTANCE TO MULTILATERAL ORGANISATIONS

Year Ended 30 June(a)  
(\$millions) Current Prices

	INTERNATIONAL FINANCIAL INSTITUTIONS	UNITED NATIONS AGENCIES	NON UNITED NATIONS AGENCIES	TOTAL	TOTAL ODA	MULTILATERAL AS A % OF TOTAL ODA
1973(b)	8.4	5.1	1.3	14.8	219.2(e)	6.8
1974(b)	9.7	6.8	1.6	18.1	264.9	6.8
1975	26.7	19.7	2.9	49.3	334.6	14.7
1976	25.8	12.7	4.0	42.5	356.0	11.9
1977	40.4	12.5	4.3	57.2	386.2	14.8
1978	50.5	22.3	5.8	78.7	426.1	18.5
1979	29.6	32.8	6.4	68.8	468.4	14.7
1980	38.8	41.9	7.9	88.6	508.7	17.4
1981	47.5	58.7	9.2	115.4	568.0	20.3
1982	60.4	72.8	14.3	147.5	657.8	22.4
1983	67.7	97.8	18.1	183.6	744.6	24.7
1984	102.6	93.9	19.2	215.7	931.8(d)	23.1
1985	102.4	112.4	20.4	235.2	1011.4(d)	23.3
1986	106.0	130.8	23.1	259.9	1031.0(d)	25.2
1987	105.8	89.0	19.6	214.4	975.6(d)	22.0
1988	107.8	102.7	28.2	238.7	1019.5(d)	23.4

## Notes:

- (a) These figures are given on an 'encashment' basis - ie they represent actual drawings by IFIs on Australian promissory notes. They include overseas aid payments by the Treasury as well as AIDAB.
- (b) Breakup for IFIs, UN and Non-UN organisations are approximations.
- (c) Administration costs not recorded.
- (d) Includes costs of educating students from developing countries in Australian secondary and tertiary institutions.

Source: AIDAB

7.24 While it can see no reason for significant change, the Committee does not express a view about the relative proportions of multilateral versus bilateral aid. As the Committee has previously noted, 'the concept of a specific "share" for multilateral aid has "little real value" (JCFAD(b), p28). AIDAB should be free to choose the most effective channels for

Australian aid. AIDAB has shown a preference for providing aid directly to those countries in our own region, and for using multilateral channels further afield and in cases requiring complex or urgent international response. This should continue to be the rule of thumb.

#### International Organisations

7.25 In 1988-89 Australia will provide \$178 million to international organisations (including UN and Commonwealth agencies and the international financial institutions) for development purposes. As AIDAB itself admits, the number of organisations supported has traditionally been large. 'Consequently, contributions were often little more than token' (Submission, pS180). Because the contributions to many of these organisations are voluntary (that is, not the subject of firm forward commitments) they have proved to be extremely vulnerable to ad hoc funding cuts. These cuts have been made easier because there has been no real perceived cost to the quality of the Australian program.

7.26 The proliferation of UN and other international bureaucracies and the increasing drain on donor's purses has long been a problem. As a result, a number of donors - principally the USA and the UK - have adopted a tough stance. Even so, the practice often falls short of the rhetoric. The dilemma is that the majority of international organisations can lay claim to be making important contributions to development. The Committee is aware of pressure from a number of special interest groups to increase funding for a range of international organisations. Many of these, such as additional funding for agencies dealing with population and family planning issues, are worthy of attention. The issue for Australia - as it is for other donors - is how to make the best use of the limited resources. Clearly, increased attention to effectiveness and efficiency are essential first steps.

7.27 In recent years:

attention has turned to ensuring that support is directed to those organisations which most effectively contribute to the objectives of Australia's own aid program. While Australia remains committed to multilateralism, and willing to meet its fair share of intergovernmental efforts, international organisations must demonstrate their efficiency and effectiveness if they are to continue to attract Australian support. Questions of waste, staffing, management and accounting are directly addressed. AIDAB's evaluations are closely related to policy recommendations about how and where to target multilateral funds (Budget Related Paper No 4, 1988-89, p21).

7.28 However, much more work needs to be done to give substance to Australia's policy. How does Australia choose between several agencies which are both effective and efficient? What criteria are used to assess the 'contribution to the objectives of Australia's own aid program?' Are there certain sectors or regions which are more important than others? How can the work of such disparate - and frequently worthwhile - programs be compared?

7.29 Without answers to these questions Australia is forced to make ad hoc decisions. Because so many of the organisations are, at least in their own terms, effective and efficient, small 'token' contributions will be made, and the potential impact of the Australian aid dollar dissipated. Without clear reasons for supporting each individual agency, Australian contributions to policy formulation must also be weak.

7.30 Other international aid agencies with reputations for quality (such as CIDA and USAID) conduct and publish regular reviews of the international organisations which they fund. Typically, these take account of administrative, policy and implementation issues, and set out strategies and priorities for improvement. This means that the involvement of these donors in individual agencies tends to be focussed and purposeful.

7.31 AIDAB's monitoring and review of these organisations includes participation on their governing boards and councils. Evaluations based on a mix of in-country reviews, desk reviews and regular reporting from Australian posts, are conducted on a three yearly cycle.

7.32 AIDAB has made much progress in its Country Programs. The application of similar processes and disciplines to the management of its relationship with the international organisations is now warranted. This would involve making Australia's objectives clear, and identifying the goals to be achieved by continued membership or support.

#### International Financial Institutions

7.33 Contributions to the World Bank and the Asian Development Bank, and to their soft loan affiliates, comprise a significant part of aid expenditure. Australian ODA provided to these international financial institutions will total more than \$101 million in 1988-89. However, policy aspects of Bank membership are effectively the preserve of Treasury officials. Although AIDAB is routinely consulted, the Committee is unaware of anything which would constitute effective dialogue on matters of policy substance.

7.34 The current arrangement has a long and messy history, the origins of which are well documented by Peter Wilenski in his chapter on the creation of AIDAB's predecessor, the Australian Development Assistance Agency (Public Power and Public Administration, 1986). Much of the bureaucratic battle rests on the view taken of the IFIs: are they primarily banks, or are they primarily development agencies? Barber Conable has strongly expressed the latter view on this issue, and confirmed his position to members of the Committee during his visit to Canberra in February 1989. As President of the World Bank his strong assertion that the Bank's first duty is to development carries much weight with the Committee.

7.35 The World Bank is the largest single source of funds for development. It plays a major role by providing policy and analysis to developing countries; it is therefore imperative that Australian policy should reflect the highest possible level of development and financial advice. The Committee believes that the time has come for a reassessment of Australia's attitude on the Governing Councils of these organisations. Some of the aid community hold very strong views on the subject:

... it is inappropriate that a few Treasury officers are determining Australia's attitude to the Bank's policies with only minimal involvement by the Treasurer and no involvement by the Parliament and the public. Few officers in Treasury have any expertise in the field of development and even fewer are motivated to pursue those concerns in Treasury knowing full well that they will be like a fish out of water. The dominance of Treasury's role in the IFIs has resulted in them being seen as banks rather than development agencies. ACFOA submits that AIDAB should have a much stronger role in respect of formulating Australian policy at the International Financial Institutions ... (ACFOA, Submission, pS805).

Other commentators agree:

The way that Australia deals with the multilaterals is stupid. I do not think there is any other word for it. Traditionally, because they were banks - the International Bank for Reconstruction and Development, and the Asian Development Bank - somebody thought 'That is for the Treasury to look after'. They are not banks, they are development funds (Hughes, Evidence, p395).

7.36 In view of the above, the Committee considers that the Minister for Foreign Affairs and Trade should be Australia's Governor of both the World and Asian Development Banks. However, there must be regular and real dialogue between senior Treasury and AIDAB officials on the critical issues facing the banks. A proper Australian position on Bank approach to structural adjustment, Third World debt, or the impact of aid on the environment cannot be achieved by the current resort to telephone calls and faxes (Evidence, p554). Prior to the reorganisation of the Bureau there may have been some justification for concern that ADAB did not have sufficient high-powered staff to be capable of taking the lead on bank policy. However, that has been largely remedied.



7.37 If Australian membership of the IFIs is to reflect a greater degree of expertise in development, there must be changes in the way in which policy advice is prepared. As Mr Abbott (a former staff member in the ADB's Economics Office) states 'I should have thought that a detailed knowledge of development issues would have been essential for anyone preparing or helping prepare briefings for Australia's representatives on the ADB's board of directors and that a sound knowledge and understanding of how multilateral financial institutions operate would have been at least highly desirable' (Submission, pS1226).

7.38 The Committee shares Mr Abbott's surprise that these criteria were not considered essential qualifications when Treasury recently filled a key position in its International and Development Section (the area which is responsible for preparing advice on Australian multilateral development bank memberships).

7.39 AIDAB has staff with the appropriate qualifications and background needed to improve the quality of Australian policy formulation.

7.40 Similarly, the issue of filling the positions of Executive Director at the World Bank and the ADB needs to be opened up. The current arrangement is that the positions are treated as prized Treasury postings: Treasury makes the selection, and informs DFAT and AIDAB. (It should be noted that AIDAB has paid Treasury the courtesy of including one of its nominees on panels to select Alternate Directors.) There have been a number of strong criticisms of this practice, on the grounds that it does not necessarily ensure that the best possible candidate is selected. While not wishing to cast any shadow on the quality of Australia's nominees, the Committee agrees with Professor Hughes' observation:

We have to have people who know something about development, who are able, who have international respect in the development business, who can hit the deck running and immediately influence their fellow directors. You do not do that by preaching basic economics to them ... (Evidence, p396).

7.41 Australia's Executive Director and Alternate Director positions for both banks should be filled on the basis of expertise in development and development finance issues. Therefore, they should be openly advertised both inside and outside the public service, and filled on merit.

7.42 The Committee accepts that the IFIs should use their best efforts to improve the economic performance of developing countries. The granting of soft loans is not a permanent solution, and may in fact aggravate the economic problems of countries with inappropriate policies.

#### The World Bank

7.43 Australia has been a long-standing member of the International Bank for Reconstruction and Development (IBRD), and its soft loan affiliate, the International Development Association (IDA). Known collectively as the World Bank, membership permits Australia to participate in policy formulation and development programs affecting poor countries within and beyond our own region.

7.44 Always the subject of controversy, the Bank seems recently to have attracted more than usual. The Bank has been criticised for the conditionality of its structural adjustment loans which, in tandem with the International Monetary Fund, have led countries to cut public expenditure, reduce wages and social programs, and to liberalise trade and financial institutions.

7.45 Critics of the Bank say that the result of these decisions is to decrease investment, reduce economic growth, and thus make it more difficult for poor countries to develop out of their difficulties.

7.46 Another theme in criticism of the Bank is the damage which some of its projects do to the environment.

7.47 The third cause for concern cited is the alleged political bias of World Bank lending. Repressive regimes such as Zaire and Chile may be more willing to implement the policies demanded by Bank conditions, than are countries with better human rights records - such as Tanzania.

7.48 Nevertheless, the Bank plays an essential role in keeping up the momentum for development. Its debt to equity ratio is 1:1, but because of its large nominal capital base, the Bank is able to raise considerable volumes of capital at little risk. The Bank has a justifiably high reputation for prudence and probity.

7.49 Recent statements show that the Bank is responding to criticisms about the effects of its policies on the poor. The Bank's President, Barber Conable, has introduced a requirement that each report to the IBRD Board on adjustment programs comment specifically on the program's social impact on the poor. He has also determined that compensatory measures will be built into future adjustment programs. These components will aim to benefit - and protect - the poor during the period of adjustment. The Committee welcomes these initiatives; it also welcomes the Bank's new determination to improve its consideration of environmental factors when making loans.

7.50 The Committee regards continued membership of the Bank as an essential aspect of the Aid Program. However, effective membership requires greater participation and awareness of development issues in policy formulation. The Bank's implementation of its poverty alleviation strategies requires a broad understanding of developing countries. The programs must be carefully monitored, as must the more general consequences of structural adjustment. The Committee has made recommendations elsewhere regarding Australian representation and responsibility

for policy formulation related to the international financial institutions. If those recommendations are implemented, Australian involvement in the Bank can be expected to become more broad ranging and effective. This is essential if pressure is to be maintained on the Bank to continue its balanced approach to the challenges of development.

#### Asian Development Bank (ADB)

7.51 The charter of the Asian Development Bank equips it to play a key role in the economic development of the nations of Australia's own region. As the only regional multilateral development bank of which Australia is currently a member, the ADB also provides an opportunity to demonstrate Australia's commitment and bona fides to Asia and the Pacific. Australia should continue to play an active role in the ADB.

7.52 However, evidence before the Committee suggests that there have been occasions when the Bank has foregone the scrupulous adherence to the highest standards in its preparation of project appraisals. (A number of other important allegations are dealt with in Appendix B.) It has been put to the Committee that this is a result of a keenness to reach annual targets for the volume of loans. Many of these criticisms have been aired in the international and Australian press. (See for example, 'Soul-Searching at the ADB', Triple A, February 1987; 'Burma Shave', Wall Street Journal, 5 May 1986; and 'Banker Blows the Whistle on ADB', Financial Review, 21 November 1986).

7.53 The Committee has made a number of requests to Treasury for information in response to allegations made in evidence before it. Treasury's capacity to respond was determined, in large part, by the ADB's readiness to provide it with the answers. The Committee is of the opinion that the ADB management regarded the Committee's enquiries as meddlesome and a nuisance. Further the Committee is of the view that Treasury officials were not sufficiently forceful in representing the Committee's concerns.

7.54 The ADB's attitude has underscored the Committee's view that multilateral institutions are currently inadequately accountable to the Australian public. Strong representations must be made to the management of the ADB (and any other international organisation which demonstrates similar unresponsiveness) that Australia demands the highest standards of accountability and disclosure. If this is not forthcoming continued support for the Bank's management can not be assumed.

7.55 The management of the ADB disputes much of the criticism levelled at it. Nevertheless a number of points need to be made:

- . the Directors of the Bank must continue to have free access to any information they require in order to discharge their responsibilities;
- . efforts should be made to change the 'culture' of the Boardroom: the prospect of a project failing to win Board approval ought not to be seen as a vote of no confidence in the Bank's senior management;
- . appraisal documents put before Board members should be transparent - that is, the basis of assumptions or estimates should be made absolutely clear;
- . bank management should ensure that staff are not of the impression that there are implicit or explicit annual loan quotas.

7.56 There should be extreme care to prevent any suggestion that criticism of a management decision by a consultant or by staff members can lead to blacklisting or that uncritical support of the management can lead to benefits - in fact, critical attitudes should be encouraged.

7.57 Beyond these important concerns, the Committee wishes also to raise questions about the standard and nature of Australian policy. As one submission put it 'Questions can be raised about how the ADB operates, but questions also need to be asked about the way in which Australia's interests in the ADB have been and are being administered' (Abbott, Submission, pS1224).

7.58 Australia must pursue its interests in the ADB more vigorously. Evidence before the Committee indicates that other bank members - principally Japan - have:

gone to great lengths to secure top level posts for their nationals so that they can influence bank policies and operations: Australia, in contrast, has had a hands off approach (Abbott, Submission, pS1225).

7.59 Australian practice must change. The strategic placement of Australian staff in the ADB (and the World Bank) is clearly essential if Australian interests are to be served.

7.60 Such an approach would permit Australians to make important contacts with officials and leaders throughout our region, and to gain first-hand knowledge of Asian and Pacific countries. The long term benefits of careful staffing decisions might be hard to quantify, but they would also be hard to deny. Greater understanding of Asia would remove an acknowledged impediment to improved commercial performance. (Commercial aspects of the IFIs are discussed more fully in Chapter IX).

#### International Fund for Agricultural Development (IFAD)

7.61 The International Fund for Agricultural Development (IFAD) was formed in 1977 to address 'the need to increase food production in the poorest food deficit countries, the potential for increasing food production in other developing countries, and

the importance of improving the nutritional level of the poorest populations in developing countries and the conditions in their lives (IFAD, Lending Policies and Criteria, 1978, cited in USAID's Program Review of IFAD, 1985).

7.62 As a voluntarily funded UN organisation, IFAD has traditionally depended on OPEC for a large portion of its financial support (40%), but has had considerable difficulty in attracting regular replenishments from donors - as Mr Hayden pointed out in a speech to Parliament in 1987, the second replenishment negotiations took nearly three years to complete.

7.63 Australia's decision, which was announced at that time, not to contribute to the third replenishment of IFAD continues to be controversial. The Committee heard strong criticism from a number of quarters:

(Consult Australia) notes with considerable concern the cessation of funding to IFAD and would urge early reconsideration of this decision (Submission, pS491).

AIDAB's unfortunate decision to cut off aid to IFAD was in our view ill-informed and inappropriate (Community Aid Abroad, Submission, pS607).

The (NSW Chamber of Manufacturers) is disturbed by the Government's decision to phase out its support for IFAD (Submission, pS743).

ACFOA calls on the Government to reconsider its decision to withdraw from membership of IFAD .... There appears to be no documented evidence to support the Government's decision (Submission, pS812).

It is to our shame that Australia dragged its feet for almost two years before formalising its pledge to IFAD's 1985-87 triennium, has still not made a contribution to IFAD's Special Program for Sub-Saharan Africa (the establishment of which Australia endorsed in 1986), and that the Minister for Foreign Affairs and Trade has announced we will not contribute in future (Results Australia, Submission, pS882).

7.64 In summary, support for continued funding of IFAD was based on two observations. Firstly, IFAD is widely regarded as effective in helping the poorest people. Secondly, its sectoral focus is in an area of recognised Australian comparative advantage. Australian support permits Australian consultants and suppliers to bid for contracts and thus to benefit financially.

7.65 The case against IFAD, as presented to the Committee, is based on two main grounds.

7.66 Money raised by IFAD is not additional to the aid flows that would be raised anyway. 'IFAD money would otherwise go into other forms of bilateral or multilateral aid' (Hughes, Evidence, p402).

7.67 Secondly, the grassroots nature of IFAD's work damages prospects for development. Such an approach was to blame for much of Africa's problems: 'People talked rural development instead of putting in infrastructure during the past 10 years' (Hughes, Evidence, p405).

7.68 Clearly, Australia's position is at odds with international opinion. Barber Conable, president of the World Bank, has praised the collaboration between IFAD and the Bank, saying that the contribution made to development in the poorest countries was important. A 1985 evaluation of IFAD by the US Agency for International Development concluded that the Fund was 'making an important contribution to improving the economic conditions of the rural poor in developing countries'. Although the review commented on the need to improve IFAD's evaluation activities, it went on to note that 'once initiated (IFAD's projects) are generally well implemented'. Almost two years later, the USAID representative told the Tenth IFAD Governing Council that IFAD had more than fulfilled its original ambitious mandate. The US was joined by, amongst others, France's President Mitterand, and James Ingram of the World Food Programme, in praising IFAD's work.



7.69 There has been much criticism of Australia's position. That is not, of itself, sufficient reason to reverse the decision. But it does suggest that the Government should make the reasons for its decision clear. Australia's decision does not become effective until 1992 when the Third Replenishment becomes active.

7.70 The Committee believes that there is room for an international organisation which successfully tackles rural poverty. It has not heard any evidence which convinces it that IFAD is not worthy of continued Australian support. It therefore recommends that Australia announce its intention to contribute to the Third Replenishment.

#### United Nations Industrial Development Organisation (UNIDO)

7.71 The United Nations Industrial Development Organisation was founded in the mid-sixties to promote industrial development in developing countries. It began as an autonomous organisation within the UN Secretariat, but was strengthened by becoming a specialised agency from the beginning of 1986. Its task is to assist developing countries in the establishment, expansion and modernisation of their manufacturing industries. This is a high priority aim because industrial diversification is a necessary condition for sustainable growth of developing countries which are heavily dependant on production and export of one or a few primary commodities.

7.72 Australia withdrew from UNIDO at the end of 1988. The decision was apparently taken principally to save the cost of membership of \$1.2 million and partly also because there was some doubt about the effectiveness of the organisation and of the benefits to Australia. The decision was taken suddenly without any public discussion. It caused considerable criticism of Australia in the international community.

7.73 While the Committee has not been able to study the effectiveness of the organisation, it is clear that there are significant benefits for developing countries and potential benefits for Australia from UNIDO's work. UNIDO prepares industrial studies and conducts research for industries and regions; encourages technology transfer; provides technical assistance to developing countries and maintains an industrial and technical information bank. UNIDO acts as an agent for bringing together potential private investors and new developing country projects. Its activities complement those of Australia's Aid Program and could increase opportunities for Australian companies interested in investing in developing countries. There would be little difficulty in sourcing expertise, equipment and materials in Australia valued at well in excess of \$1.2 million.

7.74 Australia continues to contribute indirectly to UNIDO through our contributions to UNDP, which is one of the major funders of UNIDO projects. It is therefore quite inconsistent to withdraw from membership. The Committee therefore recommends that a new and more careful appraisal be made of the potential benefits to developing countries and to Australia from renewing membership of UNIDO. The cost of membership is small, the potential benefits substantial and Australia would have a greater impact on the effectiveness of the Organisation from the inside than from without.

#### Emergencies and Refugees

7.75 The United Nations High Commissioner for Refugees (UNHCR) estimates that there are 13.5 million refugees around the world. (Estimates of refugee caseloads are notoriously hard to verify. Potential recipients - including the governments of countries of asylum - often inflate the number in order to increase assistance. However, the UNHCR estimate attempts to take these factors into account.) With breakthroughs in a number of crisis spots, it is possible that many of these refugees may be able to return home in the not-too-distant future. Even so, voluntary

repatriation of around two million Afghanis, sixty thousand Namibians and several hundred thousand Cambodians still in Thailand, in camps along the Thai-Cambodia border and in Vietnam) poses enormous challenges for the international community. Although the political and military conditions for mass return of Afghani refugees appear to be some way off, Australia has committed itself to \$20 million over two years when the time comes. By joining forces with other donors through a UN coordinated program, Australian aid should achieve maximum impact.

7.76 Elsewhere, however, refugees have little prospect of returning home. Close to one million people have fled the atrocities in Mozambique; in the Horn of Africa between two and three million people have crossed international borders to avoid conflict and persecution. In Central America, as in Africa and Asia, refugee camps are filled with people in limbo, cut off from economic self-sufficiency and dependent on international assistance for year in and year out sustenance. In such cases it is clear that a simple emergency relief model will not suffice.

7.77 Of course, countries of asylum (themselves usually developing) often have very real concerns that merely by accepting refugees they encourage still more to come (the 'pull factor'). They also fear that international assistance to refugees may be at the expense of improving the development prospects of their own citizens. One solution is to ensure that the benefits of assistance to refugees are also offered to people in the surrounding communities. AIDAB is giving greater attention to the needs of refugees beyond immediate relief needs of food, shelter and health care. It has advised the Committee that some modest steps have been taken towards addressing the problem, but that further consideration is needed (Submission, pS177). The United Nations High Commissioner for Refugees continues to do invaluable work in supporting refugees around the world.

Australia's support should be more generous than the \$5m earmarked for contributions to UNHCR's core budget for 1988-89. UNHCR's mandate is restricted to concern for refugees. AIDAB should support other organisations which provide assistance to people in refugee-like situations and to displaced persons.

7.78 Australia's response to the Indo Chinese refugee emergency in the late 1970s and 1980s was one of the most generous in the world. Australia has resettled more Indo Chinese refugees per head of population than any other country. In the longer term these refugees become full members of Australian society, and contribute to the nation's cultural and economic well-being. However, in the short to medium term, the acceptance of such large numbers of refugees represents a real cost to the Australian Government and community - a cost which is not shown as development assistance, even though the indirect beneficiaries (the countries of the first asylum) are themselves developing. International criticism of Australia's reduced Official Development Assistance has not taken into account the considerable contributions made through the settlement of many thousands of refugees. Unfortunately, not all DAC members have been so generous: recent British actions regarding Indo Chinese refugees in Hong Kong have caused additional hardship to Indo Chinese refugees.

7.79 Australia has also provided ODA to organisations working with Indo Chinese refugees, including UNHCR and the UN Border Relief Organisation (UNBRO). Japan's relatively high level of support to these organisations sits in contrast to its refusal to accept refugees.

7.80 Australia has a well-earned reputation for generosity and speed in its response to emergency situations, particularly those created by cyclones and other natural disasters in the South Pacific. On occasions, AIDAB has had emergency supplies in-country within 48 hours of a call for assistance. Further afield, Australia has provided massive food aid and other

assistance to flood victims in Bangladesh and the victims of drought and war in the Horn of Africa, Mozambique and other crisis zones. In its Report to the Senate Estimates Committee, AIDAB cited instances of successful emergency aid:

Carefully targetted cash contribution for emergency relief made a highly effective contribution, often out of proportion to their size. For instance, during a severe outbreak of dengue fever in Burma, a \$13,000 accountable cash grant was used to buy an Australian-made centrifuge for a hospital desperately short of adequate diagnostic equipment. Medical staff attribute effective treatment of over 4,000 people (mostly children), and the saving of 1,000 lives, to this assistance.

The timely provision of \$365,000 enabled the continuation of a food airlift to the southern Sudanese town of Juba. The airlift was the only available means of getting food to the town which had been cut off by fighting. It involved a high level of risk, but prevented the starvation of an estimated 40,000 people (Explanatory Notes 1988-89, p125).

7.81 Despite the often cruel policies of the Ethiopian Government, Australia has found ways of ensuring that its relief assistance gets to the people who need it most. The work of indigenous organisations such as the Eritrean Relief Association, and of the Australian NGOs who administer and monitor much of the Australian food aid contribution, continues to impress this Committee. International organisations such as the World Food Programme, and a number of NGOs working inside Ethiopia, provided conduits to the starving and malnourished in areas under Government control until early in 1987 when the Ethiopian Government made its deplorable decision to remove virtually all foreign aid agency personnel from Tigray and Ethiopian controlled Eritrea. Although the prohibition is apparently no longer strictly enforced, the predicament of the Western nations is that the Ethiopian Government may be so callous that it could, conceivably, oust aid workers entirely if they protest too loudly. This would mean that only those people on the Eritrean held side of the frontline or in rebel-held areas of Tigray would be able to receive assistance.

7.82 Despite the massive amounts of aid (more than \$11 million from Australia alone in 1987-88), the situation in Ethiopia/Eritrea is a clear instance of relief aid being an inadequate humanitarian response. In the final analysis, relief and development efforts cannot solve the problems created by continuing war and terror. Indeed, the political situation actually prevents many international organisations - such as UNHCR and the International Committee for the Red Cross - from operating in Eritrean 'rebel-held' territory. This means that thousands of displaced people - and Ethiopian prisoners of war - have to rely on other, more limited, forms of assistance. Together with other donors, Australia should increase its pressure on the Ethiopian Government and its allies to negotiate a political settlement, the terms of which would probably have to include recognition of the rights of Eritreans to self-determination.

7.83 In Indo China, as in the Horn of Africa, humanitarian aid can play only a limited role in the relief of human suffering. Resolution of conflict is the most difficult, yet most lasting solution to the refugee problem. It alone will lead to large scale voluntary repatriation, and set the scene for the resumption of western development assistance. In Indo China Australia should play an active role in encouraging the protagonists to achieve a political settlement.

Non Government Organisations

7.84 Since the Jackson Report, AIDAB and NGOs have worked together to improve the quality of NGO projects receiving government subsidies. The funding criteria have been revised, and their development focus sharpened. The establishment of evaluation panels, with membership from both AIDAB and NGOs, has provided a worthwhile forum for the discussion and vetting of proposals. The Committee is satisfied that NGOs are committed to improving the quality of their aid. However, the capacity of NGOs varies enormously, from the larger, development dedicated NGOs, to the small organisations which have traditionally included an element of foreign charity within a broader mandate. Those which are members of ACFOA can expect to benefit from its recently established Appraisal and Evaluation Unit, set up with assistance from AIDAB. More effort needs to be put into this area, especially steps which might help the smaller NGOs to lift their game.

7.85 If AIDAB and the NGOs are to learn from each other, the person to person links between AIDAB and the NGO community may need to be built up. Knowledge of each other tends to be limited to the particular points of frequent contact such as the joint Committee for Development Cooperation, AIDAB's NGO Section, and ACFOA, and may lead to underserved stereotyping on all sides.

7.86 AIDAB has recognised, in a small number of cases, the contribution to the quality of the Aid Program which NGOs could make. It is now time to make sure the principle is put into practice. The Committee is pleased to learn that AIDAB is continuing to explore ways in which it can improve its cooperation with NGOs. Work currently underway is reviewing the relationship, and will develop strategies for increased involvement.

7.87 AIDAB's Country Program Managers (CPMs) should be aware of the real capacities of various NGOs. The Committee understands that a tentative start has been made, and that one or two meetings have been held between a small group of CPMs and NGOs. Further strategies should be identified by AIDAB's own review.

7.88 One obvious opportunity for increased NGO involvement is in the South Pacific where the limited absorptive capacity of the public sector makes the small scale, village centred approach of NGOs particularly appropriate.

7.89 The Committee agrees with a suggestion made by the Overseas Service Bureau that NGO and AIDAB personnel should be encouraged to undertake staff development courses together. Staff interchange programs, if properly designed and monitored, could also be available. In recent years there has been a small number of interchanges of NGO and AIDAB staff, but the NGO community may have become wary of the process, their staff having demonstrated a tendency to stay on at AIDAB permanently.

7.90 NGOs have argued that, at around 2% of ODA, the funding they receive from the Government falls far short of the DAC average (about 5%). The Committee does not recommend a target percentage of ODA to be set aside for NGOs. There are many opportunities for NGOs to increase their participation in mainstream country programs; those which have the most to offer will be able to benefit considerably. For the smaller agencies, the current system of indicative planning figures and subsidies continues to provide security and support.

7.91 The demonstration of public support for NGOs receiving subsidies should continue to be an important factor in determining the level of funding for which an organisation is eligible. There are a number of ways to measure that kind of support, including the value of donations, subscriptions to



newsletters, and active membership. For those NGOs which respond to the challenge to become involved in the government's own Aid Program, the only criteria should be their capacity to contribute to Australia's development objectives effectively and efficiently.

7.92 NGOs, despite their (often predictable) criticism of the Aid Program, are one of the most solid aid 'constituencies'. They are also important in another way: they have the potential to connect the program with sections of the Australian community. Although it is true that AIDAB needs the NGOs as much as the NGOs need AIDAB, NGOs should remember that much of their present power lies in the authenticity of their links with the community. Increased influence could also be gained by a less ready resort to rhetoric, combined with more informed and sophisticated understanding of the Aid Program. NGOs are, of course, of many different varieties. Various organisations are motivated by mainly charitable, religious or strong political views. In some cases, all three strands coexist in a single NGO.

7.93 For its part, AIDAB should ensure that there are suitable opportunities for development professionals (AIDAB, NGO and others) to share views on subjects of significance. A gradual, and mutually beneficial, increase in the partnership with NGOs in the mainstream program would then be inevitable.

## CHAPTER VIII: EQUITY AND EFFECTIVENESS ISSUES

### Women in Development (WID)

8.1 There are some who believe that 'much of aid is sex neutral' (Evidence, p264), but others do not agree. If development is ultimately about improving the living standards of people, then the different roles of men and women, especially in developing countries must be taken into account. It is now widely acknowledged in development agencies and in developing countries themselves, that many of the failures of aid can be attributed to wrong (often Western) assumptions about what men and women actually do.

8.2 In many developing countries women are economically crucial as well as having responsibility for particular aspects of their family's welfare.

Women in developing countries account for a substantial part of agricultural production, not only to support themselves and their families but also in commercial farming. Women supply three-quarters of the agricultural labour in Africa and an estimated 40-50% in Asia; they also contribute in Latin America and the Middle East ((Dutch) Ministry of Foreign Affairs, 1987).

In many parts of Africa and the Pacific ... women are largely responsible for food production and often for food marketing. Yet until recently women's part in food production has been largely ignored in major development projects and programs (Jackson Report, p78).

8.3 The Australian Aid Program has not been immune to these biases. The National Women's Consultative Council provided a detailed case study of how it claimed one project had lowered the living standards of its beneficiaries, and described the ways in which the project had been especially damaging to women. In evidence before the Committee the NWCC stated that the Lower Uva

project in Sri Lanka was basically a land resettlement and irrigation program. Land certificates were only issued in men's names. This meant that women could own no land and thus had no collateral. 'Agricultural inputs were given to men, who received agricultural training and training in animal husbandry. Women did not.' The Council also made a number of other claims about the health facilities and lack of clean water. 'Although there is water for irrigation provided, women still walk half a mile to a mile a day in order to fetch water ...' (Evidence, p233). While AIDAB disputes some of the NWCC's specific allegations, it agrees that the project would have been more successful if farmers - including women - had been more involved in the planning, organisation and management of the project (Submission, pS1212).

8.4 In 1985 the Joint Committee on Foreign Affairs and Defence considered Jackson's recommendations on women in development, and noted AIDAB's attempts to improve its performance:

This Committee supports the views and recommendations expressed in the Jackson Report. More particularly, we strongly support the view expressed by the Office of the Status of Women to the effect that while retention of a small special women's program is merited, the emphasis should be on ensuring that aid planning and implementation does not overlook women's potential; that knowledge of women's issues should be widely disseminated throughout ADAB; and that aid managers take these issues into account when developing country and other aid programs: the Committee would further emphasise that this must be a continuing concern of aid managers (JCFAD(b), p45).

8.5 Since then, AIDAB has applied some personnel resources to WID, has run several training programs for its staff and has produced several reports assessing performance and proposing revised strategies. Even so, there is still much to be done. ACFOA asserted in evidence to the Committee that WID issues still arouse antagonism within AIDAB (Submission, pS807).

8.6 The Committee is aware that AIDAB has recently considered a study of the extent to which WID concerns have been integrated in country programs. The basic thrust of that study agreed with the criticisms made by others to the Committee. It found lack of commitment to the integration of WID policy in country programs; lack of knowledge necessary to integrate the policy effectively; and lack of human resources in AIDAB dedicated to the integration of WID policy.

8.7 AIDAB has endorsed the recommendations made in the study. There will be more intensive WID training and advice to staff. Special courses for senior executives and trainers have already been held. Real progress is made more likely by the recent formation of a three person WID team who will work full time with AIDAB staff for a year (Submission, pS19).

8.8 The Committee welcomes these steps. It encourages AIDAB to ensure that both country and global programs demonstrate marked improvements in this area. Improved performance on women in development issues will be one of the major indicators of AIDAB's effectiveness. The process of annual review of individual country programs provides an excellent opportunity to assess progress in reshaping programs to reflect this concern (for instance in the increased numbers of women participating in training courses, and in the consideration of women's roles in new aid activities). In addition much more information should become available as AIDAB steps up its evaluations of individual aid activities.

Environment

8.9 One major issue confronting development agencies all around the world is the impact of their activities on the environment. The Committee is of the firm view that environmental soundness should be a criterion given careful consideration during the appraisal and monitoring stages of aid activities. It notes that AIDAB has assigned its two environmental specialists the task of designing and introducing guidelines for the consideration of environmental matters. AIDAB attempts to identify, at an early stage, those projects which have the potential to directly modify or affect the environment, and to then ensure that environmental issues are considered in a systematic way at all stages in the life-cycle of the activity. Staff awareness of the issues is being promoted and detailed case studies are being undertaken.

8.10 This Committee has decided that it will not duplicate the more detailed review of the impact of development assistance (particularly that channeled through the MDBs) on the environment, currently being carried out by the Senate Standing Committee on Environment, Recreation and the Arts. However, the Committee welcomes AIDAB's initiatives and looks forward to the evidence of future evaluations and studies that its systems produce the desired results.

### Student Programs

8.11 The development of the human resources of every nation - developed or developing - is of immense importance. The repercussions of education are felt throughout the family, the community and the national economy. For instance, the International Centre for Diarrhoeal Disease Research argues that the single most important correlate of child survival in the Third World is not, as might be expected, the family's wealth or the availability of medical facilities, but the mother's educational level. The Jackson Committee spelled out the rationale for education on both growth and equity grounds:

Expenditure on education is not a luxury: it is a vital component of the development process because it is an investment in human resources ... Improvement in access to education for disadvantaged groups is one of the most important steps that a government can take towards improving equality of opportunity (Jackson Report, p87).

8.12 The recommendations made by the Jackson Committee on the issue of students, particularly its proposal to build an aid program compatible with the promotion of education as an export industry, was controversial. Indeed, another report, commissioned at around the same time by the (then) Department of Education, brought down quite different recommendations, and directly opposed the market orientation of the Jackson Committee. Known as the Goldring Report, it proposed marginal changes to the system. A task force set up to decide on the policies at issue backed off from the more radical implications of the Jackson proposal and followed, in general, the Goldring model.

8.13 Since then a number of significant decisions have been taken which have had dramatic ramifications for both the overseas student program and Australian aid.

The Hidden Subsidy

8.14 There was at least one point on which the Goldring and Jackson Committees were unanimous. Both argued that, by providing places at Australian educational institutions free of charge, the federal Government was making a significant contribution to the education of students from developing countries. Both Committees recommended that the contributions (estimated at more than \$70 million in 1984) be charged to the aid budget. Australia mounted a difficult, but eventually successful, case at the Development Assistance Committee of the OECD to have the hidden subsidy counted as Official Development Assistance. From 1984 the subsidy was included, boosting total aid expenditure and increasing the ODA:GNP ratio from 0.45% to over 0.50%.

8.15 The second major policy decision of relevance to the Aid Program was the announcement in 1985 by the (then) Minister for Education of changes to the tertiary level overseas student program. Consistent with the Goldring recommendations the Overseas Student Charge was increased. Course and institution quotas were added to quotas for particular countries.

8.16 As a result of these changes, the Aid Program currently contributes to the cost of educating students studying in Australia under a plethora of schemes and sub schemes.

AIDAB Administered Schemes

8.17 AIDAB currently administers the sponsored overseas student program which provides full scholarships covering educational costs, living and travel allowances. This program is an integral part of AIDAB's country programming, with development criteria - such as the priority disciplines for study - and equity considerations being agreed with the recipient government. Students have been encouraged to return to their own country and to practice their discipline and skills. As a result, they are ineligible to apply for immigration to Australia for two years.

8.18 The number of students from each country has been determined by AIDAB as part of its broader country strategies. In regional terms this works out at about 45% from South East Asia (but fewer than 1% from Malaysia), one third from the South Pacific (including PNG), and the balance from other regions, principally Africa.

8.19 The success rate of these students has been high, due in large part to the provision of welfare and counselling services throughout their stay. As well, applicants for the scheme have to meet English language proficiency and other criteria, all of which improve their chances of success.

8.20 Because of these criteria and services, the training program is administratively complex and requires a lot of staff time. Indeed, AIDAB's six State offices are almost entirely devoted to the placement, servicing and monitoring of sponsored overseas students. An important link with the broader community is provided by Councils for Overseas Students in capital and regional cities around Australia. These voluntary organisations provide valuable support. AIDAB should act to support and enhance their role: much can be learned from the key roles played by voluntary groups in the support of foreign students studying in the USA. (Indeed, the US model suggests that voluntary groups could undertake an even broader range of activities, including liaison with foreign visitors, travel arrangements and many of the roles currently performed by AIDAB.) In addition the student program creates considerable workload at posts, as well as coordination and policy work at AIDAB's head office.

8.21 As part of its concern to ensure that men and women share equally in the benefits of development, Australia informs recipient governments that women should be nominated for the scheme. However, there has been little progress in achieving the overall equity target, although some countries have responded more positively than others. The National Women's Consultative Council has put it to the Committee that a number of steps could



be taken to improve the balance, including the granting of visas to non-spouse child minders. The Council argues that parents cannot undertake full time study unless they have adequate child care: fathers can often rely on their wives continuing to perform the majority of child care, thus freeing the father to study; women cannot so readily assume that their husbands will relieve them of the same tasks. The Committee suspects that there may be substance to this analysis, and proposes that AIDAB investigate these and other possible impediments to the more equitable participation of women. We do, however, feel that it would be easier to provide access to local child care for these children.

Schemes Administered by the Department of Employment, Education and Training (DEET)

8.22 Schemes administered by DEET have come under the Private Overseas Student Program. These students need not be nominated by any government or authority, and, although some are recipients of a home government scholarship, they have essentially been self-selecting. Most private students choose their own courses, arrange their own placement and travel, and support themselves. At the expiry of their visa private students are free to apply for permanent residence status.

8.23 Since 1985, private students no longer received a free education, but were required to make a contribution. The Overseas Student Charge is currently set at 55% of the course cost. Even so, federal support continues to be significant, and is met by a transfer from the aid budget to DEET. In 1988-89 this subsidy will be more than \$80 million.

8.24 The OSC for some students has also been paid by AIDAB. Under this free place program AIDAB pays 100% of the enrolment for students from China, PNG, the South Pacific and some students from the Front Line States. It does not, however, pay living or travel allowances for any private students.

8.25 Because they represent a direct cost to the Commonwealth, and because they would otherwise compete directly with Australian students, the number of private overseas students from each country is governed by quotas set by the Ministers for Employment, Education and Training, and Foreign Affairs and Trade. AIDAB has taken an increasingly active role in providing advice in an effort to improve the development focus of these quotas.

8.26 In 1987-88 the intake quota (that is the number of new places) was 3,500. There are currently around 18,000 subsidised private students studying in Australia (see Table 8.1).

8.27 In 1985 the then Minister for Education, Senator Ryan, announced that institutions would be free to offer full fee courses for overseas students. This brought about a new, and growing, category of private student.

8.28 The number of full fee students is not limited by quotas. Education institutions set the price of the course based on the real cost of providing a place (including capital and other costs). Even so, the fee is often around the same cost of the Overseas Student Charge. This means that in some disciplines subsidised and full fee courses are in direct competition. It has become clear that, for many prospective students, full fee courses will be an increasingly attractive option. Indeed, there is some evidence that this is already the case: in 1987 and 1988 the quotas for subsidised places were not fully used.

8.29 At this stage there are around 10,000 full fee students, most of whom are enrolled in short, informal courses such as English language. The entry to the market of private universities, targetting overseas students and offering prestige courses such as Masters of Business Administration, is expected to further increase their number.

**Table 8.1: Developing Country Students on Subsidised Courses in Australia, by Country 1988-89**

	Estimated Student Numbers		Estimated Cost (\$m)	% of Total Cost
	Tertiary	Secondary		
Bangladesh	88	3	0.5	1
Brunei	32	40	0.2	-
Burma	48	-	0.3	-
China	622	48	3.3	4
Hong Kong	1 370	407	7.5	9
India	185	13	1.0	1
Indonesia	1 343	304	7.3	9
Korea	127	12	0.7	1
Malaysia	8 016	1 540	43.5	54
Pakistan	32	3	0.2	-
Philippines	108	33	0.6	1
Singapore	614	75	3.3	4
Sri Lanka	148	21	0.8	1
Taiwan	29	7	0.2	-
Thailand	272	43	1.5	2
Other Asia	23	-	0.1	-
Asia Total	13 056	2 549	70.8	88
Fiji/Tuvalu	834	316	4.6	6
Kiribati	7	-	0.0	-
Nauru	12	52	0.1	-
New Caledonia	8	2	0.0	-
Papua New Guinea	118	247	0.8	1
Solomon Islands	42	32	0.2	-
Tonga	108	15	0.6	1
Vanuatu	15	11	0.1	-
Western Samoa	53	9	0.3	-
Other South Pacific	9	-	0.0	-
South Pacific Total	1 206	684	6.9	9
Africa and				
Indian Ocean Total	335	14	1.8	2
Middle East Total	90	6	0.5	1
Americas Total	48	3	0.3	-
GRAND TOTAL	14 736	3 256	80.2	100

(1) This figure includes approximately 1000 AIDAB sponsored students on subsidised courses.

Source: Budget Related Paper No. 4, 1988-89

#### Problems with the Subsidy

8.30 AIDAB has long argued that the student subsidy program is poor aid:

The subsidy remains a comparatively ineffective use of aid funds in that it does not reflect development objectives (including equity objectives), nor allow for a focussed approach to program delivery in terms of students and courses (Submission, pS187).

AIDAB has not been alone. A number of submissions to the Committee have commented on the over-representation of students from a small number of countries:

Fifty four per cent of the cost is for Malaysian students, and ten per cent for Hong Kong does not relate to the stated priorities of aid expenditure ... a better balance is needed (Consult Australia, Submission, pS492).

8.31 Referring to Malaysia's ranking as one of the larger recipients, Community Aid Abroad said:

Such a situation is patently ridiculous and makes a mockery of the whole purpose and perception of a poverty based overseas aid program (Submission, pS601).

8.32 Legitimate development criteria have had little impact on this program: students from the Philippines make up only 1%, and the regional total for Africa and the Indian Ocean island states is no more than 2%. There have been many reasons for this skewing of the program. In 1984 the Joint Committee on Foreign Affairs and Defence reviewed Australia's relations with ASEAN, and commented:

The Committee understands that Malaysians who are ethnically Chinese do not gain the degree of access to limited Malaysian education facilities as do ethnic Malays; and that this is part of the Malaysian Government's general policy to increase political, economic and social opportunities for Malay people. Through its acceptance of ethnically Chinese students, Australia provides a facility without which communal tensions could become exacerbated (JCFAD(a), p232).

Equity and Merit Scholarship Scheme

8.33 In response to these and other problems, the Government announced a major change in policy which phases out existing Commonwealth higher education aid subsidies. Several hundred new Equity and Merit Scholarships will come on stream in 1990. By 1992 as many as 2000 scholarships should be taken up. The scheme, designed by AIDAB, is to be piloted in Thailand this year. Four year scholarships will be offered to equal numbers of men and women from farming families in the disadvantaged northeast region of Thailand. Students will undertake studies mainly at diploma level in Australia, mostly in applied agricultural disciplines relevant to the northeast region. Before coming to Australia students will attend intensive English language training courses in Bangkok.

8.34 The new scheme involves the allocation of quotas of scholarships to major recipient countries, and will take into account the impact of the abolition of the subsidy on particular nations. Equity criteria (such as ethnicity, geographical location, gender and poverty) will be established separately for each country. These equity criteria should take into account the effects of racial discrimination; where equity principles emphasise gender, account should be taken of cultural factors. As in the Thai pilot scheme, agents will be used to run the selection process. The merit scheme will use the same selection criteria regardless of country. A single agent could select and place scholars from all countries.

8.35 The Equity and Merit Scholarship scheme should significantly improve the developmental impact of education sector funds and will in any case, be perceived as being fairer by Australians. The Committee welcomes the scheme.

### Human Rights

8.36 It is unfortunately true that there is often a relationship between the extent of poverty in a nation and the extent to which the human rights of its citizens are abused. The governments of some nations allegedly regard even the notion of human rights as an expression of Western culture which is irrelevant to them; others treat rights as privileges to be bestowed or removed as the circumstances warrant.

8.37 Although few argue with the proposition that all humans have the right to shelter, food and education (the so-called economic and social rights) very many people are denied even these necessities. It is usually the political rights - such as freedom of speech and association, freedom from detention without fair trial and the freedom from torture - which are considered more controversial.

8.38 Clearly, development must address the economic and social rights of people. The provision of adequate food, water, shelter and education to the millions still denied them must be a primary goal of development efforts. But what is the role of aid in the promotion of political rights?

8.39 Human rights is an issue which goes right to the heart of development. When we talk about development we do not only mean the simple satisfaction of needs; nor can development be measured by calculating the average standard of living. We mean also that people are able to participate fully in - and benefit from - the development process. When there is significant abuse of human rights, the ability of people to be involved in development, and to gain from it, is similarly limited. That is why the human rights record of recipient governments is of critical relevance to the effectiveness of Australian development assistance.

8.40 Other policies and practices of recipient governments are already taken into account when designing aid programs. While Australian aid is not technically conditional there is always a process of negotiation and discussion with government authorities about the context within which aid will be delivered. For instance, when a water supply system for rural villages is being planned, the recipient government must decide whether or not it will charge villagers for access. AIDAB's willingness to proceed could be affected by the decision because it may be central to the financial and economic viability of the project and to its longer term sustainability. Similarly, AIDAB may propose that women who would normally be responsible for fetching water be involved in deciding the best places for taps and standpipes to be installed. These are all part and parcel of the responsibilities of development planners. In the final analysis, donors have the right not to give aid if they believe that the policies of the recipient are incompatible with effective aid.

8.41 The Committee believes that effective aid delivery also demands consideration of human rights issues. The role of the aid bureau is clear. It has to know the social, political and economic conditions in the recipient country, and it must take these factors into account when devising aid programs, and when advising the Minister. AIDAB's role should not be passive, waiting for the tide of public opinion to raise the issue of human rights abuse in a particular country. Where possible, aid should be designed, in tandem with broader diplomatic strategies, to encourage governments to improve their performance: development assistance is a carrot, but its withdrawal can be a stick. Aid can also be used to mitigate the effects of human rights abuse: aid might be able to target the victims of abuse, for instance through assistance to particular ethnic groups, and by using channels (such as indigenous NGOs) which do not require close government cooperation.

8.42 Occasionally, however, the abuse of human rights in a recipient country is so pervasive and endemic, and the government so recalcitrant, that development assistance cannot get around the problem. In such cases (what Canada's Winegard Report calls 'persistent, gross and systemic violations') bilateral aid can be withheld until human rights practice improves. This seems a simple and straightforward solution. Aid sanctions are used to punish governments which abuse the human rights of their people. It also places Australia on the moral high ground.

8.43 However, it is likely that the people who lose most are precisely those whose rights have been denied: the economically powerless and the politically powerless are often one and the same. If aid programs to provide safe drinking water, or to connect remote villages to town markets, are suspended, who wins? The short-term damage inflicted on such people by the suspension of aid can only be justified if there is a real prospect of improving the human rights practice of the offending government.

8.44 What factors are likely to cause aid sanctions to fail?

8.45 Australian aid is often relatively insignificant in terms of the total financial flows to developing countries. The punitive value of aid suspension in such cases is therefore questionable unless it is in conjunction with that of other countries; the act may be merely symbolic and only a minor irritant to the offending government.

8.46 Where Australian aid flows are more significant relative to the size of the local economy, the suspension of aid runs the very real risk of creating more heat than light. If other donors are willing to fill the void, Australia's longer term influence is jeopardised, and our short-term objectives fail.



8.47 In both scenarios the capacity of aid sanctions to achieve the desired results is frequently jeopardised by pressure to resume normal relations. The imperatives of self-interest can undermine even the most ardent commitment to human rights. The resumption of aid, before progress has been made, makes a mockery of the suspension, and reduces moral outrage to breast beating.

8.48 The dilemma then, is to find a way of recognising the nexus between human rights and development in a way which is capable of achieving results. The Government must consider the likely effect of a unilateral suspension and whether other donors can be persuaded to act in concert. In addition, the Government must take into account the probable strength of domestic and international forces favouring the resumption of aid.

8.49 However, in the final analysis, the overriding concern of the Australian Government must be to act in the way which is most likely to improve the lives of the victims of human rights abuse. While there are no absolute rights and wrongs in this vexed area, the ultimate welfare of the victims can be the only yardstick.

8.50 Broadly speaking, the Committee urges the Government to increased development aid where the observation of human rights is improving, and to reduce it to countries where the opposite is the case.

## Health

8.51 The then Chairman of the OECD's Development Assistance Committee commented in 1985 that 'perhaps the most revealing indication of a country's state of development is the proportion of all deaths each year that are accounted for by young children' (DAC, 1985, p229). The same report went on to note that progress in solving health problems is not necessarily directly associated with income levels. It cited Sri Lanka as an example of a low income country which has made major improvements in health status, and Brazil as a country with both a relatively high average income level and high infant mortality rate. This latter indicator appears to be inversely related to the extent of family planning and the mother's education.

8.52 AIDAB has recently embarked upon an important strategy to improve and increase its assistance in the health sector. In 1987, AIDAB undertook a study of developing country health needs and relevant Australian health expertise. The study found that:

Australia has an impressive and well-established base of Third World health experts, many of whom have received international recognition ... (however) the review of expertise noted a tendency for Australia's senior experts to advise and consult for influential multilateral organisations, and even for foreign governments, rather than AIDAB (Hull, 'The Health Sector in Australia's Aid Program', p3).

8.53 The strategy called for increased visibility of Australian expertise both at home and abroad. It identified a theme which matches regional needs and Australian expertise in a wide range of cost-effective preventive health activities. The theme - women and their children's health, or WATCH - is being used to help establish priorities and guidelines for recipient governments, and in the choice of multilateral programs.

8.54 Follow up studies were then undertaken in a range of individual countries to design programs which would match particular needs with Australian capacities. This approach incorporates Australian commercial interests within the context of a primary commitment to social and economic development.

8.55 In the 1988-89 budget the Government announced the implementation of the health strategy, comprising a range of projects in South East Asia and the South Pacific, as well as activities to be carried out by international organisations, such as child immunisation programs.

8.56 The method used provides a useful model. It is entirely compatible with country programming. It also provides a basis for more stable and predictable funding for selected multilateral programs.

### Population

8.57 High rates of population growth are linked to a complex network of factors. The Second World Population Conference, held in Mexico City in 1984, identified programs of socio-economic development as necessary for reduced fertility and mortality rates. These strategies include widely shared income growth, improvements in the status of women, improved nutrition, better primary health care, environmental sanitation and basic education. The Jackson Report argued that:

The most important contribution that aid can make to population planning is indirect. It is generally accepted that fertility levels are likely to fall if gains are made in education (particularly of women), if women's participation in the work-force rises, if health and nutrition are improved, and if the real incomes of the poor rise (Jackson Report, p61).

8.58 Direct assistance for family planning should not be overlooked. As the DAC Chairman pointed out, 'high levels of unwanted pregnancies remain prevalent, reflecting a substantial urgent demand for family planning services' (DAC, 1985, p231). This point was stressed by the Dutch:

Knowledge of family planning methods and services and their availability also affect the size of family preferred by women. The absence of such facilities until now has led many women to use less reliable methods ((Dutch) Ministry of Foreign Affairs, 1987).

8.59 Many Australian aid activities in individual countries could be expected to have the kind of indirect effects on population referred to by the Jackson Committee. There are also some instances of direct family planning programs, such as a large undertaking in Bangladesh, one of the most densely populated, and fastest growing populations, of the very poor countries.

8.60 The UN Population Fund (UNFPA) has been instrumental in encouraging countries around the world to develop population policies. Its argument is that population is only a resource if a country is able to develop that resource. Population policies should therefore aim to match social and economic factors (such as education and health) with desirable levels of population growth. There have been a number of notable successes (for instance, Mexico, Brazil and China). In the 1960s global population projections for the year 2000 were eight billion. Current calculations suggest six billion. Even so, growth rates in Africa, the Middle East, Central America and the Pacific still far outstrip government capacity to cope.

8.61 Traditionally, Australia has been a supporter of international organisations specialising in population planning, but these were particularly hard hit by the 1986-87 budget cuts. UNFPA is widely recognised as the leader in the field. It is, however, one of the UN's voluntary agencies, depending on contributions for 96% of its revenue. In 1982-83 Australian aid to the UNFPA was \$2.1 million. In 1986-87 this was slashed to \$0.2 million. (The figure is now \$0.7 million, still a dramatic reduction in real terms.) In 1986-87 the ANU Department of Demography received more from UNFPA for its work in Indonesia than Australia contributed to the Fund (Caldwell, Submission, pS126). The reduced support for UNFPA is particularly depressing as it seemed to be in line with the Reagan Administration's decision to stop its funding. The USSR's contribution in 1988 is very small, but is an improvement on their previous zero contribution. In their discussions with Dr Sadik, the Executive Director of UNFPA, members of the Committee sought assurances that UNFPA had not funded programs which involved coercive practices. Dr Sadik advised the Committee that a review conducted by United States Agency for International Development had found that UNFPA had not been involved in coercion.

8.62 In 1987 UNFPA had around 150 projects on the drawing board which it could not fund. The cost of implementing those activities is estimated to be \$US38 million.

8.63 Examples of programs from which UNFPA says it must pick and choose if funds remain tight are:

- . development of strategies to reduce the maternal mortality rate (of the half million women who die each year from causes related to pregnancy and childbirth, 99% are from developing countries);
- . implementation of policies designed to slow African population growth - at an average of 3% growth per year Africa's current 557 million can be expected to top a billion in twenty years, if steps are not taken now to reduce the growth rate.

8.64 The amount of money needed to get these and other crucial programs operating is not large. Australia should do all it can to assist. In the final analysis no development strategy can be successful in the face of rapidly escalating population.

8.65 The rather ad hoc approach to population issues generally, is not simply a product of a country focus superseding a sectoral focus. Aid planning and priorities should centre on individual countries; however, recipient governments tend to ask donors for what they perceive the donors to be good at. That means that donors have a high degree of flexibility - and responsibility - in identifying the sectors in which they wish to operate.

8.66 Australia has considerable expertise in population research and related fields. A study may well highlight similar untapped resources as did the health study. If that is the case, a strategy to link this capacity with developing country needs could be undertaken. Such a strategy would identify international organisations which play a vital role, as well as alerting

AIDAB's program managers to the opportunities for integrating family planning components in their country programs. AIDAB's country papers should include an assessment of recipient Government's family planning strategy. One important consideration would be that the country in question not pursue coercive family planning practices.

8.67 Because of the sensitivity of family planning issues, multilateral channels may frequently be the most effective. Organisations such as UNFPA, and the smaller International Union for the Scientific Study of Population, should be earmarked for a significantly enlarged annual (preferably rolling) contribution, perhaps targetted on particular activities.

8.68 Elsewhere in this report the Committee has urged that AIDAB define the reasons for supporting particular international organisations. Studies which identify areas of Australian comparative advantage are an important part of this process. By setting out what Australia is good at, and by identifying aspects of particular priority sectors in which multilateralism may have a specific and important role to play, the concept of complementarity between country and international programs can be fleshed out. A practical policy basis for both country and global programs would result.

## CHAPTER IX: BENEFITS TO AUSTRALIA

### Commercial Aspects of the Program

9.1 The central purpose of the Aid Program is to promote social and economic development; it is not primarily to benefit Australian business. However, as the objective of the program states, commercial interests do have a legitimate role to play. In recognition of that fact, AIDAB has put considerable effort into the task of improving the business community's awareness of the Aid Program. During 1987-88 about 400 people attended seminars in major cities, and more than 500 companies and industry associations received a quarterly newsletter alerting readers to opportunities and policy changes. AIDAB estimates that, apart from the budget support to Papua New Guinea, about 78% of its total aid expenditure is on goods and services sourced in Australia. That means that at least \$600 million of the billion dollar aid program will be spent in Australia this year.

9.2 Australian businesses and institutions are involved in virtually every aspect of country program implementation: they provide the majority of machinery and equipment used in aid activities; Australian experts and consultants design, manage and staff the more than 400 projects and other aid activities. Only Australian-owned consultancy firms are used in the program; payments to consultants totalled \$72 million in 1986-87.

9.3 Australian manufacturers and suppliers benefit from a 20% procurement preference. They also benefit from the opportunities which Australian membership of various international organisations (such as the multilateral development banks) entails. In 1988-89 primary producers will sell more than \$80 million worth of wheat and other food to the Aid Program, for use in developmental and emergency relief activities. Australian



food aid is not a method of disposing of surplus production: as there are no excess stockpiles of Australian food, food aid is purchased at prevailing market prices. The education, training and research sectors also benefit substantially (\$117 million in 1987-88) from the sale of their services to the Aid Program.

9.4 Various aid schemes used by country program managers include development import grants, joint ventures, co-financing, staffing assistance, international trade development programs and commodity assistance. For example, see Figure 9.1, an advertisement published in the Weekend Australian in December 1988, for supply of goods to be provided worth in excess of \$12 million, as part of Australian aid to the Frontline States. Figure 9.2, published in January 1989, lists consultancies available to Australian companies as part of the same package. Prior to the move to country programming, each of these forms of aid was administered without regard to the other kinds of assistance being given to a particular recipient. Indeed, there was no way of integrating these schemes within coherent development assistance strategies. Since 1984 each of the various kinds of aid has been reviewed, and become part of the menu of aid options available to country program managers. This means that the development context has become an important consideration in the choice of aid forms. Thus, while the benefits to the Australian businesses continue, the impact on developing countries should improve.

FIGURE 9.1



# MIMENCO

## INVITATION TO TENDER

### BOTSWANA

FOR THE MANUFACTURE, SUPPLY AND DELIVERY IN 15 AUSTRALIAN POUND EQUIPMENT FOR EXPORT TO BOTSWANA UNDER THE AUSTRALIAN EXPORT PROGRAM

#### ENQUIRY NO. 1917-61156 MECHANICAL ENGINEERING LABORATORY EQUIPMENT

ITEM	QTY.	DESCRIPTION
A	1	Machine Lubricator
B	1	Engine Oil Tank
C	1	Angle Diecast Complete with Stand
D	1	Quick Fit Complete with Manometer
E	1	Lamp Source
F	1	Hand Shovel
G	1	Pneumatic Compressor
H	1	Scrubber
I	1	Air Pump Test
J	1	Surface Roughness Meter
K	1	Chambering Tool
L	1	Machine Tapping Pad Apparatus
M	1	Pneumatic
N	1	Scale Related Item
O	1	Measuring Temperature Complete with
P	1	Measuring Temperature Complete with
Q	1	Measuring Temperature Complete with
R	1	Measuring Temperature Complete with
S	1	Measuring Temperature Complete with
T	1	Measuring Temperature Complete with
U	1	Measuring Temperature Complete with
V	1	Measuring Temperature Complete with
W	1	Measuring Temperature Complete with
X	1	Measuring Temperature Complete with
Y	1	Measuring Temperature Complete with
Z	1	Measuring Temperature Complete with

#### ENQUIRY NO. 1917-61157 ELECTRICAL ENGINEERING LABORATORY EQUIPMENT

ITEM	QTY.	DESCRIPTION
A	30	Dual beam oscilloscope
B	30	Dual beam oscilloscope
C	30	Dual beam oscilloscope
D	30	Dual beam oscilloscope
E	30	Dual beam oscilloscope
F	30	Dual beam oscilloscope
G	30	Dual beam oscilloscope
H	30	Dual beam oscilloscope
I	30	Dual beam oscilloscope
J	30	Dual beam oscilloscope
K	30	Dual beam oscilloscope
L	30	Dual beam oscilloscope
M	30	Dual beam oscilloscope
N	30	Dual beam oscilloscope
O	30	Dual beam oscilloscope
P	30	Dual beam oscilloscope
Q	30	Dual beam oscilloscope
R	30	Dual beam oscilloscope
S	30	Dual beam oscilloscope
T	30	Dual beam oscilloscope
U	30	Dual beam oscilloscope

#### ENQUIRY NO. 1917-61158 CIVIL ENGINEERING LABORATORY EQUIPMENT

ITEM	QTY.	DESCRIPTION
A	1	Fielding level
B	1	Fielding level
C	1	Fielding level
D	1	Fielding level
E	1	Fielding level
F	1	Fielding level
G	1	Fielding level
H	1	Fielding level
I	1	Fielding level
J	1	Fielding level
K	1	Fielding level
L	1	Fielding level
M	1	Fielding level
N	1	Fielding level
O	1	Fielding level
P	1	Fielding level
Q	1	Fielding level
R	1	Fielding level
S	1	Fielding level
T	1	Fielding level
U	1	Fielding level

#### ENQUIRY NO. 1917-61159 MACHINE TOOLS FOR TECHNICAL TRAINING EDUCATION

ITEM	QTY.	DESCRIPTION
A	2	Machine turning Centre Lathe
B	2	Machine turning Centre Lathe
C	2	Machine turning Centre Lathe
D	2	Machine turning Centre Lathe
E	2	Machine turning Centre Lathe
F	2	Machine turning Centre Lathe
G	2	Machine turning Centre Lathe
H	2	Machine turning Centre Lathe
I	2	Machine turning Centre Lathe
J	2	Machine turning Centre Lathe
K	2	Machine turning Centre Lathe
L	2	Machine turning Centre Lathe
M	2	Machine turning Centre Lathe
N	2	Machine turning Centre Lathe
O	2	Machine turning Centre Lathe
P	2	Machine turning Centre Lathe
Q	2	Machine turning Centre Lathe
R	2	Machine turning Centre Lathe
S	2	Machine turning Centre Lathe
T	2	Machine turning Centre Lathe
U	2	Machine turning Centre Lathe

#### ENQUIRY NO. 1917-61160 MULTIMEDIA WORKSHOP EQUIPMENT

ITEM	QTY.	DESCRIPTION
A	2	Machine turning Centre Lathe
B	2	Machine turning Centre Lathe
C	2	Machine turning Centre Lathe
D	2	Machine turning Centre Lathe
E	2	Machine turning Centre Lathe
F	2	Machine turning Centre Lathe
G	2	Machine turning Centre Lathe
H	2	Machine turning Centre Lathe
I	2	Machine turning Centre Lathe
J	2	Machine turning Centre Lathe
K	2	Machine turning Centre Lathe
L	2	Machine turning Centre Lathe
M	2	Machine turning Centre Lathe
N	2	Machine turning Centre Lathe
O	2	Machine turning Centre Lathe
P	2	Machine turning Centre Lathe
Q	2	Machine turning Centre Lathe
R	2	Machine turning Centre Lathe
S	2	Machine turning Centre Lathe
T	2	Machine turning Centre Lathe
U	2	Machine turning Centre Lathe

#### ENQUIRY NO. 1917-61161 MICRO TEACHING CLASS CIRCUITRY TEACHING

ITEM	QTY.	DESCRIPTION
A	1	Micro Teaching Class Circuitry Teaching
B	1	Micro Teaching Class Circuitry Teaching
C	1	Micro Teaching Class Circuitry Teaching
D	1	Micro Teaching Class Circuitry Teaching
E	1	Micro Teaching Class Circuitry Teaching
F	1	Micro Teaching Class Circuitry Teaching
G	1	Micro Teaching Class Circuitry Teaching
H	1	Micro Teaching Class Circuitry Teaching
I	1	Micro Teaching Class Circuitry Teaching
J	1	Micro Teaching Class Circuitry Teaching
K	1	Micro Teaching Class Circuitry Teaching
L	1	Micro Teaching Class Circuitry Teaching
M	1	Micro Teaching Class Circuitry Teaching
N	1	Micro Teaching Class Circuitry Teaching
O	1	Micro Teaching Class Circuitry Teaching
P	1	Micro Teaching Class Circuitry Teaching
Q	1	Micro Teaching Class Circuitry Teaching
R	1	Micro Teaching Class Circuitry Teaching
S	1	Micro Teaching Class Circuitry Teaching
T	1	Micro Teaching Class Circuitry Teaching
U	1	Micro Teaching Class Circuitry Teaching

FIGURE 9.1 (CONTINUED)

### TANZANIA

FOR THE MANUFACTURE, SUPPLY AND DELIVERY OF THE FOLLOWING EQUIPMENT FOR EXPORT TO TANZANIA UNDER THE ACT 1971 NO. 14 OF 1971

**ENQUIRY NO. 1917-61201**  
**FORKLIFT TRUCKS**

A 16 3.5 Tonne Trucks for ISO Containers Handling  
B 10 3.0 Tonne for General Purpose  
Stacking

**ENQUIRY NO. 1917-61202**  
**MOBILE CRANE**

A 9 10 Tonne Hydraulic Mobile Crane

**ENQUIRY NO. 1917-61203**  
**TRACTORS**

A 12 Industrial Tractor and Shoring Driveline Tractor 60HP

**ENQUIRY NO. 1917-61204**  
**TRAILER**

A 12 25 Tonne 10 Platform Driveline Trailer  
B 12 40 Tonne 60 Platform Driveline Trailer

Tractors shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act.

**ZIMBABWE**

FOR THE MANUFACTURE, SUPPLY AND DELIVERY OF THE FOLLOWING EQUIPMENT FOR EXPORT TO ZIMBABWE UNDER THE ACT 1971 NO. 14 OF 1971

**ENQUIRY NO. 1917-61108**  
**ALUMINIUM INGOT**

A 220 114g Aluminium Ingot

**ENQUIRY NO. 1917-61116**  
**LDPE**

A 350 LDPE - Amorphous 90G33 (or equivalent) Tonnage

**ENQUIRY NO. 1917-61123**  
**ROCK DRILLS**

A 192 Various Chisel Bits, Drill Bits and Rock Drills

**ENQUIRY NO. 1917-61128**  
**STEEL PLATE**

A 500 Steel Plate 85 x 149 x 10mm 1108  
B 500 Steel Plate 85 x 149 x 10mm 1108  
C 500 Steel Plate 85 x 149 x 10mm 1108

**ENQUIRY NO. 1917-61129**  
**BEARINGS**

A 24000 Miscellaneous Bearings and Hardware  
B 7000 Miscellaneous Bearings and Hardware

**ENQUIRY NO. 1917-61135**  
**WELDING MACHINES**

A 17 175 amp Power  
B 15 175 amp Power  
C 5 225 AC DC Power  
D 5 225 AC DC Power  
E 10 100 amp Power  
F 4 100 amp Power

**ENQUIRY NO. 1917-61137**  
**VALVES**

A 3600 Gate Valves - Ball Valve 100mm 100mm  
B 3000 Gate Valves - Ball Valve 100mm 100mm  
C 700 Gate Valves - Ball Valve 100mm 100mm

Tractors shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act.

### KINGDOM OF LESOTHO

FOR THE MANUFACTURE, SUPPLY AND DELIVERY OF THE FOLLOWING EQUIPMENT FOR EXPORT TO LESOTHO UNDER THE ACT 1971 NO. 14 OF 1971

**ENQUIRY NO. 1917-61401**  
**ROAD TEST LABORATORY EQUIPMENT**

**ITEM QTY DESCRIPTION**

A 2 Manure Scoop  
B 4 Fan Controlled Oven  
C 1 Potting Machine  
D 1 Machine Sew  
E 1 Potable Generator  
F 1 Compressor Test Machine  
G 2 Hydraulic Pressure Gauge  
H 2 100 amp and 200 amp  
I 1 Safety Machine Tester  
J 1 Safety Machine Tester  
K 1 Lathe and Accessories  
L 1 Hydraulic Test Machine  
M 1 Absorber for Machine of Fresh Concrete  
N 1 Air Test Machine  
O 4 Concrete Air Machine  
P 1 Concrete Core Drill  
Q 2 1100mm Compressor Machine  
R 1 Asphalt Content Gauge  
S 1 Signal Transmitter and Receiver  
T 1 Set of Potting Test Equipment  
U 1 Mobile Drawing Set  
V 1 Penetration Tester  
W 1 Heavy Duty Inspection Vane Tester  
X 1 Set of Plate Bearing Test Equipment

**ENQUIRY NO. 1917-61402**  
**TRACTOR**

A 5 Tractor 45HP 4x4

**ENQUIRY NO. 1917-61403**  
**TRAY TRUCK**

A 4 Tray Truck 4 Tonne Driveline 2WD  
B 2 Tray Truck 4 Tonne 2WD

**ENQUIRY NO. 1917-61405**  
**ROAD ROLLER**

A 8 Road Roller 8000kg or equivalent

**ENQUIRY NO. 1917-61406**  
**CARAVAN**

A 6 Caravan 12 Bed

**ENQUIRY NO. 1917-61407**  
**HYDRAULIC JACKHAMMER**

A 5 Hydraulic Jackhammer 100mm

**ENQUIRY NO. 1917-61408**  
**WATER BOWSER**

A 8 Water Bowser 10000 litre Single Axle

**ENQUIRY NO. 1917-61409**  
**TIPPER TRUCK**

A 8 8 Tonne Truck 4 Tonne 4x4

**ENQUIRY NO. 1917-61410**  
**AIR COMPRESSOR**

A 4 Air Compressor 7.5HP Set

**ENQUIRY NO. 1917-61411**  
**TRAILER**

A 10 10 Tonne 6 Tonne 4x4

Tractors shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act. Trailers shall comply with full set of requirements under the 1971 act.

FIGURE 9.2

## OVERSEAS OPPORTUNITIES

### LESOTHO

Lesotho is a landlocked independent country surrounded by the Republic of South Africa. Described as the 'Kingdom in the Sky' it is a land of mountains which enjoys temperate climate with well marked seasons and frequent snowfalls in winter.

#### Agricultural Economist (Policy Analyst)

This position is located in the Ministry of Agriculture in Maseru and will be required to assist the Planning and Project Formulation Section with the preparation of medium and long term plans. Develop and analyse new policies and evaluate performance under existing policies. The successful applicant will have an appropriate Degree preferably with postgraduate qualifications and at least five years experience.

#### Senior Agricultural Marketing Officer

This position is also within the Ministry of Agriculture in Maseru and will be responsible for the extension, training and market development work of the Department of Economics and Marketing. The successful applicant will have an appropriate Degree preferably with postgraduate qualifications and at least five years experience in agricultural training, commerce or business.

#### Senior Conservation Officer

This position is located in the Ministry of Agriculture, Maseru and will be responsible for preparing and applying Soil and Water Conservation plans on cropland (irrigated and dryland), range land, forest land and recreational areas. The successful applicant will have an appropriate Degree preferably with postgraduate qualifications and at least five years experience in agriculture and conservation.

#### Senior Soil Scientist

This position is located in the Ministry of Agriculture in Maseru and will be involved in mapping, classification and description of soils throughout the country. The successful applicant will hold an appropriate Degree, postgraduate qualifications and at least five years experience.

#### Group Engineer

This position is located in the Labour Construction Unit, Ministry of Works, in Leribe and will be responsible for the supervision of a roads construction group comprising over 200 workers. The successful applicant will hold an appropriate Degree, professional membership and have at least five years experience.

The following positions are based in Roma at the National University of Lesotho.

#### Senior lecturers (3 positions)

1. **PHYSICS (ELECTRONICS)** preferably a Ph.D. in electronics with lecturing experience at the undergraduate level in digital electronics, microprocessors and other courses in physics.

2. **BIOLOGY (PLANT PHYSIOLOGY/TAXONOMY)** preferably a Ph.D. with lecturing experience at the undergraduate level in these fields as well as generally in the fields of Biology, Botany, Zoology.

3. **COMPUTER SCIENCE** preferably a Ph.D. or other postgraduate qualifications in Computer science with lecturing experience at the undergraduate level particularly in graphics, operating systems and computing techniques.

#### Chief Technical Officer

This position is located in the Physics Department and will be required to assist in laboratory practical sessions, maintain repair and order equipment, supervise and train junior technical staff in laboratory techniques. Appropriate degree and graduate diploma preferred.

### MALAWI

The republic of Malawi is a Commonwealth Country in eastern central Africa renowned for the beauty of its immense inland sea.

#### Architect

This position is located in the Ministry of Works and Supplies, in either Lilongwe or Blantyre, and will be responsible for the design and construction supervision of a variety of public buildings and houses. The successful applicant will hold an appropriate Degree, professional membership and have at least five years experience.

#### Quantity Surveyor

This position is located in the Buildings Department, Ministry of Works and Supplies in Lilongwe and will be responsible for preparation of bills of quantities, cost administration of contracts, estimating and related duties. The successful applicant will hold an appropriate Degree, professional membership and/or registration and have at least five years experience.

#### Senior Research Officer (Education)

This position is located in the Planning Division of the Ministry of Education in Lilongwe and will be responsible for co-ordinating and undertaking empirical research on various aspects of education including evaluation studies arising from loan commitments. Degree in mathematics or economics with postgraduate qualifications and experience in Education preferred.

#### Medical Officer (Public Health)

This position belongs to the Ministry of Health but will be located in and responsible to the Program Manager of the Malawi Lowland Agricultural Development Division (ALDD) for the planning, co-ordination, implementation, supervision, monitoring and evaluation of the health and biharvest control components of the ALDD. The successful applicant will be a qualified and registered Medical Practitioner preferably with postgraduate qualifications in Tropical Medicine.

#### District Health Officer

This position is in the Ministry of Health and will be located in either Blantyre or Lilongwe. Responsibilities will involve co-ordination of all preventive health services in the district including those based on institutions. The successful applicant will be qualified and registered Medical Practitioner with postgraduate qualifications or experience in public health.

#### Physiotherapist

This position is in the Ministry of Health and will be located in the Kamuzu Central Hospital in Lilongwe. Duties will involve delivery of physiotherapy to patients with movement dysfunction and where necessary recommend other programs of rehabilitation. The successful applicant will be a qualified and registered Physiotherapist preferably with at least three years experience.

#### Agronomist (Macadamia Nut Industry)

This position will be located within the Ministry of Agriculture's Blantyre Research Station in Blantyre and will take over and ensure continuity of macadamia research. The successful applicant will have postgraduate qualifications in Horticulture, crop physiology or related subjects and at least 5 years experience in applied research in macadamia, other tree nuts or tropical tree crops.

**FIGURE 9.2 (CONTINUED)****SWAZILAND**

Swaziland, called the 'Switzerland of Africa', is a country of tradition and beauty. A small landlocked kingdom, it is bordered on three sides by the Republic of South Africa and by Mozambique on its eastern side.

**Architect**

This position is located in the Buildings Branch of the Ministry of Works and Communications in Mbabane, and will be responsible for the design, documentation and construction supervision of building projects. The successful applicant will hold an appropriate Degree, professional membership and have at least five years experience.

**Surveyor**

This position is located in the Surveyor-General's Office, Ministry of Natural Resources, Land Utilization and Energy in Mbabane, and will be required to assist with the maintenance and densification of the national survey framework, cadastral surveys for land title and or photo control surveys for new and revised mapping. The successful applicant will hold an appropriate Degree, professional membership and or registration and have at least five years experience. Knowledge of computerised land information systems would be an advantage.

**Engineer (Water Resources)**

This position is located in the Water Resources Branch, Ministry of Natural Resources, in Mbabane, and will be responsible for the operation and maintenance of major storage dams, water resource and dam development studies, as well as assisting in the control of all aspects of territorial water use. The successful applicant will have an appropriate Degree, professional membership and have at least five years experience with specialisation in water resources development and engineering hydrology.

**Inspector of Mines**

This position is located in the Ministry of Natural Resources in Mbabane, and will be responsible to the Commissioner of Mines for all matters pertaining to administration, mining legislation, and all aspects of the mining industry as a whole throughout the country. The successful applicant will have an appropriate Degree, professional membership and at least five years experience in the mining industry.

**Geologist**

This position is located in the Ministry of Natural Resources, Land Utilization and Energy in Mbabane and will undertake the detailed investigation and exploration of economic minerals with a view to advising interested parties on their mineability. The successful applicant will hold an appropriate Degree, postgraduate qualifications, and have at least five years experience.

**Lecturer (Accounting and Computer Science)**

This position is located at the Swaziland Institute of Management and Public Administration (SIMPA) in Mbabane and will be responsible for research, development of training policies, consultancy and formal short course training of public servants in the above fields. Appropriate degree and postgraduate qualifications plus relevant experience preferred.

**Medical Officer (Public Health)**

This position is in the Ministry of Health in Mbabane and will be required to oversee the planning, organising, implementation and evaluation of public health services and programs in nutrition, communicable diseases, family planning, school health and immunisation. The successful applicant will be a qualified and registered Medical Practitioner with postgraduate qualifications or experience in public health.

**Resident Medical Officer**

This position is also in the Ministry of Health and may be located in any one of the four regions in the country and will be required to undertake the medical care of inpatients and outpatients in hospitals and or health centres. The successful applicant will be a qualified and registered Medical Practitioner.

The above positions are available to Australian citizens only or in special cases, persons having permanent resident status in Australia. Contracts are for two (2) years initially, return airfares are paid plus appropriate allowances.

An attractive remuneration package will be offered consisting of a local salary supplemented to Australian levels using funds provided by the Australian Government under the Staffing Assistance Scheme.

Applications in duplicate with two (2) passport size photographs will be handled in strict confidence and should be forwarded to reach Mr Ziv Gavrilovich, Indexa Pty Ltd, PO Box 192, Belconnen ACT 2616, no later than Friday 3 February, 1989.

9.5 The Department of Technology, Industry and Commerce has called for the return to management by firms of aid, as a way of ensuring that benefits to industry are protected (Submission, pS1028). Such a decision would turn the clock back about five years to the old fixation with inputs rather than development outcomes. It would make the attainment of the objectives of the Aid Program virtually impossible. The Committee rejects the suggestion.

9.6 Even so, the commercial aspects of the program continue to be its most controversial. As discussed in Chapter III (The Objectives of the Aid Program) the Committee has no quibbles with the balanced pursuit of Australian trade objectives, as long as they are compatible with the overriding concern with effective development assistance.

9.7 The lobby to increase the trade role of the program - even at the cost of less effective development assistance - is a very strong one. As a result AIDAB must put more work into developing its policy and data base on the trade functions of the Aid Program.

9.8 A number of submissions have drawn attention to the different techniques used to measure the commercial benefits to Australia. At present AIDAB uses the concept of sourced in Australia. Others, principally the Department of Industry and Technology, have called for AIDAB to use Australian content as the measure. However, the Committee suspects that the identification of the purely Australian content of all aid components would be a labour intensive exercise.

9.9 AIDAB has stated that 'Australian content is but one indicator of the effectiveness of the aid program in promoting Australia's commercial interests and does not provide an assessment of the overall net economic benefit to Australia for

the aid program' (Submission, pS1205). The Committee notes that the onus is now clearly on AIDAB to identify what other indicators of the program's effectiveness should be used - and to spell out how well it performs against them.

9.10 Many of the benefits of aid for trade are still simply asserted; there is very little evidence provided. Basic information - which may already be collected - should be made freely available - for instance, on the number and value of consultancies engaged, and in what sectors. Survey information could provide interesting detail on additional follow-on contracts let for the sale of goods and services. An excellent start has been made in the Thai country program, where an effort has been made to define the trade spin-offs derived from a number of large aid activities (see Table 9.1). Further work of this nature is required to demonstrate AIDAB's assertion that Australian businesses already benefit from the Aid Program.

**TABLE 9.1: THE TRADE IMPACT OF AID**

This list of contracts won by Australian companies to supply equipment, materials and installation services to the Mae Moh mine and power station complex in Thailand is incomplete - various other contracts were being negotiated or evaluated at the time of compilation. These contracts are in addition to direct procurement to implement the project.

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**EGLO Engineering Pty Ltd Victoria**

Turnkey conveying and spreading system, consisting of five conveyors of total length about 5.7km - \$8.4 million

**P&H Australia**

One 10 000 tonnes per hour spreader system - \$17 million

**Goodyear Australia**

Conveyor belt - \$2.5 million

**Prok International**

Conveyor idlers - \$953 000  
Pulleys - \$383 000

**Precismeca Australia**

Conveyor idlers - \$63 000

**PC Perfection Engineering**

Winches - \$171 000  
Drive bases; track shifting leads - \$214 000

**Fox Manufacturing**  
Pulleys - \$105 000

**Sam Technology**  
Bogies, pinions and sprockets - \$87 000

**VSL Engineering**  
VSL loadbars - \$12 200

**Malco Industries**  
Central lubrication system - \$18 000

**Siemens Australia**  
HV cubicles - \$115 000  
HV transformers - \$114 000

**Banlan Hydraulics, Newcastle**  
Fast fuel system for Terex trucks - \$64 000  
Spare parts for system - \$23 000

**Roberts Insulation**  
Cladding for power units - \$4.3 million

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Source : 'Energy for Development: The Thailand - Australia  
Lignite Mines Development Project', AIDAB Evaluation Series No 1,  
Canberra, 1988

9.11 This information should be complemented by increased evaluation work on the development effectiveness of AIDAB's activities. In the final analysis, the best guarantee of the proper balance in the Aid Program between development and self-interest will be if AIDAB can lay claim to being a development agency of excellence.

#### Development Import Finance Facility (DIFF)

9.12 The Development Import Finance Facility is Australia's mixed credit scheme. DIFF provides Australian business the opportunity to supply developmentally important goods and services to Third World Countries. Mixed credits combine grant aid funds with commercial export credits (from the Export Finance Insurance Group of AUSTRADE, known as EFIC) to provide soft finance. The result is a highly concessional finance package for developing countries.



9.13 Since publication of the Jackson Report, the criteria for DIFF allocations have been revised. Although not administered as part of individual country programs, strict development criteria, including the priority accorded to the sector by the recipient government, have now been introduced. Clearly, such considerations are an essential requirement for development assistance.

9.14 At \$40 million, DIFF is now around 4% of aid expenditure. The Government has announced its intention to reach a target of 5% of ODA to DIFF by 1989-90. DIFF has become an important mechanism for Australian companies to compete in numbers of developing countries where the markets have been 'spoiled' by aid supported competition. Recent changes in the facility have made Australian offers highly competitive.

9.15 However, there are several points to be made. Firstly, the international community has expressed its concerns over mixed credit schemes, and the way in which they inevitably distort aid priorities. Secondly, despite the already significant slice of ODA set aside for DIFF, only a relatively small number of Australian companies can benefit (see Table 9.2). Thirdly, even this small number could be dramatically reduced by a single 'mega-DIFF' proposal, any one of which could consume amounts of the order of \$100 million.

9.16 The decision to remove the ceiling for individual DIFF applications contains real dangers for the Aid Program because there is no guarantee that the Government will supplement the DIFF allocation with additional funds. The Government has announced that, 'where applications for DIFF are so large that they cannot be accommodated within existing arrangements, it will consider extra support on a case-by-case basis' (Budget Related Paper, No 4, 1988-89, p25). If the Government is prepared to fund DIFF proposals beyond the limit of the annually appropriated amount, it should also be prepared to find those additional funds from outside the aid budget. Mega-DIFF proposals would otherwise create massive strains and distortions in other, programmed, high priority development assistance activities.

**TABLE 9.2: CONTRACTS WON WITH DIFF SUPPORT 1983-88**

DATE	COMPANY	PROJECT	E.C.V. (\$M)	DIFF (%)	DIFF VALUE (\$M)
<u>Botswana</u>					
1988	Acme International	Francistown Abattoir - Plate freezer	2.04	50	1.0
<u>China</u>					
1984	BHP	Shung Chang Cement	48.39	24	11.6
1987	Austral Insulation	Silkworm Storage Liaoning	1.4	30	.42
<u>Ethiopia</u>					
1985	Connor Shea	Ploughs	0.16	25	0.04
<u>India</u>					
	Vickers Keogh	Drilling Rigs for MECL	0.46	15	0.11
<u>Indonesia</u>					
-	Australian Overseas Projects Corporation Vocational and Technical Training Corporation	Equipment for Vocational Centres	4.71	26	1.22
1985	Pandrol	Railway Track Fasteners	6.3	25	1.57
	Transfield	Steel Bridges	55.04	25	13.76
1986	Vocational and Technical Training Corporation	Equipment for Eastern Universities	36.1	35	12.64
1986	Bulk Materials	Ombilin Coal Washery	3.6	25	1.11

DATE	COMPANY	PROJECT	E.C.V. (\$M)	DIFF (%)	DIFF VALUE (\$M)
1986	Transfield	2nd Steel Bridges	143.0	30	42.9
1987	Prok Holdings	Teluk Bayur Coal Handling Facility	5.33	30	1.6
<u>Malaysia</u>					
1983	Snowy Mountains Engineering Corporation	Batang Ai Hydro	8.9	20	1.78
<u>Solomon Islands</u>					
	Australian Shipbuilding Industries	Fishing Vessels	25.6	25	6.4
TOTAL			341.02		96.17

Source: AIDAB

#### Commercial Aspects of Multilateral Organisations

9.17 Australia's commercial benefits from the international organisations (the UN, multilateral development banks and others) have not received adequate attention. Australian companies participate in the work of the multilaterals in a variety of ways. For some, as with the multilateral development banks, Australians are eligible to compete for contracts by virtue of Australia's membership of the institution. For other organisations there are no such barriers.

9.18 AIDAB has made a useful start in trying to increase the involvement of Australian consultants in the work of the World Bank: during 1988 it set up a small Consultants Trust Fund.

The Fund is designed to help to increase Australia's procurement returns from the Bank in two ways: it will create an incentive to use Australian goods and services, and it will increase the Bank's knowledge of Australian capacity (Budget Related Paper, No 8.8, 1988, p124)

9.19 Financial flows through the International Financial Institutions are large: the World Bank commits \$US17 billion annually; the ADB \$US2 billion; and IFAD \$US113 million.

9.20 Australia does not rank highly as a donor to the MDBs: in 1988-89 \$A101.5m will be provided. The most recent figures suggest that the Australian private sector got back more than a dollar for every aid dollar channelled through the MDBs (126% IBRD/IDA; 108% ADB/ADF).

9.21 However, Australia's procurement record in respect of multilateral assistance continues to be disappointing. Austrade has advised that, for 1986-87 Australian equity in the World Bank was 1.8%, but that disbursements to Australian companies amounted to only \$72m or 0.8% of the total. The figures for the ADB are no better: 5.6% equity, compared to \$30m disbursement (1.4%). These statistics may be distorted to some extent by annual fluctuations (such as progressive multi year payments to a contractor over the life of a project). The ten year picture (1978-1987) for the ADB suggests that this is not the case: during that period Australian companies bid on only 397 (1.01%) of the 39,140 contracts available through the Asian Development Bank. Of these, 70% of the bids were successful.

9.22 In US dollar terms, the successful bids accounted for only 0.85% of the ADB's procurement of goods and services. This compares with the dramatic success of Japanese companies: they bid on 5,114 contracts (13.1% of the total) and won 71.3% of their bids. This amounted to 18.5% of the ADB's procurement. South Korea won about 15% of procurement; the United Kingdom, United States of America, Federal Republic of Germany and Switzerland all achieved significantly better results than Australia. Austrade has pointed to steps it is taking to improve the situation:

There is scope to obtain increased procurement from multilateral agencies and AUSTRADE is expanding its resources in its Finance Insurance and Projects Group towards this end. One important reason for Australia's poor performance has been a general lack of understanding by Australian firms of the necessary procedures and practices in winning contracts for international projects. In an effort to address this problem, AUSTRADE has arranged for senior executives from the World Bank and the Asian Development Bank to visit Australia for a series of seminars in each capital city to help educate Australian suppliers on how to deal with multilateral agencies (Submission, pS947).

9.23 Evidence has been put before the Committee that nations which do well from MDB procurement (notably Japan at the ADB) take an active approach, unlike the low key Australian attitude. Perhaps because Treasury, DFAT, AUSTRADE and AIDAB all have some interest in some aspect of the relationship, no concerted, coherent Australian strategy has emerged. AUSTRADE has officers on the ground in Manila and Washington whose brief is to monitor procurement practice at the MDBs. This is a good start, but our relatively poor procurement performance suggests that it is not enough.

9.24 The Committee agrees with AUSTRADE's conclusion:

While AUSTRADE supports the maintenance of Australia's replenishment for the World Bank and the Asian Development Bank, we do not consider that multilateral funding should receive particular priority, given Australia's disappointing performance in securing procurement contracts from multilateral agencies (Submission, pS947).

9.25 Procurement through the MDBs and other international organisations is one of the few areas of ODA expenditure which offers considerable untapped commercial potential. It is time that Australian government departments made a concerted effort to develop a strategy: AUSTRADE and AIDAB should take the lead. There is some evidence that the Australian Government does not encourage tendering by Australian companies to the same extent as other countries, particularly Japan. Austrade should look closely at greater assistance to companies tendering for contracts.

9.26        However, multilateral organisations will be chosen - or not - on broader criteria than their commercial benefits to Australia. Development and humanitarian considerations may continue to demand that funds are channelled through UN, multilateral development banks and other organisations.

Foreign Affairs Aspects

9.27 Unlike the commercial effects of aid, the benefits to Australia's foreign relations and strategic interests are not quantifiable. The Committee was pleased to note, however, that AIDAB has made an attempt to assess - even in very general terms - some of the ways in which aid supports broader diplomatic strategies.

9.28 In its Explanatory Notes 1988-89, provided to the Senate Estimates Committee, AIDAB identified a number of foreign policy interests.

The continuing focus on the developing nations of our own region was an expression of Australia's more general commitment in foreign policy terms to its developing neighbours. Australia was again the largest donor in Papua New Guinea and the Pacific, and directed a significant proportion (about 19% in 1987-88) of country programs assistance to the nations of South East Asia (Explanatory Notes 1988-89, p114).

9.29 AIDAB cited the capacity of aid to underscore Australia's stance on a number of foreign policy issues. A specific example is increased development assistance to the nations of Southern Africa.

9.30 AIDAB also identified the special roles which aid through international organisations can play:

Australia's reputation as a compassionate nation, and our international bona fides were enhanced by increased allocations to, for example, the UN Relief and Works Agency (which has a special charter to assist in meeting the relief needs of Palestinians) and by other emergency relief (such as for famine and war victims in Ethiopia and Mozambique). A number of policy concerns were most appropriately addressed through international programs. For example, Australia supported a number of the specialist agencies of the UN system, such as the UN Fund for Drug Abuse Control and the UN Development Fund for Women (Explanatory Notes 1988-89, p124).

9.31 As discussed in Chapter III, the Department of Foreign Affairs and Trade regards development assistance as an extremely important means of advancing Australia's foreign policy and trade interests (Evidence, p155).

9.32 Australia's own region poses many challenges for development assistance. It is clearly the case that there can be a high degree of complementarity in foreign affairs and humanitarian motivations. For this reason the regional focus of Australian aid must be maintained.

9.33 Active participation in the policy formulation and programs of international organisations permits Australia to widen its horizons and to be a full member of the world's community.

9.34 Aid is a blunt instrument for achieving specific foreign policy objectives. What aid can do is set the context for broader cooperation. The Committee believes that the best guarantee for the appropriate matching of development and foreign policy priorities depends on the extent of effective coordination between various arms of the portfolio and on the shared commitment to the pursuit of aid objectives.



SECTION 4

CONCLUSIONS AND RECOMMENDATIONS

# **CHAPTER X : CONCLUSIONS AND RECOMMENDATIONS**

10.1 Since the last review of Australia's Aid Program by this Committee in 1985 a paradox has emerged: despite the calling into question of Australia's commitment to aid prompted by the unprecedented fall in the level of ODA, there has been a steadfast resolve to improve the administration and effectiveness of Australian aid.

10.2 As a result of the cuts to its Aid Program, Australia's reputation has suffered, both in the developing world, and amongst the donor community. Increases in aid are needed to permit expansion of the program in ways which express Australian humanitarian concerns and meet our own needs.

10.3 Nevertheless, AIDAB has undergone a real transformation. It is now well on the way to becoming an efficient organisation, capable of achieving the objectives of the Aid Program. If the process is to be completed, however, AIDAB must be permitted adequate resources. Any decision to cut corners now could put much at risk.

10.4 As this report argues, a number of other challenges lie ahead. A summary of the Committee's major conclusions and recommendations follows.

## **Aid Objective**

10.5 The Government's aid objective has broad support. The humanitarian motive must be paramount: aid should be given to promote development. Development effectiveness can be compatible with the pursuit of Australian self-interest. AIDAB must take care to ensure that foreign policy and commercial goals are pursued without corrupting the quality of aid (paragraphs 3.3 and 3.8).

Autonomy

10.6 The right of AIDAB's Director General to report directly to the Minister, and to control the resources available to administer the Aid Program, should be formally protected (paragraph 4.6).

10.7 There should be no diminution of the autonomy of AIDAB, or of the integrity of the Aid Program (paragraph 4.6).

10.8 AIDAB and DFAT must continue close coordination and good working relations (paragraph 4.6).

Minister

10.9 The Committee recommends that a junior Ministry of Development Cooperation be created within the Foreign Affairs and Trade portfolio. The junior Minister would have special day-to-day responsibility for the conduct of the Aid Program, and for the public presentation of development issues relevant to Australia. Ultimate responsibility for the conduct of Australia's Aid Program would remain with the Minister for Foreign Affairs and Trade; continuing close coordination between all aspects of the portfolio would be essential (paragraph 4.13).

Staffing

10.10 AIDAB should use its best endeavours to ensure that its staff resources remain lean (paragraph 4.28).

10.11 The Committee has identified a number of priority issues which may require additional staffing. A greater proportion of staff may be needed:

- in program delivery areas such as country programs;
- in order to carry out evaluations and other quality control tasks;
- in order to attain and maintain the necessary standards of professionalism: AIDAB needs to ensure that staff are free to upgrade and maintain their skills (paragraph 4.29).

#### Personnel Development

10.12 Personnel development must be given a consistently high priority. Courses should focus on achieving the right balance of managerial competence and familiarity with development theory and practice (paragraph 4.41).

10.13 More opportunities should be created for AIDAB officers to participate in interchange and secondment programs with other aid organisations (paragraph 4.42).

#### Field Management

10.14 Because the achievement of Aid Program objectives is heavily dependent on the performance of AIDAB's field officers, continuing attention should be paid to ensuring that the number, level, distribution and quality of development assistance officers in the field is appropriate. AIDAB should keep its overseas profile under review, and be prepared to argue strongly for a larger proportion of its staff overseas if it finds that aid would be more effective as a result (paragraph 4.47).

10.15 AIDAB should ensure that field officers have levels of language proficiency which are conducive to full effectiveness (4.51).

Consultants

10.16 AIDAB should generally exercise a preference for selecting consultants for long-term assignments who demonstrate familiarity with development issues, who can demonstrate relevant language skills, and who are adaptable to local customs and conditions (paragraph 4.53).

Financial Management

10.17 The Government should consider the introduction of a three year rolling planning mechanism for the Aid Program, along the lines now operating for the South Pacific program (paragraph 4.61).

Evaluations

10.18 Real progress has been made in improving the effectiveness of AIDAB, and in its policy and planning capacity. In order to demonstrate the impact of these reforms on the achievement of aid objectives, AIDAB must ensure that more evaluations of aid activities and programs are conducted as a matter of urgency (paragraph 5.6).

10.19 AIDAB should organise its staffing to undertake a significant volume of evaluations. This should avoid reductions to its program management or policy capacity (paragraph 5.6).

10.20 AIDAB must take steps to improve its institutional memory including incorporation of the lessons learned from evaluations of aid activities (paragraph 5.9).

Accountability

10.21 The Committee strongly supports the proposition that, the Minister should make an annual parliamentary statement on the Aid Program, and the extent of its success in achieving all its objectives (paragraph 5.11).

10.22 The Committee recommends that an Advisory Council be established to regularly assess the Aid Program. Such a process would effectively complement that undertaken by Parliament (paragraph 5.13).

10.23 The Committee believes it would be helpful to have more accurate information about public opinion and knowledge of aid areas - provided the amount spent is not so large as to compromise the central objectives of the Aid Program (paragraph 5.17).

Public Information and Development Education

10.24 Through the Aid Program, the Government should continue to encourage and provide the facts for community debate on development issues. However, Development Education activities funded through the Aid Program should continue to be broadly compatible with Australia's foreign policy. The more political activities of some of the more partisan organisations should not receive development education funds (paragraph 5.21).

10.25 By 1992 expenditure on Public Information and Development Education should be somewhat higher than \$1 million (paragraph 5.22).

Volume

10.26 If Australia's adherence to the 0.7% ODA:GNP target is not to become purely rhetorical there must be rapid growth in aid as a proportion of GNP. By 1992 Australian aid should once again stand at 0.5% of GNP. Increased growth must be linked to AIDAB's capacity to successfully undertake specific program initiatives of high quality (paragraph 6.23).

Geographic Distribution

10.27 The eligibility principles adopted by AIDAB, which accord priority to those nations within our own region, should continue to be applied (paragraph 7.3).

10.28 Papua New Guinea should continue to top the list of recipients of Australian aid. Consideration of further reductions must take into account the effects of such cuts on the political stability and economic and social development of Papua New Guinea (paragraph 7.6).

10.29 Efforts made by Australia to improve aid coordination in the South Pacific, and to find innovative solutions to the problems of aid dependency, are welcomed. Further initiatives, such as more flexible policies on recurrent cost financing, should be pursued (paragraph 7.7 - 7.8).

10.30 Throughout the program generally, and in China and South East Asia particularly, AIDAB must ensure its programs reflect an appropriate balance between poverty alleviation and trade creating activities (paragraph 7.11).

10.31 Australia must be ready to resume its development assistance to all the nations of Indo China following Vietnamese withdrawal from Cambodia - subject to our views on Human Rights and Aid (see paragraph 10.53-10.56) (paragraph 7.12).

10.32 Increased assistance to the large and small nations of South Asia should be carefully focussed, by sector and by region, if this aid is to be effective (paragraph 7.14).

10.33 Aid to the Indian Ocean island states should reflect their development needs and strategic significance to Australia (paragraph 7.16).

10.34 The time is now right for reconsideration of the most appropriate channels of assistance to Africa. On the basis of its criticism of another regional development bank, the Committee urges that a careful assessment be made of the African Development Bank. If the Bank meets high standards of efficiency and effectiveness, the Committee would reiterate its recommendation 'that very positive consideration be given to seeking early membership of the African Development Bank' (paragraph 7.20).

#### Multilateral versus Bilateral

10.35 The concept of a specific share of the Aid Program which should be allocated to multilateral organisations has little value. AIDAB should be free to choose the channels for Australian aid on the basis of effectiveness and efficiency in meeting Australian aid objectives (paragraph 7.24).

10.36 Preference for bilateral forms of aid within our own region, and for multilateral channels further afield and in cases requiring urgent or complex international response, should continue to be the rule of thumb (paragraph 7.24).



International Organisations

10.37 AIDAB has made much progress in its Country Programs. The application of similar processes and disciplines to the management of its relationship with the international organisations is now warranted. This would involve making Australia's objectives clear, and identifying the goals to be achieved by continued membership or support (paragraph 7.32).

International Financial Institutions

10.38 The Minister for Foreign Affairs and Trade should be Australia's Governor of the World Bank and the Asian Development Bank. However, there must be regular and real dialogue between senior Treasury and AIDAB officials on policy issues (paragraph 7.36).

10.39 Similarly, Australia's Executive Director and Alternate Director positions should be filled on the basis of expertise in development and development finance issues. Therefore, they should be openly advertised inside and outside the Public Service, and filled on merit (paragraph 7.41).

10.40 The Committee regards continued membership of the World Bank as an essential aspect of the Aid Program. However, effective membership requires greater participation and awareness of development issues in policy formulation (paragraph 7.50).

10.41 Strong representations must be made to the management of the Asian Development Bank that Australia demands the highest standards of accountability and disclosure. If this is not forthcoming continued support for the Bank's management can not be assumed (paragraph 7.54).

10.42 There should be extreme care to prevent any suggestion that criticism of a management decision by a consultant or by staff members can lead to blacklisting or that uncritical support of the management can lead to benefits - in fact, critical attitudes should be encouraged (paragraph 7.56).

10.43 The strategic placement of Australian staff in the ADB and World Bank is essential if Australian interests are to be served (paragraph 7.59).

10.44 The Committee recommends that the Minister for Foreign Affairs and Trade investigate the establishment of an appropriate international forum, with sufficient authority, to protect the rights of employees of international organisations and to hold them accountable for their staff management practices (See Appendix A).

10.45 Australia should announce its intention to contribute to the Third Replenishment of IFAD (paragraph 7.70).

10.46 The Committee recommends that a new and more careful appraisal be made of the potential benefits to developing countries and to Australia from renewing membership of the United Nations Industrial Development Organisation (paragraph 7.74)

#### Emergencies and Refugees

10.47 The United Nations High Commissioner for Refugees continues to do invaluable work in supporting refugees around the world. Australia's support should be more generous than the \$5m earmarked for 1988-89 (paragraph 7.77).

10.48 Australia should join with other donors to increase pressure on the Ethiopian Government and its allies to negotiate a political settlement with the Eritrean People's Liberation Front. The terms of such a settlement would probably have to include recognition of the rights of Eritreans to self-determination (paragraph 7.82).

10.49 In Indo China Australia should play an active role in encouraging the protagonists to achieve a political settlement (paragraph 7.83).

#### Non government Organisations

10.50 NGO and AIDAB personnel should be encouraged to undertake staff development courses together. Staff interchange programs, if properly designed and monitored, could also be available (paragraph 7.89).

10.51 The demonstration of public support for NGOs should continue to be an important factor in determining the level of funding for which they are eligible (paragraph 7.91).

#### Women in Development

10.52 The Committee encourages AIDAB to ensure that both country and global programs demonstrate marked improvements in this area. Improved performance on women in development issues will be one of the major indicators of AIDAB's effectiveness (paragraph 8.8).

#### Environment

10.53 The Committee is of the firm view that environmental soundness should be a criterion given careful consideration during the appraisal and monitoring stages of aid activities (paragraph 8.9).

### Students

10.54 AIDAB should act to support and enhance the role of the Councils for Overseas Students. Much can be learned from the key roles played by voluntary groups in the support of foreign students studying in the USA (Indeed, the US model suggests that voluntary groups could undertake an even broader range of activities, including liaison with foreign visitors, travel arrangements and many of the roles currently performed by AIDAB) (paragraph 8.20).

### Human Rights

10.55 Effective aid delivery demands consideration of human rights issues. AIDAB must be aware of the social, political and economic conditions in the recipient country, and must take these into account when devising aid programs and in advising the Minister (paragraph 8.41).

10.56 Aid should be designed, in tandem with diplomatic strategies, to encourage governments to improve their human rights performance (paragraph 8.41).

10.57 Broadly speaking, aid should be increased to those countries where the observation of human rights is improving. Where the opposite is the case aid should be reduced (paragraph 8.50).

10.58 In cases where abuse is particularly serious, and the government is recalcitrant, the suspension of aid should be considered. The effectiveness of the sanctions in changing government performance must be addressed. Australia should follow the course of action most likely to improve the lives of the victims of human rights abuse (paragraphs 8.42 - 8.49).

Population

10.59 Population and family planning assistance is of critical importance. Australian assistance in this sector should be increased. International organisations, particularly UNFPA, should be earmarked for significantly enlarged annual contributions. AIDAB's country papers should include an assessment of recipient Government's family planning strategy. One important consideration would be that the country in question not pursue coercive family planning practices (paragraph 8.64-8.67).

Commercial Benefits

10.60 The Committee notes that the onus is now clearly on AIDAB to identify what other indicators of the program's effectiveness should be used - and to spell out how well it performs against them (paragraph 9.9).

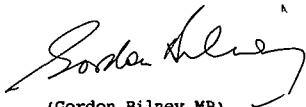
10.61 If the Government is prepared to fund DIFF proposals beyond the limit of the annually appropriated amount, it should also be prepared to find those additional funds from outside the aid budget. Mega-DIFF proposals would otherwise create massive strains and distortions in other programmed, high priority development assistance activities (paragraph 9.16).

10.62 Australia needs to pursue a strategy designed to increase the commercial benefits of membership of the international organisations, particularly the multilateral development banks. Austrade and AIDAB should take the lead (paragraph 9.25).

10.63 There is some evidence that the Australian Government does not encourage tendering by Australian companies to the same extent as other countries, particularly Japan. Austrade should look closely at greater assistance to companies tendering for contracts (paragraph 9.25).

Foreign Affairs Aspects

10.64 The Committee believes that the best guarantee for the appropriate matching of development and foreign policy priorities depends on the extent of effective coordination between various arms of the portfolio and on the shared commitment to the pursuit of aid objectives (paragraph 9.34).

A handwritten signature in dark ink, appearing to read 'Gordon Bilney', with a long horizontal stroke extending to the right.

(Gordon Bilney MP)  
Chairman  
February 1989

## APPENDIX A

## TOTAL AUSTRALIAN AID FLOWS TO MAJOR RECIPIENTS 1985-85 TO 1987-88

(\$m)	1984-85	1985-86	1986-87	1987-88
Major Recipient Countries/Regions				
PAPUA NEW GUINEA	321.7	327.5	333.4	306.3
SOUTH PACIFIC				
Cook Islands	1.0	0.5	1.4	1.7
Fiji	16.4	17.7	19.6	18.4
Kiribati	3.5	3.6	3.1	3.0
Solomon Islands	8.6	17.6	8.4	11.8
Tonga	6.8	6.8	7.4	10.1
Tuvalu	1.4	1.3	9.2	1.6
Vanuatu	5.6	7.2	13.1	11.1
Western Samoa	1.3	6.4	6.5	9.8
Other	15.7	18.0	18.9	19.5
TOTAL SOUTH PACIFIC	64.2	79.0	87.5	87.1
SOUTH EAST ASIA				
Indonesia	76.0	65.6	70.1	83.5
Malaysia	64.6	64.1	57.2	53.7
Philippines	20.5	18.2	28.2	27.4
Singapore	10.5	7.8	6.4	5.0
Thailand	30.1	31.8	24.6	25.4
Burma	9.1	12.0	9.9	11.6
Laos	3.8	4.0	6.1	6.9
Kampuchea	6.0	3.1	2.6	2.4
Vietnam	4.1	4.6	1.5	9.0
Indo-China Regional	4.6	8.4	6.1	9.1
Other	10.7	7.0	3.5	10.3
TOTAL SOUTH EAST ASIA	240.1	216.7	216.2	244.3
OTHER REGIONS				
East Asia				
China	34.9	26.4	19.7	33.8
Hong Kong	12.7	11.9	10.0	9.5
Other	5.6	7.0	7.1	3.0
Total East Asia	53.2	45.3	36.8	46.3
South Asia				
Bangladesh	19.5	21.9	17.2	14.0
India	3.4	2.7	2.6	2.7
Nepal	2.7	2.2	4.1	3.4
Pakistan	5.4	7.5	4.5	5.5
Sri Lanka	7.0	3.9	2.0	4.2
Other	0.7	1.1	0.3	0.3
Total South Asia	38.8	39.3	30.7	30.3
Indian Ocean				
Mauritius	2.5	2.9	2.2	3.6
Seychelles	0.7	1.0	1.4	1.7
Other	1.7	1.8	1.7	1.2
Total Indian Ocean	4.9	5.8	5.3	6.5
Southern Africa				
Angola	0.9	0.8	0.2	1.1
Mozambique	4.4	5.7	7.1	10.5
Tanzania	6.6	4.5	2.9	3.6
Zambia	3.1	0.6	0.5	2.1
Zimbabwe	6.1	4.3	1.1	1.2
Other	2.8	2.0	3.0	6.3
Total Southern Africa	23.8	17.9	14.8	24.9
Other Sub-Saharan Africa				
Ethiopia	23.9	16.7	11.4	18.3
Kenya	7.8	4.1	2.7	1.3
Somalia	3.7	5.8	3.9	3.3
Other	17.3	23.9	13.5	7.7
Total Other Sub-Saharan Africa	52.8	50.5	31.5	30.5
North Africa/Middle East				
Egypt	7.9	9.3	11.4	14.0
Other	5.0	4.0	2.5	8.5
Total North Africa/Middle East	12.9	13.3	13.9	22.5
Rest of World	2.2	5.6	4.3	1.2
TOTAL OTHER REGIONS	188.6	177.7	137.2	162.0
Unallocable by country or region	196.7	220.1	201.3	219.8
TOTAL ODA	1011.4	1031.0	975.6	1019.5

(1) - Provisional, may be subject to revision

Source: Budget Related Paper, No 4, 1988-89, p32.

ACCOUNTABILITY OF INTERNATIONAL AGENCIESFOR STAFF MANAGEMENT: ISSUES RAISED BY MR PETER NELSON

During the course of this inquiry a number of allegations were made concerning staff management practices of the Asian Development Bank (ADB). The allegations were made by Mr Peter Nelson in a written submission, and amplified in evidence at a public hearing on 1 September 1988.

Mr Nelson's central allegation was that the Asian Development Bank, for which he used to work, had taken steps to ruin Mr Nelson's employment prospects with other international organisations. Mr Nelson asserted that ADB management attempted to silence his criticism of allegedly inadequate controls on ADB project quality, including the provision of incorrect information to the ADB Board. (Other matters raised by Mr Nelson are dealt with in Chapter 7 and Chapter 9 of the report.)

In his evidence, Mr Nelson asserted that, because of his insistence on proper practices, ADB management broke its employment contract with him, and contacted other organisations, including the World Bank, in an effort to have him blacklisted. The ADB denied these allegations.

As a former staff member of an international organisation, Mr Nelson was unable to find any court with jurisdiction and has been unable, therefore, to test his case in law, or to find legal redress. His problem was compounded by the complexity of his charges, involving conspiracy by a number of different international organisations. The Committee viewed Mr Nelson's allegations seriously, but it had no authority to call evidence from international organisations, or from their staff. Without that evidence, it was not possible to corroborate Mr Nelson's allegations.



Mr Nelson's experience indicates that avenues available to the staff of international organisations for objective assessment of grievances are inadequate. The Committee therefore recommends that the Minister for Foreign Affairs and Trade investigate the establishment of an appropriate international forum, with sufficient authority, to protect the rights of employees of international organisations and to hold them accountable for their staff management practices.

WRITTEN SUBMISSIONS

1. Dr Ian M Gunn
2. Kaltem Australia Pty Ltd
3. Mr Patrick Anderson, Rainforest Information Centre
4. J H Robinson
5. Michael Katz, UNSW
6. Josinho Michael Antao
7. Loadarm Australia Pty Ltd
8. Australian Council on the Ageing
9. Dr P Eldridge
10. G Goddard
11. P McGregor, Christians for Justice and Peace
12. O Loneragan, Australian-Bangladesh Aid (Inc)
13. Dr J Fingleton
14. Professor Griffin, Department of Forestry, ANU
15. Peter Nelson
16. Cameron McNamara Consultants
17. Peter Callan
18. Anthony English
19. Graham McPherson
20. Onward Australia Pakistan Pty Ltd
21. Combined Submission - Dr A J Ryan  
Dr I Gonda
22. Joseph V Remenyi, Deakin University
23. Dr Hal Hall, ANU
24. John C Caldwell, ANU
25. John H Schottler
26. Australian Incorporated Club, South Melbourne
27. Australian International Development Assistance  
Bureau (Davis)
28. Mike J O'Donoghue, Marion
29. Richard Bawden, Dean, Faculty of Agriculture, Hawkesbury
30. Robert K Graham, Buderim, Qld
31. Bureau of Meteorology
32. Sydney Committee of Overseas Students
33. John Coulter, Mt Gravatt, Qld
34. WA Council for Overseas Students (WACOS)
35. Dr J D Conroy
36. Seth Barns
37. James Saville, Coogee, NSW
38. Armidale International Association
39. Mrs M Van Der Nol, Molgrave, Victoria
40. David Burgh, School of Science, Griffith University
41. Peter Durkin, Working Group on the Environmental Effect of  
Overseas Aid

42. Australian Federation of Construction Contractors
43. Consult Australia
44. The Australian Institute of Agricultural Science
45. Roy Spratt and Associates, Public Affairs Consultants, ACT
46. Mr E R Cope, East St Kilda
47. Australian Wheat Board
48. The Millers Produce Company of South Australia Pty Ltd
49. Department of Foreign Affairs and Trade
50. ACTIAR - Australian Centre for International Agricultural Research (Prof McWilliam)
51. Department of Agricultural Economics and Business Management, University of New England (Jock R Anderson, Head)
52. Snowy Mountains Engineering Corporation
53. Community Aid Abroad
54. Association for Research and Environment Aid Limited
55. MELCOS - Melbourne Council for Overseas Students
56. Confidential Submission
57. The Canberra Council for Overseas Students
58. Foster Parents Plan
59. National Centre for Development Studies (Helen Hughes)
60. Department of Finance
61. Jenni Howell
62. Victorian Government
63. National Women's Consultative Council
64. Chamber of Manufacturers of NSW
65. Overseas Service Bureau
66. Confidential Submission
67. International Development Program of Australian Universities and Colleges
68. Australian Council for Overseas Aid (ACFOA)
69. Results Australia
70. Confidential Submission
71. Dr Gary J Osborne
72. Sir Gordon Jackson AK
73. Supplementary Submission from Sydney Committee for Overseas Students
74. Returned Service League (N Csorba)
75. Patrick Healy
76. AUSTRADE
77. Supplementary Submission - National Women's Consultative Council
78. Warren Ford
79. Department of Industry, Technology and Commerce (Dr R G Hawkins)
80. ACFOA - Australian Council for Overseas Aid
81. Development Assistance Officers Association
82. Supplementary Submission - Professor Griffin, Department of Forestry, ANU
83. United Nations Association of Australia (Diane B Alley)
84. Mark Latham - Counsellor for Development Assistance at Australian Embassy in Fiji
85. Supplementary Submission - Overseas Service Bureau
86. Supplementary Submission - Roy Spratt and Associates

- 87.. Treasury (Andrew Ross)
- 88. Confidential Submission.
- 89. Bureau of Mineral Resources, Geology and Geophysics
- 90. AIDAB supplementary submission
- 91. Dr G J Abbott

APPENDIX D

LIST OF WITNESSES

18 February 1988

Mr Alexander AGAFONOFF, Assistant Director-General, Australian International Development Assistance Bureau

Mr Ernst-August HUNING, Acting Assistant Director-General, Financial and Resource Management Branch, Australian International Development Assistance Bureau

Mr Erik INGEVICS, Assistant Director-General, Community, Emergency and Refugee Programs Branch, Australian International Development Assistance Bureau

Dr Richard Cole MANNING, Deputy Director-General, Community, Commercial and International Programs Division, Australian International Development Assistance Bureau

Mr Michael Robin CASSON, Assistant Director-General, Asia, Africa and Bilateral Coordination Branch, Australian International Development Assistance Bureau

Mr Bruce Lawrence DAVIS, Director, Corporate Planning, Budget and Effectiveness Review, Australian International Development Assistance Bureau

Mr Rodney Graham IRWIN, Acting Deputy Director-General, Country Programs Division, Australian International Development Assistance Bureau

Mr Trevor Hugh KANALEY, Assistant Director-General, Australian International Development Assistance Bureau

Dr Peter Thomas McCawley, Acting Director-General, Australian International Development Assistance Bureau

11 April 1988

Mr Kenneth William BRAZEL, Director, South Pacific Regional Section, Department of Foreign Affairs and Trade

Ms Karina Helen CAMPBELL, Director, South Pacific Bilateral Section, Department of Foreign Affairs and Trade

Ms Jane Elizabeth DRAKE-BROCKMAN, Director, OECD and International Financial Institutions Section, Department of Foreign Affairs and Trade

Dr Robert Bruce Macleay DUN, Director-General, Australian International Development Assistance Bureau

Dr Andrew Leslie ELEK, First Assistant Secretary, Economic and Trade Development Division, Department of Foreign Affairs and Trade

Mr Philip FLOOD, Deputy Secretary, Department of Foreign Affairs and Trade

Mr Geoff FORRESTER, Acting Assistant Secretary, International Organisations Branch, Department of Foreign Affairs and Trade

Mr Trevor Hugh Kanaley, Assistant Director-General, Policy Branch, Australian International Development Assistance Bureau

Mr Brian Tracey KIMBALL, Assistant Secretary, Government and Foreign Branch, Defence and Government Division, Department of Finance

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Mr Bernard Leslie RYAN, Assistant Secretary, Economic Organisations Branch, Economic and Trade Development Division, Department of Foreign Affairs and Trade

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Mr Robert Douglas STURKEY, Acting First Assistant Secretary, North Asia and South East Asia Division, Department of Foreign Affairs and Trade

Mr Charles Edward Timothy TERRELL, Deputy Director-General, Country Programs Division, Australian International Development Assistance Bureau

Ms Pera Caroline WELLS, Acting Director, Papua New Guinea Section, Department of Foreign Affairs and Trade

Mr Edward John WILLIAMS, Chief Finance Officer, Government and Foreign Branch, Defence and Government Division, Department of Finance

22 April 1988

Mr Arthur William BLEWITT, Secretary, Australian Centre for International Agricultural Research

Ms Karen CLOUD, Director, RESULTS Australia

Mr Peter Graves, Partner, RESULTS Australia

Dr Juliet May HUNT, Consultant, National Women's Consultative Council

Ms Janet Eileen HUNT, Member, National Women's Consultative Council

Dr James Russell McWILLIAM, Director, Australian Centre for International Agricultural Research

Mr Douglas Gordon PRICE, Managing Director, Snowy Mountains Engineering Corporation

Professor Kenneth John Campbell BACK, Executive Director, International Development Program of Australian Universities and Colleges

Dr Elton Thomas BRASH, Operations Manager, International Development Program of Australian Universities and Colleges

Professor David Michael GRIFFIN, Professor and Head of the Department of Forestry, Australian National University

Professor Helen HUGHES, Executive Director, National Centre for Development Studies, Australian National University

Dr Terence Harwood HULL, Senior Research Fellow, Department of Political and Social Change, Australian National University

Ms Penelope Ann LEE, Research Officer, Australian Council for Overseas Aid

Mr Colin Sinclair MELLOR, Manager, Development, Australian Trade Commission

Mr Charles O'HANLON, Manager, Trade and International Business Development, Australian Trade Commission

Mr Russell Gordon ROLLASON, Executive Director, Australian Council for Overseas Aid

Mr Ian William TAYLOR, Manager, International Business, Australian Trade Commission

Mr Terence Lloyd WILLIAMS, Project Manager, Australian Trade Commission

27 May 1988

Mr William John ARMSTRONG, Executive Director, Overseas Service Bureau

Mr Jeffrey ATKINSON, Acting National Director, Community Aid Abroad

Mr Neil Patrick O'SULLIVAN, Overseas Aid Director, Community Aid Abroad

Mr James SAVILLE, Coogee, NSW, Private Citizen

Mr Walter WATSON, President, Sydney Committee for Overseas Students

1 September 1988

Mr Peter John Nelson, Wahroonga, NSW, Private Citizen

9 September 1988

Mr Michael Robin CASSON, Assistant Director-General, Australian International Development Assistance Bureau

Mr Anthony Scott DAWSON, Acting Director, Corporate Planning, Budget and Effectiveness Review Section, Australian International Development Assistance Bureau

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Mr Peter William TORMEY, Assistant Secretary, Capital Markets Division, Department of the Treasury



Mr Ewen Leith WATERMAN, First Assistant Secretary, Capital  
Markets Division, Department of the Treasury

1 December 1988

Mr Ronald Peter JACKSON, Manager, Australian Capability,  
International Projects Division, Australian Trade Commission

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