

## Human Rights

### Introduction

- 3.1 In keeping with a resolution from the Full Committee that its Sub-Committees would examine Annual Reports for 2001-2002, the Sub-Committee resolved at its meeting on 23 October 2002, to conduct a review of relevant Annual Reports, with a focus on the Australian Agency of International Development (AusAID) Annual Report for 2001-2002.

### The Australian Aid Program

- 3.2 AusAID administers the Australian overseas aid program. The provision of development assistance is linked to promoting development and stability in the Asia-Pacific region, which has more than 800 million people surviving on less than US\$1 per day. As such, the stated objective of the aid program is to 'advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development'.<sup>1</sup>
- 3.3 The Australian aid program contributes to the reduction of poverty in the region by working with various development partners to:<sup>2</sup>
- strengthen frameworks for sustainable and inclusive economic growth;

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1 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

2 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

- support interventions that enable the poor to increase their productivity;
  - encourage governments, institutions and donors to be more accountable; and
  - reduce vulnerability associated with conflict and disasters.
- 3.4 In 2001-2, the Australian aid program provided:<sup>3</sup>
- \$938.3 million in country, regional and cross regional programs;
  - \$263.7 million in global programs.
- 3.5 The key sectoral priorities that underpin the aid program are health, education, infrastructure, rural development and governance. These sectors are seen as crucial to alleviating poverty and achieving sustainable development.<sup>4</sup>

## Measuring Results

- 3.6 AusAID's administered expenses are allocated to activities aimed at achieving the target outcome (Outcome 1) of reducing poverty and achieving sustainable development as outlined in the DFAT Portfolio Budget Statement 2001-2.<sup>5</sup> Key Result Areas (KRAs) are used to plan, prioritise and measure the performance of AusAID's programs against this outcome.
- 3.7 Overall, AusAID sets both *Qualitative* and *Quantitative* Performance Targets with the following benchmarks:<sup>6</sup>
- *Quality*: 75 per cent of all activities relating to the Key Result Areas shall receive a quality rating of 'satisfactory overall or higher'.
  - *Quantity*: significant activity outputs in key result areas.
- 3.8 AusAID also undertakes evaluation studies in three main areas: thematic; sector and program; and systems and quality procedures.

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3 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.17-18

4 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.9

5 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.116

6 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.116

3.9 The evaluation process has three main aims:<sup>7</sup>

- To assess the impact and improve the quality of the aid program;
- To provide better feedback of lessons learned; and
- To strengthen activity management procedures.

## Issues

3.10 For the purpose of this review the Committee focused on the key result areas of health and governance. In addition, the Committee examined Australia's engagement with multilateral organisations. In particular, the Committee examined:

- **Australia's contributions to multilateral organisations**, with specific reference to the efficiency and effectiveness of AusAID's monitoring of the relevance, efficiency and effectiveness of the multilateral agencies and the outcomes of Australia's contributions to them.
- **Promoting effective governance** with a particular focus on:
  - ⇒ promotion and strengthening of good governance across the spectrum of Papua New Guinea (PNG) government and broader society;
  - ⇒ interventions to improve governance in Indonesia;
  - ⇒ promotion and strengthening of law and order in the Solomon Islands;
  - ⇒ promotion of good governance and the development of public administration capacity and informed citizen groups in East Timor; and
  - ⇒ advancement of human rights in China through the Human Rights Technical Cooperation Program.
- **Improving health outcomes**, focusing on:
  - ⇒ the operation of the Global Aids Initiative (\$200 million over six years);
  - ⇒ the HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region (one of the poorest areas of China with the second highest number of HIV cases in the country); and

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7 Department of Foreign Affairs and Trade, *Portfolio Budget Statements 2001-2002*, Budget Related Paper No.1.10, Canberra, p.118

- ⇒ strengthening of the capacity to mount and expand effective responses to the HIV/AIDS epidemic in China in central and local government levels through the Australian co-financed Health Nine World Bank project.
- 3.11 The Committee notes that assessing the impact and effectiveness of aid is complex and that the effectiveness of the aid program may be influenced by forces and events outside AusAID's control.

## Structure of the Review of AusAID's Annual Report

- 3.12 This chapter contains a summary of the key issues raised and discussed with AusAID at a public hearing held on 20 March 2003 and through subsequent questions on notice.
- 3.13 For those readers interested in a complete record of the public hearing, the full transcript is available on the Committee Internet site.

## Australia's Contributions to Multilateral Organisations

### Background

- 3.14 Through AusAID's Multilateral Organisations Program, Australia provides considerable financial support—approximately 23 percent of the aid budget—to multilateral organisations and development banks.<sup>8</sup> Engagement with multilateral organisations is justified on the basis that financial contributions: complement and reinforce Australia's bilateral development efforts; assist major global and regional initiatives; and enables Australia to contribute to the international development agenda.<sup>9</sup>

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8 Multilateral organisations refer to United Nations development and humanitarian organisations such as WFP, UNDP, UNICEF, UNFPA, UNEP, International Atomic Energy Agency, International Drug Control Program and the Development Fund for Women. Development Banks refer primarily to the World Bank and the Asian Development Bank.

9 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.80

- 3.15 Australia's contributions to these multilateral organisations in 2001-2002 included:<sup>10</sup>
- \$85.9 million in contributions to UN development and humanitarian agencies;
  - \$11.6 million to organisations from other Commonwealth countries;
  - cash contribution of \$135.1 million to the International Development Association (IDA) of the World Bank; and
  - cash contribution of \$112.0 million to the Asian Development Fund, the concessional loan facility of the Asian Development Bank (ADB).

## Accountability Mechanisms

- 3.16 For Australia to fully utilise and benefit from engagement with multilateral organisations, it is essential that efficient and effective monitoring mechanisms are in place.
- 3.17 AusAID advised that there are two main processes in place: the Multilateral Assessment Framework (MAF) and the Multilateral Bank Effectiveness Review.
- 3.18 The MAF is the key strategic mechanism through which AusAID monitors the relevance, efficiency and effectiveness of the multilateral agencies.<sup>11</sup> Performance issues of major concern are reported to senior AusAID officers.<sup>12</sup> AusAID advised the Committee that the MAF process is 'currently being revised and expanded to increase its focus on effectiveness issues',<sup>13</sup> which will involve 'systematic engagement at a country level to monitor trends in performance over time, including UN agencies' progress in implementing their reform agenda.'<sup>14</sup>
- 3.19 In addition to the MAF process, AusAID 'receives ongoing feedback on the performance of UN agencies through Executive Meetings at Headquarters, ongoing liaison by Australian posted officers at country level and agency reporting.'<sup>15</sup> In this context, AusAID reports that many of these agencies are displaying positive signs of reform in relation to

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10 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.80-83

11 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.80

12 Australian Agency for International Development, *Submission*, p.1

13 Australian Agency for International Development, *Submission*, p.1

14 Australian Agency for International Development, *Submission*, p.2

15 Australian Agency for International Development, *Submission*, p.1

organisational and financial management, as well as becoming more outcomes focussed.<sup>16</sup>

3.20 AusAID indicated that the development banks are not subject to the MAF process.<sup>17</sup>

3.21 In the absence of a MAF mechanism, it was not clear how the effectiveness of Australia's contributions to the development banks was monitored and evaluated. This deficiency has been highlighted in criticism from some non-governmental organisations (NGOs) regarding the ability of the development banks to effectively monitor their projects, particularly in relation to the ADB.<sup>18</sup>

3.22 AusAID submitted that there are two mechanisms by which the relevance, effectiveness and efficiency of the development banks was monitored and measured:<sup>19</sup>

- AusAID's 2002 'multilateral bank effectiveness review', which consisted of questionnaires and field visits, scrutinised the relevance, efficiency and effectiveness of the multilateral banks.
- An 'annual report on the effectiveness of the government's engagement with the ADB and the World Bank' is presented by the Treasurer to Parliament.

3.23 In addition AusAID regularly and directly engages with the banks through the policy setting and governance structures at Australia's Executive Director's Office within the banks, and through regular visits to the banks at the field level.<sup>20</sup>

3.24 A further question was whether these mechanisms were satisfactory in terms of accountability issues. AusAID stated that the agency was confident that the combination of all the above mechanisms 'forms a picture for us of the effectiveness of the agencies [development banks]'.<sup>21</sup>

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16 Australian Agency for International Development, *Submission*, p.1

17 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2. A previous AusAID study (*Review of the Evaluation Capacities of Multilateral Organisations*) concluded that the ADB and the World Bank had effective self-evaluation systems.

18 For example, Oxfam Community Aid Abroad (CAA) has in the past highlighted a number of projects in the Mekong region, Thailand and Sri Lanka as evidence of the ADB's inability to adequately manage and monitor its own development projects. Oxfam-CAA also alleges that, in some cases, ADB policies and programs undermine the effectiveness of Australian bilateral projects.

19 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

20 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

21 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.2

## Program Outcomes

- 3.25 It is essential that the funding Australia provides to multilateral organisations and development banks be transparent and accountable, and consistent with Australia's bilateral aid efforts.
- 3.26 On the basis of the Committee's inquiries the MAF appears to provide AusAID with an effective management tool in terms of meeting outcomes in the Multilateral Organisations Program.
- 3.27 The Committee was concerned, however, about action that may be taken in the event that an agency failed to meet the MAF performance standards and whether such agencies continued to receive funding.
- 3.28 In the first instance, AusAID said that issues arising from the MAF are taken up with the relevant agency, who are told by AusAID 'we expect you can do better in this area and this is where we will be looking more closely on other occasions'.<sup>22</sup> This reflects AusAID's assertion that the MAF is more than a snap shot and is better viewed as a management tool.<sup>23</sup>
- 3.29 It was not clear in the Annual Report whether all, or only some, multilateral agencies received a rating of satisfactory or higher in 2001-02. AusAID advised that in 2002 one agency failed to achieve a satisfactory or higher outcome in the MAF process. In particular, the 2002 MAF review had rated the International Fund for Agricultural Development (IFAD) as 'marginally satisfactory' against performance targets. Lack of relevance to Australia's aid program was cited as a major concern as IFAD extended 'only around 7 percent of lending to South East Asia and less than 1 percent to the Pacific.'<sup>24</sup> In terms of further action, the Committee was advised that it has been decided that Australia will withdraw from this organisation.<sup>25</sup>
- 3.30 There is a question, given past NGO criticisms, as to whether the development banks should be subject to the MAF process so that accountability benchmarks are consistent across the board. AusAID believed that while the MAF could conceivably be extended to the development banks, it would not necessarily address all the interests of NGOs.<sup>26</sup>

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22 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.5

23 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.5

24 Australian Agency for International Development, *Submission*, p.1

25 Australian Agency for International Development, *Submission*, p.1

26 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

- 3.31 In line with prior NGO concerns about dissonance between multilateral aid and Australian bilateral activities, AusAID's 2002 multilateral bank effectiveness review 'did conclude, particularly in the case of the ADB, that there was a need for the bank itself to strengthen both its dialogue with the NGO partners and... impart the lessons learnt from that dialogue.'<sup>27</sup>
- 3.32 In light of the lack of a formal MAF mechanism for the development banks, the effectiveness of evaluation and monitoring mechanisms is central to Australia's on-going engagement with these multilateral agencies.
- 3.33 AusAID advised that, while the current evaluation systems for the development banks were considered effective, there was a challenge 'to ensure that the findings that come out of whatever evaluation mechanism are, in fact, brought to bear.'<sup>28</sup>
- 3.34 The Committee sought advice as to what capacity Australia had to push identified reforms or initiatives within the Development Banks. AusAID highlighted a number of avenues through which Australia's concerns can be addressed:<sup>29</sup>
- through day to day assessment of projects by the Bank's Board of Directors, which represents the shareholders, including Australia;
  - communicated to bank management through the office of Australia's Executive Director; and
  - through requirements and conditions negotiated as a caveat on replenishment funding.
- 3.35 In regard to the Asian Development Bank, the Committee endorses the government's concerns arising from the 2002 review, which have already been conveyed to the ADB through Australia's Executive Director's office, that:
- The bank needs to strengthen its dialogue with the NGOs and ... needs to take the products of that dialogue and apply them more coherently across the country programs and the country officers of the bank so that we do see a manifest change in the relationships between the Asian Development Bank and the NGO community.<sup>30</sup>

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27 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

28 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

29 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

30 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.3

## Conclusions

- 3.36 Overall, AusAID satisfied the Committee of the efficiency and effectiveness of its performance monitoring processes and utility of accountability mechanisms, and that contribution to forecast outputs appear to have been met.
- 3.37 Nevertheless, the Committee feels that it is crucial that Australia's relationship with multilateral agencies and the development banks is accountable and transparent to all stakeholders. In the interests of transparency the results of these processes should be made publicly available. There should be ongoing efforts to develop and refine appropriate accountability mechanisms and processes to ensure funds continue to be spent in the interests of Australia's international development goals.

## Promoting Effective Governance

### Background to Governance Imperative

- 3.38 Australia recognises good governance is essential to successful and sustainable development. Governance is accordingly one of AusAID's Key Result Areas.
- 3.39 In terms of aid program expenditure by sector in 2001-2, governance accounted for 20 percent of expenditure.<sup>31</sup>
- 3.40 In 2001-02 the aid program undertook 307 activities with governance as the primary focus, with a cost of \$308.3 million. Expenditure in other sectors that contributed to governance was a further \$180.5 million.<sup>32</sup>
- 3.41 In order to evaluate the performance of AusAID's governance activities, the Committee selected for examination the following five areas from country programs for their relevance to the work of the Human Rights Sub-Committee and to Australia in general:
- the promotion and strengthening of good governance across the spectrum of Papua New Guinea and broader society;
  - interventions to improve governance in Indonesia;

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31 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.20

32 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.20

- promotion and strengthening of law and order in the Solomon Islands;
  - the promotion of good governance and the development of public administration capacity and informed citizen groups in East Timor; and
  - the advancement of human rights in China through the Human Rights Technical Cooperation Program.
- 3.42 AusAID noted that conflict in countries in the region in 2001-2, particularly Solomon Islands, somewhat restricted the ability of the aid program to implement broader development agendas.<sup>33</sup>
- 3.43 This section will provide a brief overview of AusAID's activities in promoting effective governance in relation to the sample countries chosen, and an assessment of AusAID's performance according to AusAID's own performance evaluation methods, as evidenced through the Committee's investigations.

## Papua New Guinea

- 3.44 Papua New Guinea is Australia's largest single bilateral aid partner with Australia providing \$297.7 million to bilateral program activities. During the financial year 2001-02, AusAID committed 19.7% (approx. \$58.6 million) of its PNG funding on governance programs.<sup>34</sup>

### Activities

- 3.45 Governance advice and assistance to PNG was delivered through a range of projects aimed at improving and reforming the following areas:<sup>35</sup>
- Economic and financial sectors;
  - Public sector (eg. immigration, census and elections);
  - Law and justice;
  - Community development; and
  - Private sector development (micro, small and medium enterprise).

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33 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.21

34 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.33-34

35 Australian Agency for International Development, *Submission*, p.2

3.46 In support of these activities funding was extended to:<sup>36</sup>

- Systems development;
- Training;
- Rehabilitation of infrastructure; and
- Procurement of essential equipment and supplies.

#### Outcomes

3.47 AusAID's annual report lists a number of broad achievements in relation to improving governance. These consist of:<sup>37</sup>

- Enhancement of PNG Treasury capacity to provide economic policy advice. The prime focus was on macroeconomic forecasting and policy making, cash management, debt management, and budget formulation and processes;
- Financial management training for public sector finance officers across the country aimed at improving accountability at all levels of government in the management of public funds;
- Good progress towards the implementation of a major public sector reform, including constitutional changes to strengthen the independence of the public service, major improvements in the way cabinet processes function, and reviews to rationalise and streamline the work of central and major spending agencies;
- Finalisation and publication of the 2000 National Census data, including individual reports for all provinces, and the establishment of a census users' service;
- Strengthening of the Ombudsman Commission;
- Enhancement of court operations at all levels in PNG through professional development training for all judges and magistrates (136) and court officers (275) and the training of 77 village court officials;
- Improved management in PNG prisons through the introduction of a classification system resulting in the separation of most juveniles from adult detainees; and

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36 Australian Agency for International Development, *Submission*, p.2

37 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.34-35

- Training for over 800 people in small business and micro-enterprise by two micro-enterprise training programs located throughout rural PNG and urban settlements of Port Moresby.

### Evaluation

- 3.48 The AusAID Annual Report 2001-02 acknowledges that poor governance, particularly in the areas of financial management, economic planning, and law and order, remains a mitigating factor against PNG's development.<sup>38</sup>
- 3.49 In light of this appraisal of the governance situation in PNG, AusAID provided a detailed breakdown of how these governance projects were evaluated:<sup>39</sup>
- AusAID's support to PNG's law and justice sector was reviewed through a variety of means including an in-house legal sector specialist, and by the Police Project Monitoring and Review Group. In addition, during 2001-02, AusAID funded a major PNG review of that country's law and justice sector agencies. This review also considered donor support to the sector.
  - AusAID's in-house economics and institutional strengthening specialists assisted with review of activities in the economic and financial reform, and public sector reform sectors. This was augmented by externally-sourced advice on a regular basis.
  - AusAID's support to private sector development is reviewed by an in-house microfinance specialist, and support to community development is reviewed by both an external technical advisory group and an in-house community development specialist.
  - Corporately, AusAID reviewed PNG governance activities through processes such as the Quality Assurance Group (QAG).
- 3.50 AusAID suggested that without some form of commitment from the PNG government for reform it is difficult for AusAID to engage at a strategic level with central agencies such as Treasury or Finance.<sup>40</sup> However, AusAID advised that PNG's commitment to governance reform is growing.<sup>41</sup> For example, at the request of the PNG government, AusAID

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38 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.33

39 Australian Agency for International Development, *Submission*, p.2

40 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

41 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

is currently conducting a major public expenditure review with the World Bank and the ADB.<sup>42</sup>

- 3.51 Australian support to PNG has evolved in recent years. Following PNG independence, Australia had provided the PNG government with direct budget support - 'essentially a cheque'<sup>43</sup> - for PNG government discretion. By 1994-95, partly because of concern over governance in PNG public spending, Australia elected to provide funding through targeted projects and programs tendered out to Australian consultant firms. Whilst AusAID conceded there are weaknesses in this approach, it better addressed financial accountability and governance issues. AusAID advised that the process now includes trust funds managed jointly between Australian consultants and the PNG government, with accountability processes and performance monitoring in place.<sup>44</sup>
- 3.52 The Committee was interested in AusAID's comment that progress in terms of programs such as health, is linked very much to the PNG government's own progress in achieving outcomes in those sectors.<sup>45</sup> AusAID acknowledged the Committee's concern, but added that 'there are small steps forward'. Also, there are Australian technical experts who review progress in various sectors and who work with the PNG government to train people in review and evaluation skills.<sup>46</sup>
- 3.53 In light of the poor governance situation in PNG, there is some scope for considering alternative approaches to conducting governance activities.
- 3.54 AusAID submitted that review findings were incorporated as amendments to current activities, while others have formed the basis of program changes.<sup>47</sup> For example, a Law and Justice Sector Program has been contracted to progressively replace the current project assistance in the law and justice sector. This new approach will be more holistic and cross-sectoral in addressing law and justice issues in PNG and work more directly through PNG systems rather than through parallel project systems. Another example is the provision of economic and financial reform assistance through a twinning arrangement between Australian

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42 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.6

43 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.8

44 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

45 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

46 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.9

47 Australian Agency for International Development, *Submission*, p.2

and PNG Treasuries. AusAID plans to expand these twinning arrangements in other key reform areas.<sup>48</sup>

- 3.55 The Committee identified the education of public sector officials and employees, and assistance in this area, as being central to governance efforts.
- 3.56 AusAID indicated that a number of PNG government ministers were educated in Australia.<sup>49</sup> AusAID also provides funding for academic scholarships to improve expertise in PNG. The AusAID Annual Report for 2001-02 indicates that approximately 400 PNG students were given support for tertiary study in Australia.<sup>50</sup> While a breakdown of students and degree courses was not provided for 2001-02, AusAID provided a breakdown of students undertaking undergraduate and post-graduate study in economics, commerce and business studies in 2003:<sup>51</sup>
- In respect of undergraduate degrees, 13 students are studying commerce, 4 are studying economics and 44 are studying business studies; and
  - In respect of post-graduate students, 1 student is studying commerce, 3 students are studying economics and 12 students are studying business administration (8 MBAs).
- 3.57 In addition, AusAID observed that tertiary education is generating a new generation of PNG leaders who have a more national rather than the traditional 'wontok' perspective, which has been a fundamental aspect of problems with public expenditure in the past.<sup>52</sup>
- 3.58 In terms of the future evaluation of progress in PNG's development, AusAID attributed, at least partly, improvements in life expectancy, school enrolments, illiteracy rates and infant mortality to its aid programs:<sup>53</sup> However, AusAID acknowledged that if the rate of progress in PNG was compared to other countries the 'picture is not so rosy'.<sup>54</sup> AusAID suggested that the poor performance of PNG's economic sector is

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48 Australian Agency for International Development, *Submission*, p.3

49 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.7

50 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.39

51 Australian Agency for International Development, *Submission*, p.3

52 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.7. 'Wontok' refers to the principal and practice that a persons primary allegiance is to their village or clan.

53 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.10

54 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.10

most likely due to ongoing problems in governance and law and order that the PNG government has been unwilling to address.<sup>55</sup>

- 3.59 In this regard, AusAID submitted that, in the short term, the arrest of further decline would be a major accomplishment. Further degeneration in the situation could adversely impact development gains already made in relation to health and social indicators.<sup>56</sup>
- 3.60 In the long term, AusAID identified economic growth as the key issue and suggested that a key role for donors will be to work together to prevent decline in social and health indicators and address public expenditure management issues.<sup>57</sup>

## Indonesia

- 3.61 In 2001-02 Australia provided \$97.3 million in country program assistance to Indonesia with an estimated additional \$24.2 million being provided through regional, cross regional and global programs.<sup>58</sup> The latter accounted for 28% of funding to East Asia country and regional programs.
- 3.62 In financial year 2001-02, expenditure on all categories of governance activities represented approximately 23% (\$28.9 million) of the total Australian aid flows to Indonesia (while in 2002-03 the figure fell to 16%, AusAID indicated that they expected this to rise to 25% in three or four years time).<sup>59</sup>
- 3.63 The Committee was interested in the percentage of governance funding spent on legal reform. AusAID advised that, as a subset of the above figure, approximately 5.2% or around \$6.34 million of total aid flows was directed at supporting legal reform and human rights activities in Indonesia.<sup>60</sup> Expenditure on legal reform and human rights is expected to increase in the lead up to the 2004 Indonesian elections.<sup>61</sup>

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55 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

56 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

57 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.10-11

58 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

59 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.11

60 Australian Agency for International Development, *Submission*, p.4

61 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.11

## Activities

3.64 Broadly, AusAID activities to improve governance were focussed on:<sup>62</sup>

- Assisting in the fiscal and democratic reform process;
- Building sustainable capacity in key government institutions and community groups; and
- Delivering education and training.

3.65 As the program outputs indicate below, the reform process focussed significantly on improving governance, particularly in relation to legal, economic and finance reform.

## Outputs

3.66 The following key outputs have been extracted from AusAID's overall output list for Indonesia for their relevance to governance:<sup>63</sup>

- Legal reform and human rights
  - ⇒ improved government capacity to monitor total government debt and manage risks around domestic public debt;
  - ⇒ improved awareness of citizens' rights;
  - ⇒ stronger institutional capacity in Indonesia's National Human Rights Commission;
  - ⇒ greater Supreme Court capacity on class actions procedures, and investigative capacity in the National Ombudsman Commission; and
  - ⇒ improved Ministry of Justice and Human Rights capacity to draft anti-terrorism legislation.
- Economic and financial reform
  - ⇒ improved government capacity to monitor total government debt and manage risks around domestic public debt;
  - ⇒ strengthened Ministry of Finance capacity to undertake performance monitoring and prudential supervision of state banks;
  - ⇒ an improved anti-money laundering regulatory framework, including new legislation; and

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62 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

63 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.59-60

- ⇒ an enhanced investigative and performance audit capacity in the Supreme Audit Board.
- an improved Indonesian national policy on community-managed water supply and environmental sanitation facilities and services
  - 3 976 Indonesians trained in a range of priority development skills areas such as health administration, business development, environmental law, intellectual property rights, district and provincial planning, gender awareness and human rights
  - approx 300 Indonesians successfully completed post-graduate degrees at Australian universities under the Australian Development Scholarships (ADS) scheme
  - improved capacity in provincial and local level environmental management agencies, including through the establishment of a coastal resource information system and training of 572 people in coral reef management and rehabilitation.

### Evaluation

- 3.67 The AusAID Annual Report stated that the performance targets for 2001-02 in relation to the Indonesia country program were achieved.<sup>64</sup>
- 3.68 It is worth noting that, according to AusAID in the decades leading up to the Asia financial crisis in the late 1990s, Indonesia's record on poverty reduction was impressive. AusAID also noted, however, that at the time of the financial crisis the level of poverty increased sharply.<sup>65</sup>
- 3.69 Measuring the number of people in poverty is significantly influenced by the methodology used. Two recognised, international poverty rating methods measure the percentage of a population living below the poverty line using Purchasing Power Parity (PPP) prices of \$US1/day and \$US2/day respectively. Based on these measures, AusAID provided the following table to show the level of poverty in Indonesia immediately before and following the financial crisis.<sup>66</sup>

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64 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.33

65 Australian Agency for International Development, *Submission*, p.6

66 Australian Agency for International Development, *Submission*, p.6

**Table 3.1 Level of poverty in Indonesia**  
(% of total population living below the specified poverty line)

	1996	1999	2000	2002	2003*
<b>\$US1/day</b>	7.8	12.0	7.8	7.2	6.8
<b>\$US2/day</b>	50.5	65.1	57.9	53.5	52.1

Source: World Bank. \* These figures are post-Bali attack World Bank projections.

- 3.70 The Committee is encouraged by these figures. They demonstrate a recovery (using one set of data) or at least a vast improvement (using another set of data) in poverty indicators relating to Indonesia, particularly since the financial crisis.
- 3.71 AusAID argued that while the financial crisis reversed some significant gains, 'it also showed donors where they needed to direct their assistance to make further progress more robust in order to reduce the vulnerability of people to future economic shocks'.<sup>67</sup> AusAID suggested that the financial crisis showed that there was clearly an underlying fragility in the governance system of Indonesia. As such, throughout 2001-02 AusAID continued to target what it viewed as systemic problems highlighted by the financial crisis such as debt management, and financial sector restructuring and supervision.<sup>68</sup>
- 3.72 In response to concerns about unemployment in Indonesia, AusAID advised that both unemployment and under-employment rates showed 'no clear trend' during the crisis or the recovery that followed; and the financial crisis did not lead to massive open unemployment as had been feared.<sup>69</sup>
- 3.73 A number of questions arose regarding reports that unemployment has risen sharply in Bali following the Bali bombings in October 2002. AusAID submitted that there is no authoritative measurement available of the extent of job losses in Bali caused by the bombings. The World Bank and UNDP surveys of poverty in Bali since 12 October 2002 indicate that a

67 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.13

68 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.12-13

69 Australian Agency for International Development, *Submission*, p.6

significant increase in unemployment in Bali has not occurred. The Committee was assured that AusAID continues to monitor the situation.<sup>70</sup>

- 3.74 The Committee inquired whether AusAID provides funding to any economic or social policy think-tanks or research bodies in Indonesia. AusAID replied they do not provide ongoing core funding for think-tanks based in Indonesia, although links are maintained through bodies such as the Australia-Indonesia Institute.<sup>71</sup>
- 3.75 The extent of training and education and the number of Indonesian students in Australia was discussed. AusAID indicated that Australia has an intake of 360 students per year for long-term scholarships. Australia also provides substantial levels of short-term training assistance to Indonesia, of which about 70% takes place in Indonesia and 30% in Australia.<sup>72</sup>
- 3.76 The Committee sought advice regarding tourism training. AusAID stated that a small amount of training is provided, with Bali being the venue for tourism training through the partnership for skills development program.<sup>73</sup> The Committee suggested to AusAID that, given the importance of tourism to the Indonesian economy, especially in Bali, AusAID should look at increasing assistance in this area.

## Solomon Islands

- 3.77 The Solomon Islands is the recipient of the largest bilateral portion of funds dedicated to the Pacific region, accounting for about \$28 million of total funds.
- 3.78 Improving the effectiveness of governance is a major component of AusAID's aid program to the Solomon Islands. In the financial year 2001-02, 69% (or \$19.3 million) of total bilateral aid expenditure to the Solomon Islands was used to support governance programs.<sup>74</sup>
- 3.79 In recognition of problems of political instability, lack of good governance, inadequate commitment to economic reform and the depletion of already limited natural resources, Australia had, in the years leading up to 2001-02 increased the priority given to promoting governance in the Pacific.<sup>75</sup>

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70 Australian Agency for International Development, *Submission*, p.6

71 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.12

72 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.13

73 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.14

74 Australian Agency for International Development, *Submission*, p.7

75 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.43

- 3.80 Despite the doubling of Australian aid funds to Solomon Islands since the two years preceding the 2001-02 financial year, AusAID conceded at the end of the 2001-02 period that the Solomon Islands continued to face 'serious development challenges' following the violent conflict of 2000.<sup>76</sup> Specifically, AusAID's 2001-02 Annual Report identified restoring law and order, addressing the economic crisis and the critical state of basic services such as water, sanitation, health and education as areas of concern in late 2002.
- 3.81 The Committee notes that the recent deterioration in civil order and governance in Solomon Islands confirms the importance of these priorities. The Committee also notes the Government's decision to make a significant police, military and administrative contribution to the Regional Assistance Mission to the Solomon Islands (RAMSI) under Operation Helpem Fren.

#### Activities

- 3.82 The major focus of AusAID's governance activities in 2001-02 was supporting the peace process and restoring law and order. The program also included reconstruction and rehabilitation needs of conflict-affected communities; provision of advisers in public sector reform, finance and customs; and support to lands administration and forestry.<sup>77</sup>
- 3.83 The significant amount of \$8.7 million was spent implementing a Community Peace and Restoration Fund (CPRF). This was reported by AusAID as 'highly successful'<sup>78</sup> in supporting 250 small-scale projects which address conflict-generated community issues – both tangible (repair of infrastructure) and non-tangible (trauma counselling). These projects were implemented in over 200 Solomon Islands communities.
- 3.84 AusAID provided the following example to demonstrate the role of regional organisations in promoting governance and law and order:

An example of a regional activity that focused on governance in Solomon Islands is the Forum Secretariat's (FORSEC's) Eminent Person's Group mission to Solomon Islands in 2002. FORSEC has maintained an involvement in governance issues in Solomon Islands, recently co-hosting peace workshops with the Solomon Islands Government.<sup>79</sup>

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76 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.50

77 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.50

78 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.52

79 Australian Agency for International Development, *Submission*, p.7

3.85 AusAID also reported that the Community Peace and Restoration Fund, despite facing significant challenges, was highly commended for its practices and contributions by a review in July 2001.<sup>80</sup>

### Evaluation

3.86 AusAID reported to the Committee that it monitors and evaluates the effectiveness of its governance support in Solomon Islands through several mechanisms, including:<sup>81</sup>

- Australian High Commission staff in Honiara;
- technical advisory groups, which are fielded periodically by AusAID to independently review activities in-country; and
- regular project reporting on outcomes and achievements of activities.

3.87 Given events in Solomon Islands since 2001-02, the effectiveness of Australia's aid to the country is an important issue, particularly in relation to addressing the issue of law and order.

3.88 AusAID agreed that law and order was the fundamental problem facing the Solomon Islands, which determined the success of other development initiatives.<sup>82</sup> AusAID pointed to some incremental improvements in law and order such as an increased police presence, and increased arrest and conviction rates for small crimes. AusAID highlighted a range of achievements under the law and justice program:<sup>83</sup>

- 129 new recruits have gone through basic training in the first police training courses to be run since 1996;
- Initiatives to embed this training in the Solomon Islands police service by 'training of trainers' and reestablishment of the police academy so that this process will continue and improve standards in the police force;
- significant improvements in community-police relations through the development and implementation of a community policing approach; and

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80 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.52

81 Australian Agency for International Development, *Submission*, p.7

82 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.17

83 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.18

- improvements to the standards of operations of the two gaols in Solomon Islands, including refurbishment and their reopening.<sup>84</sup>

3.89 In addition, AusAID submitted that an important focus was the improvement in community confidence and relationships with the police. AusAID claimed that significant progress has been made through the Community Policing strategy, the provision of uniforms and identification cards to police and support for media and public information campaigns.<sup>85</sup>

3.90 The AusAID Annual Report also cites over \$5.1 million in financial, technical and security support delivered to ensure safe, free and fair national elections in December 2001.

3.91 The Committee sought advice regarding NGO concerns that governance development should build on or incorporate existing and traditional societal structures. AusAID assured the Committee that their approach to development aid gives strong recognition to engaging civil/indigenous communities. The agency elaborated on this claim by stating that its approach to community engagement in the Solomon Islands included:<sup>86</sup>

  - a strong emphasis on community policing;
  - a National Peace Council, an indigenous-led organisation; and
  - a Community Peace and Restoration Fund.

3.92 AusAID further stated that Australia had been the only donor to support the National Peace Council, which had been 'very effective' in promoting peace and reconciliation throughout communities.<sup>87</sup> Additionally, the CPRF worked with communities to identify and prioritise their own development needs.<sup>88</sup>

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84 The Central Prison at Rove and the Tetere Prison Farm closed at the height of the conflict in June 2000. Australia's Law and Justice Institutional Strengthening Program, which began in December 2000, refurbished and helped reopen the Rove prison. Australia's current comprehensive package of strengthened assistance to Solomon Islands includes completing a new main prison at Rove, which will hold up to 300 inmates. AusAID is also bolstering support to the prison service through provision of expatriate correctional services staff to train and help supervise Solomon Islands prison staff on every shift and to assist with the transition to the new prison. Tetere Prison Farm has been refurbished and was due to reopen in mid September 2003.

85 Australian Agency for International Development, *Submission*, p.9

86 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, pp.18-19

87 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.18

88 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.19

- 3.93 In terms of economic performance, the Solomon Islands performed poorly even in the context of its own region. Notwithstanding economic performance in the Pacific was generally weak, the Solomons suffered negative economic growth, while Fiji and Samoa experienced ‘impressive’ performances. AusAID attributes the Solomon Islands experience to continued civil unrest.<sup>89</sup>
- 3.94 In the context of recent media reporting of the deterioration in law and order in the Solomon Islands, AusAID provided the following qualification of the performance of its Law and Justice Sector program in the Solomon Islands:

Restoring law and order is a critical challenge for Solomon Islands. It is important to note that the deterioration in the sector has not been simply as a result of the conflict, but rather a decade or more of neglect. The conflict exacerbated this situation.

Responding to the problems within the law and justice sector requires a long-term approach to rebuilding the capacity of the police, judiciary and prisons service. Australia’s assistance to the sector has been carefully designed to be able to respond flexibly to the immediate needs in the sector, while at the same time focusing on the longer-term work of building the base for a return to the rule of law. The aid program does not take responsibility for ‘policing’ or eliminating corruption but rather is focused on supporting and assisting the Royal Solomon Islands Police (RSIP), the judiciary and prison service to undertake their roles effectively.<sup>90</sup>

## East Timor

- 3.95 The Committee was provided with a range of figures for Australia’s contributions to East Timor in 2001-02. The Annual Report cited a total of \$57.4 million.<sup>91</sup> However, evidence subsequently submitted to the Committee by AusAID suggested total contributions of \$43.6 million, of which 27 percent (\$11.9 million) was allocated to governance.
- 3.96 To clarify the differing assessments, AusAID explained that, after full reconciliation, aid program funding to East Timor in 2001-02 totalled \$40.9 million. This included \$28.6 million in country program aid as outlined in

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89 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.43

90 Australian Agency for International Development, *Submission*, p.8

91 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.61

the 2001-02 annual report. It also included other aid program flows (eg non-government organisations and volunteer programs). The final figure for other aid program flows to East Timor in 2001-02 was \$12.34 million. In addition, funding provided through other government departments totalled \$19.35 million. Total Australian aid to East Timor in 2001-02 therefore amounted to \$60.3 million.<sup>92</sup>

- 3.97 AusAID advised that the figure of \$43.6 million was based on activity approvals, not actual expenses.
- 3.98 In terms of the amount allocated to governance, of the \$40.9 million aid program funding expended in 2001-02, \$11.3 million was allocated to core good governance activities (27.6 percent of East Timor aid program funding). AusAID added that under a broader classification of governance, actual expenditure on governance would be \$20.7 million (50.6 percent).<sup>93</sup>
- 3.99 AusAID plans to increase the priority of governance in 2002-03 to 55 percent of its total aid expenditure to East Timor through the Transitional Support Program (TSP).<sup>94</sup>
- 3.100 AusAID's Annual Report identified the following as East Timor's most pertinent challenges:<sup>95</sup>
- Poverty;
  - Little basis for economic growth in the short term; and
  - Major transition needed from crisis point to a functioning, democratic and peaceful nation.

### Activities

- 3.101 AusAID's efforts in relation to governance throughout this period included, broadly, the establishment, rebuilding, restoration and development of East Timor's:<sup>96</sup>
- Basic services;
  - Public administration capacity;

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92 Australian Agency for International Development, *Submission*, p.9

93 Australian Agency for International Development, *Submission*, p.10

94 Australian Agency for International Development, *Submission*, p.10

95 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.60

96 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.60

- Democratic systems (including the refurbishment of the Parliament building in Dili); and
  - Informed citizen groups.
- 3.102 Another prominent example of work carried out by AusAID in promoting democratic systems was the capacity building for East Timor to hold elections. AusAID, through the Australian Electoral Commission in particular, played an important role in developing indigenous knowledge, skills, and resources in electoral administration, through the provision of training and overseas study opportunities for East Timorese electoral officials and material support for the conduct of elections.<sup>97</sup>

### Outputs

- 3.103 Of the major achievements listed in relation to East Timor, more than half are governance-related. The following are extracted from AusAID's Annual Report for 2001-02:<sup>98</sup>
- strengthened capacity in electoral administration through the direct and indirect training of 4500 electoral officials;
  - provision of timely and expert technical advice for fiscal and development planning to enable:
    - ⇒ the production of East Timor's first State of the Nation Report and National Development Plan
    - ⇒ the development and delivery of East Timor's first budget as a new nation as well as the medium-term fiscal framework.
  - strengthened agricultural sector planning through the establishment of a geographic information system unit and production of East Timorese township, soil and land use maps;
  - delivery of internationally recognised management training for 357 senior civil servants;
  - development of human resource training plans and community water guidelines and standards to improve the delivery of water supply and sanitation; and

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97 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.62

98 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, pp.61-62

- greatly contributed to the successful running of the Constituent Assembly election and the presidential election thereby reducing dependency on international electoral assistance and contributing to building long-term capacity to conduct effective elections in East Timor.

### Evaluation

- 3.104 The Committee sought information on the level of Australian support for policing in East Timor. AusAID explained that support has been relatively limited given police force development is currently part of the mandate of the United Nations Mission of Support in East Timor (UNMISET). Australian Federal Police officers have made substantial contributions in operational policing and capacity building as part of the multinational United Nations Police Force, which operates under the authority of UNMISET.<sup>99</sup>
- 3.105 In addition AusAID and the Australian Federal Police, along with the UN and East Timor Government, participated in a November 2002 Joint Assessment Mission on Policing, which mapped out the future capacity building requirements of the East Timor Police Service.<sup>100</sup>
- 3.106 In relation to economic development, East Timor is not included in the WTO trade law course and the quarantine and commercial law training under the APEC Support Program because the WTO course responded specifically to requests from developing countries that are WTO members or who are actively seeking accession. East Timor is not a member of APEC and has not been a priority for assistance under the APEC Support Program.<sup>101</sup>
- 3.107 The Committee received an update on the progress of the interim country strategy for East Timor. AusAID indicated that the country strategy was well progressed and that they were continuing to work through discussions with the East Timor government both on the outcomes of Australia's assistance in the interim phase and on the directions of assistance for the future. As part of the process AusAID conducted a range of public consultations and an issues paper is expected to be approved shortly.<sup>102</sup>

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99 Australian Agency for International Development, *Submission*, p.10

100 Australian Agency for International Development, *Submission*, p.10

101 Australian Agency for International Development, *Submission*, p.11. East Timor is not a member or an accession candidate of the World Trade Organisation.

102 Australian Agency for International Development, *Transcript of Evidence*, 20 March 2003, p.19

## China

- 3.108 Discussion of governance initiatives in China was centred on the Human Rights Technical Cooperation Program (HRTCP).
- 3.109 The Human Rights Technical Cooperation Program is a listed output for the China program during 2001-02.<sup>103</sup> This program is a primary vehicle for the promotion of governance-related reform and the advancement of human rights in China.
- 3.110 In 2001-02, \$866,832 was expended on the HRTC Program from the \$40.5 million bilateral aid program. The budgeted expenditure for the HRTC Program for 2002-03 is \$1.2 million. This will be made up of \$1 million from the \$40 million bilateral aid program, and \$200,000 from the Asia Regional Program.

### Activities

- 3.111 The HRTCP was borne out of a high level agreement negotiated by Prime Minister John Howard and China's Premier Li Peng in 1997 aimed at strengthening the administration, promotion and protection of human rights in China.<sup>104</sup>
- 3.112 The implementation of the HRTCP is managed by the Human Rights and Equal Opportunity Commission (HREOC). The HREOC Annual Report details activities undertaken in support of this program, which are broadly focussed on:<sup>105</sup>
- protection of the rights of women and children;
  - protection of ethnic minority rights; and
  - reform of the legal system.
- 3.113 The HRTCP activities during 2001-02 included:<sup>106</sup>
- providing scholarships for Chinese officials to study human rights in Australia;
  - workshops on a range of subjects such as protection of women from family violence;
  - measures to combat trafficking in women and children;

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103 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

104 AusAID website [www.ausaid.gov.au/publications/pubout.cfm]

105 HREOC Annual Report 2001-02, p.153

106 HREOC Annual Report 2001-02, p.153

- reporting on compliance with international human rights treaty obligations;
- training for Chinese officials employed in areas vital to human rights protection such as prosecutors and prison officers; and
- translation into Chinese of guides to mass communication and the right to freedom of expression.

### Outcomes

3.114 The AusAID Annual Report 2001-02 states that the program had 'a major effect' in the following areas:<sup>107</sup>

- legal reform;
- women's and children's rights and ethnic and minority rights, including by contributing to the development of new rules of evidence;
- improved policy and procedures in prison management; and
- a multi-sectoral approach to domestic violence.

3.115 The strategies used to achieve the program's goals of encouraging orderly reform and advancing human rights are twofold in that they:

- seek to engage Chinese authorities through the annual Human Rights Dialogue; and
- provide practical human rights assistance under the HRTCP in three priority areas of legal frameworks and the administration of justice, women's and children's rights, and ethnic and minority rights.<sup>108</sup>

3.116 HREOC claims the HRTCP activities have had 'an immediate impact on the formulation of administrative procedures'.<sup>109</sup> This suggests an effective governance output in the pursuit of advancing, in the long term, human rights awareness and implementation.

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107 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

108 Australian Agency for International Development, *Submission*, p.12

109 Human Rights Equal Opportunity Commission, *Annual Report 2001-2002*, October 2002, p.154

## Evaluation

- 3.117 An annual Program Review and Planning Mission (PRPM) is responsible for assessing the impacts of the HRTCP. The individual activities of the program are also evaluated in Activity Completion Reports. These evaluation mechanisms measure the impacts of HRTCP activities with respect to a variety of quantitative and qualitative criteria.<sup>110</sup>
- 3.118 AusAID advised that the HRTCP contained a provision for an annual review, which is undertaken by the Human Rights and Equal Opportunities Commission. The report of this review was also made available to this inquiry.<sup>111</sup> This 'Program Review and Planning Mission' report was both comprehensive and constructive, and based on sound evaluative principles, using a variety of quantitative and qualitative criteria. The review found that the HRTCP continued to make good progress and that the management of the program has been effective, sensitive and competent on both the Chinese and Australian sides.

## Conclusions

### AusAID evaluation mechanisms

- 3.119 AusAID employs a wide range of evaluation methods that include both in-house and outsourced expertise.
- 3.120 AusAID's organisational structure contains a corporate level, quality assurance area, the Office of Review and Evaluation (ORE). Throughout the reporting period, AusAID also employed a Quality Assurance Group to conduct a corporate review.<sup>112</sup> Major sectoral and country programs within AusAID routinely conduct comprehensive reviews, both in-house and externally sourced. Additionally, all activities at grass-roots levels are subject to Activity Completion Reports.
- 3.121 As stated in the introductory section, assessing aid quality is complex and forces and events beyond AusAID's control may impact the effectiveness of the aid program. The Committee is satisfied that AusAID programs actively promote effective governance and have efficient self-evaluation practices and mechanisms that support ongoing improvement.

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110 Australian Agency for International Development, *Submission*, p.13

111 Australian Agency for International Development, *Exhibit*, 'China-Australia Human Rights Technical Cooperation Program: Program Review and Planning Mission – Final Report', 19 August 2002

112 Australian Agency for International Development, *Submission*, p.2

### Promoting effective governance

- 3.122 Nevertheless, there are some matters of concern to the Committee. As shown in the evidence received in relation to the selected countries (particularly in PNG and the Solomon Islands), there is a notable void in governance integrity and a disturbing rise in the incidence of lawlessness and civil disorder in recipient countries of our aid program and, inter alia, a negative impact on regional security. The implications of these related trends are apparent, as seen in the rapid deterioration in economic performance and security in the Solomon Islands.
- 3.123 AusAID acknowledges that ‘Increasingly, the aid program is supporting stability in the Pacific through support for policing services, courts and prisons.’<sup>113</sup> AusAID advised in the 2001-2002 Annual Report that its Policy and Management Reform Fund (PMR) was the most effective tool for combating this instability because of its focus on governance reform and peace and conflict resolution.<sup>114</sup>
- 3.124 However, these trends are of concern for both the ramifications on regional security and the implications for the effectiveness of governance programs within Australia’s current and past aid efforts.
- 3.125 The Committee supports:
- a vigorous, focussed approach to good governance;
  - a focus on governance with ongoing funding; and
  - AusAID conducting regular, independent and comprehensive reviews of its governance programs.

## Improving Health Outcomes

### Background

- 3.126 In 2001-02 the aid program undertook 224 projects aimed at improving health outcomes, totalling \$197.2 million (13% of aid expenditure), with a further \$83.4 million spent on projects that contained a health component.<sup>115</sup>

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113 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.45

114 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.45

115 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.26

- 3.127 The major components of AusAID's health program are:<sup>116</sup>
- basic health and infrastructure;
  - health policy and management; and
  - reducing the incidence and impact of HIV/AIDS and other communicable diseases.
- 3.128 In view of the rising incidence globally of the HIV virus and AIDS, the Committee resolved to focus on AusAID's efforts in relation to the pandemic. Indeed, a major effort has been made by AusAID in regard to sexually transmitted diseases (STD), including HIV/AIDS.
- 3.129 Although AusAID's Annual Report indicates 12.3% of health expenditure<sup>117</sup> (approximately \$24.3 million) was spent on STD control including HIV/AIDS, AusAID advised that \$24.6 million was actually spent.<sup>118</sup> AusAID explained that the discrepancy is caused by disparate accounting systems. That is, projects that contain, but do not primarily produce, HIV/AIDS related outputs are often not identified by the relevant Donor Assistance Committee (DAC) code. These funds were sourced from the *Global HIV/AIDS Initiative* fund.
- 3.130 The funds Australia has committed to its Global HIV/AIDS Initiative are considerable, and are the primary source of funding for all AusAID's HIV/AIDS related aid efforts. The Committee therefore resolved to review the management of this funding during the second financial year of its operation.
- 3.131 In order to measure the effectiveness of AusAID's efforts in relation to HIV/AIDS, the Committee selected for review:
- administration of the Global HIV/AIDS Initiative fund; and
  - activities undertaken in China throughout 2001-02, specifically through:
    - ⇒ the HIV/AIDS Prevention and Care project in the Xinjiang Uygur Autonomous Region; and
    - ⇒ the World Bank Health IX Project.
- 3.132 As one of the most populous nations currently in the grip of the HIV/AIDS epidemic, activities undertaken in China were selected for review to seek sample indicators of the effectiveness of AusAID-administered activities. The United Nations and World Health

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116 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.26

117 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

118 Australian Agency for International Development, *Submission*, p.13

Organisation estimated in mid 2002 that one million people in China were living with HIV/AIDS. The Government of the People's Republic of China concurs with this estimate.<sup>119</sup>

## The Global HIV/AIDS Initiative

3.133 In July 2000, the Minister for Foreign Affairs, Hon Alexander Downer MP, announced a Global HIV/AIDS Initiative of \$200 million in funding over six years. The \$24.6 million of Global HIV/AIDS Initiative funds spent during the 2001-02 financial year represents contributions to:<sup>120</sup>

- bilateral HIV/AIDS projects;
- regional HIV/AIDS initiatives;
- global programs such as the joint United Nations Program on HIV/AIDS (UNAIDS); and
- NGOs delivering HIV/AIDS prevention, care and treatment activities.

3.134 AusAID provided the Committee with an extensive breakdown of both expended and projected funding for the above four areas over the full six year period (2000-2006). The data identified targeted, recipient countries and activities. Funding for activities was allotted, in descending order of contribution, to Papua New Guinea, Indonesia, Southeast Asia programs, China, African nations, India, the South Pacific region, Vietnam, the UN program, Nepal, Laos, East Timor, South Asia, Thailand, The Philippines, and Mongolia.<sup>121</sup>

3.135 Throughout the 2001-02 reporting period, AusAID also undertook the following initiatives:<sup>122</sup>

- AusAID hosted a regional ministerial meeting, the *Pacific Ministerial Meeting on HIV/AIDS* in October 2001;
- as a result, AusAID has since been engaged in establishing an *Asia Pacific Leadership Forum for HIV/AIDS and Development* (APLF) in collaboration with UNAIDS; and
- in early 2002, AusAID set up the AusAID HIV/AIDS Taskforce.

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119 Australian Agency for International Development, *Submission*, p.18

120 Australian Agency for International Development, *Submission*, p.13

121 Australian Agency for International Development, *Exhibit*, 'Australia's Global Initiative Spending Estimates', spreadsheet submitted to Committee with AusAID's submission, May 2003

122 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

*AusAID HIV/AIDS Taskforce*

3.136 The AusAID HIV/AIDS Taskforce is staffed by AusAID officers and acts as the primary point of contact and coordination for agency wide HIV/AIDS policy and program matters. Responsibilities of the taskforce include:<sup>123</sup>

- providing advice to the Minister for Foreign Affairs and the Parliamentary Secretary;
- monitoring the implementation of Australia's \$200 million Global HIV/AIDS Initiative;
- overseeing development of the Asia Pacific Leadership Forum on HIV/AIDS and Development;
- further developing HIV/AIDS policy related to treatment of people with HIV/AIDS in resource poor settings; and
- working closely with AusAID country-program officers to assist with the implementation of bilateral HIV/AIDS assistance activities.

*Asia Pacific Leadership Forum*

3.137 The Asia Pacific Leadership Forum (APLF) on HIV/AIDS and Development, announced in 2001, was established to provide a network for information sharing among political leaders and parliamentarians, training activities among political advisors, and to enhance regional co-ordination and collaboration. It also aims to increase political leadership for effective national and regional action against the HIV/AIDS epidemic.<sup>124</sup>

3.138 In terms of Australia's role and the extent of our commitment to this group. AusAID advised that over \$1 million in 'seed funding' has been committed to assist with establishment of the forum.<sup>125</sup> AusAID also suggests that this donation has since encouraged the participation of other donors with substantial donations received from other countries (eg. US, UK, EC, Japan, NZ) in the following financial year.<sup>126</sup>

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123 Australian Agency for International Development, *Submission*, pp.15-16

124 Australian Agency for International Development, *Submission*, p.15

125 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.27

126 Australian Agency for International Development, *Submission*, p.15

## Evaluation

- 3.139 Throughout the reporting period, implementation of the Global HIV/AIDS Initiative was in its embryonic stages. AusAID was therefore unable to furnish, at this point, evaluations of projects funded by the initiative. However, AusAID assured the Committee that, in keeping with the agency's corporate practice, ongoing monitoring and evaluation facilities are incorporated into design and implementation of the projects.<sup>127</sup>
- 3.140 The Committee will be seeking regular updates from AusAID on these activities.

## China

- 3.141 The United Nations and World Health Organisation estimated in mid 2002 that one million people in China were living with HIV/AIDS. The Government of the People's Republic of China concurs with this estimate.<sup>128</sup> Of even greater concern, UNAIDS fears that 'unless effective responses rapidly take hold, a total of 10 million Chinese will have acquired HIV by the end of this decade.'<sup>129</sup>
- 3.142 AusAID advised that approximately \$1.5 million of Australia's bilateral aid to China was directed to HIV/AIDS related activities during the 2001-02 financial year. Additionally, \$600,000 was spent on the Asia Regional HIV/AIDS program, which operates in two southern Chinese provinces, as well as Burma and Vietnam.<sup>130</sup> This four-year \$9.6 million project is aimed at 'reducing the harm associated with intravenous drug use'.<sup>131</sup>
- 3.143 Of the seven 'significant outputs' identified in AusAID's China Country Program for 2001-02, two reported on efforts responding to the HIV/AIDS epidemic in China:<sup>132</sup>
- Commencement of an HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region, one of the poorest areas of China with the second highest number of HIV cases in the country; and

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127 Australian Agency for International Development, *Submission*, p.15

128 Australian Agency for International Development, *Submission*, p.18

129 UNAIDS Report, *Global AIDS Update*, December 2002.

130 Australian Agency for International Development, *Submission*, p17

131 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.58

132 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

- Strengthening of the capacity to mount and expand effective responses to the HIV/AIDS epidemic in China at central and local government levels through the Australian-funded World Bank project.
- 3.144 AusAID identified the major challenges facing China in combating HIV/AIDS throughout the reporting period related to tackling the main modes of transmission of the virus. These included through:<sup>133</sup>
- sharing of contaminated needles by injecting drug users (IDU);
  - the way in which blood (or plasma) collection was conducted; and
  - heterosexual and, to a lesser extent, homosexual transmission.
- 3.145 Additionally, AusAID pointed to China's large-scale internal labour migration as an exacerbating factor.<sup>134</sup>
- 3.146 AusAID advised that the Government of China has taken steps to address the way in which plasma products are collected and pointed to reform in the Henan province as an example of curbing unsafe practices.<sup>135</sup>
- 3.147 China continues to further develop its policies and programs with regard to HIV/AIDS, and recently became a Board member of the Global Fund to Fight AIDS, Tuberculosis and Malaria.<sup>136</sup>
- 3.148 AusAID advised that China has operated a national HIV/AIDS sentinel surveillance system since 1995. This system is the principal source of information in China concerning HIV prevalence data over time, in population groups of specific interest, and is therefore the best means for assessing HIV trends and for making epidemic projections in China.<sup>137</sup>
- 3.149 AusAID expanded on China's plan for tackling the spread of HIV/AIDS, announced in August 2001. AusAID reported that four guiding principles were articulated in the China HIV/AIDS Containment, Prevention and Control Action Plan (2001-2005). These consisted of:<sup>138</sup>
- Government responsibility for HIV/STD prevention; strengthened multi-sector coordination; social participation;

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133 Australian Agency for International Development, *Submission*, p.17

134 Australian Agency for International Development, *Submission*, p.17

135 Australian Agency for International Development, *Submission*, p.19

136 Australian Agency for International Development, *Submission*, p.17

137 Australian Agency for International Development, *Submission*, pp.17-18

138 Australian Agency for International Development, *Submission*, p.18

- Focus on prevention; strengthened information and education for the general public and vulnerable groups; particular emphasis on changing high risk behaviour and harm reduction; comprehensive management of vulnerable groups;
- Control activities prioritised; strengthened health education and behavioural interventions; emphasis on developing effective, sustainable programs; and
- Relevant and stratified guidance; strengthened monitoring and supervision; strict law enforcement; comprehensive evaluation of programs.

### Australian support

3.150 The Committee was keen to ensure the relevance of Australia's HIV/AIDS activities and that efforts took account of the partner governments' policies. AusAID confirmed that activities of its China HIV/AIDS program concurred with China's priorities and guiding principles, providing the following examples:<sup>139</sup>

- The recently designed Tibet Health Sector Support Program includes a multi-sectoral response, surveillance of HIV and sexually transmitted infections, strengthening local information and education programs, particularly amongst vulnerable groups, and improving prevention activities.
- The Xinjiang HIV/AIDS Prevention and Care project directly addresses the key elements of the Xinjiang Uygur Autonomous Region HIV/AIDS Prevention Plan, through supporting the development of an effective system of testing across the region; training for professionals; specialised training on management of sexually transmitted infections; and drafting regulations and policies.
- The Australian-supported Xinjiang HIV/AIDS Prevention and Care project will provide technical assistance, training and capacity building to develop and implement models involving more efficient and cost-effective HIV/AIDS testing. This will support a greater capacity for HIV/AIDS surveillance in the province.

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<sup>139</sup> Australian Agency for International Development, *Submission*, pp.18-19

### HIV/AIDS prevention and care project in the Xinjiang Uygur Autonomous Region

- 3.151 The Xinjiang Uygur Autonomous Region is one of the poorest areas in China with the second highest number of HIV cases in the country.<sup>140</sup>
- 3.152 The aim of the Xinjiang HIV/AIDS Prevention and Care project is described as ‘seeking to improve the capacity of Xinjiang provincial government to reduce the incidence of HIV/AIDS through a multi-sectoral response focusing on policy development, health promotion, as well as care for people with AIDS’.<sup>141</sup>
- 3.153 AusAID explained that through Australia’s bilateral aid program, Australia funds the project, monitors its progress, and directs its implementation, in consultation with the Australian Managing Contractor and Chinese authorities.<sup>142</sup>
- 3.154 According to a Memorandum of Understanding between the two Governments, Australia’s total commitment for the entire project is estimated at \$14.7 million, with the People’s Republic of China providing an additional \$7.2 million.<sup>143</sup>

### World Bank Health IX Project

- 3.155 The World Bank’s Health IX Project (1991) includes a substantial program of US\$40 million for HIV prevention and control in Fujian, Guanxi, Xinjiang, and Shanxi. The project is supplemented by Australian grant funding of \$2 million (US\$1.2 million). This portion is used to support technical assistance and training on HIV/AIDS and STDs, blood management, and NGO capacity building and interventions.<sup>144</sup>
- 3.156 The Committee also sought further information from AusAID on Australia’s role in the project. AusAID advised that an Australian contractor is fulfilling the implementation of this assistance. The World Bank awarded the contract following an open tendering process. AusAID monitors project implementation jointly with the World Bank.<sup>145</sup>

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140 Australian Agency for International Development, *Annual Report 2001-2002*, October 2002, p.66

141 AusAID website [[www.ausaid.gov.au/hottopics/hiv aids/response.cfm](http://www.ausaid.gov.au/hottopics/hiv aids/response.cfm)]

142 Australian Agency for International Development, *Submission*, p.19

143 Australian Agency for International Development, *Submission*, p.19

144 Australian Agency for International Development, *Submission*, p.20

145 Australian Agency for International Development, *Submission*, p.20

## Evaluation

- 3.157 As both the subject projects are still underway, they have not yet been subject to overall project evaluation. However, the Committee was satisfied with the ongoing monitoring and evaluation being undertaken by AusAID as reported in the following two paragraphs.
- 3.158 The Australian Managing Contractor of the Xinjiang HIV/AIDS Prevention and Care project is responsible for day-to-day monitoring of activities and regular reporting to AusAID. AusAID assured the Committee that it also contracts independent technical consultants to review progress.<sup>146</sup>
- 3.159 AusAID participates in the World Bank's regular (biannual) supervision visits to monitor the Health IX project. The last monitoring visit in October 2002 reported that 'project progress has been slow but has started to gain momentum, particularly in policy development, institutional capacity building, promotion of multi-sectoral response to the HIV epidemic, NGO involvement, and new pilot interventions at selected sites.'<sup>147</sup>

## Conclusion

- 3.160 The Committee is encouraged by the government's serious commitment to combating HIV/AIDS in the Asia Pacific region and AusAID's implementation of targeted programs and projects.
- 3.161 While many projects are in their early stages, the Committee will maintain a watching brief on the progress of these initiatives.

**Senator Alan Ferguson**

**Chairman**

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146 Australian Agency for International Development, *Submission*, p.20

147 Australian Agency for International Development, *Submission*, p.20