



**Development  
Studies  
Network**

# Development Bulletin

*No. 65 August 2004*

## **International Perspectives on Aid Effectiveness**

### ◆ **Features**

- *Reforming the structure of aid*
- *Reviewing and reforming aid planning and practice*
- *Measuring, monitoring and evaluating aid effectiveness*
- *Poverty-efficient aid and its relationship with growth*
- *Impact of national security and terrorism agendas on aid effectiveness*
- *Case studies on practice in Solomon Islands, PNG, Nepal and East Timor*

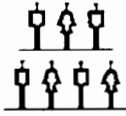
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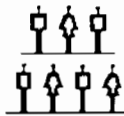


The Development Studies Network provides information and discussion on social and economic development issues. It publishes a quarterly journal, *Development Bulletin*, runs regular seminars on development policy and annual conferences on international development. Members of the Network are encouraged to contribute information and papers to the *Development Bulletin*.

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---

## Correspondence



*Development Bulletin*  
Development Studies Network  
Research School of Social Sciences, Australian National University  
Canberra ACT 0200, Australia  
Tel: 61 2 6125 2466, 61 2 6125 8257  
Fax: 61 2 6125 9785  
E-mail: [devnetwork@anu.edu.au](mailto:devnetwork@anu.edu.au)  
Website: <http://devnet.anu.edu.au>

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*Development  
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Network*

# Development Bulletin

*No. 65 August 2004*

**International Perspectives  
on Aid Effectiveness:  
Issues of Policy and Practice**



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Does aid work and for whom? And how do you judge this? Small questions, but of enormous import, both to Australia's own interests, and, more importantly, to the people who are the recipients of aid.

The Development Studies Network symposium, *International Perspectives on Aid Effectiveness*, 24–25 June 2004, set out to find some answers. This was a landmark event in Australian development practice and theory. With our co-conveners, and assistance from the National Institute of Social Sciences and Law and AusAID, we brought together leading academics, practitioners and policy makers to debate, discuss and dissect the issues.

It soon became clear that the trend against conditionality and the big project has taken root across much of the sector. When people spoke about really effective aid, it was most often to small, flexibly designed, community-based and owned enterprises that they referred.

From a policy making perspective, the focus again was on in-line and in-country managers, and of the value of not only bringing their perspectives to the forefront, but the importance for policy makers of both receiving and acting on information from the bottom up, and on investing in the knowledge and skills of donor staff. Nevertheless, the differing perspectives at the symposium revealed that there is still vigorous debate to be had on what constitutes the real catalyst for success in development, and that the hoary old free-trade infected, aid/growth dichotomy has life in it still.

In this volume you will find a range of papers which reflect — and reflect upon — these diverse views. Some provide theoretical and statistical analyses of how and why aid does and doesn't work. Others look closely at how donor policy is made, its strengths and weaknesses. Then there are on-the-ground case studies, where aid in action is placed under the microscope and we are able to see in detail how projects really work in the field.

We hope you will find these papers, the critiques and ideas therein, as useful and stimulating as we found the discussion and debate during the symposium. If you have a response, please contact us. We welcome comments and criticisms for inclusion in the Viewpoint section of a future issue of *Development Bulletin*.

## **Collaboration and support**

This issue of *Development Bulletin* would not have been possible without support from AusAID. Again, the ANU's National Institute of Social Sciences and Law has provided invaluable support.

At the heart of the success of the symposium, however, were the contributions of our speakers and authors, whose tremendous expertise made the event, and, we trust, this edition of *Development Bulletin*, of such value and interest.

Finally, mention must be made of a strong supporter, not just of the Aid Effectiveness symposium, but much of the work of the Development Studies Network over the last couple of years, that of the Hon. Chris Gallus MP, in her role as Parliamentary Secretary to the Minister for Foreign Affairs. Ms Gallus's commitment, knowledge and abiding interest in promoting the efforts of Australian donors and the interests of the recipients of aid will be sorely missed.

## **Next *Development Bulletin***

In early September, the Network convenes a major international symposium that looks at the impacts of people trafficking through a development lens. A special issue of *Development Bulletin* will follow in late 2004, focusing on these issues. Also in the pipeline are issues on post-conflict reconstruction, innovations in community resources and indigenous

development, plus an international dialogue and issue of the *Development Bulletin* which brings together ways to assist development in Timor-Leste. If you would like to contribute a paper on any of these topics, please contact us.

*Pamela Thomas*

*Managing Editor*



# Opening Address

## Effective aid: A whole-of-government approach

*The Hon. Chris Gallus, MP  
Parliamentary Secretary to the Minister for Foreign Affairs*

### Introduction

This international symposium has attracted strong participation from regional governments, NGO partners and academia and is a credit to the Development Studies Network and its collaborators, the National Institute for Social Sciences and Law, Massey University, New Zealand, and the National Museum of Australia.

As we all know, successful collaboration is also the key to successfully delivering development assistance. Here, I wish to address the question of collaboration at the government level by explaining Australia's whole-of-government approach to delivery of development assistance and discussing some of the elements necessary for such an approach to be effective.

### The need for new approaches

Globally, we have witnessed an evolution in thinking about aid and development, spurred by concern over continuing poverty levels in many parts of the world. Donors and developing countries are increasingly aware that development is a complex process dependent upon multiple factors. Good governance, security, and access to international markets and capital, are key among these. One of the responses of the international community has been to pay greater attention to policy coordination and aid effectiveness.

For Australia, responding to the development challenges within our region, and beyond, has meant reviewing some of our approaches and ensuring appropriate coordination across government — in other words taking a whole-of-government approach to aid. This approach is consistent with the Australian Government's recognition, more broadly, that the economic, social and security challenges confronting Australia are most effectively addressed by coordination across all government agencies.

A whole-of-government approach allows access to a greater range of resources and expertise when addressing complex problems, paving the way for more innovative, effective and efficient solutions within and between countries. Australia's development cooperation has always drawn on contributions from a range of government agencies. Today there is strong emphasis on coordination and utilisation of the broad base of experience across the Australian Government. The government's response in the wake of the Bali bombings is a good example of an effective all-of-government approach. Australia has contributed funds and capacity building programs to assist Indonesia get the Balinese economy get back on track after the devastation of the terrorist attack, an effort that involved at least 15 federal agencies.

### Policy coherence and institutional linkages

A whole-of-government approach contributes to aid effectiveness in a number of ways, including through ensuring a focus on policy coherence across government and by recognising the importance of building institutional linkages with recipient countries. Policy coherence in this context means the promotion of policy actions *across* government to support development.

In donor countries, a common barrier to policy coherence has been the perception by government departments that they do not have a stake in development issues. Thankfully,

this perception is being broken down and there is increasing recognition of the congruence between development and pursuing the broader national interest, including a recognition that security and prosperity are strongly linked to broad-based economic growth and good governance in all countries.

Issues such as stability, migration, security, health and environment, are all aspects of development that have regional and global impacts. In the health sector, for example, there is HIV/AIDS, SARS and avian influenza. For security, terrorism and people smuggling pose threats. Clearly, to effectively confront these cross-border challenges we need coherent, cooperative approaches between countries. But we also need coherent policies within donor countries — across all government departments.

The Australian Government has long recognised that the development of our neighbours improves regional stability, and is in Australia's national interest. A whole-of-government approach enables us to adopt a holistic and fully coordinated approach to addressing the multiple factors affecting development gains in our region. Solomon Islands is a case in point. The problems facing Solomon Islands were many and serious. Law and order had broken down, the government and its institutions had ceased to function, corruption was widespread, public finances were in ruin and many basic services were not being delivered.

Improving the security situation and re-establishing the rule of law was crucial to creating an environment where development gains could be made. Australia acted in close consultation with New Zealand and the other members of the Pacific Islands Forum to bring a Regional Assistance Mission to Solomon Islands (RAMSI) to life. RAMSI is an example of the region acting collectively to address a regional problem — of neighbours extending a helping hand, indeed, ten Pacific Islands Forum members contributed police or military personnel to RAMSI.

RAMSI's actions have transformed a chaotic situation: almost 4000 guns have been taken out of circulation, more than 2000 arrests have been made, the Solomon Islands is now better policed, and a sense of purpose and confidence has returned. With RAMSI's assistance, Solomon Islands government finances have been stabilised and public servants are being paid on time.

Of course, effective aid must lead to long-term and sustainable change and in Solomon Islands there is still much to be done. In the coming year, RAMSI will continue to work closely with Solomon Islands to build on these early successes and implement a comprehensive reform agenda, focussing on a wide range of initiatives, including:

- economic reform;
- enhancement of the legal and judicial environment;
- development of a capable national police force to maintain law and order;
- rebuilding of the machinery of government, and

- provision of essential services to the community, particularly in health.

This is clearly a very big task. But the Australian Government considers its commitment to Solomon Islands to be a good investment and one that will help them back onto the development path.

Our experience in Solomon Islands also serves to underline another important aim of the whole-of-government approach to aid delivery — that of working well with recipient governments across all relevant agencies. Australia's contribution to RAMSI is centred on further developing institutional linkages between Australian agencies and their Solomon Islands counterparts. Institutional linkages are similarly central to the success of the Enhanced Cooperation Program in PNG.

In PNG, Australian public servants and Australian Federal Police will be deployed to work side by side with their host country counterparts. Officials from the Australian Treasury and the Department of Finance are particularly involved in the expanded governance programs in PNG and Solomon Islands. At the same time, officials from the ministries of planning and finance in Solomon Islands and PNG have recently attended courses here at the ANU to improve economic and financial management skills. During their time here they are also creating links with Australian Government counterparts and colleagues, providing a basis for longer-term partnerships, skills transfer, and sustainability.

Australian agencies also participate in important regional networks to foster institutional linkages and relationships, for example, the Australian Electoral Commission's work in the Pacific, the Australian Public Service Commission's assistance to the Samoan Government, and counter-terrorism cooperation with the Indonesian Government through the Department of Foreign Affairs and Trade, Department of Immigration and Multicultural and Indigenous Affairs, Department of Transport and Regional Services, the Australian Federal Police and Australian Customs.

## Conclusion

A whole-of-government approach helps us to deliver development assistance more effectively by ensuring policy coherence and building institutional linkages. We are constantly working to ensure that objectives for Australia's assistance are clear, that we improve cooperation and that we effectively assess progress. Our cooperation with key partners in the region is a long-term endeavour and will continue to require the expertise and engagement of many Australian Government departments.

This conference is a valuable opportunity to share experiences and to expand our knowledge of aid issues, which in turn will help increase aid effectiveness. I hope you also leave here today with a better understanding of one of the key ways in which the Australian Government is going about improving the effectiveness of its aid through better coordination and a whole-of-government approach.

## Introduction: Summing up and the way forward — A retrospective and prospective on aid effectiveness

*Geoffrey Fox\**

### **The issues**

A dominant theme in most of the presentations and panel discussions at the Development Studies Network symposium, *International Perspectives on Improving Aid Effectiveness*, Canberra, 24–25 June 2004, has been concern about the likely adverse impacts on aid effectiveness of Australia's whole-of-government approach to development assistance. Satish Chand in his presentation expressed the view that the whole-of-government approach will 'contaminate' the short-term focus on the core business of addressing poverty. He went on to say that there would be inevitable slippage of progress towards fulfilling the Millennium Development Goals (MDGs). Several other presenters worried that the Economic Cooperation Program (ECP) in Papua New Guinea (PNG) and the Regional Assistance Mission to Solomon Islands (RAMSI) will sideline and disrupt the delivery of ongoing core or standing aid activities which they consider the backbone to development and improvements in livelihoods and poverty reduction.

Elizabeth Reid felt that the whole-of-government approach would draw other players to the scene that do not have the expertise and experience to implement effective, sound development. She also considered the language and actions being followed by the government are an exercise of power that is inconsistent with Australia's long-term interests. She specifically mentioned the security agenda and the construct of interventionism, structural violence and its causes. Finally, there is concern by some that the in-line appointments of Australian officials to national ministries will not be successful.

As with most controversies in development, I think the approach the Australian Government takes is a question of balance. Few would disagree that tapping into whole-of-government expertise is in the interests of Australia and the region when it comes to animal and plant quarantine, market and trade development, the prevention of SARS and Asian Flu, slowing the spread of AIDS, and assuring aviation safety. The concerns raised at the symposium seem to be much more centred on the interventions to restore law and order, improve governance and institutional capacities, and support democratic change.

This leads me to a personal observation. Since returning permanently to Australia four years ago after working many years overseas, I have been really struck by the lack of robust debate taking place in and between academia, NGOs and the aid agencies on the purpose and role(s) of aid, and the agenda that best serve the interests of Australia and recipient governments. There seems to be a reticence to speak out on issues in open debate and to follow through with the conclusions. I do not think it is AusAID's responsibility to lead in this debate. We all have a role and the opportunity to make our views and concerns known through existing channels of communication with government and the opposition.

### **The aid effectiveness agenda**

The agenda items for this debate that arise from the symposium papers and the discussion include:

- the relatively narrow focus of Australia's official development assistance on governance, law and order and justice, security and political stability;

corruption; institutional strengthening; and the delivery of basic services. Some presenters felt there needs to be much greater emphasis on broad-based equitable economic growth and poverty reduction;

- the shrinking volume of official aid for traditional development activities — the problem of being asked to do more with fewer resources;
- the nexus of issues raised by Rhonda Chapman, Linda Kelly and others on NGO effectiveness and the potential NGOs have to make far greater contributions in partnership with government agencies to define and implement the development assistance agenda;
- the need to counterbalance top-down central or provincial government driven development assistance with bottom-up, demand-driven, community-based partnerships/relationships activities;
- the need for greater emphasis in the aid program on youth and women; and
- the donor emphasis on an aid agenda that focuses on growth led poverty reduction relative to the responsibilities developed countries have to liberalise trade inflows from developing countries, and to facilitate trade between developing countries.

## **Aid effectiveness past and present**

This is a debate we need to have. We need to refine the agenda and define the critical path to increase aid effectiveness and bring the outcomes to the attention of the policy makers. Related to this debate is the premise that seems to be widely accepted by many at the symposium that aid is about poverty reduction. The question that needs to be answered is whether government and the majority of Australians share this view. Satish Chand reminds us that the Simons Review in 1997 stated that 'the objective of the Australian aid program is to assist developing countries to reduce poverty through sustainable and economic development'; a shift from the emphasis in the 1984 Jackson Report which held that the 'overall aims of foreign aid are to achieve humanitarian, strategic and commercial goals'.

I think it is important here to state AusAID's current program objectives: 'The aid program's objective is to advance Australia's national interest by actively assisting developing countries to reduce poverty and achieve sustainable development.' The Policy and Multilateral branch in AusAID states its outcomes include 'high quality analytical work and policy advice that adds value to Agency, Ministerial and whole-of-government deliberations' and 'optimised engagement by multilateral and international partners that advance Australia's development interests in the Region'. Annmarée O'Keefe, AusAID's Deputy Director General, Policy and

Programs, provides details (see this volume) of the Minister for Foreign Affairs' 2002 statement on aid policy and its five guiding themes, which include promoting improved governance and strengthening democratic processes; assisting countries to access and maximise benefits from trade and new information technologies, supporting stability and government legitimacy through improved delivery of basic services; strengthening regional security by enhancing partner governments' capacities to prevent conflict and to enhance and manage transboundary challenges; and promoting sustainable approaches to the management of the environment and the use of scarce natural resources:

These varying emphases on the objectives for Australia's official aid policies and programs will doubtless stimulate further debate in the coming years. It may be that there is scope for closer alignment of the various positions taken over the years, and for aid practitioners and the majority of Australians to unify behind common goals.

John Overton's presentation, 'Aid and partnerships: The effectiveness of relationships', addressed a nexus of issues that vexes most of us. How can we build effective partnerships, or better still relationships, not in a way that may enforce unequal donor/recipient power relationships, but with local people — the recipients — to empower them to define their own problems, resources and solutions so there is ownership and independence? How can we build trust, reciprocity and improve communications to provide a sound basis on which to tackle a wide range of development activities? He argued for a broader framing of the notion of relationship building so that longer term, reciprocal, flexible and broader partnerships can be accommodated alongside more short-term, tightly constrained project-based interactions.

Closely linked with Overton's recommendation to develop long-term relationships outside the partnership for project delivery was Ludmilla Kwitko's presentation on strengthening the social agenda, in particular restructuring community in development. She provided some helpful prescriptions and good practice in policy and the design and implementation of demand-driven activities. The 'human security' concerns raised by Kevin Clements are also persuasive. Clements stressed the need to generate conditions for structural stability rather than the securitisation of development — the need for conflict sensitisation of debt policies and activities.

## **Looking forward: Prospects for aid effectiveness**

Satish Chand's statement that 'aid is neither necessary nor sufficient for development outcomes' is open to challenge. To me, this view seems counter-intuitive. Perhaps the methodology used to reach this conclusion is flawed. Maybe we need improved analytical techniques that capture both the direct and indirect benefits of aid, the endogenous and exogenous factors. What of the catalytic impacts of aid in fostering private sector development, the benefits

multiplier from investments in infrastructure, the far-reaching benefits from research and development with the introduction of improved technologies, and the social returns from investments in increased productivity and growth? The list is extensive. One thing seems clear to me. We can significantly increase the benefits from development activities cost-effectively if there is high quality design at entry and rigorous supervision during implementation. Critical to the latter are well-chosen performance indicators and an effective monitoring and evaluation system.

Mark McGillivray seems to contradict Satish Chand's view. In his presentation McGillivray said 'all agree with the fundamental thrust ... that aid is effective in promoting growth and by implication of poverty reduction'. He went on to observe that better policies, however defined, should in all probability result in more effective aid. In addition to policy, he points out that conflict resolution, structural vulnerability mitigation (for example, of trade shocks) and improved political stability and governance have positive impacts on growth. To improve the effectiveness of aid transfers in promoting growth, he suggests that aid should be allocated to countries with:

- low per capita incomes, large numbers of people living in poverty and good policies;
- large numbers of poor and which are in post-conflict adjustment;
- structural vulnerability;
- democratic and politically stable regimes; and
- a record of good governance.

The question to me, also raised by Richard Manning, is the weight that needs to be given to each of these characteristics. The trade-offs are not easy to establish and will vary from donor to donor and at different stages of development in a given country. Again, it comes down to value judgements and the question of balance.

The paper by Meg Keen and Sango Mahanty, titled 'Evaluating aid: A process for reflection, learning and change', raises the important point — effectiveness for whom and for what? The authors point out that evaluation can have an essential role in a learning approach to aid effectiveness. This requires acceptance of a multipurpose evaluation process that addresses accountability, management, and learning objectives in development assistance. This subtle shift to a learning dimension places greater value on learning with, rather than for, partner governments and institutions. Thus, with learning as a primary goal, evaluations become not so much about finding fault than as about learning from our experiences. In this way, a much more constructive and flexible environment is created that fosters change and improved development effectiveness.

Concerning monitoring and evaluation (M&E) I would like to stress a few points that may not have come out clearly enough in the symposium presentations and discussion:

- effective M&E requires a motivational framework and incentives system that encourages donors and partner governments to collect quality data on time, to conduct objective assessments, and to make whatever corrections are necessary without fear or favour;
- selection of quality performance indicators and the collection of comprehensive benchmark data based on these indicators are critical to successful outcomes;
- data collection needs to be timely and cost-effective, where possible utilising existing performance monitoring systems rather than establishing new systems;
- knowledge management — help desks, thematic clusters, the DFID and World Bank websites, for example, are most helpful. For staff to use these and other facilities as normal practice requires the provision of the right incentives, particularly the headroom and the time to acquire and to share knowledge; and
- much more effective use can be made of the 'lessons learned' sections in processing documents detailing activity design and the arrangements for implementation, monitoring and evaluation. Rigorous activity completion assessments, and, several years later, impact assessments, are also valuable tools for evaluation and learning.

## Conclusion

To end on a warm and fuzzy note, I think most of us enjoyed hearing Judy Pattison and Marjorie Sullivan describe the early success the Solomon Islands Community Peace and Restoration Fund (CPRF) has had supporting rehabilitation and reconstruction and as a catalyst for economic and social development at provincial and village levels. They gave us a candid, and at times sobering, account of the difficulties implementing an activity that required substantial flexibility in design and procedures for implementation in a post-conflict situation where it was critical to learn by doing. I was impressed by how effective AusAID was in adapting its policies and procedures to accommodate the situational uncertainties.

Implementation of the CPRF demonstrates again that aid activities can work much better at the local level than when driven top-down from the centre. It gives us reassurance that grassroots development can and does work. In many situations beneficiaries' needs cannot be identified with any degree of certainty until you get moving on the ground. This model, or a close variant of it, seems to me to have considerable potential to be replicated and mainstreamed across the spectrum of aid interventions. To do this

will require changes in institutional cultures and behaviours. A willingness to adjust objectives to changing and unforeseen circumstances, and flexibility in design to change directions are paramount. It will be important to ensure that such activities are organised to achieve a two-way flow of information, to allow for learning-in-progress evaluations and to enable activity designs to be adjusted to optimise benefits. It will be important, also, to capture lessons learned and best practices to inform future activity design and implementation.

Something that has stood out for me over the years is how critical good team leadership is to success. Clearly, in the case of the CPRF we had an exceptional leader. The contract process may have to be modified in some circumstances to pick up the best people when these are known and the opportunity arises. I'm aware that there is increasing flexibility in AusAID's contract procedures to do this, but I hear repeated comment that too often

the desire to meet all the requirements of the contract process leads to the selection of people who are less than ideal to fulfil critical roles in activity management.

I hope I have managed to bring some coherence to the smorgasbord of papers and discussion you have heard during the symposium. I think the quality and comprehensiveness in addressing the perspectives on improving aid effectiveness has been excellent. Please excuse me if I have not underscored all the points that should be made in a wrap-up or identified all of the variables that a retrospective and prospective would ideally entail.

### **Note**

- \* Dr Geoffrey Fox is employed as Principal Rural Development Adviser with AusAID, but the views expressed in this article are his own and should not be attributed to AusAID or the Australian Government.

# Aid effectiveness: Threats to the new 'consensus'?

*Janet Hunt and Bill Morton, International Development, RMIT University, Melbourne\**

## Introduction

This paper is a tentative exploration of the new donor consensus on effective aid, the extent to which it is a real consensus, and the extent to which observers believe it is being interpreted and realised with specific reference to three donors, the UK, Canada and Australia. In particular, the paper outlines a number of directions in Australian aid evident since 2002, which suggest that, whatever the extent of Australia's agreement with the consensus, the effectiveness of its aid may be subverted by other factors.

## Background to the new aid consensus

Since the advent of aid there has been a series of quite major changes in the approaches donors have taken to achieve their goals. From an early emphasis on facilitating economic growth through to filling the savings and foreign exchange gaps, aid shifted to a 'basic needs approach' with a greater anti-poverty focus in the 1970s. The debt crisis of the 1980s stimulated a further shift in the role and nature of aid — to prevent debt default by developing countries and to foster adjustment policies. Following the end of the Cold War, global aid began to decline from 1992, as private sector flows escalated to a limited number of Asian and Latin American countries. The future of aid was in doubt. But, during the 1990s, the human crisis in Sub-Saharan Africa, the consequences of the Asian financial crisis, and growing criticism of the so-called 'Washington Consensus' policies saw the focus shift back to poverty reduction.

One could date the formal emergence of the new 'consensus' on aid to 1996. In that year, the Development Assistance Committee (DAC) of the OECD published an important new document, *Shaping the 21<sup>st</sup> Century* (OECD 1996), which argued that there was a 'compelling need' for development cooperation to help the international community deal with the challenges and opportunities posed by global change. Appealing to enlightened self-interest, it argued that aid could help build political stability and social cohesion in developing countries, and reduce the risks of war and terrorism. It set out a series of lessons about aid, among them the need to focus on social development, good governance, civil society participation, and a 'sound and stable policy framework' (OECD 1996:8). It addressed the need for policy coherence so that developed country policies in non-aid areas would not undermine development objectives. The document also set out a series of 'new strategies' based on the concepts of ownership and

partnership in development, and outlined a set of goals, precursors to those adopted in 2000 by 189 countries as the Millennium Development Goals (MDGs), which had a strong anti-poverty and social development emphasis.

## The nature of the consensus

An analysis of recent major policy statements by three donors, the UK, Canada and Australia, as well as review of the DAC 1996 paper and the Monterrey document, indicates that donors indeed talk about a 'new era' for development cooperation, suggesting a better future for aid effectiveness and development (Downer 1997; AusAID 2001; AusAID 2002; CIDA 2001; CIDA 2002; CIDA 2003; DFID 1997; DFID 2000). All agree on the importance of the MDGs, although are less agreed about adopting them as overall objectives for their aid programs. Donors say that they will move away from using aid for political and commercial purposes to a focus on poverty reduction, accepting a broad definition of poverty. Donors are articulating common approaches to development, including:

- **principles for effective aid:** good governance, civil society engagement and participation, donor coordination and harmonisation; and an emphasis on genuine partnerships and development approaches owned and led by the recipient country;
- **aid allocation:** targeting to low income countries, and to selected partners with good policies; where these conditions do not exist, donors identify alternative approaches, such as policy dialogue, humanitarian assistance, and working through civil society organisations and NGOs or local government, etc;
- **programming approaches and aid delivery mechanisms:** a shift in emphasis from project to program assistance, such as sector-wide approaches, direct budget support and support for poverty reduction strategies;
- **untying aid:** recognition that for greatest effectiveness donors need to untie aid; and
- **policy coherence:** donors' acceptance of the need to bring other policies in line with development goals.

While each may interpret how they deal with these issues differently, there are some strong commonalities in their policy rhetoric.

## A lasting consensus?

The next part of this paper describes how a number of well-informed stakeholders in three countries, whose aid programs were reshaped with the new thinking in mind, view the changes which are taking place in the global aid system — and how effectively they believe these principles are being translated into practice. The research is based on interviews conducted in the second half of 2003 with 26 people with strong interests in aid policy selected from government aid agencies, NGOs and academic research or policy institutes in Australia, Canada and the UK. The respondents reflected almost equal numbers from each sector, and were asked about the broad global changes, as well as the changes in their own country.

Whilst all agreed that there has been a shift in donor thinking on aid effectiveness, there was doubt about whether it is accurate to talk about a donor 'consensus' on this issue. While they agreed that certain countries, such as the UK, Netherlands and the Scandinavian countries, were strong adherents to the principles and policies set out by the DAC in 1996, they identified the two largest aid donors, the USA and Japan, as less in agreement with this thinking, or less able to conform with it for political, legal or administrative reasons.

Some participants suggested that in reality, aid is still not focused solely on poverty reduction objectives; that it is still used for commercial and political purposes, with a new focus on security issues. When asked about the aid effectiveness principles and approaches outlined above, respondents frequently commented on four specific issues: aid allocation; ownership and country-led development; budget support; and the role of civil society. The respondents believe that aid allocations remain strongly influenced by geopolitical considerations, and by historical allocations by donors, rather than by recent aid effectiveness principles. They also expressed concern that low-income countries deemed to have poor policies, but which may have real needs for aid, may miss out altogether. Alternatively, it may be hard for donors supporting good policies in one country to ignore the needs of neighbouring countries with poorer policies. Thus the theoretical principles of supporting countries with 'good' policies may be hard to implement in practice for a multitude of historical, geographical and political reasons.

While respondents felt that donors agree in principle with the idea of local ownership and country-led development, and have made some progress towards this in practice, they may face a fundamental problem — donors may be asked to support country-led programs with which they disagree. Much of this is in the context of PRSPs (Poverty Reduction Strategy Papers), which donors continue to try to influence quite assertively. As donors command the power in the aid relationship, it remains difficult for recipient countries to gain real ownership.

There was some discussion about budget support, an approach which donors generally agree with in principle, although this is less true of Australia, which has only recently completed its phase-out of budget support to Papua New Guinea (PNG). Respondents suggest that donors remain worried about loss of control of the funds and wastage or loss if they are not linked to specific activities. This may also relate to pressure for new public policy in developed countries that requires results-based management and far greater accountability for outcomes rather than inputs. Finally, respondents generally felt that governments and donors have a poor understanding of what is meant by civil society and have not adequately articulated what role it should play in relation to aid effectiveness.

A number of participants saw that aid might increasingly constitute part of developed countries' responses to domestic and international security concerns, and that this agenda might thwart any existing aid effectiveness consensus. They saw a shift in aid programming since 11 September 2001, citing the focus on Afghanistan, Iraq, and, in the Australian case, security-related activities in PNG and Solomon Islands, as examples.

It is still early days for implementation of programs that reflect the new aid principles. More research is required to establish precisely the extent to which budget allocations and donor programs are actually changing. In many respects, of the three countries considered here, DFID's program appears to have gone furthest, with significant aid increases, a bilateral focus on 20 countries, and a strong commitment to the MDGs, the reduction of poverty and untying of aid. Despite this, implementation of all the principles remains limited. For example, DFID's Departmental Report (2004) shows that although there was a strong thrust towards program aid and budget support, only 15 per cent of its bilateral program reflected these forms of aid provision.

The Canadian International Development Agency, CIDA, has also narrowed its focus to 30 countries, nine of which are to have 'enhanced partnerships' through extra investment in key sectors (CIDA 2003). CIDA refers to the MDGs as 'important elements' and indicates an interest in program-based and sector-wide approaches (CIDA 2002). The extent to which it is using these across its program is unclear (Lavergne and Alba 2003). Smillie suggests that while CIDA states poverty reduction as a goal, 'in its application and budget, poverty reduction has often seemed ambivalent and even secondary' (Smillie 2004:20).

Before moving on, it is worth commenting on the aid donors who respondents recognised as less committed to the aid consensus, the USA and Japan. Although both give relatively low levels of aid in per capita GNI (gross national income) terms, the sheer size of their aid programs means they are highly significant players. If the new aid effectiveness consensus is to work, such large players would need to be part of it.



The US's development cooperation program in particular, historically motivated by Cold War concerns, now seems strongly linked to the war on terror and the US's push for free trade. The President's statement on the US Security Strategy in September 2002 indicates that US aid will be intimately connected to its security policy for years to come. In his seven-point plan designed largely to outline the new security agenda of the US, there is a lengthy exposition of how US aid will be used to 'expand the circle of development by opening societies and building the infrastructure of democracy' (Bush 2002). The strategy explains how the Millennium Challenge Account will be used to support countries that, among other things, 'encourage economic freedom'. US aid will be used to 'open societies to trade and investment' in the belief that trade and investment will drive growth. Yet the massive aid already granted to Pakistan, post-September 11, suggests that the issue is less about democracy and open societies, and more about maintaining allies in the 'war on terror' (Hunt 2003).

Japanese aid is strongly focused on support for democratisation and market-oriented economic growth, and a review of its Aid Charter in 2002–2003 indicates that Japan will in future use its aid to address major issues crucial to international stability, such as 'preventing conflicts and terrorism' (Ministry of Foreign Affairs of Japan 2003:1). The OECD DAC carried out a peer review of Japanese ODA in 2003. While outright criticism of member aid programs is usually muted, the review summary indicates that Japan is still some way off reorienting its program around aid effectiveness thinking. Japan should 'more fully mainstream poverty reduction', develop a clear policy for focusing on poor countries and poor populations, and identify concrete measures to progressively untie grant aid (OECD 2003b). Further, Japanese ODA has been declining for several years and shows no sign of increasing in the near future.

### **Future for the new consensus on aid effectiveness**

Globally, in terms of the Monterrey donor commitment to raise the level of aid, Rogerson et al. (2004) note that recent costing exercises indicate that global aid needs to rise by 100–200 per cent and be sustained over at least a decade, to achieve the MDGs. This is clearly unlikely, and in any case absorptive capacity in developing countries may well be insufficient, even if it did. Yet what is occurring is a continued growth in emergency humanitarian aid, and aid tagged to specific issues, such as HIV/AIDS, thereby limiting the funds available for regular long-term development work addressing chronic poverty (Rogerson et al. 2004).

Hunt earlier suggested that there were three possibilities for the future of aid, each related to its role vis à vis the market (Hunt 2003). The first saw trade and investment as the driver of growth and development, and predicted a gradual decline in

aid, as it would be seen as irrelevant to the main market-led development agenda. A second saw aid as actively helping to promote the trade liberalisation and broader neo-liberal agenda. The third saw aid being used to address global market failure, which might include global public goods. Global public goods, by definition, bring benefits to developing and developed countries themselves.

Interestingly, the first scenario seems unlikely, at least in the short term. Global aid has indeed increased since 2002, and appears likely to continue to rise. Smillie (2004) however questions the reality of some of the increases, noting changed definitions of ODA. For example; since 1992 the OECD DAC have allowed expenditure on refugees in their first year of living in donor countries to be counted. Not all donors include this expenditure as ODA, but some have recently chosen to, and US\$1.3b of the total US\$52 billion of global aid in 2001 was spent this way (Tomlinson 2003). Thus apparent 'increases' may in fact hide cuts to programs more directly addressing the original purposes of aid.

These issues aside, what is driving growth seems to be a combination of the second and third scenarios mentioned above. The use of aid as an adjunct to bilateral trade deals is already evident (Rogerson et al. 2004), while Reisen et al. (2004) found that in the last five years donors have spent 30 per cent of ODA on global public goods, notably global trade expansion and agricultural research.

Commitments to reduce the tying of aid may not prosper. As both Smillie (2004) and Rogerson et al. (2004) point out, there is a strong return to bilateralism, and, as the latter note, 'tied aid is alive and well' (Rogerson et al. 2004:16). The tying of large aid contracts in Iraq to companies from the US and other 'Coalition of the Willing' member countries is a case in point. CIDA has made some limited commitments to untying aid to sub-Saharan African and Least Developed Countries (CIDA 2002:22–23). DFID untied all its aid in 2001, but only 10 per cent of its work for advisory services was won by non-UK suppliers (DFID 2003:42).

It is possible that the objectives of aid will be muddled again, with security, trade and other global goods agendas diluting the effectiveness approaches encapsulated in the global consensus rhetoric. Most disturbing is the way policy coherence, initially intended to refer to coherence of non-aid policies with development objectives, is now being reformulated to justify bringing development policies into line with security and foreign policy agendas (OECD 2003a).

### **The Australian case**

To finish, recent developments in Australia are provided by way of example. This is not to say that all donor countries are following this path. The trends are far stronger in some countries than in others.

In November 2002, the Australian foreign minister delivered a major aid statement to the Commonwealth Parliament. He mentioned a number of changes since the Simons Review (1997) of Australian aid, among them the growth of conflict and instability in the region, and the link between security and development, and transnational threats such as HIV/AIDS, illegal migration, people trafficking, and trade in illegal drugs. In both cases, the tenor of the statement highlights the impact on Australia of these developments, as well as the effects on developing countries, as reflected in the observation that '[c]onflict threatens our security. It is a terrible reverser of development gains and a primary cause of poverty' (AusAID 2002:20).

The minister's statement also emphasises economic policy and governance issues, with a strong emphasis on trade liberalisation and promotion of democracy. While it may be politic to build support for aid by highlighting what Australia has to gain from a world in which poverty is reduced, this is not exactly what is occurring. Rather, aid is being redirected to a whole-of-government agenda about Australia's security. 'Policy coherence' is occurring, but not towards development goals.

Australian aid budgets and initiatives over the last two years illustrate the problems well. The budget released in May 2003 provided increases for Indonesia, including for counter-terrorism support (AusAID Country Programs: Indonesia 2004), as well as support to an 'APEC leaders initiative to halt terrorist financing, promote cyber security and protect cargo, ships, aviation, and people through improved border control' (AusAID 2003:1). Other activities include Asian regional programs to prevent people trafficking and to counter transnational crime, and assistance in the Pacific for transborder issues and the response to terrorism (AusAID Country Programs: Pacific 2004). A series of media releases by the foreign minister and parliamentary secretary between June 2003 and January 2004 spell out further details of assistance in this area (Downer June 2003; November 2003). The latest of these announced half a million dollars' support to the Philippines for laboratories to detect fraudulent travel documents to help combat illegal migration (Gallus 2004). The poverty-reduction goals of such activities are somewhat obscure.

Although Australia made no commitment to increase aid following the Monterrey Conference (United Nations 2002), aid is budgeted to increase by some A\$239 million (about 10 per cent in real terms) in 2004–2005 (AusAID 2004). However, the increase falls well short of the A\$307 million in new expenditure on Australian policing and law and order programs in PNG and Solomon Islands, suggesting that other programs will suffer cuts. The sudden growth of aid to PNG goes against thinking over many years that gradually the level of post-independence aid to PNG would be reduced to bring it more

into line with the levels of assistance Australia provides to other countries.

Another signal that the integrity of the aid objectives is being weakened is the involvement of many government departments other than AusAID, the official aid agency, in the aid budget. Some A\$434 million of the aid budget (20 per cent) is now managed by non-aid departments. Apart from the Australian Federal Police, the Attorney-General's Department and Treasury, all of which are involved in the Enhanced Cooperation Program (ECP) to PNG, the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) gets A\$48 million aid funds to pay for the upkeep of asylum seekers on Nauru. While this is lower than the A\$87 million last year, the offshore imprisonment of asylum seekers, including children, does nothing towards the alleviation of world poverty, but appears instead to be the blatant use of aid dollars to breach Australia's human rights obligations (ACFID 2004). How these activities will be monitored and evaluated in light of the goal of poverty reduction remains to be seen.

## Conclusion

The apparent consensus on new measures to promote aid effectiveness seems more evident at the level of rhetoric than implementation. Even those donors who seem to be in closer agreement with the rhetoric are being influenced by the changed security environment since September 2001 to shape their aid programs with their own security or national interest objectives in mind. Thus it seems that the valuable lessons about how to make aid more effective for poverty reduction may be forfeited to other agendas. Those who will say in future that aid has again failed will need to examine the actual purposes of aid programs more closely. The poverty reduction goals may at times coincide with some national interests of donor countries, but if too much aid is re-directed to support donor goals and interests, whether in trade, security, or transboundary threats, how will the poverty reduction goals be achieved?

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# Australian aid in the new millennium

*Satish Chand, Asia Pacific School of Economics and Government, Australian National University\**

## Introduction

The focus of Australian overseas development assistance (ODA) is changing rapidly, moving away from the 'one clear objective of poverty reduction' (Commonwealth of Australia 1997) to a 'multiplicity of objectives' (Commonwealth of Australia 1984), whilst narrowing in geographic focus to the neighbouring impoverished states of the South Pacific.<sup>1</sup> The pursuance of multiple objectives through the ODA budget will intensify as aid effort is increased in light of rising concerns about global security and as Western donors assume more responsibility for regions of strategic interest to them. Australia has assumed leadership for the South Pacific region, a region that has lagged in terms of economic development relative to the rest of Asia-Pacific.

The Australian experience with ODA follows the broader global trends and also offers lessons of its own.<sup>2</sup> Within the span of the last two decades, Australia conducted two broad-ranging reviews of its development assistance where the objectives of ODA, its volume and effectiveness were considered at length. The first of these reviews, commonly referred to as the Jackson Report (Commonwealth of Australia 1984), noted that the aims of Australian aid were to achieve humanitarian, strategic and commercial goals. The committee of review recognised that Australian ODA has several mandates and that these are balanced against each other via the political process. In sharp contrast, the later Simons Review (Commonwealth of Australia 1997), aptly titled *One Clear Objective: Poverty Reduction through Sustainable Development*, saw the reduction of poverty through sustainable development as the primary goal of ODA.

Until very recently, services funded by Australian aid were delivered at arms-length, principally by Australian contractors and non-governmental organisations, and managed by AusAID. There has, however, been a recent shift towards an increasing role taken by the Australian public service in delivering aid: the Regional Assistance Mission to Solomon Islands (RAMSI) and plans to post Australian police and public servants into line positions in Papua New Guinea (PNG) and Nauru are two cases in point.

The principal conclusions of this paper include that aid effort in Australia will rise over time; that a larger share of Australian bilateral assistance will be destined for the neighbouring region comprising small island developing countries of the south-west Pacific; and that the security agenda of Australia and its allies

will see ODA being channelled away from developmental objectives to strategic and geopolitical interests, thus compromising the attainment of the Millennium Development Goals by the target date of 2015.

## Australian aid policy

Australia is a relatively small donor on the world stage, but has a large presence in its immediate neighbourhood. As of 2002, the most recent year for which data is available from the OECD, Australia accounted for approximately 2 per cent (amounting to US\$989 million) of the total of US\$58 billion provided in ODA from members of the OECD's Development Assistance Committee (DAC). Papua New Guinea received approximately 19 per cent of total Australian ODA, another 10 per cent went to the small island states of the South Pacific, a further 27 per cent went to East Asia, and the remaining 44 per cent was distributed to aid recipients in the rest of the world.

Australia is by far the largest donor to PNG, accounting for all of PNG's ODA receipts until its independence in 1975, for well over 90 per cent up until 1986, and for approximately 80 per cent since then. As of 2002, Australia accounted for 21 per cent of the total ODA to Oceania and Timor-Leste as a whole; this share rises to 53 per cent once Timor-Leste and the two French territories, French Polynesia and New Caledonia, are excluded from the group of aid recipients in the South Pacific (see Table 1).<sup>3</sup> Of the 2002 total of US\$1.4 billion aid disbursed to countries and territories in the South Pacific, nearly half went to the two French territories, while Timor-Leste and PNG accounted for 15 and 14 per cent of the total respectively.

The major beneficiaries of Australian ODA (with the percentage of the total received made up by Australia given in parenthesis) were as follows: Nauru (97); PNG (89); Solomon Islands (75); Vanuatu (36); Kiribati (34); Tonga (34); Fiji (25); and Timor-Leste (20). While approximately 20 per cent of the total Australian ODA is disbursed via multilateral channels, the bulk of aid to PNG and the Pacific Island states is delivered bilaterally. For example, all of Australian aid to Nauru and more than 99 per cent to PNG and Solomon Islands is delivered bilaterally. Australia, consequently, has the largest donor presence in PNG and in the island states of the south-west Pacific.

The two reviews of Australian aid policy reflect the tension between placing emphasis on one goal versus emphasis on a combination of goals for ODA. The Jackson Report stated that:

**Table 1: Total net ODA flows for 2002**

Recipient	Total Net ODA (US\$m)	Recipients share in total (%)	Major donor	Share of major donor (% of receipt)	Australian Share (% of receipt)
Timor-Leste	219.77	0.15	Australia	20	20
Cook Islands	3.77	0.00	New Zealand	71	19
Fiji	31.27	0.02	Japan	55	25
French Polynesia	417.37	0.29	France	100	0
Kiribati	20.87	0.01	Japan	45	34
Marshall Islands	62.42	0.04	USA	79	1
Micronesia	111.68	0.08	USA	89	1
Nauru	11.72	0.01	Australia	97	97
New Caledonia	323.83	0.23	France	100	0
Niue	4.41	0.00	New Zealand	84	9
Palau	31.25	0.02	Japan	53	<1
Papua New Guinea	203.28	0.14	Australia	89	89
Samoa	37.76	0.03	Japan	41	24
Solomon Islands	26.31	0.02	Australia	75	75
Tokelau	4.78	0.00	New Zealand	95	<1
Tonga	22.27	0.02	Australia	34	34
Tuvalu	11.16	0.01	Japan	69	18
Vanuatu	19.6	0.01	Australia	36	36
Wallis & Futuna	52.73	0.04	France	100	0
Oceania Unspecified	42.61	0.03	New Zealand	26	24
<b>TOTAL</b>	<b>1439.09</b>				

Notes: New Zealand provided a small amount of aid to French Polynesia and New Caledonia, and Wallis and Futuna as does the EC for the last. Data sourced from DAC online database, <<http://www.oecd.org/dac/stats/idsonline>>.

Australians generally agree that the overall aims of foreign aid are to achieve humanitarian, strategic and commercial goals, and are prepared to support an aid program which achieves these objectives. Australian aid policy has, therefore, not one but several mandates, and these need to be balanced against each other through the political process (Commonwealth of Australia 1984:19).

The subsequent Simons Review was highly critical of the triple mandate contained in the Jackson Report, claiming that it had eroded the developmental impact of ODA. It stated that:

The objective of the Australian aid program is to assist developing countries to reduce poverty through sustainable economic and social development (Commonwealth of Australia 1997:69).

Surprisingly, the multiplicity of goals of ODA reflected in the earlier Jackson Report has once again gained currency,

both within Australia and internationally. The multifaceted humanitarian, strategic, economic and political demands placed on bilateral aid are being increasingly acknowledged, and emphasis placed on the individual components seem indeed to be balanced via the political process both at home and abroad. RAMSI provides an excellent case in point. In his address to parliament on the government's decision to deploy troops to Solomon Islands, Prime Minister Howard stated that Australia was 'willing, in a cooperative and collegiate way, to play a supportive, stabilising, and if it is required, more interventionist role in the region' (Howard 2003).<sup>3</sup> The security motivations for intervention and the obligation of Australia to respond to such a threat — perceived or otherwise — were recently echoed by the Australian Government-appointed head of RAMSI:

Plainly, a dysfunctional Solomon Islands held long term dangers for Australia and the region. A country beholden to

armed thugs is a recipe for chronic instability. Such instability is an open invitation to transnational crime. Experience elsewhere shows that weak states are also attractive as havens for money laundering, people smuggling, drug smuggling and terrorism. And while there was no evidence that transnational criminals were targeting Solomon Islands, there was no point waiting for this to happen (Warner 2004).

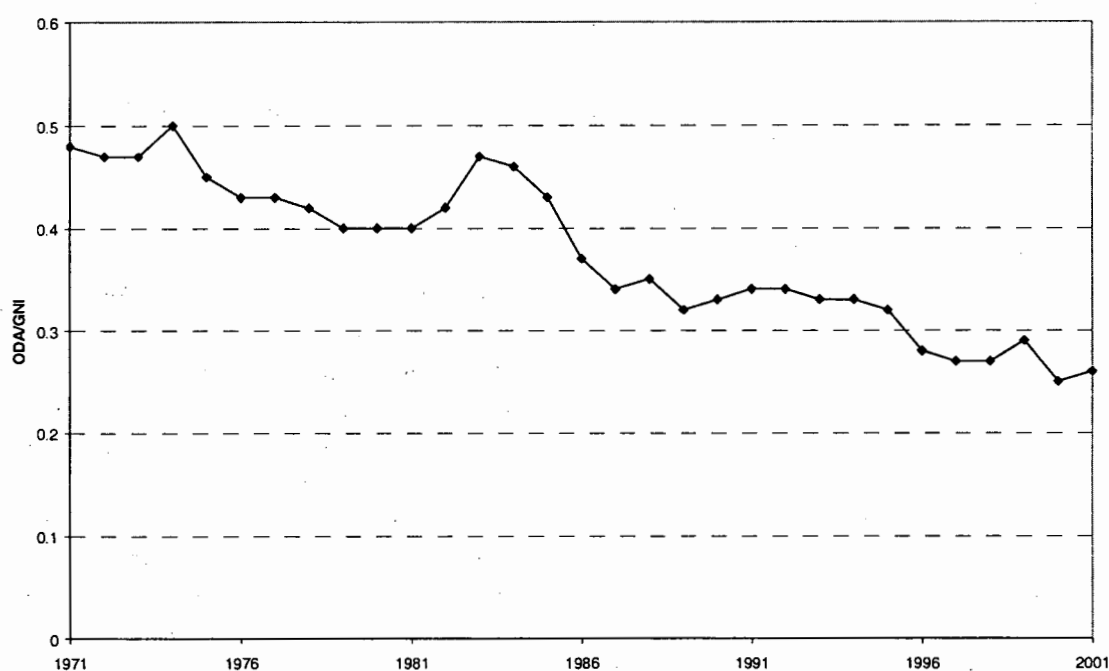
Two further interventions, albeit less ambitious, have been announced since RAMSI. The Enhanced Cooperation Program (ECP) with the government of PNG aimed at revamping law and order, border control and budgetary management was announced in December 2003. The Australian Government also announced the placement of three senior Australian bureaucrats to assist financially troubled Nauru in sorting out its financial crisis. The above measures signal the Australian Government will remain deeply engaged with its neighbours for the foreseeable future.

The new and revamped foreign policy is a major shift from the past; particularly for a government that on first taking office had cut the ODA budget by 10 per cent and has since maintained the volume of aid constant in real terms despite unprecedented economic growth. The volume of aid internationally is likely to rise, but Australian aid is likely to rise even faster. Australia as an industrial donor had endorsed the 1969 Pearson target of 0.7 per cent of gross national income (GNI), but has seen sharp erosion in its budgetary allocation to ODA.<sup>4</sup> As shown in Figure 1, the ODA budget has fallen from

a high of 0.5 per cent of GNI in 1974–1975 to 0.25 per cent by 2000–2001, followed by a small recovery to 0.26 per cent the following financial year.<sup>5</sup> This fall continued despite the recommendations from the two aid reviews for a reversal, the Jackson Report recommending that ‘Australia’s aid effort should not slip back’ (Commonwealth of Australia 1984:4). Contrary to the recommendations from the two reviews, Australia’s standing in the league of DAC fell in the decade to 2002: from 0.37 per cent of GNI in 1991 relative to the DAC average of 0.33 per cent, to 0.26 of GNI by 2002 relative to the then DAC average of 0.23. DAC members that contributed less than Australia to ODA as proportions of their GNI in 2002, shown in Table 1, included United States (0.13), Greece (0.21), and New Zealand (0.22) while Austria was on a par with Australia (0.26).

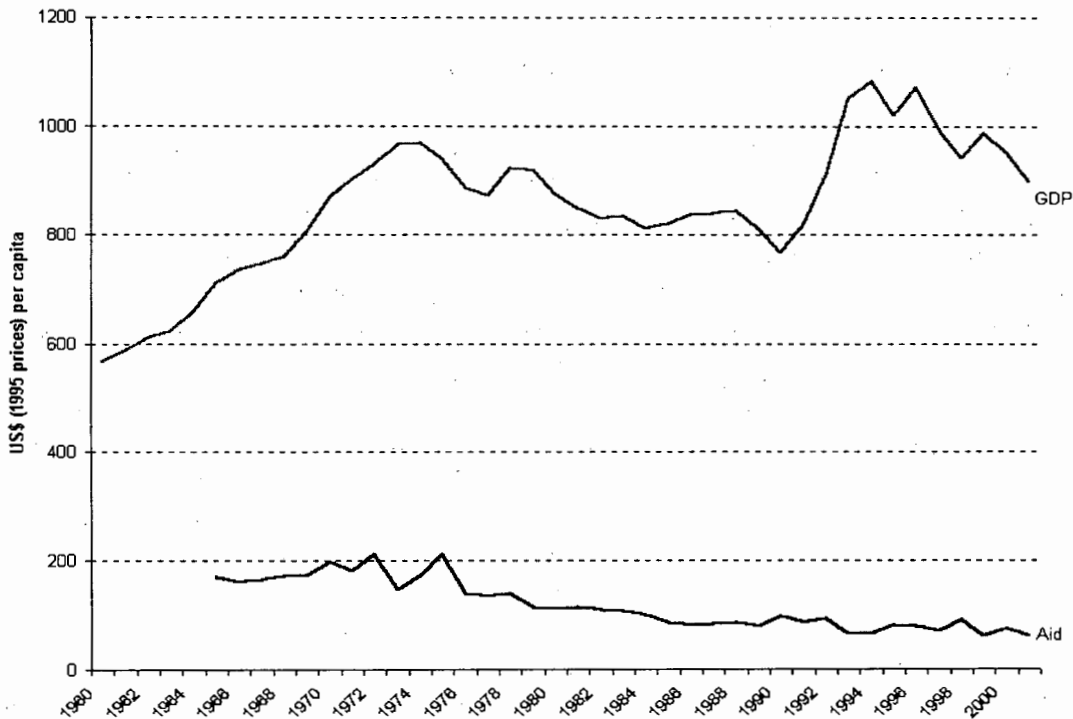
The effectiveness of Australian ODA, particularly in PNG, which is by far the largest recipient, is less than enviable. Economic and political problems within the Australasian region in the meanwhile intensified with three fiscal crises in PNG, a civil war in Timor-Leste, and coups in Fiji and Solomon Islands. The combination of a stagnant volume of Australian ODA in the face of rising prosperity at home, at best stagnant effectiveness of the aid dollar within the major recipients, and a neighbourhood besieged by economic problems and internal conflicts could be seen as a severe indictment of Australian leadership in the region.

Figure 1: Time plot of Australian ODA, 1971–1972 to 2001–2002



Note: Data sourced online from AusAID (2003b).

Figure 2: Per capita ODA and GDP in Papua New Guinea, 1960–2001



Data sourced from World Development Indicators; nominal per capita aid deflated by the GDP deflator.

The Regional Assistance Mission to Solomon Islands (RAMSI) and the Enhanced Cooperation Program (ECP) signal a readiness by Australia to intervene with a view to maintaining an in-country presence within the recipient nations over a prolonged period of time should this be in Australia's national interest.<sup>6</sup>

The question arises as to why there has been the shift from arms-length delivery of aid, often via private contractors, to one where Australian public servants are directly engaged in delivering assistance? Such a shift is in sharp contrast to the move within Australia to outsourcing of public services. Part of the answer lies in the dissatisfaction with the impact and cost-effectiveness of Australian aid to the region. While the debate on the effectiveness of Australian aid continues (see Hughes 2003 and AusAID 2003 for opposing views on the effectiveness of Australian aid), the launching of the ECP reveals that the critics have swayed the decision makers. Pressures to improve aid effectiveness have consequently led to a more intrusive approach to aid delivery.

Australia's assumed leadership for the region, though secure for the time being, is not without the prospects of a future challenge. While France, New Zealand and the US may willingly accept and possibly encourage Australia to take on the role of the leader for this part of the world, donors such as Japan, Korea and China, together with emerging Indian

interests, could make Australia earn its keep. The recipients, on the other hand, will have an incentive to play one or a coalition of donors off against another to maximise their receipts; thus the absence of a donor-cartel with perfect information will provide considerable room for strategic bargaining between a plethora of coalitions. The problems of adverse selection (the 'bad/desperate recipients' being more aggressive in securing aid) and moral hazard (having received assistance, recipients exert less than the promised level of effort, say with reforms) will compound the challenge of development assistance for the region's aid donors.

Australian aid, thus, could be at the cusp of serious transformation. The renewed attention to the 'good neighbour policy' and to national security with a revamped aid budget to PNG and Solomon Islands suggest that the aid effort may have bottomed out. Continuing dissatisfaction with the effectiveness of aid will lead to the search for and trial of new modes of aid delivery. The next section sketches the likely, and possibly the most sensible, path this may take over the next decade.

### The future of Australian ODA

The volume of Australian aid will increase due to a combination of increased aid effort to recover lost ground relative to DAC members and from continued growth of the Australian economy. A conservative scenario would be a recovery in the ODA/GNI

share edging back from 2001–2002 at a rate of 0.01 percentage points annually such that it would reach 0.35 per cent of GNI; that is, half the Pearson target, by 2010–2011. Such an outcome, together with the assumption that the economy continues to grow at an annual average of 3 per cent, implies a total Australian ODA by 2010–2011 of A\$3.08 billion at 2000–2001 prices. This is an increase of nearly 90 per cent in real terms from the 2001–2002 allocation.

The geographic focus of Australian aid will narrow to the immediate neighbourhood. An increasing proportion of bilateral aid will be targeted at PNG and the island states of the South Pacific. This tightening of focus will be driven by a combination of three factors. First, Australia is likely to use 'cheque-book diplomacy' more aggressively to consolidate its legitimacy as regional leader; second, development in the immediate neighbourhood of Australia is likely to lag behind the rest of the Asia–Pacific region; and, third, many of the economies of East Asia are likely to graduate out of being recipients, thus releasing a large proportion of their allocation as of 2000–2001.

Size and the economic prospects of recipients from the South Pacific suggest that an increasing proportion of developmental assistance will be destined for PNG, Timor-Leste, Solomon Islands and Vanuatu. Fiji could graduate by then, while Kiribati, Nauru, Samoa, Tonga and Tuvalu will benefit more in developmental terms from the freer flow of labour, as remittances will substitute for aid. It has been assumed that France, New Zealand and the United States will continue to be the primary donors to their former and current trust territories.

Unless economic growth accelerates significantly in PNG, the past provides a good indication of the emphasis of future Australian ODA. PNG as of 2001–2002 received 19 per cent of the total Australian ODA. Without a sharp economic turnaround in PNG, this share is likely to rise, implying that PNG will see Australian aid of around A\$750 million being injected into the economy annually by 2010. Timor-Leste and Solomon Islands, in equivalent per capita terms, will receive approximately A\$150 and A\$75 million in annual aid, respectively.

Large differences in endowments between the individual island nations will not permit use of similar strategies (the ECP as an example) for each. Viability in the absence of external ongoing support for the smallest states with scarce resources is a distant possibility. Australia has little option but to open its labour market to Nauru, Kiribati and Tuvalu within the first decade of the new millennium. This may indeed be a mutually beneficial outcome, given that it will reduce pressures on Australia ODA, buy legitimacy for Australian leadership in the region as a whole, provide the self-esteem and legitimacy of a

sovereign state to the islanders, and because it would be economically sustainable. Some mobility of labour has prevailed over many years; thus this proposal is not new.<sup>7</sup>

## Conclusions

Development assistance is a risky business: there are no sure recipes for success and there is a long timelag between assistance and impact. The new institutional economics literature, with support from empirical studies, suggests that development assistance is futile in the absence of basic security to person and property. The above implies that failing or failed states cannot be ignored as they pose risks to the global community. Moreover, development assistance will be futile without reinstallation of state authority. The above provides justification for 'lending of sovereign authority' from outside in a failed or failing state. But such intervention can only be short term so as to revive the dormant or damaged institutions of the intervened state.

Australia has remained on the forefront of the development debate. The tensions between the objectives of ODA in the form of development versus other foreign policy objectives were to be reconciled, according to the 1984 Jackson Report, via the political process. The subsequent 1997 Simons Review took a different view, and in conformity with the thinking then, decided that Australian ODA had 'one clear objective', that of 'poverty reduction through sustainable development'. There is a return to the 'Jackson view' following the engagement of the US-led 'war on terror'. Australia's leadership of RAMSI is an example, as is the December 2003 announcement that Australian police and public servants would be deployed to PNG to improve law and order and border control, but this time as a joint initiative of the governments of Australia and PNG.

The renewed attention to ODA and to issues of cross-border security, both globally and within Australia, suggests that both the international and local aid architecture is on the cusp of serious change. On the Australian scene at least, aid effort is long overdue for a bounce-back. The continued prosperity in Australia, together with modest increases in aid effort, will see the volume of Australian aid nearly double by 2010. The geographic focus of this aid is also likely to narrow to the immediate neighbourhood of Australia, namely to the South Pacific region. Attention within policy circles has been moving away from the single goal of poverty reduction to multiple goals of ODA: very much reflecting the views expressed in the Jackson Report. Several government agencies are being engaged in delivering aid. Such a mechanism for delivering ODA suggests that any trade-off between the individual objectives of ODA will be sorted out within the budgetary process. This indeed reflects the Jackson view that the political process will balance the individual objectives of aid.



## Notes

- \* This is a considerably shortened version of the paper presented to the conference International Perspectives on Improving Aid Effectiveness, Canberra, 24–25 June 2004. Helpful comments from Deborah Biggins, Ron Duncan, Patrick de Fontenay, Helen Hughes, Ron May, Ben Reilly, Rob Stewart, Craig Sudgen, Charles Tapp and AusAID seminar participants are gratefully acknowledged. The usual disclaimer applies.
- 1. ODA and aid are used interchangeably in this paper and refer to grants and grant component of concessional lending provided by the official sector for the purpose of inducing development in the recipient country.
- 2. DAC includes French Territories of French Polynesia and New Caledonia as Oceania.
- 3. The announcement took many commentators by surprise as the Minister for Foreign Affairs had announced six months earlier that military intervention in Solomon Islands would be 'folly in the extreme' (*The Australian*, 8 January 2004).
- 4. Interestingly, France in 2003 raised its ODA to US\$7.3 billion (equal to 0.41 per cent of GNI) from US\$4.2 billion (or 0.32 per cent of GNI) in 2001; and has pledged to increase its official development assistance (ODA) to 0.5 per cent of GNI by 2007 and to 0.7 per cent by 2012. At least half this aid is destined to Africa to help achieve the MDGs.
- 5. The volume of ODA in 2001–2002 (Australian non-farm) prices increased on average by 0.8 per cent annually over the 31-year period to 2001–2002.
- 6. The Australian Government announced that ECP was to last five years; while no clear time frame has been given for RAMSI, there is every indication that it will extend over the same period at a minimum.
- 7. The Jackson Report recommended that 'Australia should establish a special immigration quota to help deal with the unique problems of Tuvalu and Kiribati' (Commonwealth of Australia 1987:181). There is substantial anthropological evidence to support the proposition that people moved around the Pacific from prehistoric times.

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# Poverty-efficient official development assistance

*Mark McGillivray, World Institute for Development Economics Research, Helsinki, Finland\**  
*Simon Feeny, School of Economics and Finance, RMIT University, Melbourne*

## Introduction

Poverty reduction must be the principal criterion against which official aid is evaluated. Sustained poverty reduction can be achieved in a number of ways. One such way is sustained economic growth. While growth is certainly not the most equitable, and possibly not the most efficient, means of poverty reduction, it is certainly a necessary one. To this extent, it is appropriate that the research has largely focused on the effectiveness of aid transfers in promoting growth. Another strand of the literature has focused on how aid is allocated among developing countries. Rarely if ever did these research areas intersect, in that studies seeking to explain observed or prescribe optimal inter-country aid allocations did not take into account effectiveness issues and vice versa.

Collier and Dollar (1999, 2002) changed this state of affairs with their 'aid selectivity' approach to inter-country aid allocation. Building on the empirical work of Burnside and Dollar (1997a, 1997b, 2000), which concluded that the effectiveness of aid in promoting growth depends on the policy regimes of recipient countries, Collier and Dollar derived 'poverty efficient' inter-recipient aid allocations. According to the prescriptive Collier–Dollar selectivity approach, optimal aid allocation favours countries with high levels of poverty, low per capita incomes and sound policy regimes. Such allocations are considered poverty efficient by maximising the number of people pulled out of poverty. Countries with unsound policy regimes receive less aid in the Collier–Dollar selectivity approach as these regimes lessen aid's impact on growth and thus poverty reduction.

This Burnside–Dollar and Collier–Dollar research has spawned a number of subsequent academic studies. All agree with the fundamental thrust of this research: that aid is effective in promoting growth and, by implication, in poverty reduction. This has proved to be a particularly robust conclusion, drawn by practically all subsequent empirical studies of aid and growth (Collier and Dollar 1999, 2002; Svensson 1999; Collier and Dehn 2001; Collier and Hoeffler 2002; Hansen and Tarp 2000, 2001; Lensink and Morrissey 2000; Lensink and White 2000, 2001; Dalgaard and Hansen 2001; Guillaumont and Chauvet 2001; Hudson and Mosley 2001; Lu and Ram 2001; Chauvet and Guillaumont 2002; Dalgaard et al. 2002; Ram 2004). There is also evidence that foreign aid has promoted growth in the Pacific (Gounder 2001, 2002).

Ambiguity over the aid–growth linkage, which persisted for many decades, has in general been removed and the well-known macro/micro paradox of official aid is dead and buried.<sup>1</sup> These studies are yet to provide such clarity over the relevance of recipient country policies for effectiveness, with many failing to produce similar empirical results to those reported in the Burnside–Dollar studies. To this extent the Burnside–Dollar results remain a topic of significant controversy. But it should be remembered that this debate is largely over whether it is possible, in the context of the econometric analysis of cross-country (panel) data sets, to observe a link between aid effectiveness and policy. It is not so much about the relevance of policies per se, there is rather a general acceptance among researchers that better policies, however defined, should in all probability result in more effective aid (Robinson and Tarp 2000; Benyon 2001, 2002; Morrissey 2002; Collier 2002).<sup>2</sup>

There are, however, many other areas of aid research in which there is far more clarity. These areas have been the subject of extensive research conducted over many decades and include studies on public sector aspects of aid (including fungibility), *ex post* and *ex ante* conditionality (including structural adjustment), aid and the real exchange rate, the determinants of inter-country aid allocation and NGO effectiveness. In some instances these agreements have been reached following the availability of better data sets and application of more rigorous research methods. There are also a number of new areas of research that have emerged. These include aid and conflict prevention, aid and growth in post-conflict scenarios, aid and governance, and allocating aid via non-traditional channels.

This paper surveys research on aid effectiveness. It updates and extends the coverage of Benyon (2001, 2002) and McGillivray (2003, 2004) by looking *inter alia* at more recent research on the contribution of aid to growth. The overall focus is on the relevance of these issues for poverty-efficient aid, defined as a pattern of inter-recipient aid allocation that maximises poverty reduction. It identifies a range of poverty-reducing criteria, in addition to policy, on which aid allocation or selectivity might be based.

The paper is built on the recognition of two key points. The first is that effectiveness of aid in promoting growth is in theory contingent on a range of factors in addition to policy, such as conflict reduction, vulnerability mitigation, political

stability and governance. The second recognition is that, more importantly, the ultimate objective of aid is poverty reduction or, more broadly, the promotion of human wellbeing. This is made very clear in the adoption of the Millennium Development Goals (MDGs), which identify poverty reduction as the ultimate objective of development efforts. Fuelling growth is one of a number means by which this objective can be achieved.

This paper looks first at the general linkage between aid, growth and poverty reduction. It examines new directions in research on aid and growth, highlighting work on the relevance of shocks, structural vulnerability, post-conflict scenarios, democracy, political instability and absorptive capacity. Secondly, it attempts to establish a broader concept of selectivity, by distilling various strands of argument presented in the preceding section, and in doing so looks at a variety of channels through which aid might reduce poverty, and on which poverty-efficient allocations might therefore be based. It is recognised, in particular, that aid can and should aim to reduce poverty other than by means that rely purely on growth per se.

### **Aid–growth–poverty reduction linkages**

While the research effort on aid, growth and policy is ongoing, a number of new directions on aid effectiveness have emerged. The focus remains on aid and growth, but a number of factors in addition to policy are taken into account. Trade shocks and aid effectiveness have been analysed in Collier and Dehn (2001). Developing countries can be highly shock prone, and trade shocks can have substantial adverse consequences for growth.<sup>3</sup> Shocks are defined in terms of changes in export prices. The hypothesis is that aid can potentially cushion the adverse growth effects of negative export price shocks through providing a buffer by reducing the proportionate and absolute change in foreign currency inflows. These effects are modelled by inserting additional variables into the standard Burnside and Dollar aid–growth model. Results obtained from estimating this model indicate that increasing aid does appear to mitigate the adverse growth effects of trade shocks.

Structural vulnerability in recipient countries and its impact on aid effectiveness is analysed in Guillaumont and Chauvet (2001). They, too, propose and empirically estimate an augmented Burnside–Dollar type aid–growth model. Structural vulnerability is a function of the size of shocks faced by countries, but also of their exposure or susceptibility to these shocks. Two types of shocks are identified: trade and climatic (due to such events as droughts, floods, cyclones and earthquakes). Trade shocks were measured by the trend in the terms of trade and in an index of the instability of real export values. Climatic shocks were measured or proxied statistically by an index of agricultural value added instability. These variables measure the size of their respective shocks. Country shock exposure to climatic factors

was measured by weighting the agricultural value added instability index with the agricultural share of GDP. Exposure to trade shocks was estimated by adding the logarithm of population, as a separate variable, to the growth model, on the assumed grounds that big countries are less vulnerable to trade shocks than small ones. These four vulnerability variables were aggregated to form a weighted index and this index was then inserted into the aid–growth model both as a variable in its own right, but also through its interaction with aid. Results obtained by empirical estimation indicated that growth is lower in more vulnerable countries, but that the impact of aid on growth was higher when vulnerability was high.

Political instability and aid effectiveness has been analysed by further augmenting the aid–growth model with an index of political instability (Chauvet and Guillaumont 2002). This index is the weighted sum of coups d'état and regime changes, and is intended to measure instability of political elites or institutions. This variable influences growth directly, but also via its interaction with the level of aid. As in Guillaumont and Chauvet (2001), an index of vulnerability was included in the model. Results indicated that aid effectiveness is negatively influenced by the level of political instability. Results also indicated that aid is more effective in structurally vulnerable countries, confirming the result of Guillaumont and Chauvet (2001).

The impact of aid on growth in post-conflict scenarios is examined in Collier and Hoeffler (2002). They note that the economic circumstances of post-conflict countries can be distinctive in many respects: the need to restore infrastructure combined with a collapse of domestic revenue can make aid unusually productive and growth can be supranormal (Collier 1999). Offsetting this, though, is what Collier and Hoeffler describe as a 'persistent high-corruption equilibrium' since the incentive for a reputation of honesty is often disrupted during civil war (Tirole 1992). Collier and Hoeffler empirically tested whether aid is more effective in post-conflict scenarios by a series of augmentations to the Burnside and Dollar aid–growth model. Based on a range of estimates, the results showed that aid is more than twice as productive in post-conflict episodes for given policies; that there is a temporary growth spurt of approximately two percentage points higher than otherwise during these episodes; and that in the absence of aid there would be no growth spurt.

The effect of democracy on the aid–growth nexus is examined in Svensson (1999). Democratic institutions (such as political parties, elected representatives, free speech and the right to organise) should provide a recurrent and institutionalised check on government power, encouraging governments to use aid productively and preventing them from using it unproductively. Thus, it is hypothesised that aid will have a greater impact on growth the greater the degree of democracy. The degree of democracy is measured using indicators of political

and civil rights from Freedom House and formed into an index. In this aid–growth model, democracy impacts directly on growth and also via its interaction with aid. Results obtained from estimating this model indicated that while democracy had no significant direct impact on growth, the coefficient attached to the interaction between aid and democracy was almost without exception significant and positive. Svensson concluded, therefore, that the growth impact of aid was conditional upon the degree of democracy.<sup>4</sup> Kosack (2003) also drew this conclusion, but in the context of the impact of aid on the quality of life, the latter measured by the Human Development Index.

Aid ‘transmission mechanisms’, or channels through which aid can potentially contribute to growth, are the focus of Gomane et al. (2002a). Aid can effect growth directly, but also through its impact on investment, imports, public-sector fiscal aggregates, and government policy. Conscious recognition of these mechanisms has important implications for modelling the aid–growth relationship in order to avoid double counting the impacts of aid. Gomane et al. tested for the presence of the aid–investment–growth mechanism, finding strong evidence that it existed. Morrissey (2002) suggested, on the basis of this result, that government policies can play an important role in enhancing aid effectiveness through seeking to improve the productivity of investment. This also applies to the other mechanisms. For example, policies aimed at improving the productivity of government expenditure should improve aid’s impact on growth provided the aid–fiscal aggregates mechanism exists. This research is linked with the extensive and longstanding literature on aid and public-sector fiscal behaviour, which generally finds that aid is associated with increases in government expenditure categories, including pro-poor expenditures, the fungibility problem notwithstanding.<sup>5</sup> Gomane et al. (2002b) look at aid and pro-poor expenditure directly, using the abovementioned transmissions mechanisms approach, finding that aid is associated with increases in these expenditures and, in turn, improvements in welfare.

Diminishing returns to aid effectiveness have been examined closely by most recent aid–growth studies, through the inclusion of an aid-squared term in their models. This tests for non-linearity in the aid–growth relationship, with aid being positively related to growth up to a certain level of aid and negatively related thereafter. The coefficient on the aid-squared term is consistently negative and significant, indicating that there are diminishing returns to aid effectiveness. This is a seemingly highly robust finding, with almost all studies reporting such a relationship, with negative returns setting in when the aid inflow reaches anywhere between 15 and 45 per cent of GDP. This has been interpreted as indicating limited aid absorptive capacities, with recipient governments being limited in the amounts of aid they can use effectively (Clemens and Radelet 2003).<sup>6</sup>

## **Aid selectivity: Towards a broader concept?**

A number of key points emerge from the preceding discussion. Regarding effectiveness, aid fundamentally works, but it is clear that its impact differs across countries depending on the conditions they face. It is agreed that policies do matter, or at least potentially matter, for the effectiveness of aid, although there is ambiguity over whether this has been correctly observed from empirical estimates of aid–growth models. Aid seems to work better in post-conflict situations, in structurally vulnerable countries (including those undergoing trade shocks), in politically stable regimes and in countries with good governance records, although there would appear to be diminishing returns to its impact on growth.

What does this mean for poverty-efficient allocations? It must be recognised that aid can reduce poverty through its impact on growth, but that its effectiveness in promoting growth varies according to a range of factors. It must also be recognised that aid can reduce poverty through other channels. A channel, for which there is empirical support based on the literature identified above, is aid’s impact on pro-poor public expenditure (there will of course be others).

Thus, there appears to be a reasonable case for augmenting and extending the Collier–Dollar selectivity model, just as the Burnside–Dollar growth model has been augmented in analysing aid and growth. Donors are well positioned to do this, and to some extent have begun to do so through their own allocation initiatives. The essence of the augmentation would appear to be relatively straightforward and emanates directly from the findings of the aid–growth studies discussed above.

Aid should not only be allocated to countries with low per capita incomes and large numbers of people living in poverty and with good policies, but also to poor countries in post-conflict scenarios, to those which are structurally vulnerable, to those which have democratic and politically stable regimes, and those with broader good governance records. Based on the evidence discussed above, this should lead to a greater impact on growth and in turn on poverty reduction. Indicators used in the studies discussed above provide the information on which such an allocation can be based.<sup>7</sup> Attaching weightings to these indicators, as is required in a selectivity formula, should in principle be based on scientific empirical research, however, donors will in practice assign weightings based on field experience, anecdotal evidence, intuition and political considerations.

The extension to the Collier–Dollar selectivity approach is more fundamental. Based on the recognition that there are many other determinants of poverty, it would at minimum involve giving additional preference to those recipients who can translate aid into increased pro-poor public expenditure or, more simply,

those governments with high levels of pro-poor expenditure on the assumption that the aid-pro-poor public expenditure elasticity is the same across all countries (Collier and Dollar adopt a similar assumption regarding an income-poverty reduction elasticity). A way of formally incorporating the relevant variables and parameters into the Collier–Dollar the selectivity model would need to be found. In the absence of this, donors could simply add some indicator of pro-poor expenditure to a more general selectivity formula.

There is, however, the issue of diminishing returns to aid, presumably resulting from limited aid absorptive capacities. This is a potentially serious issue if selectivity results in significantly increased aid to individual countries. A potential solution to this problem is also a suggested solution to a possible consequence of basing aid allocation on policy regimes, that being the denial of aid per se to countries with bad policies, and possibly with high poverty incidence. Suggested by Collier (2002), it involves bypassing recipient country governments and allocating aid via in-country 'independent service authorities' (ISAs), which could include NGOs. This could be done not only with countries with policies so bad that aid will be ineffective in any developmental sense, but with other countries at levels of aid where diminishing returns are thought to set in. Not only could this see aid being allocated to, and poverty being reduced in, countries with bad policies, but it could also relax possible absorptive capacity constraints. More generally, it would seem reasonable to assume that a broadening of the selectivity concept, and allocating aid in non-traditional manners, such as through ISAs, would see more aid go to the very poorest countries. This would garner broader support for a policy of selectivity among donors and the international development community in general.

## Notes

- \* This paper is based on McGillivray (2003), which was originally presented at the Joint OECD DAC/Development Centre Aid Experts' Seminar at the OECD Headquarters, 10 March 2003. Correspondence should be addressed to Professor Mark McGillivray, World Institute for Development Economics Research, United Nations University, Katajanokanlaituri 6 B, 00160 Helsinki, Finland; email: mark@wider.unu.edu
1. Easterly et al. (2003), and Hughes (2003) provide dissenting views on aid effectiveness. The first of these studies provide a valid reminder that panel data econometrics can provide rather fragile results, which should be treated with a healthy scepticism. However, given the consensus of the large body of recent aid effectiveness research, these views represent those of a minority.
  2. Note that it is incorrect to conclude that, on the basis of the Burnside and Dollar studies, aid *only* works in countries with a good policy environment. The correct interpretation is that foreign aid is more effective in countries with better policy environments. Aid is still effective at spurring growth in countries with poorer policies, but by not as much as in countries with better policy environments. Moreover, the studies do not examine whether aid has an impact on the level of policy.

3. See Collier, Gunning & Associates (1999) and Dehn (2001) for further details.
4. An alternative interpretation is that the impact of democracy on growth is contingent on the level of aid. This points to a more general interpretation problem regarding the aid interaction terms used in the aid–growth literature in general.
5. The relevant literature is surveyed in McGillivray and Morrissey (2001a). Recent studies falling within this literature include Feyzioğlu et al. (1998), Franco-Rodriguez et al. (1998), McGillivray and Ahmed (1999), Swaroop et al. (2000), McGillivray and Morrissey (2001) McGillivray (2000) and Mavrotas (2002).
6. Among the studies reporting diminishing returns are Collier and Dollar (2002), Collier and Hoeffler (2002), Hansen and Tarp (2000, 2001), Dalgaard and Hansen (2001), Hudson and Mosley (2001), Lensink and White (2001) and Dalgaard et al. (2002). Heller and Gupta (2002) provide a useful discussion of this issue, along with the related problem of Dutch Disease. Note though that Gomanee et al. (2003), using a general technique specifically designed to detect threshold effects, struggle to find evidence of such returns and therefore question the inferences drawn by previous studies.
7. Kaufman and Kraay (2002), Kraay (2002), Birdsall et al. (2002), DFID (2002) and IDA (2001), among many other sources, provide a range of additional indicators and discussions of their use.

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# A contrarian view on aid effectiveness

*Tim Curtin, Research School of Pacific and Asian Studies, Australian National University*

It is only to be expected that a seminar attended mostly by those with a direct interest in the continuation of economic aid to developing countries would be more concerned with how to deliver aid efficiently than with whether it should be provided at all. Yet there is some evidence that the developing countries that have done best are those that have not relied on aid so much as on their own efforts. Thailand, Malaysia and Singapore are cases in point, whereas despite the huge volume of aid provided to a country such as Tanzania its real income per head is less now than it was when the British awarded independence in 1963, and Papua New Guinea (PNG) has little more to show for all the aid it has received. However, this note will not go so far as to rule out any value of aid, but will rather emphasise preference first for project over program aid, where the latter consists only of transfers of funds unrelated to specific projects, and, second, for project aid that is based more on wealth creation than on poverty reduction.

Mark McGillivray and Simon Feeny's paper (this volume) reported favourably on the work by Burnside and Dollar (2000) and Collier and Dollar (2002). These authors were all employees of the World Bank at the time they wrote their papers, so perhaps it is not too surprising that they find that aid is generally effective, albeit more so either in countries with appropriate macro-economic policies or with a combination of high poverty and sound policy. What is unusual is that some major aid agencies (such as the World Bank's International Development Association and Britain's Department for International Development) so quickly adopted the Dollar–Collier policy recommendation that countries with a low CPIA index should receive less aid than those with higher CPIA scores when the statistical basis for that is so shaky.<sup>1</sup>

McGillivray (this volume) mentions somewhat dismissively the critique of Burnside and Dollar by Easterly, Levine, and Roodman (2003), but it is no longer clear that the consensus supports Burnside and Dollar, to judge from contributors such as Dalgaard et. al. (2004) and Collier and Dollar (2004) to the recent symposium in the *Economic Journal*. Easterly et al. use a longer data set and more countries, including Papua New Guinea, and cast considerable doubt on the Burnside and Dollar conclusions — indeed they found that country in the 1980s had surprisingly poor growth despite having relatively good economic policies and inflows of aid. It is pertinent that in the 1980s most of PNG's aid was in the form of the annual block

grant in support of the budget from Australia, a 'blank cheque' as Helen Hughes has called it (Hughes 2004).

But further criticisms of the Burnside–Dollar and Collier–Dollar findings by Dalgaard et al. (2004) have led to an equally implausible conclusion, that it is distance from the equator that determines the effectiveness or otherwise of aid because tropical countries as a whole tend to have worse CPIA policy and governance indicators than non-tropical countries. That would have to be rather depressing news for countries such as PNG and Solomon Islands, as Collier and Dollar recommend in effect that such countries should be denied all aid because of their low CPIA! But whilst it is true that most equatorial countries in Africa demonstrate both low CPIA and low effectiveness of aid, it is much less obvious for various equatorial countries in Latin America and Southeast Asia that have grown very rapidly, and tropical oil-producing Middle East and South American countries, such as Saudi Arabia and Venezuela, despite their poor CPIA hardly need aid.

A major problem with these studies is that they deal with values of aggregate aid flows without breaking down the aid into its components, including distinguishing between project and program aid. In addition, all they present is a statistical association that overlooks a good deal of circularity, such as that most aid will have gone anyway to countries with sounder policies, since those countries will have found it easier to negotiate larger volumes of aid than other countries. These studies also depend on an assumption that foreign capital in general, as well as in the form of aid, is the crucial determinant of economic growth and poverty reduction. That assumption is a form of money illusion, in the sense that very often it is not shortage of money that holds back development, but rather all the other necessary conditions that so many Third World countries, especially in Africa, but also in the South Pacific, fail to apply.

For example, PNG's annual grant aid (mostly from Australia) has averaged A\$270 million a year since 1990. Yet throughout that period the country's own banking system has been awash with liquidity, to the extent it could be lending much more than the cumulative volume of total grant aid since 1990 of A\$3.78 billion, instead of the present actual A\$600 million (at the current exchange rate of K1.00=A\$0.4) (see Table 1). Current bank lending of A\$600 million is well below both what it could be with a normal banking minimum liquid asset ratio

(MLAR) and the current level of foreign exchange reserves of the Bank of Papua New Guinea. Clearly it is not shortage of money that is PNG's problem, and it is to the credit of the Australian Government that it has recognised this over the last decade or so, by switching from the former 'blank cheque' of its previous budgetary support to addressing specific needs of the country for infrastructure and supporting medical and educational programs.

**Table 1: Actual and potential bank lending in Papua New Guinea**

	A\$ million
Total grants, 1990–2003, A\$ mn	3787.36
Average, 1990–2003, A\$ mn, p.a.	270.53
Liquid assets of banks, April 2004, A\$ mn	600.00
Potential lending, MLAR 8%, A\$ mn	7500.00
Actual lending, A\$ mn	600.00
FX reserves of BPNG, A\$ mn	680.80

Source: Author's calculations from data in Bank of Papua New Guinea, *Statistical Update* (fortnightly serial) and *Quarterly Economic Bulletin* (serial).

The chronic under-lending of the banking system in PNG leads to a pitifully low level of lending for agriculture and housing, of less than A\$50 million each (Curtin 2000). Barely 3 per cent of Papua New Guineans own their own homes (that is, with title), which points to a general failure to put in place the necessary conditions for wealth creation. Those conditions include not only good governance but above all secure individual poverty rights (de Soto 2000).

It is a matter for regret that the Australian Government has not persuaded major multilateral aid donors to follow its example of providing project rather than program aid. This led to the supreme folly, to which in a moment of aberration Australia participated, of the lending in 1999 and 2000 of no less than US\$500 million to PNG for nothing more than balance of payments support, albeit subject to some policy reform conditionality. This helped the government of the day to halt the slide in the kina's exchange rate, but, apart from the privatisation of the Papua New Guinea Banking Corporation and granting of a degree of autonomy to the Bank of Papua New Guinea (the reserve bank), most of the policy conditions were set aside, notably those relating to logging (see paper by Colin Filer in this volume).

Yet had the US\$500 million been tied to some major infrastructure projects there would have been more to show for it. A short list of such projects would include a serious effort to upgrade the Highlands Highway, instead of the minimalist efforts of the Asian Development Bank, which has managed to

repair only 14 kilometres. Another long-overdue project is completion of the Yonki Dam hydro-electric project, which was funded largely by the World Bank in the 1970s and 1980s, but which remains equipped with only half of the originally planned turbines. The failure of donors to fund these turbines, along with the transmission line needed to deliver power to Port Moresby, has condemned the country to a much higher average cost of electric power than if Yonki was being utilised to its full capacity. Thermal power costs more than three times per KWh as hydro, so using Yonki to its capacity could lower electricity tariffs by at least half (not all towns are in reach of Yonki), with consequent reductions in costs of industry and commerce.<sup>2</sup>

To use the language of this seminar, such a project would be pro-poor and poverty reducing, since there would be a positive impact on employment. Building transmission lines from Yonki to the south coast would also provide more opportunities for rural electrification, and access to cheap power can have a dramatic impact on agricultural productivity. Lester Thurow (1996) has described how it was power that transformed agriculture in the USA in the 1930s and banished the rural poverty depicted in Steinbeck's *Grapes of Wrath*.

It seems a pity that the multilateral donors have lost interest in such projects, even though they have the capacity to make a real difference to standards of living, and now, like the EU, give preference to what could be called village pump schemes. Such projects are no doubt valuable, but how sustainable are they once the donor has moved on? All too often such projects are not maintained because of the moral hazard noted by Satish Chand (this volume). For example, projects to which local communities made little or no contribution lack ownership by the beneficiaries. The frequent destruction of schools in PNG's highland provinces suggests inadequate ownership.

Yet Kenya's *harambee* (self-help) approach to building primary and secondary schools was if anything too successful, leading to primary enrolments of 91 per cent of the relevant age group by 1980 and being attacked by the World Bank because of the demands these schools made on the budget via the government-funded teaching service. Ironically, budget cuts imposed by the World Bank helped to reduce the primary enrolment ratio to 65 by 1997. Similarly, in PNG teachers account for over half of all public servants on the national government's payroll, a fact often ignored by those calling for 'public sector reform' via across-the-board reductions in the payroll.

Another major project that is more income generating than directly 'pro-poor' is post-secondary education. Here, although economists have long-described education as 'human capital formation' or investment, all governments fund education from their budgets' recurrent spending rather than from the capital or development budget, and most donors refrain from doing



**Table 2: Relative costs of hydro and thermal power, 2001–2010**

	<i>Total estimated prime cost</i>
Generation O&M	<i>Kina 000s</i>
Hydro	60,255
Thermal	120,454
<b>Total</b>	<b>180,709</b>
Energy requirements by source	<i>GWh</i>
Hydro	5957
Thermal & other	3,445
<b>Total</b>	<b>9,402</b>
Kina per GWh	<i>Kina/GWh</i>
Hydro	10,115.28
Thermal & other	34,964.47
<b>Total</b>	<b>19,220.54</b>

Source: Elcom 2000.

much about funding the recurrent costs of education, precisely because they are recurrent. Yet teaching is by far the largest component of the costs of education. If donors would club together to fund not just the capital but the recurrent ongoing total teaching costs of say ten senior secondary schools in PNG, they would double the output of eligible university and technical college entrants. Churning out yet more primary school leavers who have no hope of employment (only 10 per cent of primary school leavers were in employment at the 1990 census) has poor social and economic returns compared with producing more students with Year 12 qualifications and above, for whom the employment rate in 1990 was more than 80 per cent.

Sinclair Dinnen's paper (this volume) commented on the use in other papers of the term 'failed states', suggesting that PNG and Solomon Islands have never been states in any meaningful sense. In PNG's case the problem has been compounded by the existence of no fewer than 19 provincial 'governments' whose World Bank-approved reorganisation in 1995 led to a dramatic reduction in both accountability and delivery of the basic services for which they are responsible (primary health and schooling to Year 10). This is another example not so much of failed states as of failed donors — the World Bank (1995) specifically approved the new provincial set up in 1995 at a time when it had considerable leverage while negotiating its 1995 Structural Adjustment loan to require reversal of such an obvious retreat from representative local government.<sup>3</sup>

Finally, it should be noted that although all aid donors have decided to give priority to poverty reduction rather than to wealth creation, the evidence in Table 3 is against that change in emphasis, for it shows clearly that the regions where poverty reduction was greatest were those which achieved the highest overall growth rates between 1990 and 1999. Of course it could

be argued that it was poverty reduction that induced growth, but scale factors make that unlikely, although there would be feedback factors at work. The evidence in Table 3 also indicates how ineffective aid has been in promoting poverty reduction and growth in sub-Saharan Africa, whilst the regions with the fastest growth and largest poverty reduction were mostly the ones with the lowest ratios of aid to national income.

## Notes

1. The CPIA is the World Bank's Country Policy and Institutional Index. 'Sound' macro-economic policy is said to be a function of having a budget surplus, low inflation, and openness to foreign trade. Yet Brazil is just one country showing rapid economic growth despite not much aid, large budget deficits, very high inflation and no obvious openness to foreign trade. Dalgaard et al. (2004) comment that most evaluations of the Burnside–Collier–Dollar work find statistically insignificant correlations between aid and various policy indices.
2. Towns such as Lae, Madang and Mount Hagen are supplied by the Ramu grid from Yonki, but because Elcom's (now PNG Power) tariffs have always been set to cover thermal power's higher costs by charging more than hydro's marginal cost, their power is just as expensive as Port Moresby's. Port Moresby does derive some hydro-power from the Sirinumu Dam, but that also supplies the capital's drinking water, and cannot be used to its full power-generating capacity, especially in drought years.
3. The new arrangements eliminated the previous elected provincial assemblies and elevated the 'regional' (that is, elected by the whole province) members of the national parliament to be 'Governors' with extensive and largely non-accountable executive powers.

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**Table 3: Aid, growth and poverty reduction**

Growth % per annum	Growth GDP per capita 1990–1999	Poverty reduction 1990–1999	ODA/ GNP % 1992
Sub-Saharan Africa	0.47	-1.02	6.92
East Asia & Pacific	7.18	1.05	0.34
Middle East & North Africa	0.66	0.23	1.23
Latin America & Caribbean	1.23	0.23	0.3
Eastern Europe & Central Asia	0.13	-0.68	2.17
South Asia	3.33	2.50	0.66
Developing world	3.81	0.92	1.45

Source: Mosley et al. 2004.

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# Developing effective aid delivery frameworks within policy parameters

*Annmarée O'Keeffe, AusAID\**

## Introduction

As the agency tasked with delivering the Australian Government's development cooperation program, AusAID's duty is to turn policy into reality on the ground. A significant institutional structure — consisting of guidelines, procedures, organisational policies, and the accumulated knowledge of AusAID staff and contractors — has been built up to allow this translation to occur. This structure is deliberately based on the lessons of the past, as well as on original research and analysis by AusAID and other partners. It is continuously evolving. For example, changes in recent years have seen significant strengthening of program strategies, the introduction of new quality improvement systems, and steps towards a greater focus on policy and analysis within AusAID. Changes in international thinking on development cooperation — such as distrust of the project as an effective form of aid delivery — and recent government initiatives in Papua New Guinea (PNG) and the Pacific have posed challenges for AusAID. Other donors face similar emerging challenges in, for example, Africa, Haiti and the Middle East. However, AusAID's structure and systems — built to promote development effectiveness — are proving robust and capable of working in the new environment.

## Roles and responsibilities

This paper focuses on the development of effective aid delivery frameworks within policy parameters. In other words, matching good aid outcomes with government policies, decisions and expectations. As a primary goal for a government agency, this doesn't sound too extraordinary. As we have seen in recent years, the government, propelled by a quickly changing and threatening global environment, has adopted policies and positions in the region that at first glance would seem difficult to reconcile with good aid outcomes. The reality is, however, that it has been and continues to be possible for AusAID to deliver good aid within the parameters of fast moving and significantly different government policy. The way AusAID does this is explored below.

Public sector reform in recent years has seen an increasing emphasis on transparency, and accountability to governments and to parliament. As a public sector entity, AusAID is expected to manage for results, that is, to measure results and performance, to take management decisions that will improve that

performance, and to advise the government on their policy decisions. AusAID must also be responsive to the directions of the government and absolutely clear about our role as the 'owner', or, to use an entirely fitting analogy, our role as the board of management, acting on behalf of the Australian people as our stockholders, of the programs we are delivering.

## Using our knowledge

Here I can only touch on a few of the key points relating to the systems AusAID has developed to manage for results, or, in development assistance terms, to improve aid effectiveness. In 1998 we agreed with the Minister for Foreign Affairs, the Australian Government minister responsible for AusAID, on a definition of good quality aid as having four attributes:

- appropriate design and objectives;
- managed professionally;
- achieves its objectives; and
- delivers a sustainable stream of benefits.

We used this definition of quality as the basis for the development of what we call a 'quality frame', which consists of various indicators and standards under each of those four attributes. In effect, our quality frame is an articulation of the accumulated wisdom of decades of experience in delivering aid.

Using the quality frame means that we can make assessments in a rapid and timely fashion and use a standardised format despite the wide range of countries, sectors and general environments in which we work. For example, the quality frame is used as the basis for our reporting to parliament. Effectively, the quality frame assures parliament that we are meeting our targets for quality, and hence aid effectiveness.

However, these systems provide much more than external information needs. Analysis of results lets us identify common strengths and weaknesses across our program. For example, these systems have confirmed that the Australian aid program has an ongoing issue with ensuring that the benefits of our activities are sustained after activity completion. We know this in advance for some ongoing activities because we have identified in other exercises the early symptoms of problems that lead to poor sustainability, and we have included these warning signs in the quality frame.

Our analysis also showed us a potential way forward. Accordingly, in 2000, we produced the guidelines, *Promoting*

*Practical Sustainability*, based on our experience of exactly what can realistically be done to increase the chances of the benefits of development cooperation being extended into the future.

## **Better analysis, information and strategy**

A key event in AusAID's recent history was the implementation of a new strategic plan in December 2001. This plan set out three main areas of change, aimed at improving the 'program's policy and programmatic impact and effectiveness':

- increase emphasis on program quality;
- enhance policy and analytical capacity; and
- people management and corporate systems and controls.

Among the significant changes that have come out of that plan is the importance for us of improving program strategies. By this term, I mean strategies for programs such as to Indonesia, PNG or Africa. The AusAID strategic plan identified strategies as an area where we could improve by putting more resources into problem analysis. We have increased the requirements for key analysis, such as of poverty issues in the partner country or countries, and of involvement of other Australian Government agencies. Procedurally, we have greatly stepped up the involvement of senior management in strategies, including through peer review throughout the process. These strategies also now need to have a robust performance assessment framework. In general, we are investing more in strengthening our understanding of *downstream* outcomes and impacts — to complement the quality frame.

The AusAID strategic plan also identified a path of action on the difficult issue of knowledge management. AusGUIDE, in its role as the definition and store of our collective experience and knowledge in delivering development cooperation, has since been complemented by other improved knowledge management systems. However, using knowledge and development expertise depends on much more than better IT systems.

One important step under the new strategic plan was a new peer review process. In addition to the independent appraisal procedures, all new activities now need peer reviews at the concept and appraisal stages. By involving AusAID experts from outside the immediate chain of responsibility for new aid activities, we increase the dispassionate examination of the strengths and weaknesses of proposed development cooperation and can make the most of parallels in our experience in different countries or sectors.

## **Results on the ground**

The question we are all most interested in is, is any of this working? It is all very well to speak about procedures, but are they making a difference to development outcomes on the ground? Two recent reviews we have completed provide some

indications. The report, *The Contribution of Australian Aid to PNG's Development*, set out to answer the big question of aid impact — what has been achieved, at the country level, in Australia's largest and most significant development cooperation partner?

The report found that considering the evidence at the macro-level and looking at individual aid activities, there was evidence that the aid program had contributed materially to development. For example, aid has been central to education reform, contributing to big gains in literacy and 50 per cent to 90 per cent increases in primary and secondary enrolments; prevented health system collapse; and maintained some essential road and air infrastructure. The report also identified many other issues, strengths and weaknesses in our systems, which the measures discussed earlier are designed to address.

The second evaluation exercise I will briefly cover is yet to be finalised. Earlier this year we undertook a review of a number of aid activities aimed at capacity building, particularly in the central finance and governance areas, in the Pacific. There were some excellent success stories. Combinations of good design, strong counterpart ownership of the reform process, and skilled and appropriate team members made potentially a lasting contribution to improved governance in the Pacific. To quote from the draft report regarding the Samoa Treasury Institutional Strengthening Project:

Government [of Samoa] was deeply committed to whole of government reforms and wanted [this project] as a leading initiative. It needed to succeed, and received excellent support following redesign when counterparts were made available.

The comments of a senior Ministry of Finance officer, who was present during and after implementation, that the project 'changed the way we looked at things ... professionalism has increased enormously' and 'was successful, this is recognised by all', are illustrative of the successful impact of the project. On the other hand, another project reviewed by the evaluation team was judged critically. That project had suffered because of a lack of ownership on the part of our counterparts and perhaps over-ambition on the part of Australia.

## **Policy parameters**

Where does this leave us in relation to the second set of issues I wanted to cover — policy frameworks and responsiveness to the directions of the government of the day? First, it should be clear that all of the efforts described exist because they are our response, as public servants, to directives from the government to deliver effective development cooperation. Clearly much of the detail of effectiveness and quality control and assurance is very much our own responsibility. No-one expects the government to take a close interest in the details of AusGUIDE

or in minor changes to our quality frame. They are essentially AusAID's systems, not the government's.

In 2002, the Minister for Foreign Affairs announced some significant developments in aid policy in his eleventh statement to parliament, *Australian Aid: Investing in Growth, Stability and Prosperity*. This statement was the most important since *Better Aid for a Better Future*. Amongst other important developments, it effectively replaced the sectoral emphasis with five guiding themes for the aid program:

- promoting improved governance and strengthening democratic processes;
- assisting developing countries to access and maximise benefits from trade and new information technologies;
- supporting stability and government legitimacy through improved delivery of basic services;
- strengthening regional security by enhancing partner governments' capacity to prevent conflict, enhance stability and manage transboundary challenges; and
- promoting sustainable approaches to the management of the environment and the use of scarce natural resources.

These five guiding themes provide a coherent policy basis for Australia's development cooperation work. Poverty reduction remains the central integrating factor. This approach sets a clear policy framework for AusAID to work within to meet government goals. It also clearly positions Australian development cooperation with relation to the international development debate. For example, it lays the ground for a consistent and reasoned approach to helping the international community meet the Millennium Development Goals.

The two years since *Australian Aid: Investing in Growth, Stability and Prosperity* was delivered to parliament has been a time of significant change. The government's move to a more active role in the Pacific and PNG is one decision that has required AusAID to re-examine our tools and techniques. The increased involvement of other government agencies in the aid program — a very deliberate move on the part of the government — is another such decision.

At the same time, changes in international thinking on development cooperation — such as distrust of the project as an effective form of aid delivery — have posed challenges for AusAID. The challenges faced by donors in Africa, Haiti and the Middle East make our issues in PNG and the Pacific look mild by comparison. However, the issues faced by other donors are similar to those that have led to our own government's recent policy innovations.

Does all this mean that AusGUIDE, the quality frame, *ex-post* evaluations, or even program strategies, are obsolete? The

answer is an emphatic 'no'. It would be highly dangerous and irresponsible at this point to discard what we have of the accumulated wisdom of the past in aid delivery — hard-won lessons about what works and even harder won lessons about what doesn't.

However, it is apparent that some of what we have often taken for granted in the past needs to change and the element that must be, and is being kept, are the basics of good program management which include:

- solid problem analysis and identification of objectives;
- ensuring local ownership of the joint solutions adopted;
- identifying, minimising and preparing for risks;
- monitoring for emerging problem, taking timely management action and evaluating success or failure; and
- thinking through and addressing threats to sustainability.

This list is indicative only, but it suggests the core principles that lie behind our existing systems.

How does the above fit with a new initiative such as the Enhanced Cooperation Program (ECP) in PNG? Without doubt, this is a significant new approach to our development cooperation with that country. The most important difference is the use of senior Australian public servants effectively in line positions in the PNG bureaucracy. We are already seeing some of the potential for success in this area.

The ECP team has supported and encouraged the establishment of a high-level cross-departmental Public Expenditure Review and Rationalisation (PERR) Implementation Committee to implement the PERR recommendations. ECP members also now sit on and exercise influence on the Public Debt Committee and the newly formed Payrolls Committee. In addition, they have provided strategic direction and influenced policy outcomes on a range of issues affecting fisheries management, rural banking, national roads and to assist the PNG Housing Corporation to address its financial problems.

These are areas where reliance on either a traditional project model of aid or dependence upon the consultant/adviser model, simply would not deliver the same outcomes. Having established so clearly that high-level (and middle-level) ownership of political and public service reform is possibly the most important factor in success and the sustainability of benefits, the ECP provides us a real means to break a cycle of disappointment in public sector reform in PNG.

AusAID's role in the whole-of-government context in delivering the ECP is to ensure that our government's directions relating to the development cooperation program are followed

and lead to good outcomes. To do this, we don't blindly try to apply the AusGUIDE guidelines to the ECP. That would be simply inappropriate as they were not designed for this form of aid. We do, however, keep in mind the lessons embodied in AusGUIDE and in the quality frame, in considering an overall approach to aid in PNG. It must be remembered that the ECP is only a part of a broader development cooperation program, designed to fulfil a particular role in helping build high-level momentum for reform and to remove a debilitating backlog in areas such as the legal sector. These initiatives alone will not lead to sustainable benefits for PNG (and hence for Australia) unless backed by the full force of our aid program.

## Conclusion

The points made in this paper stress the importance of AusAID having the expertise and the well-developed systems and processes in place to guide us in our constant endeavour to deliver a quality, effective program in a constantly challenging

international environment. The government in the past few years has made some significant changes in its approach to the challenges of the region, particularly through greater engagement across the whole of government and a more active role in PNG and the Pacific.

The Australian Government expects AusAID's activities to make good development sense. That is our critical contribution to the implementation of the broader whole-of-government approach in our region. Our expertise and advice is fundamental to the successful outcomes of that work. The lessons of the past and the systems we have evolved, combined with the breadth of our development knowledge, are key in this new environment.

## Note

\* Annmaree O'Keeffe is Deputy Director General, Policy and Global Programs, at AusAID. The AusAID publications referred to in this article, and a wide range of information about AusAID programs generally, can be found on the AusAID web site, <[www.ausaid.gov.au](http://www.ausaid.gov.au)>.

# Donor harmonisation for improved aid effectiveness

*Michael Ward, Department for International Development, UK*

*Derek Sikua, Ministry of Education and Human Resources Development, Solomon Islands*

*Tony Banks, NZAID\**

## Introduction

This paper describes recent commitments by multilateral and bilateral development institutions and aid recipient countries to improve development effectiveness and considers the translation of these commitments (in particular, the Rome Declaration on Harmonisation of February 2003) into changed practice in the education sector of Solomon Islands. The paper focuses in particular on the shift in aid delivery mechanisms away from narrowly focused donor-funded projects towards a sector-wide approach (SWAp) in education in Solomon Islands. The design of the Solomon Islands education SWAp, the institutional arrangements and processes underpinning it, and the lessons learnt to date are discussed. The Solomon Islands' experience is then considered in the context of the broader international SWAp experience. Whilst it is too early to draw definitive conclusions from the Solomon Islands' experience to date, there is cause for optimism that the appropriate use of SWAps in the Pacific, particularly in the education sector, can contribute greatly to the harmonisation of donor practice and improved aid effectiveness.

## Donor commitment to harmonisation

The donor community has long been concerned with the growing evidence that, over time, the totality and wide variety of donor requirements and processes for preparing, delivering, and monitoring development assistance are generating unproductive transaction costs for, and further taxing the limited capacity of, partner countries. The donor community is also aware of 'partner country concerns that donors' practices do not always fit well with national development priorities and systems, including their budget, programme, and project planning cycles and public expenditure and financial management systems' (OECD 2003:10).

The donor community recognises that these issues require urgent, coordinated, and sustained action to improve the effectiveness of aid on the ground. The donor community also attaches 'high importance to partner countries' assuming a stronger leadership role in the coordination of development assistance, and to assisting in building their capacity to do so' (OECD 2003:10).

Building on the work of various OECD working groups and on country experience, including recent developing country initiatives, the donor community has recently committed to a series of measures to enhance donor harmonisation, including the provision of 'budget, sector, or balance of payments support where it is consistent with the mandate of the donor, and when appropriate policy and fiduciary arrangements are in place' (OECD 2003:11).

Harmonisation means aligning donor support more closely to partner countries' national development priorities, systems and budgets, program and planning cycles, and public expenditure and financial systems. Harmonisation also means effective coordination of donors' contributions to development and a reduction in the proliferation of donor's operational policies, procedures and practices to reduce the transaction costs of aid delivery and enhance its effectiveness.

The focus of this paper is on the provision of sector budget support in education as a means to achieving greater donor harmonisation and improved aid effectiveness leading to the achievement of the two education Millennium Development Goals (MDGs).<sup>1</sup>

## Sector budget support and sector-wide approaches

In response to growing dissatisfaction with the project aid delivery mechanism and within the framework of international commitments to harmonisation, donors and partner governments have for some time been moving towards broader funding mechanisms and development approaches that promise to reduce transaction costs and increase the effectiveness of external assistance (Foster 2000; Harold P & Associates 1995; Peters and Chao 1998; Ratcliffe and Macrae 1999). These broader approaches include sector investment programs (SIPs) and sector-wide approaches (SWAps) and incorporate aid delivery mechanisms such as budget support and earmarked budget support. With the area of education-sector budget support, funding agencies earmark their funds for the sector, but seek little control over their aid. Using this aid form, funding agencies provide budget support linked to a few critical outputs and outcomes in education related to, say, financial

commitment, fiduciary assurance,<sup>2</sup> increased equitable access, improved quality and improved service delivery (Virtue et al. 2003). With the establishment of sector budget support modalities in Uganda, Tanzania and Zambia in recent years, for example, many of the traditional problems of donor coordination in those countries' education sectors have effectively disappeared as only one program in education, the recipient government's education strategy, is supported (Virtue et al. 2003).

When funds are earmarked by the donor for specific programs or targeted on additional spending on priority areas, such as textbooks or teacher development, this spending is usually linked to performance indicators or outputs within the sector. This mechanism is usually introduced as a first step towards sector budget support and general budget support. Some funding agencies find this useful as a means of monitoring expenditures, assuring themselves of 'additionality' and attributing benefits to their inputs (Brown et al. 2001; Foster 2000; Virtue et al. 2003). Although this mechanism is undoubtedly more empowering and flexible for recipient governments than project mechanisms, as donors focus on outputs rather than inputs, it does involve considerable engagement by funding agencies in the management and monitoring of the education-sector budgets of recipient countries.

Sector budget support is usually provided within the context of a sector-wide approach (SWAp). The main features of an Education SWAp are that:

- it is based on a clear sector strategy and policy/financing framework that is sector-wide in scope;
- local stakeholders are in charge;
- all main funding agencies are participating in the funding arrangement and contributing only to areas identified as priorities within the sector strategy and policy/financing framework;
- there is one system of implementation for the sector and all stakeholders share one set of common institutional and management arrangements, including one single source of audit, monitoring and evaluation reports; and
- there is a reliance on local capacity with limited technical assistance and a programmatic emphasis on capacity building at all levels of the sector (Ratcliffe and Macrae 1999; Virtue et al. 2003).

The most successful education SWAps, such as Uganda's, have focused greater attention on education sector performance, intra-sectoral linkages and outcomes and service quality by giving greater weight to improving the policy, budgetary and institutional context in which education services are delivered (Ratcliffe and Macrae 1999; Virtue et al. 2003).

The Uganda education SWAp has also provided a better mechanism than project modalities for effective partnership between government and funding agencies, including enhanced national leadership and ownership of reform plans, and improved mechanisms for joint government and funding agency dialogue and performance review. It is seen by both the Ugandan Government and participating funding agencies as a way of providing development assistance that strengthens national leadership and helps build nationally managed systems, while still allowing for continuing engagement by funding agencies. At the present time, the main funding agencies and the Ugandan Government see this approach as the best way of assisting the country to achieve its education goals (Freeman and Dohoo Faure 2003).

It is important to note that SWAps take a long time to develop and require considerable investments of time and planning energy at the outset (Foster 2000; Ratcliffe and Macrae 1999; Virtue et al. 2003). Whilst a number of countries in the Pacific are beginning to consider the benefits of establishing SWAps in education, most notably, Tonga and Kiribati, it is only Solomon Islands that has actually put in place the conditions necessary for moving towards a SWAp. In Solomon Islands, the government is working closely with the European Union (EU) and NZAID, together with other partner funding agencies, such as AusAID, the World Bank and the Republic of China, to support the introduction of a SWAp in the education sector.

### **Harmonisation in practice: The Education Sector Investment and Reform Programme**

Although there has been considerable progress in education in Solomon Islands since independence in 1978, there is a serious risk that the country may not achieve either of the education MDGs (universal primary education and the elimination of gender disparities at all levels of education by 2015) nor the Education For All (EFA) Goals.<sup>3</sup> Solomon Islands' education sector faces severe problems of low and uneven access, lack of resources, high drop-out and push-out rates, deficient facilities, low standards and achievement, questionable curriculum relevance, inappropriate assessment systems and ineffective quality assurance mechanisms. Notwithstanding the problems, public enthusiasm for education remains high, and the Solomon Islands Government is committed to improving and increasing access to education as one of its highest priorities. Given the scale of problems and needs, a carefully prioritised, phased and targeted program of development is needed, taking account of available financial and human resources and guided by a careful assessment of institutional and absorptive capacities.



## Development of the education SWAp in Solomon Islands

During the past four years the Solomon Islands Government and its development partners have been working together to put in place the conditions necessary for a successful sector-wide approach to education. These conditions include:

- a comprehensive sector policy;
- a sectoral expenditure program;
- a sound macro-economic framework, in which sector and macro-expenditure are consistent;
- government-led donor coordination within these frameworks, with common implementation and management arrangements and the use of government systems; and
- the participation of key stakeholders.

The steps taken to achieve each of these conditions are reported on below.

### A comprehensive sector policy: The Education Strategic Plan

Preparations for the Education Strategic Plan (ESP) in Solomon Islands began in 1999–2000 with a comprehensive stakeholder reform consultation led by the Ministry of Education and Human Resources Development (MEHRD) informed by a series of technical studies funded by AusAID and the Third World Bank Education Project. This process culminated in the production of the first edition of the country's ESP for 2002–2004. The main goals of the ESP are: to provide equitable access to quality basic education for all children in Solomon Islands; to provide access to community, technical, vocational and tertiary education that will meet individual, regional and national needs for skilled and competent people; and to manage resources in an efficient and transparent manner.

The implementation of the ESP was delayed, and previously committed donor support was lost, owing to the adverse political events and ethnic tension, which led to a partial breakdown of law and order, economic decline and budget mismanagement. However, from mid 2003 to date, the situation in Solomon Islands has improved markedly. The Regional Assistance Mission to Solomon Islands (RAMSI) has been successful in quickly restoring law and order and improved economic management. During this period, the ESP was reviewed and up-dated by MEHRD and its partners to cover the period 2004 to 2006 and the updated document was approved by the Solomon Islands Government (at Cabinet level) in June 2004.

The ESP provides the framework within which the MEHRD plans to reform the entire education system to make it more responsive and appropriate to the needs of Solomon Islanders. It identifies strategies for enhancing the capacity of the system to be better able to cope with the rapidly expanding demands

being placed upon it. It includes changes and reforms to the provision of basic education services, secondary education, technical, vocational and further education, tertiary education, non-formal education, and the management of the education system. The ESP is being taken forward through Provincial Education Action Plans (PEAPs) and Annual Work Plans (AWPs) with the support of two main funding agencies, the EU and NZAID.

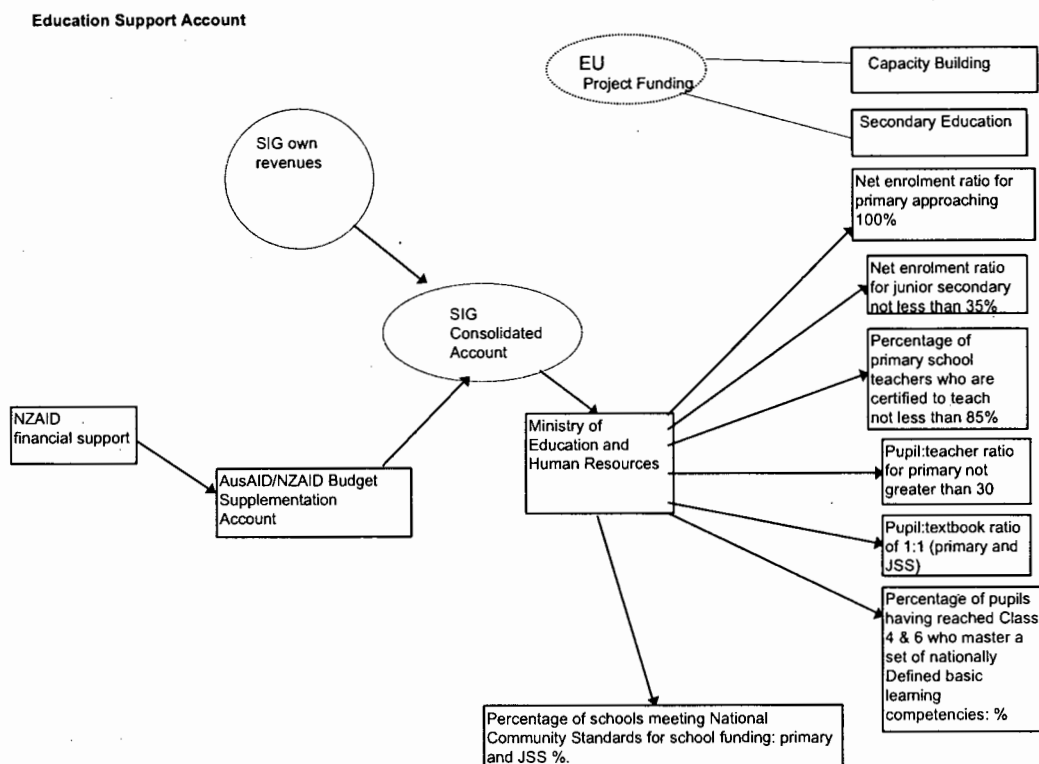
### A sectoral expenditure program: The ESIRP

In 2004 the Ministry, with its donor partners, the EU and NZAID, has launched the Education Sector Investment and Reform Programme (ESIRP), with the intention of supporting the implementation of the ESP over the next 12 years in four three-year implementation programs. The first three-year implementation period (2004–2006) is already fully funded (EU is contributing 29 million euros and NZAID is contributing NZ\$33 million) and implementation commenced in January 2004. The main objectives for this first three-year program cycle are:

- progress towards universal access to and completion of basic education by 2015;<sup>4</sup>
- improved quality of education through the provision of quality educational materials, improved teacher training, management and service delivery;
- improved planning and management capacity at school, provincial educational authority and national levels;
- primary and secondary education curriculum reform, including improved assessment of learning;
- improved primary and secondary school facilities, including rehabilitation and completion of existing infrastructure and provision of new facilities where these are needed most;
- restructured tertiary education and feasibility of an expanded University of the South Pacific campus in Solomon Islands fully explored; and
- education finance restructured in line with the Solomon Islands Government's commitment to rationalise education expenditures and to make these more equitable.

In June 2004, the Solomon Islands Government, the EU and NZAID signed a Memorandum of Understanding (MoU) (ESIRP 2004). The ESIRP MoU is a substantive document that sets out in detail the partnership principles, the institutional arrangements, including the arrangements for sector management and reporting, the auditing and fiduciary assurance framework and all other responsibilities of each of the three partners.

**Diagram 1: Funding mechanisms for sector support funds to education in Solomon Islands**



**Macro-economic framework**

Underpinning the success of the ESP is the need for a sound macro-economic framework, one that integrates both development and recurrent expenditure plans, achieves an appropriate balance between total revenue and total expenditure, is supported by robust financial and other reporting systems, and provides an appropriate environment for private sector investment, and ideally, includes medium-term, as well as current year, planning forecasts.

Whilst the Solomon Islands Government is some way from achieving all of the conditions set out above, since July 2003 a genuine political desire to stop abuses, budget appropriately and implement expenditure control has seen the budget brought back on track with better service delivery where it is most needed. The current Solomon Islands budget builds on the fiscal accountability and discipline started in late 2003 and, with an emerging debt management strategy and increased rates of growth, the macro-economic situation is stabilising.

**Government-led donor coordination**

The Education Sector Co-ordinating Committee, which met for the first time in April 2004 under the chairmanship of the Permanent Secretary, MEHRD, was able to report that all of the major diplomatic, technical and funding instruments had been

approved. This represents an unprecedented achievement on the part of MEHRD in what remain difficult political, social and economic circumstances. The MoU is the main means through which the government leads donor coordination in the education sector. EU and NZAID assistance to education is now well aligned to the agreed education sector strategy, the ESP.

NZAID’s support for education in Solomon Islands is in accordance with Solomon Islands Government’s own systems, procedures and schedules. In financial terms, it consists mostly of untied, direct on-budget financial transfers to the Solomon Islands Government (see Diagram 1). NZAID’s support respects national priorities and is regulated through coordination structures that ensure country-led decision making, with emphasis on local capacity strengthening and the use of local or regional technical assistance.

The EU contribution to ESIRP is also closely aligned to the ESP, but it is currently delivered through a Project Implementation Unit (PIU) that precedes the development of the SWAp. It is intended that EU funds for education in Solomon Islands will be directed through the government’s budget by 2006, when the Ministry of Finance’s procedures and safeguards are expected to be considered compatible with the applicable requirements for EU sector budget support and EU procedures.

## The participation of key stakeholders

All citizens, parents, guardians and students in Solomon Islands are stakeholders in this crucial reform program. MEHRD and its donor partners pledge that all procedures and processes used in the development and implementation of policy and component projects for ESIRP will continue to involve stakeholder consultation and will be transparent. MEHRD uses the media to inform the public of progress on a regular basis. The reform will significantly affect the education system of Solomon Islands over the years to come and will be a major determinant of the present and future establishment of good governance, economic prosperity and social harmony.

## Contextualising the Solomon Islands experience

The benefits of moving away from donor project mechanisms towards sector-level aid delivery mechanisms in the case of education in Solomon Islands are many and include:

- country-driven leadership of the sector;
- encouragement of results-oriented strategic planning and budgeting;
- a comprehensive and prioritised approach to sector planning;
- greater coordination of development partners;
- more predictable and transparent external funding, enabling a longer term perspective;
- reduced transaction costs for all partners and a more rational use of donor support for education;
- emphasis on service delivery and recurrent responsibilities, with a particular focus on directly supporting schools, classrooms, teachers and learners; and
- focus on capacity building.

These benefits have been observed in other country contexts where successful SWAps have been introduced. For Solomon Islands, while moving in this direction has involved a high level of costs (financial as well as human resource and time) in negotiating policy agreements and strategic plans for education and has increased the risks associated with external assistance (both fiduciary risks and the risks of program failure), the overall assessment by the partners is that these costs and risks are worthwhile in the context of a potentially high-impact program.

The issue of fungibility or the interchangeable use of funds (for example, where budget support funds provided for education could be used by the recipient government for airlines, prisons or roads) is an issue for many donors considering the use of alternative aid delivery mechanisms (Foster 2000). In the case of the education SWAp in Solomon Islands, the issue of fungibility is managed through the use of earmarked budget

support (NZAID and EU funds are tagged to specific lines and outcomes in the government's budget and Annual Work Plan) and the government's own contribution to the sector is maintained at 22 per cent of total recurrent discretionary expenditure,<sup>5</sup> thus ensuring the 'additionality' of donor funds for education.

The move from donors being accountable for tracking the use of every cent they provide to a joint monitoring of the impact of all resources (recipient government, private sector and donors), with a focus on outcomes rather than inputs, has been accepted by the EU and NZAID in the case of the education SWAp in Solomon Islands, but it can be difficult for some funding agencies to move in this direction. Related to this is the importance of establishing adequate fiduciary arrangements — the processes and procedures that donors need to confirm are in place to adequately assure their governments and national audit offices that aid provided has been spent in accordance with agreed legal undertakings, priorities and procedures (Foster 2000; Schacter 2001; World Bank 2002).

In preparing for the Education SWAp in Solomon Islands, the partners have assessed the capacity of the Solomon Islands Government, in particular MEHRD, to plan and execute education policy and programs, account for public expenditure and to translate additional resources into beneficial outcomes, such as increased enrolments, improved education facilities or higher levels of student attainment (Buchert 2002; Foster 2000; Ratcliffe and Macrae 1999). The approach taken by MEHRD and its partners in the design of the ESP and the associated ESIRP/AWP for sector development has been to ensure the program will deliver significant sector improvements, in particular increased access to quality primary education, but at the same time will be achievable in the context of various constraints.

## Conclusions

Whilst it is too early to draw definitive conclusions from Solomon Islands' experience in education to date, there is cause for optimism that the appropriate use of SWAps in the Pacific, particularly in the education sector, can contribute greatly to the harmonisation of donor practice and improved aid effectiveness. This paper has shown that by effectively using sector-level aid delivery mechanisms, external resources may be better integrated with national government efforts and education policy and institutional change may be more readily achieved in Pacific Islands countries. However, this approach and sector-level aid delivery mechanisms will only be appropriate if the net benefits of the approach can be demonstrated and other macro-level or crosscutting issues, which are critical to the success of reforms at sector level, are being addressed.

## Notes

- \* Dr Michael Ward is a Senior Education Adviser with the UK Government's Department For International Development (DFID), currently on secondment to the New Zealand Agency for International Development (NZAID) in Wellington. Dr Derek Sikua is Permanent Secretary, Ministry of Education and Human Resources Development (MEHRD), Government of Solomon Islands, Honiara. Dr Tony Banks is NZAID's Social Impact Adviser and is based in Wellington.
1. The Millennium Development Goals (MDGs) were adopted by the United Nations General Assembly in September 2000. The second and third MDGs are that by 2015 all 189 United Nations Member States have pledged to: achieve universal primary education, ensuring that all boys and girls complete a full course of primary schooling; and promote gender equality and empower women, eliminating gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.
  2. Fiduciary assurance relates to the donors' need to adequately assure their governments and national audit offices that aid provided has been spent in accordance with agreed legal undertakings, priorities and procedures.
  3. 'Education for All' expresses the international community's collective commitment (re-confirmed at the World Education Forum in Dakar, Senegal, April 2000) to pursue a broad-based strategy for ensuring that the basic learning needs of every child, youth and adult are met within a generation and sustained thereafter.
  4. Basic education is defined by the Government of Solomon Islands as the first nine years of formal schooling during which the child is systematically introduced to worthwhile information, knowledge, skills and attitudes necessary to prepare a child to develop to his or her full potential to contribute fully to the community and nation.
  5. Total discretionary recurrent expenditures are total recurrent expenditures, not including arrears, less statutory and interest payments.

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# Aid and partnerships: The effectiveness of relationships

*John Overton and Donovan Storey, Massey University, New Zealand*

## Introduction

Most major development agencies have adopted the rhetoric of building 'partnerships' and 'relationships' in their aid programs. At one level, this can be seen to reflect the call in populist development theory for participatory development and to empower communities to promote their own development. The strategy leads to a focus on projects and outcomes that involve a finite time frame for donor involvement. In practice, however, this concern for relationships in aid delivery seems to involve a strengthening of partnerships only with counterpart aid agencies (government and NGO) as a means of improving the efficiency, effectiveness and accountability of aid delivery. Relationships outside this 'partnership for delivery' paradoxically are weakened: the link between aid and diplomacy has been severed by institutional reform and the already weak and short-term relationships between donor agencies and recipient communities seem to be increasingly constrained to a narrow project cycle. Relationships and partnerships, then, are structured in a particular utilitarian and self-legitimising way that reinforces the donor-recipient model and inequalities therein. This paper argues for a broader framing of the notion of relationship building so that longer term, reciprocal and broader partnerships can be accommodated alongside the existing project-based approach.

## Discovering relationships

Two of the many terms to have been given prominence in the lexicons of development agencies in recent years are 'partnerships' and 'relationships'. These related terms imply that aid agencies wish to develop linkages with recipient agencies and communities that endure over time and which involve some degree of two-way interaction. Agencies, including the World Bank, have gradually adopted the terminology and at least some of the principles of 'partnership' building. This represents a quite marked change from previous mission statements which saw a more passive and secondary place for recipient communities and governments.

New Zealand's government development agency, NZAID, has made this partnership principle a central feature since its reconstitution in 2002:

Our mission is the elimination of poverty through development partnerships ...

NZAID's strategies and policies reflect the agency's long-term commitment to working with partners and the international community to achieve the Millennium Development Goals and the International Development Targets ... NZAID recognises that it needs to work with partners on a case-by-case basis to identify and select the targets and indicators that are most relevant for the circumstances of the partner and for the particular aid programmes and projects (NZAID n.d.).

Australia, too has used the notion of partnerships and relationships, but it has defined such partnerships rather more tightly:

In pursuit of this role, AusAID draws upon lessons learned from three decades of official development cooperation, and our ... well-established networks and relationships with partner governments, donors, and multilateral organisations, as well as civil society and the private sector in Australia and developing countries (AusAID n.d.).

Even the World Bank has adopted the rhetoric of partnerships:<sup>1</sup>

The World Bank's main partners in development are its client country governments. However, the Bank also partners with organizations that are equally experienced or better placed to secure participation from stakeholders and local communities in developing countries. It has built, and continues to strengthen, partnerships with other multilateral development banks, United Nations agencies, bilateral donors, and civil society organizations (World Bank 2003:15).

The adoption of these principles, together with a range of more participatory attempts at aid delivery and evaluation, reflects the influence of 'populist' development philosophies and theories, those which seek to involve local people — the recipients — directly throughout the project cycle, from the identification of needs to the assessment of a project. It also indicates a shift from traditional relationships and forms of delivery which were not working, whether this be meeting the needs of the donor or the project cycle. In some ways this is bound up in the use of 'stakeholder' terminology — sharing the ownership of development activities with all those who have a direct stake in them. In some cases, the language of aid has progressed beyond the mild concern for 'consultation' to more active 'participation' and even 'empowerment'.

Yet, whilst the rhetoric of participatory development seems to have percolated quite deeply into the work of development agencies — donor agencies at least — there remain concerns

about the nature of and possible contradictions within such philosophies. This paper addresses one such possible tension: the concern for, at one level, local participation, ownership and independence; and, at another, the desire to build relationships between donors and recipients. We argue that participation has been framed in largely utilitarian ways — to improve the efficiency of aid delivery — rather than in ways that seek to address the fundamental nature of effective relationships and partnerships. In part, this contradiction may be traced to the very reasons why a shift toward relationships took place. Was and is it driven by the desire to create more meaningful relationships, or was it a way to seek new vehicles for established practices?

Before proceeding, it is necessary to examine two key elements of the participatory approach relevant to this discussion. Firstly, the principle of partnerships and relationships is crucial in participatory development, for it implies a particular link between donor and recipient. The term ‘partnership’ implies joint participation. It may not be an equal partnership, but both sides are involved in the development activity. ‘Partnership’ can be seen to have a focus and purpose — partnerships are formed in order to achieve something, particularly if we adopt the metaphor of a legally defined business partnership (see Buchanan 1994, Lister 2000 and Crawford 2003 for discussions on the meaning of partnerships). ‘Relationship’ implies something perhaps less specific. Again, it may not be equal but it does require a two-way commitment and it may involve a range of things that two parties are involved in. It also suggests something that continues over time and requires both parties to act to maintain the relationship in the long term. Both terms can be seen to derive their philosophy, if not their practice, from participatory development theory. They involve a recognition of recipients not as passive parties, receiving resources, technology and direction from outside, but as active agencies and communities, helping to define their own problems, resources and solutions.

The second set of principles within participatory development relates to the important notions of ownership and independence. Participatory development is critical of approaches which perpetuate continuing dependence and seeks to empower recipient communities to take charge of their own development. We see in the work of Robert Chambers, in particular, a strong plea to change the relationships between weak and strong, between external donors and experts on the one hand and recipients and locals on the other. He suggests that experts ‘hand over the stick’,<sup>2</sup> in other words, cede control of their work so that local people are empowered to express their views and have a real stake in development activities (Chambers 1997). Such a principle, again, is a key component of participatory development. It is seen not just as a worthy

principle, but also as an effective means to achieve development objectives — people who actively participate in development activities are more likely to work for their success and sustainability after the donors have gone. In practice, this principle of local ownership has meant that, from the perspective of donors, there is a heightened concern to limit involvement to the project cycle and then hand over to local management. There is also a defined scope for external participation, projects can be limited and their activities and outputs tightly monitored, and donor funds can be made more accountable. In this sense, participatory development fits neatly with donor concerns to minimise risk, limit the term of the project, and control the scope of their involvement. It also, cynically speaking, provides greater opportunity to spread the responsibility and accountability amongst other ‘stakeholders’ if things go wrong.

Thus we can see that participatory development has influenced the way agencies in recent times have conceived and practiced development. However, there seems to be a possible schism between the rhetoric of relationship building and the practice of aid delivery. In reconciling the need both to build relationships yet also enhance local autonomy and ownership, we can see how participatory development has been manifested in particular ways in practice and how it has affected aid delivery in different and often uneven ways.

## **Making and unmaking relationships**

Whilst there has been a marked shift in the way development agencies have talked about relationships and partnerships and there have been other important changes, such as the adoption of the new poverty agenda (Storey et al. forthcoming), in many ways the practice of development has continued to focus on projects. Indeed, both AusAID and NZAID have shifted away from large and often vaguely defined budgetary aid (for countries such as PNG and the Cook Islands) towards more tightly defined projects and programs with clearer goals and prescribed methods. Agencies have also become more concerned with the efficiency and accountability of their activities, part of a wider process of public sector reform.

Another aspect of reform has been the apparent de-linking within aid agencies of aid from diplomatic considerations. In the past, official donor aid agencies have commonly been part of a wider foreign relations and trade institutions — typically a department within a foreign affairs and trade ministry. Wider strategic, diplomatic and economic considerations shaped the disbursement of aid, and diplomats, rather than specialist aid officials, were responsible for making aid policy and practice. In this context, relationships were important, albeit in a rather narrowly defined way. Aid helped develop ties between countries and individuals. Aid could help keep certain leaders in power or strengthen key institutions. Critics of this close link between

diplomacy and aid (for New Zealand, see Ministerial Review Team 2001) pointed to the dilution of a focus on development objectives as wider strategic and political concerns influenced where aid went and who benefited. There has been, for example, criticism of tertiary education scholarships being given to members of elite and privileged families in recipient countries, even though it was acknowledged that there were significant long-term benefits gained from the way these scholarship recipients kept close and warm relationships with their host countries.

As aid programs have been reviewed and restructured, a process often involving the establishment of independent or semi-autonomous aid agencies free of the control of diplomats, aid has moved away from this particular concern for relationship building. This has weakened some long-term political and personal relationships and partnerships; paradoxically at a time when the rhetoric of aid policy has moved more explicitly toward partnership building. There are recent signs, however, of a partial reversion to the link between aid and politico-strategic considerations. The worldwide 'war on terror' and, within the Pacific region, pressing concerns about political instability and regional security have seen aid turned back under the guise of 'good governance' towards building support for 'stable' and 'trustworthy' institutions and leaders. Clearly, aid still has a role in meeting wider political objectives through developing relationships and is not simply a tool for poverty alleviation.

More generally, though, the concerns for efficiency, transparency and the continued legitimacy and relevance of international aid have helped shape the way development relationships have been constructed. What has been uppermost in donors' minds is relationships where there is a shared concern for project efficiency and clear accountability for the dispersal of funds. For activities with development NGOs, especially 'northern NGOs', this has usually meant a more contractual relationship, with clearly defined responsibilities and goals. Project and program evaluation with such agencies has meant that the main donor agencies have had to audit and review the relationships on a regular basis. These are, to a large degree, formal and legally defined 'partnerships'. There are also signs that agencies would like to extend such contractual relationships to recipient agencies, both NGO and government. Indeed, the recent moves by Australia to install its own officials within Papua New Guinea's bureaucracy (Pacific Islands Report 2004) is a sign that its partnerships will be based not on trust and independence, but on control and contracts.

Not only does the concern for project efficiency help define the nature of the partnerships, it also determines with whom partnerships are formed. We can see in AusAID's and the World Bank's general statements about partnerships (see above) that these are primarily with formal recipient agencies; 'partner

governments, donors, and multilateral organisations, as well as civil society and the private sector' for AusAID (n.d.), and 'client country governments ... other multilateral development banks, United Nations agencies, bilateral donors, and civil society organizations' for the World Bank (2003:15). These are agencies with the capacity and constitutions to form formal and contractual relationships. Similarly, larger more bureaucratically capable and usually urban NGOs are often contracted as reliable deliverers of policy, at the expense of smaller, and perhaps more legitimate and representative, community organisations. By implication, 'partnerships' do not extend to poor village communities, individuals or local cooperatives, in other words, the primary 'targets' of development assistance.

Such concerns about the way partnerships are manifested in practice are shared by Crawford (2003). Crawford traces the evolution of the partnership ideal and examines its practice in an Indonesian governance project. He concludes that 'partnership' is used only in an instrumental and rhetorical way and that: 'Contrary to the official discourse of partnership as encouraging locally formulated reform strategies, the notions of 'partnership' and 'local ownership' simultaneously disguise and legitimise the interventions of international agencies' (2003:139).

Relationships, therefore, are circumscribed in practice. Too often they represent a means to an end, rather than an end in itself. They are formed primarily in order to improve the efficiency of aid (and, if we believe Crawford, to legitimise an external agenda), they are centred on particular activities (projects and programs) and they are regulated by a set of imposed conditions about the practice of aid and the dispersal of funds. In practice, they are essentially partnerships between delivery agencies, whether government agencies or NGOs and in both donor and recipient countries. Recipient NGOs are sometimes involved, though again, these are part of the relationship because they are seen as being effective in their linkages with communities in need and, therefore, efficient in the delivery of aid. The actual recipients of aid, now more explicitly defined as those with the highest levels of poverty, are not seen as 'partners', even though they may be consulted or their participation encouraged. What this practice threatens to do is actually reinforce the unequal donor-recipient relationship, rather than promote a more inclusive, reciprocal and broad-based relationship. It also serves to constrain relationships to development activities, particularly fixed-term projects, rather than seek long-term interaction.

## Reconceiving relationships

In considering how more effective relationships might be built, which can satisfy the twin objectives of efficiency of aid delivery and meaningful inclusion and participation of communities, it

is interesting to review some recent thoughts from writers on participatory development. Whilst the participatory paradigm is still firmly set within development studies and can be regarded as a sort of theoretical orthodoxy, there are critics.

Recently Cooke and Kothari (2001) edited a book entitled *Participation: The New Tyranny?* The constituent chapters all point, not so much to flaws in the philosophy of participation, but to its practice. They argue that participation has been captured by development practitioners in ways which use the façade of participation, but maintain the substance of control. In other words, participation is used in an instrumental sense to achieve more efficient aid delivery, but it does little or nothing to challenge underlying structures of power. In that, the authors argue, its seductive appeal leads to a new form of tyranny: one where the myth of popular participation and empowerment is used to strengthen disempowering development activities. Similarly, Tembo (2003:527) argues that, in the case of Malawi, NGOs that seek to empower rural communities, in practice adopt 'the agenda of the state and the market and rather than that of the poor' and become another form of imperialism. Here, we might see parallels between the way in which, as we have seen, the rhetoric of partnerships is used and narrowly implemented to develop partnerships for aid delivery, but does not involve the meaningful participation in those partnerships of the poor and powerless.

Other writers, though, are a little more sanguine. Parfitt (2004) addresses the critique of Cooke and Kothari, seeing a contradiction between participation as a means and empowerment as an end. Nonetheless, he argues that participation as a means is still a valid approach as long as the emancipatory goals of empowerment remain the main strategic goal. Similarly, Williams (2004) calls for participation and empowerment to remain politicised as long-term and open-ended processes rather than as forms of co-optation and control. Parnwell (2003) is critical of the World Bank's 'Consultation with the Poor' exercise in Thailand, but sees much more promise in this approach as implemented in Indonesia and Vietnam where the poor were actively involved.

Thus we are left with a need to reconsider development relationships and partnerships. There is enough to suggest that without critical review, the potential of such concepts to bring about meaningful change and the involvement of the poor in their own development will be lost. The rhetoric of partnership will be used as yet another device to disguise and perpetuate existing power relationships between donors and recipients, a critique which is also relevant to the shortcomings of the 'new policy agenda' (Storey et al. forthcoming). If it remains merely as device to improve the efficiency of aid delivery, the discourse on relationships will not only fail to deliver on its promise of more active participation of the poor, it may well end up being

counterproductive through further alienating the poor from a stake in their development.

## Conclusion

We suggest that there needs to be a further shift in thinking about development relationships. Whilst acknowledging the need to ensure accountability, efficiency and transparency, much could be gained by allowing new forms of development practice alongside the present. Rather than being project- and output-focused, these might instead see relationship building as a development end rather than just a means. Activities that seek to establish, maintain and strengthen relationships, and which truly involve the poor as partners in identifying their resources and needs, in seeking solutions and in assessing change, are worthy in themselves.

These relationship-focused forms of development would seek to build trust, reciprocity and communication that would provide a sound basis on which to tackle a wide range of development activities in the future. They would require a significant shift, mostly in the attitudes and practices of donor agencies, for they would involve seeking outcomes that are more long term and intangible (for example, building social rather than physical capital), they would ask donors to identify and communicate explicitly their motives and objectives (both personal and institutional) and they would involve some costly and open-ended efforts to interact over time with communities at the local level. Development would seek personal relationship building as much as physical outputs. Partnerships would be based upon reciprocal, long-term, broad-based and flexible relationships, rather than short-term, directive, tightly constrained and project-based interactions.

## Notes

1. Mawdsley and Rigg (2003) offer a useful review of the change in stated World Bank policy and conclude that participatory language is now more common but 'is still underpinned by utilitarian values' (2003:271).
2. 'Handing over the stick' for Chambers actually refers more to participatory research methods, such as PRA rather than control of projects, but the principle could be equally applied.

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# Negotiating alternative economic strategies for regional development

*Kathryn Robinson, Katherine Gibson, Deirdre McKay and Andrew McWilliam,  
Research School of Pacific and Asian Studies, Australian National University*

## Introduction

Moves towards decentralisation in government have created new challenges for local authorities in the Philippines and Indonesia, and have exposed a need for new ways of approaching local economic and community development. For aid donors, these changes necessitate innovative ways of conceptualising relationships with newly empowered local government authorities. In the context of the recent decentralisation of government functions in the complex archipelagic nations of Indonesia and the Philippines, we have embarked on an innovative model of partnership between communities and local authorities, aimed at generating new pathways for regional development. This research program explores a key issue in economic development: how to re-present locality to enable local people-centred development in the face of globalisation?

The approach builds on an application of the Community Partnering approach developed by one of the authors in a depressed regional economy in Australia (the La Trobe Valley).<sup>1</sup> The current research is being funded by an Australian Research Council Linkage Project Grant (funded for 2003–2006) and by the industry partner, AusAID, the Australian Agency for International Development.<sup>2</sup> The action research strategy employed in this project resonates with the current, area-focused approach to the delivery of Australian bilateral aid in both countries, and AusAID are interested in the lessons to be learned from an approach which has a research, rather than a funding focus.

The theory behind this project draws on recent debates in anthropology and geography on the nature of a post-development project and the status of 'place' in the context of a 'global economic order' (Rahnema and Bawtree 1997; Prazniak and Dirlik 2001). A post-development project is one in which the concept of development is unhinged from notions of economic growth (especially of capitalist expansion). Anthropology has led the way in critiquing uni-linear trajectories of change and hierarchical valuations of cultures and economic practices (Escobar 1995, 2001; Ferguson 1999; Gudeman 2001). Economic geographers have joined in with conceptions of multiple and diverse economies and the identification of non-capitalist economic subjectivities (Gibson-Graham 1996, 2003; Thrift and Olds 1996; Leyshon et al. 2003; Pred and Watts

1992). These new approaches are committed to redressing the marginalisation of localities in a dominant discourse of globalisation which situates all of us as subordinated to, indeed *subjected by* a 'global capitalist economy'. As Julie Graham has put it, the question has become 'how to produce ourselves and others as local agents who are economically creative and viable, who are *subjects* rather than *objects of development*' (2002, emphasis added). This approach involves participants in a 'research conversation', initiating a process of becoming that acknowledges the power of representations to constrain or enable action. This contrasts with traditional models of action research (for example Friere's 1996 conscientization model) which teach a language of emancipation, aiming to uncover a *pre-existing* basis for community rather than creating community.<sup>3</sup>

## The Community Partnering approach

The Community Partnering approach aims to strengthen *diverse community economies* by:

- 1) putting people *at the centre of the resource base of a region*;
- 2) mobilising networks of social, *financial, natural, physical and human capital* towards extending the economic base of the community; and
- 3) building effective relationships of support and communication between local *government authorities* and newly mobilised networks in the community.

In collaboration with community-based researchers and local authorities, the economic and social assets and capacities of each region are mapped as a first step towards mobilising these resources in pilot, alternative livelihood projects. This forms the basis for strategies to build the capacity for sustainable development of a diverse regional economy.

The action research activities are being applied in studies of two districts in Indonesia, and a district and a rural city in the Philippines and address the following questions:

- What are the assets, capabilities and diverse economies that constitute the 'hidden' social resource base of communities?
- How might these assets, capacities and traditional practices be sustained and mobilised in better ways?

- Can the greater economic integration of socially marginalised groups reduce community tensions?
- How can recently empowered local government units take an active, innovative role in building sustainable communities and stable futures?

This model of action research and community mobilisation — developed in a de-industrialising region of high unemployment in Australia — is potentially useful for all marginal regions with limited opportunities for formal ‘development’, where people suffer the ignominy of being represented as deficient and passive victims of change, as dependent recipients of development initiatives from outside, and where ethnic and economic divisions threaten peace and social cohesion. Community Partnering highlights the diversity of local economies and contributes to conversations about sustaining and reinvigorating community capacities for local, people-centred development.

### The local contexts

Both Indonesia and the Philippines have pursued economic development strategies that have relied heavily on growth funded by foreign investment and development assistance channelled through centralist governments. This historical pattern of state-centred development has been widely unsuccessful (Scott 1998) producing only patches of local economic success in marginal areas. The Asian financial crisis precipitated a crisis of legitimacy for projects of state development. One response to both economic and political problems has been the promotion of models of greater political and fiscal independence at district level. In Indonesia, the rhetoric of decentralisation has been tied to a critique of the homogenising imperative of central government initiatives, which have devalued historically and spatially constituted differences between regions, reducing their import to ‘culture as spectacle’ (Acciaioli 1985). Government development initiatives failed to recognise local resource entitlements and have been implicated in the current rise of the indigenous people’s (*masyarakat adat*) movement (Sakai 2002). The 1979 law enforcing uniform structures of local government (Warren 1993) in many cases undermined local leadership institutions, a change which some see as contributing to the breakdown of law and order in several regions since *reformasi*.<sup>4</sup> This critique of political, economic and cultural homogenisation sets an agenda for regional autonomy which resonates clearly, at the level of local economies, with critiques of current development practice that inform this project’s imperatives.

In both countries, people in many localities responded to economic crisis by embarking on international labour migration and are now increasingly reliant on global remittance flows (McKay 2003). This project addresses the important problem of devising new development strategies at the community level

capable of offering viable alternatives to out-migration, while also exploring opportunities for the use of remittances as resources for individual and group economic initiatives.

The transfer of administrative power and budgetary responsibility to the district/regency (*kabupaten*) in Indonesia and the municipality (*municipio*) in the Philippines has shifted the focus of development, and offers a unique opportunity for rethinking local development. Decentralisation in both countries has bypassed provincial levels of government in an attempt to address economic problems and revitalise political and social institutions at the local level (Alm et al. 2001; Silver et al. 2001). A new cohort of local government leaders is now learning the craft of governing: they must meet their constituents’ growing aspirations for service delivery while budgetary support from central authority declines. This will become even more imperative as local legislatures and officials (locally elected for the first time) are more directly responsible to their constituencies.

Devolution of central government planning and policy capacity is seen by many as a way of reinvigorating democratic processes, of challenging entrenched systems of cronyism and corruption. Sceptics suggest that moves towards regional autonomy and decentralisation are likely to hand power over the allocation of public goods to unqualified officials at best and entrenched local elites at worst (Bautista and Dionisio 2001; Juliantara 2000). The former Indonesian Economics Minister, Emil Salim (2003), has acknowledged that corruption and inefficiencies are characteristic of the newly empowered district governments in Indonesia, but he sees this as an aspect of a process of learning new responsibilities. The hope is that excesses will be checked by a newly empowered citizenry that can exercise influence through the ballot box.

This action research project explores the possibilities offered by these emerging relations between legislatures, executives and the voting public in four local communities. The four localities (see Table 1) all have a high level of dependence on subsistence production, few viable export industries and a low per capita income. All have high levels of out-migration, including of overseas contract workers. Each has a minority population that presents specific challenges for economic development and social stability.<sup>5</sup>

While current donor approaches, such as Participatory Rural Appraisals (PRAs), emphasise the involvement of local communities in identifying and achieving project goals, they tend to define local communities as place-based through their attachment to these physical resources. Community members may participate in government-led assessments as potential resource managers, but they are regarded as lacking in the skills and capital required to effectively develop these resources.

Our project provides an alternative vision of community as based on social and economic networks, human capacities and

Table 1: Characteristics of each field site

Philippines	Indonesia
<p><b>Jagna Municipality (Bohol Province)</b></p> <p>4<sup>th</sup> class municipality  Municipal population: 30,643 in 33 barangays  Jagna Centro population: circa 15,000  Port town, agricultural hinterland  Subsistence wet rice cultivation  Depressed coconut palm oil industry  Population largely Catholic with small community of Muslim migrants from Mindanao</p>	<p><b>Bajawa, Ngada District, Flores (Nusa Tenggara Timur Province)</b></p> <p>Kabupaten population: circa 200,000  Bajawa population: circa 15,000  Smallholder wet rice, dry rice, maize, cassava,  Secondary food crops, spices, export tree crops  Intact traditional ceremonial practices  Overseas tourism  Dominant Catholic population with small Immigrant Bugis/Muslim population from Sulawesi</p>
<p><b>Iligan City, Mindanao (Lanao del Norte Province)</b></p> <p>Major port and commercial centre  City Population: 303,211 in 1998  Hydro-electric power generation, closed steel Mill, chemicals, fertilizer, cement, brick and wheat milling industries  Large internal migrant population (Christian)  15 % official unemployment  Local Muslim population (7%) in agricultural Hinterland excluded from industrial jobs  Numerous cooperative enterprises</p>	<p><b>Bau Bau, Buton District (Sulawesi Tenggara Province)</b></p> <p>Bau Bau: Major port and commercial centre  Buton District's capital, fishing town,  Kabupaten population: 493,728  Bau Bau population: circa 70,000  Agricultural hinterland growing wet rice,  Maize, dry rice, secondary food crops  Export cashew nut, cocoa, coconut and coffee, teak wood production  Dominant Muslim population  Butonese migrants from Moluccas in displaced person camps, Bajau, fishing communities</p>

skills. The Community Partnering model involves local government workers and communities in a process of envisioning their locality as a mesh of social networks (rather than as a mosaic of resources to which people have bounded access) and focuses development discussions on people and their transactions, rather than physical and natural features.

The methodology for this project draws on techniques devised for developing civil society, building social capital, empowering local communities, fostering social entrepreneurship and supporting sustainable livelihoods. The innovative aspect of this project, however, is the elaborated conception of *economy* that guides the initial mapping of

community assets and capacities.<sup>6</sup> A conception of a *diverse economy* (see Figure 1) helps to liberate the development imaginary from a narrow focus on growth of formal markets, wage labour and capitalist enterprise.

Livelihoods are sustained by many different and co-existing kinds of economic transactions, ways of performing labour and modes of economic organization.<sup>7</sup> The community economy (the shaded area in Figure 1 with the exception of activities marked \*) is a space where 'economic' transactions are inflected with ethical principles that uphold a range of social values to do with family, community, cultural and environmental sustainability and social interdependence (Gibson 2002). These

values define how a community might understand and practice *commensurability* in the context of material and symbolic transactions; or how labour is acceptably *performed, accounted for and remunerated*; or how the *surplus generated* within certain economic organisations is rightfully *appropriated and distributed*. While development of the community economy does not preclude capitalist development, active strengthening of community economies foregrounds the enhancement of people's material wellbeing and the building of sustainable communities, not assuming that such outcomes would be the by-product of growth, reaching local communities through 'trickle down' — which contains an implicit assumption that the poor and the marginal cannot generate their own prosperity.

This project pioneers a novel method of identifying indigenous, traditional and newly emerging community economic transactions that take place within social networks at a variety of scales — acknowledging the need to recognise human diversity and economic pluralism in the 'fight against poverty' (Sen 1987, 1992). Examples include the reciprocal exchange of gifts and labour between households, community contributions of harvest labour and the sharing of product with widowed and elderly community members, the allocation of migrant remittance funds to community events or enterprises, or the inter-island/regional barter of local produce from different

ecological niches. While these practices are under threat of extinction as formal market relations influence daily lives in many parts of the world, their symbolic role in constructing and maintaining communities is still important (Cohen 1999) and the practical consequences of their operation sustain everyday livelihoods. Through activities (involving local citizens, local government workers and NGO representatives) which name and document these practices, bring cultural and economic assets and capacities into visibility, evaluate their extent, importance and potential vulnerability — new opportunities for mobilising local networks and resources are being developed and supported over a period of up to two years.

Countless community-oriented projects founder when old networks and status-bound relations subvert the new objectives. In this project strong emphasis is placed upon training staff and community members in ways that open up spaces for new kinds of economic subjects to consolidate themselves as actors in a community economy (Gibson 2001; Gibson-Graham 2003). The shifting power relations and fiscal arrangements associated with regional development provide an opportunity for local communities to discover, reconfigure and consolidate economic imaginings and practices at variance with the uniform capitalocentric models that have been offered by the centre.

## Conclusion

This project advances the knowledge base of economic geography and anthropology, contributing to theorisations of economic diversity and emerging theories of complex economic co-development. It contributes to development studies by pioneering a new model for action research and community economic development. It involves community members, local governments and aid workers in new ways of envisaging the manner in which aid funds can help strengthen and develop the activities and relationships of the 'diverse economy'. By building collaborative links between academics and aid practitioners the project will help to rethink approaches for Australian development assistance in Southeast Asia in the new context created by decentralised government.

## Notes

1. The Community Partnering approach combined techniques of the Assets Based Community Development (ABCD) developed by Kretzman and McKnight (1993) with representation of the economy as diverse developed by Gibson-Graham (1996) and is documented in a resource book by Cameron and Gibson (2001) entitled *Shifting Focus: Alternative Pathways for Communities and Economies*, available at <<http://www.communityeconomies.org/action>>.
2. Australian Research Council Linkage Project Grant LP0347118. AusAID funding is provided by the Indonesia and Philippines programs and we thank them for their financial support, their interest in the concept, and for logistical support.
3. These debates, currently set in the context of a dominant discourse of globalisation, emerge from the long tradition of

Figure 1: A diverse economy

Transactions	Labour	Organisational Form
<b>MARKET</b>	<b>WAGE</b>	<b>CAPITALIST</b>
<i>ALTERNATIVE MARKET</i>	<i>ALTERNATIVE PAID</i>	<i>ALTERNATIVE CAPITALIST</i>
Local trading systems	Cooperative	Environmental ethic
Alternative currencies	Self-employed	Social ethic
Underground market	Indentured*	State enterprise
Co-op exchange	In kind	
Barter		
<i>NON-MARKET</i>	<i>UNPAID</i>	<i>NON-CAPITALIST</i>
Household flows	Volunteer	Not for profit
Gleaning	Housework	Communal
Gifts	Family care	Independent
Indigenous exchange		Feudal/Peasant*

scholarship questioning the naturalness of 'capitalist' development (Polyani 1944; Block 1990).

4. The term used to refer to the change of government after the resignation of President Suharto.
5. The research team in Mindanao will also work with Linamon Municipality, which adjoins Iligan City and forms part of a planned agro-industrial corridor to the south of the industrial center.
6. Mapping will be undertaken using a method developed by Kretzman and McKnight (1993) and modified by Cameron and Gibson (2001). It must be noted that the popular terminology 'assets' (as with that of 'social capital') invokes a capitalocentric frame of meaning (Gibson-Graham 1996). This project will explore other terms that invoke a sense of community/civic and environmental commons.
7. These three discourses (of transaction, labour and organisation) allow for inclusion of many of the conceptualisations of economic difference offered by feminism, informal sector theory, economic anthropology, theories of social embeddedness and of economic surplus. Figure 1 is by no means comprehensive but is offered as a heuristic device that is expected to undergo many elaborations and iterations in (grassroots and academic) community conversations.

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# A new framework for NGO effectiveness

*Linda Kelly, advisor, Australian Council for International Development*

## Introduction

There is nothing new in suggesting that it is difficult to assess NGO effectiveness, or that few NGOs have been able to demonstrate long-term impact (Oakley 1999; Roche 1999; Madon 2000). It also seems well accepted that NGOs are diverse, values-driven organisations. However, because NGOs are hard to classify and group, it is difficult to find agreed standards and elements of practice that can apply across all types (Cronin and O'Regan 2002; Davies 2002).

The relationship between AusAID, the Australian Government agency responsible for management of the Australian official aid program and Australian NGOs has been characterised by scrutiny (Crooke 1996) and a regular search for proof of effectiveness and relevance, often compounded by disagreements about how to assess the quality and contribution of NGOs (AusAID 1995; Australian National Audit Office 1996; AusAID 2002). Indeed, in recent years a conservative political climate appears to have only heightened this scrutiny, with NGOs spending increased time and resources responding to requests and developing systems for accountability, evaluation and monitoring. This has not been a bad thing, although one can argue that the accountability requests have been completely out of proportion to the size and significance of NGO work in the aid and development sector in Australia.

In 2002 Australian NGOs decided to approach the issue of accountability more proactively.<sup>1</sup> Under the leadership of the Australian Council for International Development (ACFID), then known as ACFOA (Australian Council for Overseas Aid), they committed themselves to conduct research into what made for effective NGO practice in development and how could this be assessed across organisations for the purposes of accountability and to identify ways that practice could be improved. The main findings are set out in the 'Research report for the ACFOA strategy on quality' (ACFOA 2002).

The methodology for this research has been described in detail elsewhere (Kelly and Chapman 2003; ACFOA 2002). Suffice to say, it started with a process of appreciative inquiry or a focus upon best practice examples. It then expanded to field-based and other studies to verify and expand the original findings. Several Australian NGOs committed resources to the process in excess of the resources they had already committed to their own evaluation and performance

improvement systems. The findings have proven themselves surprisingly reliable and valid over a range of organisations and development situations.

## Definition of effectiveness

The research started with a very broad definition of effectiveness that was further refined over the course of the research. Australian NGOs now define effective development work as:

Promoting sustainable change which addresses the causes as well as the symptoms of poverty and marginalisation — i.e. reduces poverty and builds capacity within communities, civil society and government to address their own development priorities.

The key point being that this definition was not limited to meeting the objectives of projects or programs, nor about meeting the expectations of donors. It reflected the views of staff within agencies and (more recently) partners and beneficiaries, that their work was meant to contribute to sustained change for people.<sup>2</sup>

## The overall findings

The framework developed by ACFID for measuring NGO effectiveness contains few surprises. The details of the research are perhaps less important than the overall findings reached through the past two years of inquiry, which identified two important conclusions:

- Australian NGO effectiveness is more than the result of implementation of designs and plans or other areas of program engagement. It is also a product of the organisational principles, policies and strategies of development.
- There are a number of practice standards that Australian NGOs agree should apply to field programs or other forms of engagement in order to promote effective outcomes. However, these standards alone are insufficient to describe and explain effectiveness in Australian NGO work, and must be understood in light of the aforementioned principles, policies and strategies.

The results indicated that Australian NGOs are part of an established sector, with shared principles, features and standards

and that they are working towards common outcomes. At the same time, each Australian NGO is an autonomous organisation, operating from a particular philosophy and value base and with particular approaches and contributions to make to development.<sup>3</sup> Australian NGO effectiveness therefore needs to be understood as a combination of both shared sectoral and individual agency elements. Every organisation does development differently, but the practice of each is characterised by common elements that combine to make for effective development practice.

## The framework in detail

The NGO effectiveness framework has remained a living model, being adapted over the past two years through learning from additional research and through refinement of ideas among Australian NGOs. Essentially it has four categories, which are understood to intersect with each other in a synergistic way. These are the standards applied to program work, the program strategies or approaches of individual organisations, the policies of those organisations, and the principles and values espoused by NGOs.

## Standards of engagement

Thirteen standards emerged from the research which apply directly to the quality of the program work of NGOs. The standards have been explored in detail in field-based development work, emergency response and in policy and advocacy work. We have also looked at their applicability within different locations and in working with different types of partners and beneficiary groups. There is still active debate among the NGOs about which standards are more important in different contexts and therefore how they might be prioritised. Participating NGOs have agreed that not all the work of their organisations is necessarily reflected all of these standards. To this extent, the standards are **aspirational**. However, there has been agreement among Australian NGOs that these standards should be reflected in Australian NGO work and that, together with the other elements of the framework, should be the basis for assessment and improvement of that work.

There is little that is new about these standards compared to other development assessment tools. They cover the key areas of identification, design, management and monitoring of activities. As presently developed, the standards include:

- Australian NGO activities aim to provide appropriate solutions to the root causes of poverty and marginalisation, addressing specific protection needs of the most vulnerable (including women, children, disabled, elderly, indigenous) and respecting all peoples' dignity.
- Australian NGO activities reflect high quality

gender practice. That is, engagement reflects an understanding of different male and female roles within communities and should work to bring about greater equality of opportunity, taking into account the cultural and other contextual features of the situation.

- Australian NGO activities are based upon and are coherent with an analysis and understanding of situation and context. This includes attention to diversity in communities and groups and to the links between micro and macro conditions.
- Australian NGO activities have an appropriate design that identifies people-centred outcomes, and the means and processes required to achieve these. The designs are flexible, to enable adaptation to the dynamic situation of implementation.
- Australian NGO engagement aims for wider impact through various means, including empowerment and capacity building of partners and communities, and by taking a programmatic approach to activities.
- Australian NGOs, together with their implementing partners, undertake monitoring and evaluation of their work, in order to identify areas of success, areas requiring improvement and in order to implement timely and appropriate change.
- Australian NGOs are able to demonstrate that costs associated with their engagement are appropriate to the context and the nature of the intervention and reasonable in relation to the proposed outcomes and benefits.
- Australian NGO activities have sustainability strategies that take into account the wider context and give attention to long term impact.
- Australian NGOs assess and manage risk during their activities.
- Australian NGOs work in ways that include clear and transparent accountability mechanisms to all key stakeholders.
- Australian NGOs provide appropriate quality technical input, as necessary, in their engagement with others. This input is cost effective, maximises local input and capacity and utilises appropriate technology.
- Australian NGO activities are implemented with an informed understanding of the environmental impact of the activity.
- Australian NGOs work towards the participation and increased control of people of their



development situation. This includes genuine participation of people at all stages of the program cycle and is reflected in the way engagement is undertaken.

## Program strategies

Every Australian NGO has a program strategy to operationalise their philosophy, values and principles. In other words, each organisation has its own way of 'doing things' to contribute to development. This diversity within the industry is valued, as it allows a wide range of possible responses to the complex issues of development.

While the program strategies of each organisation are unique, Australian NGO programs are characterised by the following common qualities, which appear to be key to their overall effectiveness.

*High-quality relationships:* The research found that most often, good relationships evolve over time, based upon trust, mutual learning, accountability and acceptance of difference. The purpose of good relationships is to build the capacity of implementing partners and to increase the process of self-reliance and/or local ownership.

*Long-term engagement:* Development situations are usually complex and most often require engagement that goes beyond short-term project and program cycles.<sup>4</sup> Australian NGO interventions commonly comprise of programs of 10 to 20 years' duration, which change and develop as understanding and engagement with the local context also develops.

*Learning:* The research identified a strong culture of formal and informal program assessment throughout the life of interventions.

*Adaptation:* The research suggested that few NGO programs remained static. Australian NGOs and their field partners adapt to information and try to be responsive to changing circumstances. Original project designs were the starting point for interventions, but rarely did programs continue to follow this design for the entire engagement. Rather, there was an emphasis upon flexibility and responsiveness.

*Working together:* In many situations, Australian NGOs have deliberately tried to bring about increased impact and effectiveness by working together, either in the field, or in coalitions within Australia.

*Risk taking:* Australian NGOs often choose to work in situations where outcomes are less certain, in order to meet the needs of people otherwise poorly served by other aid delivery mechanisms. In the short term this could be seen as less effective work, however, when combined with the preceding elements of long term engagement and learning and adaptation, means that many Australian NGOs have developed high-quality skills in working with marginalised groups, especially at the

community level. In one sense, this makes them more effective, although it may result in less tangible outcomes from specific interventions.

*Staff and volunteers:* An additional program strategy is under discussion is related to the quality of the staff and volunteers employed in Australia and in field operations and the nature of their commitment to their work. This is still being considered, but has been identified in more recent examinations as a critical factor in much effective NGO work.

## Policies

Each Australian NGO has its own set of organisational policies that govern the work and approach of the agency. Some of these are sector wide, as reflected in the ACFID Code of Conduct.<sup>5</sup> Some of these are peculiar to each organisation and will reflect the different management practices, resources and internal processes of each NGO. The research suggested coherence (internal and external coherence between policies and the organisational actions) rather than specific content, was the most important factor in the relationship between policies and effectiveness.

## Principles

All Australian NGOs have principles that flow from their values and philosophy. Some of these are unique to each organisation. The sector also has shared principles, as detailed in the ACFID Code of Conduct:

Organisations which are signatories to this Code aim to build creative and trusting relationships with the people of the developing countries and to meet program standards which:

- give priority to the needs and interests of the people they serve;
- encourage self help and self-reliance among beneficiaries and thus avoid creating dependency;
- involve beneficiary groups to the maximum extent possible in the design, implementation and evaluation of projects and programs;
- respect and foster internationally recognised human rights, both socio-economic and civil-political;
- seek to enhance gender equity; and
- are based on an understanding of the history and culture of the people served.

(taken from ACFID Code of Conduct)

In addition Australian NGOs have identified a further common principle, that 'Australian NGOs shall identify their values, communicate them to all key stakeholders and reflect them in their work'.

## Effectiveness and synergy

The critical finding of the research was that Australian NGOs' effectiveness can only be understood as a combination of factors, including what NGOs do, their field and program work, and their advocacy and other influencing work. It also arises from who they are, their values and principles, and their approaches to engaging and working with people and other organisations. *The more synergistic all these features, the more effective the overall outcomes of the agency for poor people and communities.*

The more typical approach to measuring the performance of NGOs, and by extension other aid delivery mechanisms, relies on the assumption that organisations are simply what they do and thus that an aggregation of project assessments is a good enough proxy for a judgment of organisational performance. In fact, NGOs and other organisations achieve results, both through their direct activities or formal interventions, and also indirectly through the relationships and influence they have on others. But effective work also requires that the program and influencing work is congruent with the identity of the organisation, the values it represents and spreads and its approach to intervention (Hailey and Sorgenfrei 2003; Moore et al. 2001).

The examples available to illustrate this point include those about gender. Gender sensitive practice remains a challenge for many Australian NGOs. This is despite a clear understanding among most development practitioners that such practice is essential to effective development work. The few organisations that were able to undertake good gender work as a mainstream component of their development interventions tended to be the agencies where gender and diversity were valued across the organisation and where senior positions were held by women and those from other nationalities. Diverse voices were encouraged across the systems of management and in the way agencies approached their work. In contrast, many of the more traditional aid and development organisations, with more conservative organisational structures, struggled to mainstream effective gender sensitive practice.

## Measuring effectiveness

It is important to note that the research found that few Australian NGOs had strengths across all areas of the framework. The details of the research (ACFOA 2002) show that Australian NGOs struggled with many critical areas of the framework. Despite this, there has been NGO endorsement of the framework and agreement that it should be the starting point for improvement within the sector.<sup>7</sup>

The next step in this process has been to consider the implications for ongoing assessment of effectiveness in development work and how Australian NGOs might be able to benchmark themselves and identify areas for improvement.

The findings suggest that understanding the effectiveness of agency intervention requires two types of measurement. There needs to be measurement of the actual field achievements and measurement of organisational operation that allows examination of the synergy and coherence between field achievement and organisational identity and functions.

This is not a new approach to the study of effective development practice. British NGOs have been developing similar ideas (Charlish et al. 2003). In Australia, the Brisbane-based NGO Foundation for Development Cooperation has been exploring this type of multi-layered organisational assessment system (Kelly 2001).

## Moving forward

Since the original research, Australian NGOs, under the ACFID leadership, have sought to move beyond a descriptive framework to applying the standards and approaches to their development practice. This has involved training programs designed around the framework, and the development of an organisational assessment tool.<sup>7</sup> It has also involved trying to encourage discussion of effectiveness and the framework implications within agencies. Results for this last action have been mixed. While the people operating at the program level of most Australian NGOs have participated with enthusiasm in the discussions about effectiveness and have contributed to critical inquiry about their own effectiveness and that of other organisations, it has been much harder to engage those responsible for governance and senior leadership of the NGO sector in this debate.

In part, this appears due to the external context within which Australian NGOs are being forced to operate at present. This will be taken up in detail in the following paper, Rhonda Chapman, 'Investing in aid effectiveness' (this volume), but one could, without fear of exaggeration, describe the present political and public context as extremely hostile to open debate, to critical discussion of failure or to any public examination of organisations' internal systems. Senior leadership of NGOs are thus rightly cautious about open debate on the quality of their work.

The problem also appears to be that NGO leadership in Australia has less understanding of the relationship between organisational identity and approach and the overall effectiveness of organisational outcomes. This points to a critical need for the leadership within those organisations to become more focused on agency effectiveness, as discussed under this model. Again this is not a new suggestion (Hunt 2003). The importance of senior management and others responsible for governance being engaged in the learning and improvement processes of development organisations is now well understood (Moore et al. 2001; Saltmarsh et al. 2003).

## Wider implications

NGOs are, of course, the easy target. The general findings of this research, that effectiveness in development relies at least in part on an organisational coherence between values and organisational policies and program approaches, as well as the standard of fieldwork, is unlikely to be valid only for NGOs. Increasingly, the assessments of the work of donors and multilateral organisations are pointing to the need to examine not only their field-based achievements, but also the synergy and calibre of internal systems, and the values and approaches underlying their work (Scott 2004; Stewart 2003; DFID 2003).

In particular, some of the research on effective public service reform and effective improvement in governance is applicable to critical features of the donor-partner relationship, which in part is about the values and program strategies of the donor agency (DFID 2003; Schacter 2001). Indeed, it could be argued that one of the problems underlying the implementation of the Comprehensive Development Framework principles (World Bank 2003) is that the principles are not just about what agencies should do, but also what values and approaches should inform their actions. It may be that organisational assessment frameworks that focus upon the effectiveness of those organisations need to be able to capture more of this multi-dimensional engagement in the development process (Gasper 1999).

This raises the question about how much the Australian NGO experience in understanding their effectiveness should provide food for thought for other parts of the aid sector. Most obviously, this connects to the measures of effectiveness used for donor agencies like AusAID. Recent studies of organisational performance and the link to effective outcomes undertaken for both DFID (Saltmarsh et al. 2003) and for multilateral institutions (Scott 2004) suggests that a systemic approach is required, one which examines internal values and systems against external performance. The challenges that arise from this type of examination include the quality of partner relationships, the ability of donors to submit themselves to downwards accountability and the systems in place for learning and knowledge management. All challenges for AusAID, especially under the present conservative political situation.

But perhaps a greater challenge lies with the large commercial consulting industry in Australia. A small number of mainly for-profit organisations manage the bulk of the Australian aid program. No examination is made of the values, program approaches and policies of these organisations as part of examining their effectiveness as aid delivery mechanisms. One of the areas ACFID has proposed for further research is a comparative study to examine the different types of outcomes that can be achieved through different aid delivery mechanisms, including large-scale commercial activity.

Australian NGOs have tried to define and improve their effectiveness. The research undertaken over the past two years has been only a part, but an important part, of this process. While mainstreaming the results remains a challenge, it could be suggested that, at least in terms of knowing what makes their practice effective, Australian NGOs are ahead of the rest of the aid and development sector in Australia.

## Notes

1. There are approximately 150 organisations in Australia that undertake overseas aid and development work. Of these 88 are members of the Australian Council for International Development (ACFID), the official umbrella body for the industry, 120 are signatories to the ACFOA Code of Conduct and 52 are accredited to receive funds from AusAID.
2. The staff who participated and supported the research through the last two years have tended to be operational or program level staff, who are involved in the day-to-day delivery of the program and who are most attuned to the results and outcomes of the work their organisation supports. This appeared to be significant during later examination of why it has been more difficult to move the effectiveness framework forward within organisations.
3. The existing ACFID Code of Conduct takes this approach, recognising that various organisations will have different activities and different information to report and account for, yet also draws together some common standards and processes which hold across the entire sector.
4. Engagement is best understood as all the possible activities undertaken by the NGO. Most often it includes projects and program in the field (both overseas and in Australia), advocacy and lobbying work and humanitarian relief, as well as community education and information work undertaken in Australia.
5. The ACFID Code of Conduct sets out agreed minimum policy standards in areas of governance, management, financial control and reporting.
6. The work-in-progress report of this research was presented to members at the ACFOA Annual Council 2002, who endorsed the findings and supported a further process of ongoing research and action learning.
7. At the time of writing this tool is still being developed.

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# Investing in aid effectiveness: The contexts and challenges for Australian NGOs

*Rhonda Chapman, Australian Council for International Development*

## Introduction

Australian NGOs have demonstrated their commitment and contribution to the ongoing debate on aid effectiveness. Critical to this debate is how to keep aid and development cooperation poverty focussed. However, NGOs' efforts and outcomes are greatly affected by the Australian and international context in which they operate.

This paper will look at the national contexts that influence the way NGOs work — public scrutiny, government requirements and calls for greater accountability, and funding levels and patterns. It will also look at the international context — the consensus on aid effectiveness, governance issues, the Millennium Development Goals (MDGs), ownership and partnership, donor performance monitoring, donor coordination, the convergence of development and security agendas and new the global financial institutions. The final section looks at the investments donors need to make if the objectives for aid effectiveness set out in the Monterrey Consensus are to be achieved and the poverty focus of aid and development ensured.

## A decade of defining aid effectiveness

The proliferating literature on aid effectiveness is bedeviled by a lack of clarity over basic definitions and different usage of the same terms and concepts (Scott 2004). While acknowledging the problems associated with inconsistency of definition and terms, there are a number of useful contributions that identify key elements that can be regarded as commonly accepted as critical to aid effectiveness.

Hunt and Morgan (this volume) describe the aid consensus, initiated by the OECD Development Assistance Committee (DAC) in the document, *Shaping the Twenty First Century*, in 1996, as an early influence on defining aid effectiveness. This identified the need to focus on social development, good governance, civil society participation, and a sound and stable policy framework. The Monterrey Financing for Development Conference in 2002 strengthened the emerging consensus on aid to include principles such as donor coordination, genuine partnerships, development approaches owned and led by the recipient country, program rather than project support, and the need to unite aid and policy coherence.

The Comprehensive Development Framework (CDF), developed by the World Bank in 1999, outlines further key principles to guide the implementation of effective development assistance. These include a long-term, holistic framework, country ownership, country-led partnership, and a results orientation. Helleiner (2000:1) discusses the relationship between donor and recipient governments as being critical to a number of factors and states that 'what is hopeful about the last decade or so is the widespread acknowledgement among donors, recipients, academics, NGOs, the private sector, as to the mistakes that have been made in recent years in the aid relationship'. Rogerson et al. (2004) state that as well as ownership, transparency, flexibility and simplification, the leading paradigm of aid calls for more sustained and predictable patterns of assistance, in line with the steady cumulative results needed over two decades to achieve the MDGs.

Research by AusAID, the official aid and development cooperation agency of the Australian Government, into the quality of its bilateral programs concluded that 'the usual three to five year planning horizon for development programs and projects is often inadequate in terms of promoting sustainable benefits', and that 'a strong sense of local ownership and genuine participation in design by both men and women are critical to successful implementation and sustainable benefit' (AusAID 2000:3). Other key factors identified by AusAID as essential for achieving sustainability are policy coordination, locally integrated management, funding flexibility, training and culturally appropriate management.

The ACFID NGO Effectiveness Framework (ACFID 2002) identifies the key elements for NGO effectiveness as being high quality relationships, long-term engagement, learning, adaptation, working together and risk taking. The ACFID framework also identifies the importance of organisational effectiveness, as well as program effectiveness — a claim supported by Scott (2004) in the development of a multilateral effectiveness framework (MEFF) for the UK Department for International Development (DFID).

Thus, as the debate on aid effectiveness has evolved during the last decade, some critical elements have emerged: a strong poverty focus; good quality relationships; genuine participation and ownership; coherence of policy; and stability of funding.

And while it can be argued that there has been an apparently emerging consensus on aid effectiveness, the interpretation by donors, multilateral agencies, international financial institutions (IFIs), NGOs and private contractors has varied considerably.

### The Australian context for NGOs

The past two years have seen a dramatic increase in the public scrutiny of Australian NGOs, much of it hotly debated in the national media. Free enterprise groups such as the Institute of Public Affairs<sup>1</sup> have claimed that overseas aid organisations do not have a public mandate to conduct advocacy and argues that there is a need to 'scrutinise, if not delimit, the activities of charities' (Johns 2003:26). And the Australian federal government's exposure draft of its Charities Bill,<sup>2</sup> released in July 2003 (recently deferred), states that if the Australian Tax Office finds that a charity's advocacy activities are more than 'incidental' to its hands-on aid and development work, the ATO can disqualify that organisation's tax-deductibility status. A recent study by the Australia Institute found that there has been a serious deterioration in relations between the federal government and NGOs to the point where many believe they have been 'frozen out' and fear they will have their funding withdrawn (Maddison et al. 2004).

The federal government is placing greater demands on Australian NGOs to ensure their accountability and organisational performance, to identify the impact of their work and their ability to deliver sustainable programs. NGOs are being required to address an increasingly complex range of organisational issues that relate to both the probity and performance of their work. Like governments and businesses, NGOs must achieve the goals of efficiency, effectiveness and public support, but, in addition, must also use them to transform the worlds of economics, politics and social relationships through the prism of a different set of values (Edwards and Fowler 2002). Fowler suggests that the values-base of NGOs is a critical factor in discussions of NGO 'accountability and performance and adds complexity to the complete range of organisational management and governance issues.

Discussing the accountability of NGOs invariably leads us to ask the critical questions about who they should be accountable to, for what and why. Stewart-Weeks (2003:2) describes accountability as 'primarily about securing a level of confidence and trust in an organisation's legitimacy'. Ebrahim (2003) offers numerous definitions of NGO accountability that includes 'being held responsible' by others, and taking 'responsibility for oneself' and describes both internal and external dimensions and functional and strategic accountability. He observes that 'accountability is a complex and dynamic concept ... that operates along multiple dimensions involving numerous actors ... using various mechanisms and standards

or performance ... and requiring varying levels of organisational response' (Ebrahim 2003:813–815). Stewart-Weeks concludes that 'in the end, the accountability challenge, at whatever level it is confronted and to whatever appropriate degree of complexity it is applied, is about a combination of probity and performance' (2003:3).

Moore et al. (2001) add that meeting demands for accountability can also create difficulties, diverting scarce NGO resources to counting and measuring rather than doing and performing. This can blunt initiatives and innovations by forcing the NGO to look over its shoulder and seek authorisation in advance of action. And it can, in important and subtle ways, skew the focus of the NGO's efforts and operations.

The increasing complexity of the context in which Australian NGOs operate demands a more sophisticated approach by their leadership to organisational systems, evaluation, learning and policy development. As the ACFID NGO Effectiveness Framework research showed, program effectiveness is integrally linked with organisational effectiveness and the leaders of Australian NGOs are confronting the need to address this challenge and retain the link between their work and the humanitarian values and principles at their core.

On a funding level, Australian NGOs are also facing constant change. Last year, over 1.6 million Australian donated A\$383 million to overseas aid and development organisations, an average growth of 11 per cent a year for the last five years. At the same time, AusAID funding for NGOs has been steadily decreasing in real terms. Despite enjoying one of the strongest economies of the developed world, with one of the highest growth rates in the OECD, Australian aid in 2002 rose to only 0.26 per cent of gross national income (GNI) from the historically low 2001 figure of 0.25 per cent GNI. An ever-increasing proportion of this overseas development assistance (ODA) comprises of spending by non-aid government agencies, in particular, that which goes to fund Australia's controversial immigration policies such as the so-called Pacific Solution.

Consistent with global trends, AusAID is also placing a greater focus on security and development issues. A statement in AusAID's magazine, *Focus*, left no doubt about the government's focus on regional stability and security, with the Minister for Foreign Affairs stating that the 'Australian aid program is providing a lead role in supporting conflict resolution in the Asia-Pacific region to safeguard stability' (AusAID 2004).

This emphasis on security and the correlated whole-of-government approach is starkly reflected in the recent federal aid budget allocation for 2004–2005. Of the total ODA figure of A\$2.133 billion, A\$432.4 million is directed to ODA-eligible funds managed by government departments other than AusAID. This is an increase of A\$177 million over the last year and represents 74 per cent of the overall increase in the aid program

of A\$239 million (ACFID 2004). The scarce aid funds that remain in Australia's budget are in danger of increasing diversion to whole-of-government priorities, particularly with regard to national security (Spillane 2004b).

## The international challenge

Australian NGOs are also operating within an increasingly complex and sophisticated international context, in which aid effectiveness is an important element. The recent Overseas Development Institute (ODI) analysis, *The International Aid System 2005–2010*, describes the main elements of the stylised 2003 consensus model of aid effectiveness as the Monterrey Aid Compact, the MDGs, the Poverty Reduction Strategy process, 'streamlined' conditionality and performance-based aid allocations (Rogerson et al. 2004). The authors describe the current consensus or 'Monterrey view' as 'the views of a substantial sub-group of donors on what makes for an effective aid system', to which not everybody subscribes equally nor acts on consistently, yet which few explicitly or categorically reject (Rogerson et al. 2004:10). That these views are embedded in formal policy guidelines used by the UN system, the World Bank and IMF, the EU and a large number of bilateral agencies indicates the centrality of these issues. The ODI paper also provides an analysis of the capacity of the current aid system to help recipient countries achieve the MDGs and deliver on promised inputs, such as radical increases in aid volume together with improved aid quality, while operating within a new foreign policy environment where failing states, until now considered unable to absorb much aid, could be catapulted into top priority status.

The extensive discourse on governance as part of the aid effectiveness rhetoric is one of the elements of the Monterrey consensus that represents divergent interpretation by different actors. Donors often have strong preconceived notions of what constitutes 'good' governance, usually much more narrowly defined than what NGOs regard as good governance. Narrow donor interpretations often result in local traditions and accountabilities being undervalued and undermined:

Northern donors have become both the judge and the jury of good governance in high aid-dependent poor countries, with all donors closely integrating into their own aid policies a Bank-defined 'Post-Washington Consensus' (RAN 2004).

The MDGs, while imperfect, may offer an opportunity to assess the governance aid agenda against specific poverty reduction outcomes, and to reopen the debate on donor approaches to development. But the MDGs will only help if donors are prepared to accept the challenge of some good governance of their own, through accountability for their contribution to achievement of the goals. The MDGs require a

commitment from donors to focus their aid squarely on poverty reduction through the fulfilment of basic rights (Spillane 2004a).

Despite much donor rhetoric on the need for recipient ownership of development programs and the building of new forms of donor-recipient partnership, aid-supported programs are still basically donor-driven. The new paradigm of country-led partnership as described in the CDF (World Bank 2003) is intended to give the recipient country a leading voice with respect to the quality of aid it is receiving.

Whilst recipients of development aid undergo a high level of scrutiny with regard to the implementation of aid programs, the same level of scrutiny is not imposed on aid donors. If the rhetoric about improving aid effectiveness and demonstrating impact is to become a reality, bilateral aid donors must seriously undertake to increase their limited transparency or accountability as they interact with low-income countries. Instituting systems of donor performance monitoring at the recipient country level can assist in improving understanding of aid effectiveness, promote new forms of partnership and, most importantly, assist policy-makers in low-income countries in their difficult task of promoting poverty reduction and development (Helleiner 2000). However, to date, there has been limited donor commitment to reporting against MDG 8 or recipients monitoring donor performance. To date, only Denmark and the Netherlands have completed MDG 8 reports, and Uganda and Vietnam are two of the few recipient countries to have taken up the challenge of donor monitoring.

One of the key criticisms of the delivery of aid is poor donor coordination and many donors recognise this in the formal policy statements. However, more must be done. Many aid recipient countries' governments have little knowledge of the aid that is being delivered in their country and donors working in the same country often have either conflicting or overlapping development activities. This has become burdensome to recipient countries and impedes the delivery of comprehensive development activities. In order to overcome this problem, donors need to support greater leadership by recipient governments through pooling resources that are then administered in accordance with the country's national plan (Helleiner 2000). International work surrounding the Financing for Development (Monterrey) agenda and the MDGs provides unprecedented opportunities to improve aid and policy coordination and coherence in this way.

Development aid and global security agendas are converging. The United States supported their September 2002 National Security Strategy with a foreign aid policy statement, *Foreign Aid in the National Interest*, which substantially linked national security and foreign assistance, as did the Australian Government's Ministerial Statement (Downer 2003). There is growing evidence that donors are, to a greater extent, shaping

their development cooperation priorities through the lens of the 'war on terrorism' (RAN 2004:27). Spending on conflict prevention, peace-building, policing and the general nexus of security sector interventions is now only eligible as ODA to a very limited extent. The OECD's Development Assistance Committee (DAC) policy paper, *A Development Cooperation Lens on Terrorism Prevention: Key Entry Points for Action*, while noting the importance of donors' commitment to poverty reduction and human rights, is infused with the suggestion that donors may need to calibrate current aid allocations of terrorism prevention (DAC 2003). NGOs have expressed concern that this paper, and the trend in donor thinking it reflects, opens the door for terrorism prevention increasingly becoming a goal of development cooperation in its own right (Spillane 2004b).

Any attempt to reclassify a larger share of such interventions as aid could easily lead to abuse and divert scarce ODA resources towards military purposes with a much more debatable development impact (Rogerson et al. 2004). It could also question the integrity of the MDG funding base and of ODA-based measures of the various efforts donors are making towards them.

The recently established financial institutions such as the US Millennium Challenge Account (MCA), the Global Fund to Fight Aids, TB and Malaria (GFATM) and the proposed International Financing Facility (IFF) are challenging current models for aid delivery and financing. The MCA has stringent eligibility criteria relating to good governance and development readiness. Countries who meet these requirements have access to large amounts of funding, which they can apply flexibly and which have few additional requirements.

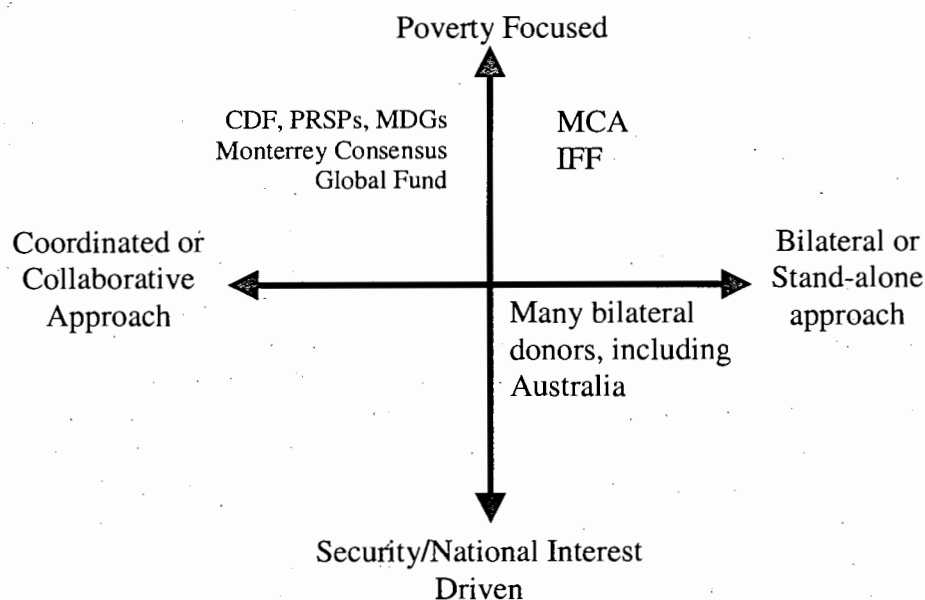
The Global Fund was established in response to the perceived failures of 'big aid', including that of the World Bank and the WHO, to mobilise fast and far enough against exponentially expanding global threats (Rogerson et al. 2004). This fund operates on the guiding principles of additionality (to existing programs) and the matching of committed groups with implementable ideas to adequate external resources, which can be speedily mobilised. Debate continues as to whether these two funds are indeed mobilising additional funding or merely rearranging delivery of currently available funding.

The proposed International Financing Facility is also about accelerating the availability of future aid expenditure. Its formation has raised questions about quality and the capacity of the system to absorb the significant amounts of additional aid funding it could generate.

In spite of the unknowns and questions, there can be no argument that these new funds are radically challenging the status quo of the current aid system with regard to financing and delivering high quality aid. As Rogerson et al. (2004:22) observe, all these new funds have a 'potentially powerful systemic impact'.

Figure 1 represents the international context described along axes of forces or tensions within the current aid system. The vertical axis represents the tension between aid policy being determined by national interest and security agendas and ensuring a poverty-focused aid program. The horizontal axis represents alternative delivery approaches. The currently predominant donor practice of stand-alone or bilateral programs is being challenged by emerging models that are adopting a more collaborative or coordinated approach and a clear poverty focus.

Figure 1



Source: Adapted from Rogerson et al 2004.



The ongoing ODI work-in-progress will be exploring a number of possible scenarios for the evolution of the aid system and the impact for the funding and delivery of aid in the future, which they believe will emerge from within these current tensions.

## Investing in aid effectiveness

It is clear from both the Australian and international scenarios that if aid and development cooperation are to achieve sustainable poverty reduction, then donors must make real commitments to new ways of working. The recent multi-stakeholder evaluation of the World Bank's Comprehensive Development Framework (CDF) states that:

the process of change is young and the full benefits of the CDF approach are unlikely to be realized quickly or without cost. It is clear that all parties will need to make changes if current inefficient aid practices are to be rationalized and the ambitious development targets set out in the MDGs and the international consensus that emerged from the Monterrey Conference are to be met (World Bank 2003:57).

Program aid remains vulnerable to sudden shifts in donor decision-making. The pressure to succumb to urgent, short-term pressures and political agendas will remain; but donors must accept that the costs and risks of achieving these longer term objectives are 'worth undertaking because the costs and risks of continuing with business as usual are unthinkable' (Helleiner 2000:7). Aid donor announcements and even formal commitments often bear little resemblance to subsequent actual disbursements. If recipient countries are expected to adopt a long-term results focus in development planning, so should donors. The emerging global funds present a significant challenge to aid funding practices that have evolved over 50 years. The challenge remains for donors to consider more flexible and stable funding practices if they are to achieve their stated aim of increased aid effectiveness.

Donors themselves must be willing to invest in significant organisational change in order to manage their aid funding according to international good practice. They must be willing to commit to a process of mutual accountability with their partner governments, to relinquish funding control, to allow genuine ownership and to accept and respond to donor performance monitoring by recipient governments as readily as they themselves impose performance assessment requirements. This will require significant investment in and a readiness to change practice, organisational systems and culture, and a reassessment of the core skills required of staff. Donors must invest in their own organisational effectiveness as much as they must invest in and demand program effectiveness.

Demands for increased effectiveness cannot be met without appropriate levels of resources. Without this, frameworks and processes will be poorly understood and implemented, generate

little information of operational value and suffer from limited credibility. As Hailey and Sorgenfrei note, if donors are not prepared to cover the full cost of effective and appropriate measurement processes, they must question whether they should continue to impose them (Roche and Kelly 2003:19).

## Conclusion

Improving the quality of aid assistance cannot be achieved in isolation and donors must invest in their own capacity and willingness to work collaboratively with their partners if we are to genuinely understand what aid effectiveness means and how to achieve it. NGOs can and do undertake effective aid implementation, but do not always use conventional methods to plan or implement that aid. Critical for the relationship between Australian NGOs and AusAID is recognising that this difference can lead to making more effective use of the adaptive and flexible community approaches used by NGOs. AusAID and NGOs need to genuinely understand each other as partners if any real progress is going to be made in enhancing the development impact and sustainability of the Australian aid program.

## Notes

- \* Rhonda Chapman has been Director of Standards and Practice at the Australian Council for International Development for four years. She has 16 years' experience working with NGOs in aid and development in fundraising, training and program management capacities and including four years in living and working in Central America and Azerbaijan.
- 1 The Institute of Public Affairs is a conservative, private sector think tank in Australia <[www.ipa.org.au](http://www.ipa.org.au)>.
- 2 The Draft Charities Bill can be found at <[www.taxboard.gov.au](http://www.taxboard.gov.au)> and for a copy of ACFID's submission, go to <[www.acfid.asn.au](http://www.acfid.asn.au)>.

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# Evaluating aid: A process for reflection, learning and change

*Meg Keen and Sango Mahanty, Asia Pacific School of Economics and Government, Australian National University*

## Introduction

Development assistance has been changing in recent years, from structured and centrally designed projects to collaborative and flexible regional and country programs. The focus of aid has also broadened from a predominant concern with economic growth to a concern with a diverse array of issues, including poverty alleviation, technology transfer, good governance and economic development (Emmerij 2002). These trends raise new challenges for the evaluation of aid effectiveness.

Firstly, a flexible approach to aid requires feedback mechanisms be integrated into aid management to ensure that the knowledge generated through experience is evaluated and used adaptively throughout an intervention. Secondly, a collaborative and participatory approach to development requires engagement and knowledge sharing amongst partners. The evaluation process therefore needs to address the information needs of the recipients and field managers, rather than being geared solely to the accountability concerns of aid donors. Thirdly, given the expanded scope of aid, the evaluation process needs to address several dimensions, including accountability (achieving aid goals at the least cost), management (producing information relevant to the formulation of development policy and strategies), and learning (generating knowledge valuable for the design and implementation of interventions, and for sustaining the development process).

This paper is particularly concerned with the learning dimension of aid evaluation. Learning refers here to the broad processes of social and organisational learning, including the knowledge management needed to support program design and implementation. Evaluation is defined as a purposeful and reflective process aimed at improving the conditions of human life through the development of social interventions in policy, programs and projects (Rossi and Freeman 1993; Rebien 1996). In the context of the changing nature of aid, we explore the role of evaluation as a learning tool to support change and development within aid organisations and on the ground. This is an area in evaluation where 'most [aid] agencies see the greatest need for improvement ... it is the "new frontier" where a whole range of new opportunities and challenges exist' (OECD 2001:18). We argue that, when treated as a process of knowledge sharing and learning, evaluation can provide an important support for the flexible and collaborative mode of development intervention. However, as recent experiences show, the learning

benefits of evaluation often require supportive changes to agency processes and systems, and to relationships between partners in a development intervention (Cumming 2003; Gwin 2003; Hovland 2003; King and McGrath 2003; OECD 2001).

## The changing nature of aid

The last decade has been characterised by a shift in the donor community from a focus solely on donor priorities to a commitment to partnerships, where recipient and donor countries collaborate to define and evaluate the nature of aid and its successful implementation. The intention is that aid becomes results-oriented, people-centred and primarily concerned with poverty alleviation. While commendable in theory, the new paradigm raises considerable challenges for donor agencies and their partners in development interventions:

What aid agencies have had to confront recently as the new paradigm has emerged is that, too often, their cultures and practices failed to promote, and sometimes actually retarded, the social learning processes in these domains [that is, the functions of state and private sector, and civil society] in the developing countries themselves and hence their development (Michel 1997:18).

Such observations raise questions about what effective aid is, and how we design organisations that support effectiveness. Ideally, the evaluation of aid activities needs to go beyond the technical or administrative activities and include assessments of organisational dynamics (Carlsson et al. 1994). This argument, increasingly raised in the development literature, highlights that evaluations of the effectiveness of aid need to consider not just the results on the ground (which may or may not last depending on the compatibility of the practices with existing culture, institutional arrangements and capacity, inter alia), but also the processes by which the results are achieved — that is organisational dynamics and learning. These include the relationships between partners, the nature of current institutional arrangements, and the human and social capital generated to sustain the development. Such issues are still largely neglected in program evaluation.

Increasingly, the important role of social and organisational learning (including knowledge management) is being recognised within the aid sector (Cummings 2003; King and McGrath 2003; Rebien 1996). Indeed it has been argued that knowledge management and learning can make a key contribution towards

the overarching goal of poverty reduction and achieving the Millennium Development Goals (MDGs) by improving internal (organisational) efficiency, responsiveness, partnerships and policy influence (Hovland 2003).

Current approaches to aid rely strongly on social learning, the collective action and reflection that supports and improves the management of human and environmental interactions. In aid agencies, there are two dimensions to such learning that directly relate to the evaluation of aid effectiveness — single and double loop (Argyris and Schön 1996). Single loop learning focuses on the intended objectives of aid, which are evaluated through criteria and measures of aid effectiveness (for example, increased earnings, reduced child mortality). Double loop learning is concerned with understanding how the strategies, values and assumptions embedded in the culture and policies of participating organisations contribute to the observed outcomes of aid. Evaluation of this second type of learning tends to be more qualitative and systems focused (for example, assessments of knowledge sharing between communities, posts and central office).

In Australia, external evaluations of aid and its delivery have provided a number of opportunities for single and double loop learning as exemplified by the Simons Report (1997). This report emphasised the need to change the focus of aid to poverty alleviation, and to change the way in which the AusAID, the Australian Agency for International Development, evaluates aid effectiveness. This change in policy was supported by changes to organisational structures and operational practices, including the recommendation to broaden staff learning through internal and external exchanges. The importance of structural change to achieve better learning and aid outcomes has also been recognised by the Canadians who have established a 'Continuous Learning Division' to develop training to meet organisational needs and to reflect on how the Canadian International Development Agency (CIDA) is learning and sharing its experiences over space and time (OECD 2001). As discussed below, these changes in policy and practice have resulted in the increasing interest in using evaluation as a learning tool. This additional learning dimension to aid evaluation raises special challenges.

## Challenges in evaluating aid as a learning process

One has to admit that development is rather a learning process in which mistakes are unavoidable despite all efforts not to make them. This situation, in my view, warrants a flexible approach, allowing all involved parties to learn from mistakes and to adjust projects and plans accordingly (Ambassador of the Netherlands to Pakistan, opening a conference on evaluation, November 1989, in Cracknell 2000:38)

The new emphasis on flexibility and learning in aid provides opportunities as well as challenges for evaluation. A learning focus places a new impetus on monitoring and evaluation as a basis for learning, with the possibility of increased commitment to, and resources for, learning systems.

Currently, results-based assessments are used by many donor agencies concerned with quantifying the outcomes of aid by tracing the causal links between aid outcomes and the mix of instruments or inputs supporting them. A driving rationale for this single loop learning process has been the assessment of public sector results and performance for accountability purposes (Gariba 2003). Few agencies have extended this learning to the second loop, where the partnerships and processes needed to produce and sustain the outcomes are examined.

A recent study of the British Department for International Development (DFID), for example, highlights that the recent shift to results-based management and accountability has placed greater emphasis on the outcomes of interventions, with a relative neglect of the intervention process and partnerships. This has been problematic given that DFID's current programmatic and flexible approach to aid calls for it to learn and adapt effectively to changing circumstances. To become a learning organisation, agencies such as DFID are encouraged to focus on:

- understanding systems (that is, relationships between factors rather than focusing solely on causal links);
- linkages between partners including knowledge sharing and lesson learning;
- training/learning and their relationship to policies and strategies, and
- accountability, both upwards and downwards (Saltmarshe et al. 2003).

Gaining insights into relationships, responsiveness and partnerships can stimulate deeper learning within the organisation. The World Bank, which is projecting itself now as the 'Knowledge Bank' (World Development Report 1998/99: Knowledge for Development), has used thematic groups or 'Communities of Practice' to bring together individuals to reflect on issues and practices of importance. These groups are aimed at complementing the single loop evaluation that is linked to specific projects or programs and their objectives, with double loop learning that is concerned with partnerships, cross-sectoral interactions, and linkages between processes/practices of the donors and recipients in relation to the overarching strategies and policies. For example, staff dealing with different geographic areas and issues of decentralisation can exchange their experiences, lessons and documents in thematic groups through the internet (for example, email lists and websites) and face-to-face interaction through informal lunchtime ('brown bag') sessions.

A recent staff survey in the World Bank found that the thematic group approach was generally seen as a useful support to learning, although some concerns were also raised about:

- 'quality control' of knowledge shared;
- active contributors were often limited to a core few, although a number of the groups were large in terms of membership, and
- limited resourcing and budgets.

Importantly, participants felt there was insufficient support from management for the groups in terms of time and incentive to participate and learn.

A learning approach to aid raises important issues about the way donor agencies function and relationships between partners in development interventions. Learning is not just about exchanging information, it is also about supporting learning through structures, and generating new knowledge to meet emerging needs. For example, the World Bank and the Netherlands have set up evaluation help desks, or knowledge centres, to ensure that there is a direct link between the knowledge needs in the field and evaluations undertaken. When necessary they provide the needed interpretation of evaluation results to help field officers learn from wider experiences, and conversely, to ensure that evaluation units take into account field needs when structuring assessments. To ensure there is a strong link between evaluation and learning, feedback may need to be tailored to the target audience. For example, the Danish International Development Agency (DANIDA) uses different feedback processes to target three main audiences (domestic audiences — government and general public; external audience — recipients and other aid agencies; and the research community) (OECD 2001).

In addition to evaluating interventions and their impacts, aid agencies need to consider the role of their management systems in enabling learning. Supportive management systems have been identified as a precondition for flexible and collaborative aid (Bond and Hulme 1999), where factors such as organisational incentives and culture strongly influence the willingness of agency staff to experiment, admit to uncertainty or mistakes, and share their learning with colleagues. Evaluation of such factors can enable organisations to identify problem areas as a basis for change. For example, in some organisations the sharing of information between units, between donors and recipients, and between the donor and other aid agencies active in the region can be hindered by power relations and competition for scarce resources.

This 'silo effect' results in ineffective aid as each unit/organisation has to undergo its own learning cycles without the benefit of understanding the experiences of others. After reviewing the history of aid, one of the major conclusions of Emmerij (2002:257) is that the 'anarchy of un-coordinated

development aid must be stopped in favour of a much more united and consistent approach by countries, international organisations and non-government organisations alike'. Such an outcome depends on changes to organisational systems and processes to stimulate improved information exchange.

Weak mechanisms for sharing lessons between agencies present a barrier to interagency communication and learning. For example, the DAC inventory of evaluations summaries, set up in 1988, has recently been assessed as having 'patchy coverage' due to inconsistent submission of data by donors, the prevalence of older material in the database, and limited functionality (OECD 2001). Flows of information between donor and recipient country agencies have also been lacking. A recent study by the Swedish International Development Cooperation Agency (SIDA) (cited in OECD 2001) found that evaluation lessons fail to reach many stakeholders, especially those in partner countries. The mode of knowledge sharing can contribute to this problem, with studies finding that face-to-face exchange of knowledge and information provides a greater learning stimulus than the more prevalent exchange of documents (Cumming 2003). If we are committed to ensuring there is a learning dimension to aid evaluation, we need to consider how this cross-fertilisation can best be achieved.

## Promoting a learning approach to evaluation

Ideally, aid partnerships should focus on knowledge sharing and generation, rather than the transfer of knowledge from donor to recipient. Both the OECD and the World Bank have recently recognised the central role of knowledge sharing and social learning for effective aid and its evaluation (Gwin 2003; Cumming 2003; OECD 2001). While diverse and broad in their coverage of these issues, a point of agreement is that agencies need to be open to ideas derived from a wide range of sources, and to evaluate their learning with respect to:

- 'why' agency staff know what they know — the cultural and organisational factors affecting knowledge generation;
- 'how' agency staff know what they know — processes that build human capacity and extend learning networks; and
- 'what' agency staff know — the actual facts, processes, and contexts with of which the staff are aware (Cumming 2003).

The first two issues are of particular importance in understanding and addressing the challenges to collaborative and flexible aid. The 'why' of aid evaluation can help explain the persistence of organisational weaknesses, despite procedures and rules being in place to address these — for example the continued donor-driven orientation of aid, despite

organisational policies committing to participatory and recipient led aid delivery (Michel 1997:24; Hiyama and Keen 2004). These and other evaluations of decision making processes in aid have found that time and budget and administrative pressures, as well as a lack of understanding of appropriate participatory techniques, can work to undermine participatory interventions. Findings such as these have been important in supporting the shift to more flexible aid, and providing stronger guidance on participatory processes that can be used in project design and implementation.

The 'how' of aid evaluation can help explain why information is not transferred or new knowledge not used. This can relate to 'competency traps' where people persist in applying old and unsuitable ideas and processes to new problems (Pritchard and Sanderson 2002). It can also help to explain the weak implementation of policies and guidelines which may be poorly understood, as was the case with the previous environmental guidelines implemented by AusAID:

The level of environmental expertise assumed amongst practitioners was not realistic in a developing country context, nor within a development assistance agency. Without basic environmental training many users found the guidelines incomprehensible and unsystematic (Keen and Sullivan forthcoming).

As part of the implementation of the new AusAID Environmental Management System (EMS), a program of staff training has been instituted, although it is very limited in nature. So far there are no specific targets for training as is the case at the World Bank which has made a commitment that 90 per cent of its operational staff and managers will receive environmental training over a five-year period (World Bank 2003). It is important that the evaluation of capacity building consider not just whether courses or supporting documents are available, but also the number of staff engaged in their use, the quality of the training or materials in relation to needs, the measurable outcomes with respect to system functions, and the relationship between capacity building and aid policies and

#### Box 1: Evaluation requirements for collaborative and flexible aid programs

*Evaluation of a collaborative and flexible learning approach to aid needs to take into account the following factors.*

##### **Why we learn**

- **Accountability:** Are partners (donor and recipient) equally accountable for the outcomes of evaluation? Are they accountable to donor as well as recipient communities' governments?
- **Feedback:** What are the incentives for analysing experience, acknowledging errors and contributing to the continuous improvement of the aid delivery mechanisms? Are feedback loops built into project/program management to encourage learning between central office, posts, field officers and communities?
- **Sustainability:** Are the evaluation and learning processes positively contributing to the long-term benefits of development? Are the outcomes of evaluations being used to improve project and program delivery?

##### **How we learn**

- **Network and human capacity development:** Is evaluation supported within the organisational and institutional arrangements of the partnership, for example, joint training, databases on experiences and expertise (networked knowledge)?
- **Participation:** To what extent are partners involved in negotiating the goals and methods of evaluation, and in the evaluation process itself?
- **Target audiences:** Evaluations need to target the audiences they are intended to affect. The substance, presentation and timing of evaluations for ministers, senior executives, project managers and recipient governments often needs to be tailored to have maximum effect.
- **Institutions:** Have local priorities, processes and procedures been integrated into the project/program design (as opposed to 'streamlining' implementation according to those of the donor country)?
- **Timeliness:** Can the outcomes of evaluation be used for decision making within a project or program cycle?

##### **What we learn**

- **Local contexts:** Are these fully understood? For example, are gender, institutional, livelihood and other analyses being conducted by people with knowledge of place and culture?
- **Evaluation 'demand':** Are evaluations focused on what recipient countries, project managers and other partners need and want to know, not just on what central agencies need to report.

Source: Michel 1997; OECD 2001; World Bank 2003.

strategies. In the end, learning cannot be optional within an organisation committed to continuous improvement; learning needs to be institutionalised.

In AusAID, institutionalised learning and feedback has been built into the new EMS, which explicitly requires a periodic executive review to ensure that the EMS 'continues to be suitable, adequate and effective' (AusAID 2003:31). Evaluations of environmental and sustainability assessment systems such as the AusAID EMS are increasingly concerned with how the system is functioning, rather than exclusively with environmental and social outcomes at the project level, to enable continuous improvement to the system.

To evaluate the 'whys' and 'hows' of aid, qualitative and people-oriented techniques can be used to reveal organisational assumptions, values and relationships affecting aid delivery. At a basic level, interrogating our assumptions about what constitutes 'success' can lead to different questions and answers about the outcomes of interventions (see Box 1). For example, do agencies place priority on short-term measures of success over long-term and subtle change? Conservation enterprise projects in the South Pacific and Asia often considered profits from enterprises as an indicator of their long-term viability (Salafsky et al. 1999). While this may be important to the long-term survival of the enterprise, other important factors include whether the funds are reinvested in productive activities, or are used to support social goals such as community events, education and so on. A wider process of negotiating evaluation criteria and questions enables such assumptions to be questioned, and can open up new arenas for evaluation.

Ensuring that both single loop learning and double loop learning are part of the evaluation process is not straightforward (see summary in Box 1). However the potential benefits in terms of wider social and organisational learning makes such an expansion of the evaluation process worthwhile.

## Conclusions

Evaluation can play an essential role in a learning approach to aid. However, this requires us to accept a multipurpose evaluation process that addresses accountability, management and learning objectives in development assistance. In particular, a much stronger focus on cultural and organisational factors affecting knowledge generation and sharing needs to be embedded in evaluation processes.

By committing ourselves to including a learning dimension in evaluation, there is an important, but subtle shift in purpose of evaluation. Firstly, greater value is placed on learning with (rather than for) our partners. Secondly, evaluations can be portrayed in a much more positive light. With learning as a primary goal, evaluations are not so much about finding fault, as about learning from our experiences and creating a clearer

vision for the future. Thirdly, and importantly, evaluation becomes future oriented, and a foundation for social learning as a basis for development.

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# Ten points for better monitoring and evaluation

*Peter Ellis\**

## Introduction

The aid effectiveness symposium which was the basis for this edition of the *Development Bulletin* coincided for me with the end of my three years in AusAID's Office of Review and Evaluation. In that time, there had been noticeable changes in the way that AusAID delivered the aid program. There were also increasing demands on AusAID from the Australian Government for better performance information, and for new and innovative ways to deliver the results the government was seeking — sustainable development and poverty reduction in developing countries to serve the Australian national interest.

In the same period, there were pressures from within the international aid community to do things differently — pressures that had been mounting (and in which AusAID had been a significant player) through the 1990s. New (non-project) forms of aid are being increasingly used; there is pressure to make the most of lessons from the past, such as how to deliver sustainable benefits; and there is new interest in the possibility of measuring performance and impact at higher (for example, national) levels of aid intervention.

I have outlined elsewhere some of the systemic changes we made to AusAID's evaluation and performance reporting systems in recent years.<sup>1</sup> In this article, I want to focus on the ten key, practical lessons for monitoring and evaluation (M&E) that emerged from my experience in those three years. I saw a lot of monitoring and evaluation frameworks in that time, and many of them were fairly poor, either in practice or on paper, sometimes both. Several times I had to admit that we in the aid industry (not just in AusAID!) were unable to answer convincingly, when faced with a sceptical audience, basic questions about impact and effectiveness. However, it seems to me that there is no real reason why these problems should be intractable. There are some basic things that aid practitioners can do to improve M&E, and hence aid effectiveness. These ten key lessons are described below.

### 1. Don't despair!

One big problem we encountered was a tendency for designers, implementers or AusAID staff to believe that the task was so big and so complex, and analysis (attribution) and data (quality) issues so overwhelming, that there was no point in even trying. There are two important parts to the rejoinder to this concern. First, it is *always* possible to create a useful and practical M&E

system — and even though it will not be able to definitively answer every question, it can *always* go some way towards answering the important ones. Second, if we neglect to consciously build such a framework, there will be a spontaneous system of some sort in place anyway — even if this is only the ad hoc concerns, queries and observations of managers, implementers and other stakeholders.

Some perspective on the task we are attempting is important. Consider the position of historians interested in, for example, social and economic conditions in Europe in the twelfth century. The position is difficult, but they find ways to deal with the material they have. They collect data, note its potential unreliability, match different sources and opinions, and construct meaningful hypotheses. Some form of scholarly consensus is achieved, and the amount we know about these times, including aspects such as political structures, economic changes and social mores, is remarkable.

### 2. Keep it simple

The most common problem with actual M&E frameworks that I saw in my time in AusAID's Office of Review and Evaluation (ORE) was over complexity. Overly complex M&E systems are invariably not implemented. The M&E framework is perceived by those who have actually to collect the data (probably rightly) as too resource intensive to administer. Instead, managers fall back on the minimum information they really need for their day-to-day decisions, neglecting higher level performance information of relevance to other stakeholders.

A compromise, simpler M&E system is more likely to serve both immediate and higher level managers better. It might also be more likely to avoid leading to the issues of despair described under Lesson 1. If people realise that we are *not* looking for complex systems that need anthropology postdoctorates to collect the data and neural networks statistical experts to analyse it, there might be less despair and more pragmatic collection and analysis.

### 3. Focus on providing the information that will be needed for management decisions

Remember why we have an M&E framework — not because it is in the guidelines, but because M&E is a crucial part of management. It provides the information managers use to make decisions. However, it is important to remember that there are



several different 'managers' involved here, each confronted with different decisions and hence different information needs.

Day-to-day managers may be most concerned about the performance of individuals and logistical and coordination issues between different stakeholders. Program managers might be more concerned about whether higher level objectives are being met and are still relevant. Managers in other parts of a donor organisation will be looking for information on generic, applicable lessons. Government, parliament and the Australian people are concerned about whether their money is being put to good use.

#### **4. Monitor for risk as well as for success**

Risk is a basic issue that should be built into every M&E framework, formal or informal. Only the very poorest M&E framework for an aid intervention (although I have seen some of these) failed to connect their planned monitoring information to the different levels of objectives recorded in the design in a tool such as a log frame. This 'monitoring for success' is of crucial importance, but is only halfway there.

Competently designed aid interventions (or any public policy initiative) also have a clear articulation of the various risks that threaten success. Good-practice M&E keeps an eye out for early indicators that these risks are emerging as feared. Indeed, this monitoring information is often of more value for real-time managers than any other sort. Too often, it is neglected. For example, one of the more common risks recorded in designs of institutional strengthening aid activities is something along the lines of, for example, 'reform planned may lack the backing of senior or middle managers or of staff once it becomes clear what sort of major changes are required'.

Any competent manager of an aid activity will be informally monitoring for whether or not this is the case — when the 'rubber hits the road' so to speak, will the counterparts really want change in their organisation or not? If they don't, particularly at leadership levels, we know all too well that there is very little that can be done by outsiders, and program managers should seriously consider major redesign or cancellation. If counterpart leadership is in favour of reform, but there is no support from the bottom, a major refocus of resources may be required. But it is rare for a formal M&E framework to consider how best to pick up this crucial information; we leave it up to our workers to notice it from intuition.

Better incorporation of indicators for risk emergence into M&E frameworks would make them more useful for day-to-day managers; and hence more likely to be actually implemented and used.

#### **5. Start with the existing information collection**

One very useful question to ask when setting up a monitoring system is, if we weren't doing this, how would the managers get

the information they need? This question is particularly pertinent if, as often happens, the M&E framework is being built after implementation has already commenced. Often, the managers are already collecting a great deal of ad hoc, semi-structured information. The managers are the prime users of the monitoring system — anything they have spontaneously developed should be treated with great respect. If they are competent, it will be apparent that they are successfully collecting the information they need for their decision making. The formal M&E framework should systematise this and make it more efficient, and then ensure that information is being collected appropriately for other decision makers (for example, parliament, or higher level program managers) — stakeholders for whom an immediate implementation agent is unlikely to spontaneously collect information.

One specific example of 'existing information collection' is the systems of the counterparts themselves. In the right circumstances, using these systems can empower their owners and reduce the costs of effective M&E for aid interventions. It has become accepted wisdom in recent years that M&E should be based on the systems of the counterparts, not imposed by outside donors. This is part of the general trend towards harmonisation with counterpart systems and improved donor coordination; part of the realisation that establishing parallel management systems can disempower counterparts and reduce their incentives to fix their own management.

However, the necessary limitation on harmonisation of M&E is that M&E must remain a crucial part of management. M&E should not be harmonised before management is; if we are implementing an 'old fashioned' stand-alone project with its own management structure, trying to use counterpart M&E systems is unlikely to work. Such a move would be unlikely to provide the discrete intervention with the information it needs; and would impose yet another burden on the counterparts. Harmonisation and coordination should proceed, and donors should take ever more vigorous steps to reduce the burden they place on recipients; but M&E can rarely be an effective first token step.

#### **6. Use a variety of methods**

Many times the appropriate performance indicator will not be a straightforward quantitative measure. Objectives should indeed be SMART — Specific, Measurable, Attributable, Realistic and Time Bound — but not every indicator needs to be 'measurable' in a *quantitative* sense. Particularly when monitoring for risk, qualitative indicators are often the first warning sign, as we all know from our informal, ad hoc monitoring of emerging problems in our everyday life. But qualitative data is also often the most important for indicating success; and there is nothing to beat open-ended, qualitative enquiry, such as interviews or

focus groups, to identify during an evaluation the unintended consequences (good or bad) of interventions.

All information relating to people is slippery. When it can be pinned down in a number and a time series, we should do so, but we should accept that often we will be weighing up complex and possibly contradictory indicators. We need triangulation of a combination of different data sources and analytical techniques to paint an overall picture. Again, the historian analogy is a good one — when the data is suspect and incomplete, mixed methods that make the most of what we've got are always the best.

## **7. Get problem analysis and programming logic right and the performance indicators will follow**

All too often, developing performance indicators is seen as the province of specialists, rather than a natural part of and flow-on from design. If the intervention itself is well planned and based on a cogent analysis of the original problem, indicators should naturally fall out from the design.

In the case of recent Australian Government initiatives to strengthen and change the form of aid to Solomon Islands and Papua New Guinea (PNG), for example, the high-level indicators of success are obvious and flow from the most basic problem analysis. There are well-defined and described problems with issues such as law and order, macroeconomic management, public sector management and so forth. The very indicators (a combination of quantitative and qualitative) that tell us these are problems are those that we wish to turn around, giving us a clear indicator of success.

At intermediate levels, the indicators for success are less obvious, but, again, they flow forth from the problem analysis and programming logic behind the actual intervention. Australians are being placed into line positions in Pacific bureaucracies with clear goals for short- to medium-term operational success and for longer term capacity building. The capacity building, for example, might be based upon a program of mentoring, coaching, modelling behaviour, on-the-job training, more formal training, and even institutional and systemic changes, in conjunction with the partner governments' own efforts and Australia's broader aid programs to those countries. Most of these interventions are implicitly aimed at changing the skills, attitude and knowledge of individuals and hence their behaviour. Again there are various indicators (quantitative or qualitative), usually recorded in the initial problem analysis, that identified the need for this type of intervention, that these aspects are wanting.

Assessments of success at the intermediate level should be based on these indicators turning around. They should also be matched with indicators at the inputs and outputs level, such as some tracking of the basic fact that the modelling, mentoring,

coaching and training is taking place and any immediate feedback from recipients on its efficacy. Finally, these indicators should be matched with appropriate indicators that things are 'going wrong', that the risks we have identified in our risk matrix might be eventuating.

The most common question we received in ORE regarding building M&E frameworks was, what are some good performance indicators to use for capacity building? The only answer to this is that there are no such off-the-shelf indicators for something as broad as 'capacity building'. However, the good news is that, if there is a capacity-building activity planned, it is presumably based on some analysis of low capacity and its causes (and hence solutions). In that original analysis should lie the basis for the M&E framework, to measure both success or failure, and the emergence of planned-for risks.

## **8. Program level is of most importance**

It has become very clear in the last few years that it is information at the program level (in AusAID, this means programs such as Indonesia, PNG or the Africa region) which is of most value to some of our most important decision makers. The impact of aid on a nation may be more (or less) than the sum of individual activity impacts. Unfortunately, it is at this level that good analytical information is hardest to gather, and about which we can say the least. Energetic steps are needed to remedy this deficiency. AusAID is developing stronger performance-assessment frameworks for program strategies, is strengthening and focusing the strategies themselves, and is trialling new methods of describing program performance, such as the report on the impact of aid to PNG already mentioned in this article.

## **9. Accept sometimes it will be contribution, not attribution**

This trend to greater interest in the program level is not confined to Australia and is current throughout the donor community. It has been a key topic of conversation, for example, amongst the OECD Development Assistance Committee Network on Development Evaluation in recent years. Part of the growing consensus on measuring aid impact at this level deals with the almost unresolvable problem of determining attribution. Separating out what parts of a change can be attributed to each player (donors, governments, private sector, civil society) is almost impossible. There is a growing trend towards accepting that demonstrating a plausible 'contribution' towards a goal is all that can be achieved, given the likely difficulty of convincing ethics committees of the need for carefully controlled experiments at the nation-state level.

Increased usage of joint evaluations is a response to this realisation. Careful use of analysis and planning in strategies to ensure donors' programs complement (rather than confound)

each other is another part; as is the use of performance information strategies at the program level which try to allow for the actions of other players and *their* likely contribution to high-level outcomes.

Without some relatively modest expectations, it is unlikely that we would even try to discuss aid impact at the nation level, so we must be prepared to hold those expectations and find out the best we can.

### 10. Activity level remains important

One of the clear findings of efforts to date at the nation level is that we still need as much, if not more, information at the micro-level of individual interventions. Cross-country econometric evidence on the contribution of aid in economic growth models is entirely unconvincing unless triangulated with case studies that show *how* it works. Descriptions of development in any particular country which are historical in scope cannot convince unless they are complemented with the painstaking archival elements of historical research, including evidence of success or failure of individual activities.

In AusAID, this need has been reflected in the way that, while questions on aid impact have been elevated to the program level, some of the most important changes in our performance information systems are taking place at the activity level. These changes include such important reforms as better M&E frameworks for activities, better baseline guidelines, a new requirement for independent completion reports for all

significant activities, and a big increase in the number of *ex-post* evaluations undertaken per year.

## Conclusion

The ten lessons noted above do not aim to be a comprehensive guide to establishing M&E frameworks for aid activities. Rather, they reflect my own conclusions as to where the easiest gains as to *improving* monitoring and evaluation of aid can often be made. They reflect the common areas of weakness I have seen in approaches to M&E in recent years and my own perspective, sitting in Canberra, on some of the most important trends and pressures. Epistemologically, they reflect a pragmatic (with lower case 'p') post-positivist approach. In management terms, they are what I feel we need to do to improve results. The common themes for improvement are:

- simplicity; and
- careful thinking through of why we are doing this, what sort of information we need, and how it will be used.

## Notes

- \* Peter Ellis is employed by AusAID, but the views expressed in this article are his own and should not be attributed to AusAID, AusAID's Office of Review and Evaluation, or the Australian Government.
1. Peter Ellis 2004, 'Evaluating the Australian international development cooperation program: A third generation in program evaluation?', *Canberra Bulletin of Public Administration*, No 111, March 2004.

# Faith in international development: Evaluating the effectiveness of faith-based NGOs

*Linda Kurti, Anna Whelan, Anthony Zwi,*

*School of Public Health and Community Medicine, University of New South Wales\**

## Introduction

There has been an increase in recent decades in the involvement of faith-based non-government organisations (FBNGOs) in international development work. This expanding civil mandate arises from a recognition of the role of religious institutions within the community, but is not based on evidence of greater effectiveness of religious rather than secular providers. Rather, this trend reflects a hope that working through religious organisations will succeed where previous development efforts have failed. The potential conflict with respect to how, and how effectively, FBNGOs operate within a global, competitive, and expanding development industry while remaining true to their community origins and spiritual purpose, warrants further examination.

There are hundreds of FBNGOs of different religious traditions contributing to social, infrastructure and community development initiatives all over the world. Today, within the Christian tradition alone, the coordinating agency, ACT International (Action by Churches Together International), lists a membership of 195 churches and faith-based aid agencies.<sup>1</sup> There are also numerous agencies working from the Jewish, Buddhist, Muslim and other religious traditions, with their own doctrinal, cultural and organisational frameworks.<sup>2</sup>

The involvement of Christian groups in caring for the sick dates back to the earliest days of Christianity, and has a long history within the monastic tradition. The notion of health care as a missionary endeavour became more explicit in the nineteenth century with the expansion of European imperialism (Grundmann 1990). What is new in the latter part of the twentieth century for some religious organisations is an identification of these activities as international development work independent of an overt focus on mission.

In the following pages, we identify several issues related to the development work undertaken by FBNGOs and argue for the importance of research into the work of religious NGOs in order to gain understanding of this large but under-evaluated sector within the international development industry.

## Faith-based involvement in international development

Faith-based organisations are those which explicitly identify with a particular religious tradition. The scope and range of activities

undertaken by religious NGOs is substantial. In Australia alone, nearly half of the NGOs currently accredited by the Australian government for international development work are Christian organisations, receiving approximately 35 per cent of total funding to Australian NGOs (AusAID 2003). FBNGOs are actively involved in all aspects of international development, from advocacy at the highest levels (for example, the American Friends Service Committee was a founding partner of the United Nations Development Programme's Civil Society Organisations Advisory Committee), to grassroots community development work in some of the poorest countries of the world (for example, the Anglican Board of Mission Australia's primary health care projects in Myanmar). Their budgets range from tens of thousands of dollars to multimillion dollar enterprises. While some agencies will emphasise social justice, others self-sufficiency, education and health, still others community building and reconciliation, all religious NGOs seek to act according to their understanding of the teachings of their respective tradition. The extent to which they do so, however, and the contribution which they make to the larger development agenda, is difficult to evaluate.

## Issues facing faith-based NGOs in international development

Examining the effectiveness of this large and amorphous group of transnational religious agencies creates a unique challenge within the international development sector. While both secular and faith-based NGOs are judged, rightly, on the same criteria of effectiveness, often the mandate underpinning the operation of faith-based agencies is based upon their religious mission, or dependent upon the support of a particular religious or denominational organisation. This means that some FBNGOs operate within two parallel, sometimes conflicting, paradigms. One is the government and industry-led world of international development with its measurable standards, criteria and accepted processes; the other is the community-led world of the church, mosque or synagogue, with its less tangible, values-based approach grounded on perceived fundamental truths. This tension impacts upon the way in which FBNGOs evaluate their own work and are evaluated by others. Several areas in which the difference in world views may become evident and impact upon outcomes are outlined below.

## Sharing the global health agenda

The Millennium Development Goals (MDGs) were adopted by the United Nations in September 2000 to assist developing countries to improve health and sustainable wellbeing and to focus the energies of donor nations. The enormous global investment of time, money and effort over the last few decades arguably has not led to the anticipated reduction of poverty and ill-health. At the same time, there is a clear mandate expressed in the world's major religious traditions to address the needs of the poor and to alleviate suffering through acts of charity, through redistributive justice, through solidarity and advocacy, and through promoting compassion and mercy.

FBNGOs are, and have been for some time, actively contributing to the MDGs through programs to address, for example, children's health (Suwito 2001), HIV/AIDS prevention (Caritas Australia 2003), women's health (Overseas Relief and Aid Fund 1999) and water supply (Anglican Board of Mission 2003). In many places, religious organisations are the primary suppliers of health and other basic services, and have an historic involvement — sometimes with a legacy of colonial dominance — in providing for health and education needs. In Papua New Guinea, for instance, the churches were the earliest providers of health services and churches and FBNGOs still provide a majority of the health care services (Stein-Holmes 2003).

An increasing amount of funding is being accessed by NGOs generally for the provision of health care in the poorest countries; this includes funding to faith-based as well as to secular NGOs. The World Bank reports that funding to NGOs has increased from 20 per cent in 1989 to 52 per cent in 1999 (Pfeiffer 2003:725). Often the reason for working with NGOs, and specifically with religious organisations, is their reputed networks within local communities, which may increase the sustainability and effectiveness of their programs. The effectiveness of health aid often appears to depend less on the actual provision of clinical services than it does on the managerial structures, political engagement, cultural impact and social interaction of the NGO provider (Marcussen 1996; Frenk, et al. 1997; Edwards 1999; Pfeiffer 2003). It is not clear whether FBNGOs who are embedded within the local community are able to more effectively overcome any negative impact of the interventions of international NGOs and to build sustainable health interventions and services.

## Relationships between 'developed' and 'developing' countries

Verhelst (1987) suggests that developed countries can learn much from the wisdom and experience of communities in developing countries. However, this call for reciprocity is mediated through continuing relations of inequity due to the imbalance of financial and other resources flowing from First

World countries to those in need. Loy (2003) argues that development has not been effective because the current model of development aid is itself the problem, creating structures which perpetuate the very inequities it is designed to alleviate:

development projects that seek to end poverty by 'developing' a society into an economy focused on consumption are grasping the snake by the wrong end. From a Buddhist point of view we should not be surprised that such efforts in social engineering end up creating more problems than they solve (Loy 2003:9).

For Loy, religion's greatest contribution to development is the teaching of values and principles of 'right living', which, if acted upon, will lead people in the developed world to stop perpetuating a cycle of wealth accumulation which perpetuates poverty and oppression. In this argument, then, development will succeed to the extent that religious NGOs are able to share the values of humanity, which the world's religions espouse, and to encourage significant changes to life practices in the over-developed as well as the under-developed world. This is indeed a radical proposition and is untested, although evaluating NGO effectiveness in changing the developed world is an intriguing prospect.

## Transnational societies

A significant consequence of faith-based international development is the strengthening of transnational societies, particularly Christian and Muslim, which look not only to the local community for a sense of belonging, but to participation in a worldwide society of the faithful. However, external perceptions of the place of religion within a community may misrepresent the reality of people's daily lives, in which religious belief is one of many aspects of family and social interaction, decision making, and meaning making. Political exploitation of religious teachings for other ends may not be recognised by those from outside the tradition. At the same time, the uptake of health and other services may depend on the normative acceptability of the way in which services are delivered, for instance, recognising a preferred separation of men and women in hospitals or other health settings. Transnational FBNGOs must be careful in the imposition of what may be foreign interpretations of a religious tradition into the development field, as for instance refusing to work with overtly religious organisations which may genuinely be providing for women's health and social needs within the community (Maoulidi 2003). The effectiveness of development aid programs may depend on the extent to which the locus of power is indigenised and local norms, customs and beliefs are understood by donors.

## Role of religion within conflict and peace

Debate continues as to the role of religion in armed conflict (Demerath 2004; Juergensmeyer 2004); however, it can contribute

to continuing unrest when political or territorial conflicts become polarised due to religious or social differences between the arguing parties. While religious development agencies have a potentially powerful role in working to bring peace to areas of conflict, they also may play a role in maintaining instability in fragile countries by either siding with or against the government in power (Hearn 2001). In some places, religious groups have been able to work at the grassroots level to rebuild relationships of trust in conflicted areas, such as the role of the Melanesian Brotherhood in the conflict in the Solomon Islands (Macdonald-Milne 2003).

### Independence of action

Working with government while remaining a non-government organisation creates tension for many NGOs. NGOs who become too dependent upon government funding may find their independence under threat in the provision of particular services (Loconte 1997). For religious NGOs there is an uneasy tension between remaining separate from structural political systems in order to retain solidarity with their constituency, and working closely enough with political systems to be able to advocate for the poor. Different organisations resolve this tension to different degrees. Many FBNGOs undertake advocacy roles such as negotiating for gender equity in partner organisations (Maoulidi 2003), or working with refugee resettlement (Jesuit Refugee Service 2003). The adoption by FBNGOs of government standards and systems of accountability may challenge organisational norms, and yet is essential for the effective monitoring and evaluation of development projects.

### Balancing mission and development

Religious agencies which become involved in international development face a continuing challenge of maintaining their specifically religious focus while complying with government donor requirements, including the separation of religious proselytising from development activities. For those FBNGOs for whom development is a means by which evangelisation activities can take place, there is a danger of conversion philosophy distracting from the very real material needs at hand, and for an emphasis on faith to be perceived as intolerance, thus alienating the communities one has come to assist. Faith-based agencies, like all ideologically based organisations, must walk a fine line between holding to their own foundational beliefs and honouring those who have different beliefs. The difficulty of separating development from Westernisation and an (often unintended) imposition of Western cultural values has been recognised by Bornstein (2001) and others.

### A research agenda

With the extent of international development conducted by FBNGOs unknown, research into the nature, effectiveness, and

## Box 1: Suggested areas for research and potential research questions

### Global health

- What is the impact of FBNGO health services on the provision of local health care?
- What factors contribute to the effectiveness of faith-based providers?

### Relations between 'developed' and 'developing' countries

- In what ways do FBNGOs continue in or stand apart from historic missionary power relationships?
- How do FBNGOs work within power structures to engage on a national, regional or local basis?
- How does that impact upon the provision of health services?

### Transnational agencies

- To what extent do FBNGOs work within a transnational or a local paradigm?
- In what ways are they compatible or do they conflict?
- What is the effect on health and wellbeing?

### Conflict and peace making

- How are FBNGOs working to make peace?
- How effective are they?
- What factors contribute to successful peace-making by FBNGOs?
- Do they ever have a counterproductive effect?
- Why and how does this occur?

### Independence

- On what funding do FBNGOs rely and how does this influence their work programs?
- How dependent is an FBNGO on government funding for survival?

### Balancing mission and development

- What contributes to the effectiveness of FBNGO projects?
- In what ways do FBNGOs incorporate religious witness into development activities?
- What is the impact of this on health and wellbeing?
- How do FBNGOs relate to government?
- What processes are in place?
- How do transnational FBNGOs develop partnerships with in-country partners (churches and other agencies)?

impact of work undertaken by these organisations would contribute to the international development industry worldwide. In particular, research projects which provide criteria and standards for evaluation of the impact and outcomes of aid delivered by FBNGOs would be of value. Research into the practices and activities of faith-based agencies would fill a gap in knowledge, as there is a dearth of information regarding the ways in which these agencies negotiate and integrate within the recipient community, their effect on local spiritual and community beliefs, and their effect on local norms and values.

For instance, research into the ways in which religious organisations resolve tensions between community priorities and

moral beliefs would help to identify how best to balance religious teachings with the real complexities of human relationships. As development projects move from the transnational operation to the indigenised organisation, research into the assumptions and cultural understandings which faith-based NGOs bring to their work would offer possibilities for understanding the impact of culture and methods for transferring knowledge, skills and new ideas to communities in need in order to build self-reliance, without denying the integrity of local wisdom. It would be useful to know how effective FBNGOs are in making a long-term commitment to a community based on a transnational religious identity rather than on a short-term funding opportunity.

In places where communities have been ravaged by war, research into the work of FBNGOs in regions of conflict or post-conflict could identify models for working with grassroots faith communities to develop new relationships and just working practices during the process of restoring peace. Knowing whether religious agencies have been more or less effective in crossing lines of conflict would assist in building peace-making strategies for the future.

Building upon their place within grassroots communities, research into the ways in which faith-based organisations work with governments and with local communities to determine needs, secure funding and operationalise programs could assist other faith-based agencies to improve their working practices, build capacity for governance, and ensure fidelity to their aims while retaining cooperative links between the civil society sphere and government. This would assist governments and FBNGOs in working effectively across the paradigms of mission and development, which are often seen as synonymous within the religious context, but are as often considered conflicting aims by government and secular agencies.

## Conclusion

While the scope of faith-based international development activity is vast, there are many variables which impact upon its operations and effectiveness, such as the relation to government; emphasis on evangelism; funding networks and influences; and interactions with and within local cultures. Research could usefully contribute to the knowledge of effective international development programs by examining the work of faith-based organisations. It would assist faith-based agencies to reflect on their working practices and to bridge the conceptual gap between working as an outreach arm of their own faith communities and working as a professional and competitive international development organisation. It would assist secular institutions as well, in understanding the paradigmatic structures in which faith-based NGOs operate. Research would also assist governments who fund faith-based NGOs, and those who receive faith-based agencies into their countries, to understand what particular contribution FBNGOs

may make to development, the ways in which they work within local communities, and the possibilities for working together in partnership.

## Notes

- \* Linda Kurti is conducting research into the provision of health services by faith-based international development agencies. Dr Anna Whelan, Senior Lecturer at the School of Public Health and Community Medicine, and Professor Anthony Zwi, Head of School, are the academic supervisors for this work and have commented on successive drafts of the article. Thanks are due to the Rev. Canon Geoff Smith, Ms Sophie Davies, and the Rev. John Deane for their comments.
- 1. See <<http://act-intl.org>>.
- 2. See, for example, <[www.islamicfinder.org](http://www.islamicfinder.org)>, (which lists 93 Islamic relief organisations) and <[www.Dharmamet.org](http://www.Dharmamet.org)>, (which lists a number of Buddhist-inspired development organisations).

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# Aid effectiveness and Australia's new interventionism in the Southwest Pacific

*Sinclair Dinnen, State, Society and Governance in Melanesia Project, Australian National University*

## Introduction: The new interventionism

The year 2003 marked a significant change in Australia's relations with the island Pacific, including Papua New Guinea (PNG). Since gaining independence in the 1970s, the island states of the Southwest Pacific have been left to control their own political and economic affairs. While providing substantial amounts of bilateral aid, Australia has been sensitive to charges of neo-colonialism and interference with national sovereignty. All this has changed, however, with the Australian Government's adoption of a distinctly more robust and interventionist stance under Prime Minister John Howard. The primary objective is to enhance security and stability in troubled Pacific states. Although poverty reduction continues to be the broad goal, the Australian aid program is being gradually calibrated to reflect this changing approach. In practice, this also entails the deployment of growing numbers of Australian personnel in key government agencies in recipient countries.

The two principal manifestations of this new policy have been the Australian-led Regional Assistance Mission to Solomon Islands (RAMSI) in mid 2003 and the proposed Enhanced Cooperation Program (ECP) to PNG. Australia has also recently provided police commissioners to both Fiji and Nauru. Nauru, which is effectively bankrupt, is the subject of intensified engagement. Another aspect of the new approach has been a renewed focus on strengthening the institutions of regional governance. In August 2003, the Australian Government secured the appointment of a former Australian diplomat as the new secretary general of the Pacific Islands Forum Secretariat, the premier regional political body. This reversed a longstanding convention that only Pacific Islanders were eligible for appointment. Prime Minister John Howard has made clear that future Australian aid to the Pacific will be linked to efforts by recipient governments to improve standards of governance and combat corruption. The new hands-on approach has inevitably ruffled feathers, particularly among an older generation of independence leaders who resent the Australian Government's stridency and the perceived threat this represents to national sovereignty.

However, among other observers, including many ordinary Pacific Islanders, Australia's re-engagement is something to be welcomed. It provides a rare opportunity to assist regional governments to address the diverse and growing challenges they

have faced in recent years. Indeed, if Australia's new commitment is sustained, it provides the most important opportunity for broad-ranging reform since the era of decolonisation in the 1970s. Of course, much depends on what kind of changes are being proposed and whose interests are being promoted. While the Australian Government has its own national interest and security agenda to pursue, achieving effective and sustainable reform in the island Pacific requires active participation and ownership on the part of the governments and citizenry of the countries concerned.

## What lies behind the changes in Australian policy?

### Concerns about aid effectiveness

The growing critique of Australian development assistance to the region has had a major impact on the Australian Government. This critique involves an unlikely convergence between critics on both the left and right of the political spectrum. On the left, critics from within recipient countries and Australia have derided the aid program as 'boomerang aid', whereby the principal beneficiaries are the Australian companies and consultants who manage and implement AusAID projects. On the right, there is the work of conservative economists such as Helen Hughes and Peter Bauer (Bauer et al. 1991), both working for the Sydney-based think tank, the Centre for Independent Studies. Hughes's 2003 report, *Why Aid Has Failed the Pacific*, received widespread publicity and struck a sympathetic chord in senior government circles. In it, she argues that Australian aid has failed to deliver on its promises and, moreover, that it is implicated in the dynamics of political and economic dysfunction in the region by fuelling corruption and engendering dependency among recipient states.

The reality of aid and its impacts is, of course, significantly more complex and diverse than these critiques imply. There have been successes as well as failures. Likewise, the potential link between aid and government corruption has diminished with the move from budgetary support to tied aid. The case for simply ending aid is unlikely to find much support, even among the most ardent critics in the recipient countries. At the same time, few would deny that the Australian aid program can be, and needs to be, improved in terms of its practical outcomes.



## **The changing strategic environment**

The single most important factor in changing Australian Government's thinking about the region has been the dramatically changed international strategic environment since the September 11 attacks in the United States and the Bali bombings. Having aligned itself closely with the Bush administration in Washington, the government has adopted the 'war on terror' as the principal lens for viewing issues of conflict and instability in the region. Within this expanded concept of security, the notion of 'failed' or 'failing' states has become pivotal to the identification of perceived threats to Australian security interests and the mobilisation of preventive and remedial responses.

The case for intervention in Solomon Islands was set within this broader strategic framework and was articulated most clearly in the influential report published by the Australian Strategic Policy Institute (ASPI) in June 2003. Solomon Islands is identified as a failing state. The report provides vivid warning of the risk of its reversion into 'a kind of post-modern badlands, ruled by criminals and governed by violence' (ASPI 2003:13). State failure in Solomon Islands would, in ASPI's view, render it susceptible to the predatory and violent activities of local warlords, transnational crime syndicates and maybe even terrorist organisations. Such a scenario would not only be catastrophic for Solomon Islands, it would pose a direct threat to Australia's own security interests. The risk of state failure in our immediate neighbourhood has become the basis of the new security paradigm. Within this paradigm, the focus is squarely upon the manifestations of state failure and the threat these present to Australia, rather than upon the internal dynamics of failure in the country concerned.

The ASPI report also provides a regional perspective, noting that while the Solomon Islands state is closest to 'total collapse', some of its Melanesian neighbours are not that far behind. The next cab off the rank, in the view of many in government, is PNG, Australia's largest and most challenging Pacific neighbour. There have been longstanding concerns about rising levels of financial mismanagement, corruption, political instability, and law and order in PNG. These concerns, in combination with the renewed focus on regional security and the success of the first phase of RAMSI, culminated in the Australian Government's offer of a substantial package of enhanced assistance to the PNG Government late last year, subsequently agreed to at the Ministerial Forum in Adelaide in December 2003.

## **Difficulties with concept of 'failed states' in Melanesian context**

While the concept of 'failed' or 'failing' state is now used regularly in the Pacific Islands context, there have been few attempts to

ground it in the particular histories and socio-political contexts of the region's post-colonial states. It has become a convenient device for justifying various forms of external engagement, rather than an instrument of analysis. The notion of a 'failed' or 'collapsed' state assumes that at some point it was functioning properly, presumably in a manner similar to the 'successful' states of Australia and New Zealand. However, even a cursory reading of the short history of states in PNG, Solomon Islands or Vanuatu serves to dispel this assumption. The Melanesian state has never operated effectively in the way it has in Australia and New Zealand. On the contrary, one can argue that the main problem of state in these Melanesian countries is that it has yet to be properly built. We are still talking about the nascent stages of state and nation building in countries with a short experience of centralised administration, among the highest levels of ethnic diversity in the world, and, as yet, little sense of common identity.

Beneath many aspects of today's challenges of governance in the Melanesian countries lies the lack of fit between the introduced institutions of the modern nation state and the multiplicity of indigenous micro-polities and social forms that continue to adapt and exert influence at all levels of 'modern' society. The consolidation of state power remains incomplete and has been resisted intermittently at local levels in parts of Solomon Islands, PNG and Vanuatu during both colonial and post-independence periods. 'National' politics continues to be grounded in localism rather than national interest. Almost 30 years after independence, the sociopolitical realities in each of these countries remain relentlessly local.

Following on from this, the challenge of state building in Solomon Islands or PNG is not to simply rebuild that which has ostensibly 'failed' or 'collapsed'. Indeed, to do so might be to simply invite future 'failure'. What is needed is a different approach to state building that addresses directly the complexities of trying to build a unitary state and sense of 'nation' in such fragmented and diverse environments. This cannot be achieved quickly or simply engineered through a massive infusion of external resources and expertise. Nor can it be accomplished by focusing exclusively on state structures. It is the dysfunctional character of state-society relations that needs to be addressed if sustainable improvement is to be achieved.

## **The Regional Assistance Mission to Solomon Islands**

RAMSI was deployed in July 2003 in response to an appeal from the Solomon Islands Prime Minister, Sir Allan Kemakeza. What began as an ethnic conflict had degenerated, since the Townsville Peace Agreement in October 2000, into the effective capture and paralysis the Solomon Islands state by a small cohort of armed ex-militants, including renegade police officers and corrupt leaders. Australia's response was to mobilise a regional assistance

mission led by a police contingent of some 330 officers, mainly from Australia but with participation from other Pacific Forum member states. The Participating Police Force (PPF) was initially supplemented by around 1800 military personnel from the region, again mainly Australian. The military force has been gradually reduced as the security situation has improved. Restoring law and order was the immediate priority, to be followed by a comprehensive reform program aimed at stabilising government finances, balancing the budget and reviving investor confidence, as well as strengthening the law and justice sector and rebuilding the Solomon Islands police force.

As mentioned earlier, the initial phase of RAMSI has gone remarkably well. A significant number of the illegally held high-powered weapons have been surrendered or confiscated. The most notorious former militants are now behind bars and peace has returned to Honiara and other areas affected by the recent conflict. RAMSI's efforts to cleanse the Solomon Islands police of criminal and corrupt elements have resulted in the resignation or dismissal of over 25 per cent of serving officers. With the restoration of law and order, the mission has now entered its second and more challenging phase involving the implementation of comprehensive governance and economic reform.

While popular support for RAMSI remains high, there are some issues that need to be addressed if the mission's longer term objectives are to be achieved. RAMSI's leadership is well aware of most of these issues and is seeking to address them. The first relates to a concern expressed by many Solomon Islanders that RAMSI has been less zealous in prosecuting cases of high-level corruption than it has in relation to criminal activities by former militants. This, in turn, has fuelled a belief in some quarters that RAMSI inadvertently provides a cloak of legitimacy for corrupt leaders and a government that have limited legitimacy in the eyes of many Solomon Islanders. For its part, RAMSI officials have expressed frustrations at the lack of reliable evidence on which to base prosecutions in these cases and have regularly called for members of the public to provide relevant evidence.

Another broad concern relates to what appears to be the limited opportunities for ordinary Solomon Islanders to participate in and influence the work of RAMSI. The sheer scale of RAMSI in terms of the resources at its disposal and the range of activities it is involved in underlie its popular image as the dominant force in post-conflict Solomon Islands. Without the active participation and engagement of Solomon Islanders, there is a risk that RAMSI will simply reinforce dependence on external assistance. Solomon Islands academic Tarcisius Kabutaulaka points out that RAMSI's dominance could lead to either a debilitating dependency or, alternatively, a perception of foreign occupation (Kabutaulaka 2004). He notes the popular saying '*weitem olketa RAMSI bae kam stretim*' ('wait for RAMSI,

they'll fix it'), as an expression of this growing dependency. The very prominent stance adopted by senior RAMSI and Australian High Commission officials in opposing the Honiara government's award of a pay increase to public servants in January 2004 bordered on political interference and attracted criticism in both Solomon Islands and Australia (Wielders 2004). There is a thin line between RAMSI's dominant position in post-conflict Solomon Islands and perceptions that it is actually the 'real' government in control of political and economic decision making. Such perceptions cannot, of course, be resolved by RAMSI alone. There is a clear need for decisive leadership among Solomon Islanders and a much more active participation in the reform process.

RAMSI's post-conflict recovery work has understandably focused on key state institutions, such as the police and finance ministries. In the longer term, it is also important to engage with non-state entities that continue to exercise considerable influence over the lives of ordinary Solomon Islanders. These include the churches, NGOs and other agencies of civil society. Building social and economic capacity at local levels is a critical aspect of nation building in Solomon Islands. As Kabutaulaka puts it: 'To achieve sustainable peace and rebuild Solomon Islands there is a need to strengthen both state and non-state entities. This is especially important in a plural society where the state will always share power with other organizations' (2004:2). The work of the Australian-supported Solomon Islands Community Peace and Restoration Fund is a good example of how this engagement with communities can be nurtured.

There is also the question of what kind of state system is most appropriate to Solomon Islands' present and future needs. The highly centralised model inherited at independence is implicated in many aspects of recent problems. While there are serious flaws in current proposals to adopt a federal system, reform of the existing framework of government, in particular, relations between the political centre and the island provinces, needs to be prioritised. It is also important to ensure adequate levels of consultation and debate about the economic and public sector reforms being implemented under the auspices of RAMSI. Reforms that accentuate existing divisions between regions and individuals and that fail to improve access to services and economic opportunities among the bulk of the rural population will lead to growing levels of discontent and could result in future conflict.

### **Enhanced Cooperation Program in Papua New Guinea**

The Enhanced Cooperation Program (ECP) in Papua New Guinea includes additional Australian assistance to policing, law and justice, and border management, as well as economic and public sector management. Up to 230 Australian police

officers will be deployed in Port Moresby, Lae, Mount Hagen and along the Highlands Highway, as well as up to 20 officers in Bougainville. Four hundred new PNG police will also be recruited under the program. The policing component has been costed at A\$800 million over a five-year period and is additional to the existing A\$350 million a year Australian aid program to PNG. While many of the civilian officials are already at work, the deployment of Australian police has been delayed owing to disagreement between Australian and PNG governments over their conditions of employment. This has centred on Australia's insistence that they be provided with immunity from prosecution under PNG law and PNG's refusal to grant blanket immunity. Power plays in the PNG parliament around a possible vote of no confidence against the government have resulted in further delays. The impasse over immunity now appears to have been resolved and, subject to the ratification of the new treaty by both the Australian and PNG parliaments, Australian police should be in position within a few months.

Some members of PNG's political elite have expressed reservations about Australia's new approach and, in particular, about parallels drawn between PNG and the 'failing state' in Solomon Islands. Although there are similarities, there are also important differences between the two countries. There has been no armed takeover in Port Moresby, nor the forcible ousting of a democratically elected government. While the state and the police force may be weak, they have certainly not collapsed. Likewise, PNG's well-known law and order problems are not the result of a major internal conflict. PNG has long been the largest single recipient of Australian development assistance and a significant amount of this has been directed at the law and justice sector and, in particular, the police. Although there have been some improvements, the otherwise disappointing results of almost 15 years of Australian aid to the PNG police has been another important contributor to the formulation of the ECP.

There is no denying that PNG faces major challenges of financial management, economic development, governance, corruption, political stability, and law and order. While some have taken exception to the Australian Government's new stridency, a younger generation of political leaders and many ordinary Papua New Guineans see the offer of additional assistance in more positive terms; as a chance to make a real start in addressing long-neglected problems. In many respects, the recent friction between Australia and PNG has been more about style than substance. There is broad agreement on both sides that the Australian aid program can be made more effective. The ECP is no panacea, but it does offer much-needed assistance in areas requiring urgent attention.

As with RAMSI in Solomon Islands, there are a number of broad issues that can be raised in respect of the ECP. Much of

the marketing of the ECP to the domestic Australian audience has focused on the perceived threats to Australian security presented by its lawless northern neighbour. This has included an emphasis on PNG's alleged susceptibility to transnational crime and terrorism. While this may be an effective way of selling the program in Australia, it is less convincing in the PNG context. Threats of international crime and terrorism in PNG are dwarfed by more pressing internal security matters. PNG's 'law and order' problems are complex and diverse. They are not simply a reflection of the weakness of the law and justice system. While that system, particularly policing, needs to be strengthened, there is also a need to address some of the underlying issues that are contributing to high levels of internal conflict and lawlessness. This would include the larger processes of urbanisation, impoverishment (particularly in rural areas), and marginalisation of a significant proportion of PNG's young and rapidly growing population. In short, many of the so-called law and order problems are simply not susceptible to law and order solutions alone.

Papua New Guinea has already embarked on an ambitious program to reform its law and justice system. It is important that the additional support provided under the ECP be integrated into this existing reform program. The law and justice component of the ECP is highly state-centric with its focus on strengthening the principal agencies of the formal justice system. PNG's new law and justice policy also emphasises the need to mobilise and strengthen community-based resources in order to strengthen dispute resolution and peacemaking at community levels. The community orientation of this policy recognises that there are many examples of successful dispute resolution and peacemaking occurring in communities throughout PNG and that these provide an important foundation for building a more socially appropriate and sustainable justice system. The remarkable example of grassroots reconciliation and peace building in post-conflict Bougainville provides the most dramatic example of this largely invisible and untapped resource. It is important that the assistance provided under the ECP does not detract from the longer-term goal of building justice capacity at both state and community levels.

## Conclusions

Australia's renewed engagement with its troubled Melanesian neighbours is to be welcomed. It provides a unique window of opportunity for addressing some of the most outstanding challenges facing the governments and peoples of the region. Having embarked on this path, it is important that the Australian Government enters into genuine partnerships with recipient governments and the broader communities in the countries concerned. Achieving adequate levels of local ownership and participation is critical to the effectiveness and sustainability of

these initiatives.

The whole-of-government approach involved in these engagements also presents new challenges. There are now more bits of the Australian Government involved in development assistance than at any time since independence. Issues of coordination are clearly critical, not least to avoid reproducing Canberra's bureaucratic rivalries in Honiara or Port Moresby. It is also clear that the Prime Minister's office has adopted a lead role in the formulation and steering of Australia's new interventionism. This will have inevitably contributed to some tension and resentment, particularly among the traditional institutional providers of development assistance, notably AusAID and the Department of Foreign Affairs and Trade. It also means that key decisions are being made increasingly by those lacking extensive regional and development experience.

A further generic concern relates to the state-centric character of the assistance being offered under the auspices of these engagements. The weakness of state in Melanesia reflects, in part, the glaring disconnect between the realms of formal and non-formal governance. The latter continues to have considerable impact at all levels of modern society. 'Top-down' solutions do not have an impressive track record in the region. Indeed, some would argue that the traditional focus on state

institutions has actually contributed to recent problems of instability and disorder. While addressing the deficiencies of particular state institutions is necessary, it is also important to engage with structures and processes at local and community levels.

A final point relates to the sustainability of these new engagements. With the deployment of increasing number of Australian personnel, the obvious question is what happens when they leave? Ensuring the long-term sustainability of these programs remains a major issue.

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# Aid to the Pacific: Challenge for change

Rodney Cole, Centre for South Pacific Studies, University of New South Wales

## Introduction

After an association of over half a century with most aspects of assistance to developing countries by those more richly endowed (commonly referred to as aid) I have reached two very simple conclusions. Firstly, aid is generally beneficial to both parties. Secondly, there is need to treat aid as a partnership between those parties involved. Untied aid can lead to abuse; conditional aid can cause resentment. As a sign of maturity and partnership between bilateral donor and recipient, aid in whatever form should be treated as part of the national exchequer. Under such arrangement recipients would be required to apply controls similar to those exercised over their own revenues. In addition, a meaningful national financial contribution in support of individual aid related activities should satisfy donors that their support would be effectively managed.

## A brief history of aid in the Pacific

Prior to influences from outside the region, the islands of the Pacific enjoyed an essentially subsistence economy. Contact between island groups involved both trading and warfare, but generally production was designed to meet basic domestic needs. Following intrusion from the West, plantation industries developed, which in turn called for commercial labour and a monetised economy. A consequence of commercial developments in many instances was colonisation, either *force majeure* or by invitation. Generally, the colonial powers were reluctant to make any substantial financial investment in their colonies, expecting them to meet all but limited capital investment from domestic revenues. Social progress was modest, investment in infrastructure limited, and the economy dominated by profit-oriented foreign interests. Primitive communications with the world outside the region meant that aspirations for a consumer-oriented lifestyle on the part of the majority of the populations remained modest.

The Second World War brought the islanders into contact with new ideas, and slowly ambition for increased self-determination heightened. The prospect of political independence was fostered by the United Nations, as well as by colonial governments that saw little profit in possessions that returned nothing to the national exchequer. Local politicians became increasingly anxious to enjoy the gains inherent in national leadership. Flag lowering and raising ceremonies saw

the transfer of power to national hands, and with this came responsibility to demonstrate that life for the people would be better under a new regime.

Associated with this move to political freedom there was high-sounding rhetoric that revolved around issues such as self-reliance, equitable distribution of benefits, equalisation of incomes, an integrated society, employment creation, cash-oriented agriculture and so on. These were heady times, and the leadership believed quite sincerely that ambitions, allegedly restrained by colonial governments, were now truly achievable. Of course, there would be problems in finding the cash to meet ambitious targets because local revenues were still highly inelastic, but it was only a matter of accessing the resources of the developed world and all would be well. The age of 'foreign aid' had arrived.

*Foreign aid: the transfer of public funds in the form of loan or grants directly from one government to another (bilateral assistance) or indirectly through the vehicle of a multilateral assistance agency like the IBRD (World Bank) (Todaro 1985:586)*

Since gaining political independence, the island states of the Pacific have increasingly looked to foreign aid as a means of supporting national budgets. For the most part, aid is directed to capital programs although recently, as in Papua New Guinea and Solomon Islands, recurrent costs associated with law and order are included. The effective domestic management of aid in order to maximise the benefits it can offer and at the same time meet donor requirements presents a major challenge. This challenge poses the question: are present practices the most effective way of managing the diverse forms of aid now available to Pacific Island countries?

Before considering this challenge it is not inappropriate to note the perceived benefits of aid, and the reasons for giving and receiving such largess. Perhaps the most common reason for the giving and receiving of foreign aid is that it fosters growth and development, as a consequence of which populations are better off in terms of living standards. But there are more subtle reasons. Donors can be motivated by political, strategic or economic self-interest, although genuine humanitarian reasons can be substantiated. Australia's policy is quite unequivocal: 'The objective of the [aid] program is to advance Australia's national interest by helping developing countries reduce poverty and

achieve sustainable development' (AusAID 2003:7). Recipient countries take a more pragmatic approach, justifying their aid seeking by referring to matters such as self-sustaining growth, shortage of domestic resources and structural transformation. Some may play one donor against another where strategic benefits exist, or, even at this late stage, seek compensation for alleged past exploitation.

As independence appeared inevitable, the colonial powers set about strengthening the ability of their dependencies to finance capital investment. For example, Australia initiated a World Bank mission to review the economic potential of Papua New Guinea, while Fiji explored the prospect of international loan-raising in Australia.<sup>1</sup> At the time of achieving political independence, the Pacific Island states negotiated with the colonial powers what seemed then to be reasonable programs of ongoing financial assistance, designed to underwrite immediate plans for economic growth. But national financial needs quickly outstripped this legacy, and the new leaders turned to alternate sources of aid — the multilateral agencies and beneficent foreign donors. While there have been the inevitable wrangles between donor and recipient, it is without doubt that island governments have managed with success to extract from the donor community substantial financial and other contributions to support their development and related objectives.

### **Current factors and effects of aid in the Pacific**

The purveyors of aid are not driven by altruism and need to be mindful of their own agenda, which may have consequences not always to the liking of recipient countries. For example, multilateral agencies concerned with fiscal issues regularly monitor the economic and social performance of client states and the region. The results of such studies are usually available in the public arena. An example is the World Bank's 1996 *Pacific Island Economies: Building Resilient Economies for the 21<sup>st</sup> Century*. The Asian Development Bank (ADB) has foreshadowed a regional strategy paper that addresses its concern for island economies faltering in spite of continuing substantial foreign aid.<sup>2</sup> Bilateral donors such as Australia and New Zealand seek to influence the activities of island governments through studies on a host of matters including governance, the environment, population growth, structural adjustment, rural practices, health, education and economic performance.

Australia, as with other bilateral donors, undertakes regular reviews of aid policy through the Australian Senate's Foreign Affairs, Defence and Trade References Committee. The most recent inquiry reiterated Australia's concern for the region with a different bias from that quoted from AusAID's Annual Report 2002–2003, stating that 'economic self-sufficiency and fiscal

reform is a key objective for Australia and the region' (FADTRC 2003:xvi). A wide range of United Nations affiliates, foreign governments, regional bodies (for example, the South Pacific Forum and the South Pacific Community), as well as non-government organisations, all offer advice and commentary on regional and country matters.

Given this plethora of advice, and, seemingly, access to an almost unlimited supply of finance (on donor terms), it seems odd that the Pacific Island states are not making dramatic headway in the pursuit of self-sustaining economies. Numerous reasons are advanced for poor social and economic performance: readers concerned to consider these are referred to Siwatibau's (1991) article in *Aid and Development in the South Pacific*, wherein are listed 25 'physical and economic characteristics bearing upon the development prospects of the Pacific island countries'. In agreeing with Siwatibau, the author also believes that there a number of quite basic fundamentals that are a prerequisite to the effective use of foreign aid in the development paradigm. These include: 'adoption of stable, sensible macroeconomic policies which promote low inflation and a competitive exchange rate ... fair investment rules for both foreign and domestic investors ... [and] high standards of law and order' (Cole 1996:8).

But even if governments were able to offer the perfect aid-responsive environment, there is that imponderable — the human element. Against the highly trained and ambitious staff of the numerous donors, each with its own management requirements, are ranged the politicians of recipient countries, together with staff responsible for handling foreign aid matters. Understandably, perhaps, these three groups have quite different agenda. The former undoubtedly have targets to meet, as well as justifying the disbursement of their wares, and they seldom hesitate from offering critical though well-meaning advice on a host of subjects. Politicians, anxious to impress the electorate, keenly pursue the aid dollar and enjoy foreign excursions associated with the industry. They are sufficiently impervious to the criticism of donors to shrug off most strictures while paying lip-service to suggestions for change where this is may facilitate the flow of largess.

Pacific Islanders generally have the ability to hide real feelings, but hurts can linger. Administrative staff struggle constantly to meet the demands, and often barely concealed criticism of both parties. The Senate committee offered this comment: 'Evidence to the Committee has suggested that many state institutions have almost no capacity to implement policies whether they are directed at national issues or the delivery of services at the local level' (FADTRC 2003:111). The fact that aid continues to flow is probably sufficient acknowledgement that, despite the burden of managing the demands of donors and politicians, the staff are not totally bereft of skills or perhaps that such lack is overlooked for wider interests.

## Exploring effective aid alternatives

Under the circumstances described it would seem that a challenge of considerable proportions exists. All parties associated with the economic development of Pacific Island states are committed, for one reason or another, to their wellbeing. Substantial quantities of money and loads of advice is available, as well as recognition of the numerous constraints faced by individual countries. But despite all this the ADB notes 'disappointing growth and rising poverty' in Papua New Guinea (Radio Australia, 20 February 2004). The Senate committee makes a frank assessment of the position.<sup>3</sup> Political and social upheavals and adverse climatic events all contribute to slow growth, but, while statements by island leaders continue to foreshadow dramatic progress, real improvement in the lot of the people seems as far off as ever.

Do alternatives to existing practices exist which might offer a more effective system of aid management? In their submission to the Australian Senate, the British institution OXFAM appeared to suggest that a clash of cultures existed, with donors imposing their standards of reporting, and failing to appreciate that the 'Pacific Way' requires a different approach to the management of aid.<sup>4</sup> While this view might appear rational, it must not be forgotten that aid administrators in most Pacific Island countries are well-trained university graduates with a sound knowledge of the Western economic system and how it functions. Members of the academic community are, of course, always anxious to air their views despite limited experience in the applied sides of aid management.

The donor community was firmly taken to task by Dr Epeli Hau'ofa in a seminar organised by AusAID's predecessor in the 1980s. In his opening remarks he expressed the view that:

the word *aid* is a misnomer [in] that it distorts the reality of our relationships [between donor and recipient countries] ... that it perpetuates the feelings of superiority and inferiority fostered initially during the period of colonialism, that it helps to maintain paternalism in the relationship between sections of communities, that it contributes to the erosion of the sense of self-respect that people have of themselves as individuals or as groups, and that it leads to all kinds of cynical and corrupt practices. The well known problem of dependence mentality is inextricably woven into the connotations and applications of the word aid and all those other terms associated with it such as donor, recipient, gift, grants-in-aid and so-forth.

Hau'ofa argued that as 'our various communities (not quite synonymous with country) have long ago been drawn to operate within a single economic system then in reality aid should be treated as the flow of resources between communities'. He suggested that if this concept is accepted then to 'call this essential flow aid is therefore to distort reality. We are not dealing with gifts and handout; we are dealing with necessities, the requirement of our system'. If this is the case, South Pacific

countries 'are in fact negotiating for their rightful dues from scarce common resources'. He concluded: 'If we discard the notion of aid, we will be able to view our reality with greater clarity, to negotiate more honestly for equitable distribution of scarce resources, and to mobilize and use these resources more wisely because they are ours by right and not handouts from others.' While the challenges issued by OXFAM and Hau'ofa to introduce new determiners into the aid paradigm may well have their supporters, it seems unlikely that donors will readily eschew the satisfaction of exercising control over aid programs that often reflect their own national priorities.

There may be yet another way to meet the challenge of increasing aid effectiveness and that is by changing the often-held perception of recipients that aid is something apart from their national purview. The challenge is to change this perception; to engender a sense of real ownership of aid-funded activities. This might appear a simple proposition, but it is difficult to achieve? The project Pacific 2010 (which involved the writer in the 1990s), considered the implications of population growth for the environment, natural resources, education, etc in a number of island states. The project raised issues likely to affect long-term national welfare, and produced cogent reasons for considering corrective action. Efforts were made to encourage a feeling of 'ownership' of the various studies, but without success. Not, it appeared, on account of lack of interest in the individual studies, but rather because the time horizon for the effects of expanding populations were beyond the immediate concern of political leaders, who saw little benefit in 'ownership'. Hopefully, attitudes towards aid-funded activities will be different.

To meet this challenge of creating a feeling of 'ownership' for aid-funded activities appears, on the face of it, quite simple, but to accept change in existing practices may prove difficult for both donors and recipients. The challenge is based on the premise that a country owns every item included within its national budget. Budget items, to achieve the imprimatur for execution, must be endorsed by a vote of the national parliament. But before being put to the vote they are normally subject to technical and political scrutiny. So why not include in the budget each and every activity that is aid related, be it of a recurrent or capital nature? And then go one step further, include in every project or program that might eventually be aid funded a counterpart contribution from the national exchequer.

The mechanics of this new system would work something like this. A decision is taken to embark on a particular project or program. It goes through the evaluation processes and in the course of this may be determined as worthy of an approach to a donor for support — either a grant or a loan. The potential aid-funded activity would then be included in the budget, referred to the parliament in the normal course of events, and

voted upon. Once accorded parliament's 'seal of approval' it would pass into a 'reserved' category. Formal negotiations with donors would then take place and, if the activity is agreed as aid worthy, a letter of 'intent to fund' would issue. This letter would detail the terms and conditions upon which the grant or loan would be implemented. Ultimately, the agreed aid support would flow into and through the nation's consolidated revenue account in the same manner as domestically generated revenue, but it would be clearly designated for a specific purpose.

In addition to the donors' obligations, the letter of 'intent to fund' would specify a predetermined cash contribution, which would be the responsibility of the recipient government. This local contribution would be a crucial component of the agreement, as it would send a clear signal that government intends to apply the same rigour during the implementation period of the activity, and thereafter, as it would apply to state-funded activities. This would include ultimate scrutiny by audit and the parliamentary accounts committee. The amount of co-finance that the recipient government might be expected to contribute to any particular activity must be meaningful and expressed in financial terms rather than say manpower or real estate. Also germane in establishing the level of recipient co-financing would be the size of the national budget. (The writer accepts that setting the quantum of co-finance may be a marginally complex matter to determine, but, once the principle is accepted detail, it can be resolved depending on the nature and cost of individual activities.)

In recognition of the recipient government's willingness to agree a contribution towards the cost of an aid-worthy activity, and its recognition of it as a truly national responsibility, donors might consider the vexed issue of ongoing maintenance of capital projects. This recognition might take the form of a contribution equivalent to the recipients' cash input, to be lodged in a trust fund and disbursed over time, following joint consultation. The Tuvalu Trust Fund would not be an inappropriate model in such a case.

## Conclusion

The challenge for change in any bureaucratic process, especially one involving a foreign party, is never easy to pursue. There is comfort in existing, familiar practices, and change for change's sake is never a wise move. However, there are times when change becomes an essential ingredient in the demonstration of national maturity, and manifests as a desire to move beyond the role of

applicant in the international aid market. To claim undisputed ownership of any activity in the manner suggested can only be regarded as a sign of true independence.

## Notes

1. In the event Fiji was denied the right to borrow in a reserved area on the grounds that to do so 'would make it impossible to deny Reg Ansett similar rights'. However, the Australian Treasurer, Sir Richard Randall, promised that he 'would do something to meet Fiji's needs.' This led to a substantial gift of wheat, which Fiji had the right to sell to the miller supplying Fiji's flour needs and with the proceeds being credited to the Capital Fund (Source: author's personal involvement).
2. 'The ADB says that Pacific Islanders must make what it calls a "jolting transition" to join the new global economy in order to survive. In a new report, the ADB says that Pacific countries must abandon old habits and traditional ways, or risk being left further behind. The Manila based organisation's principal external relations specialist, Ian Gill, says there has been steady erosion in the quality of life in the Pacific Islands. He says the causes range from external shocks, to internal mismanagement, to corruption. The ADB is currently working on a new Pacific strategy to respond to what it calls "disappointing growth and rising poverty" in larger Pacific economies, particularly Papua New Guinea.' (Pacific Beat, Radio Australia).
3. 'Much of the evidence presented to the Committee raised concerns about the current state of many of the economies of the Pacific. Many submissions argued that countries such as Papua New Guinea, Nauru and the Solomon Islands are confronting a worse economic and social outlook in 2003 than they were at independence' (FADTRC 2003:xiv).
4. 'OXFAM argued that the definition of development should incorporate a recognition of traditional value, knowledge and initiatives, cultural identity and belief systems, over which, communities develop the organisational capacity to control the rate and nature of change' (FADTRC 2003:103).

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# Judging success in a post-conflict environment — whose criteria? Solomon Islands CPRF as a case study

*Marjorie Sullivan, Resource Management in Asia Pacific, Australian National University*  
*Judi Pattison, Solomon Islands Community Peace and Restoration Fund*

## Introduction

The Solomon Islands experienced several years of internal unrest that ended formally in October 2000. Following an AusAID humanitarian and rehabilitation assistance mission in August 2000, the Solomon Islands Community Peace and Restoration Fund (CPRF) was established as a transition activity in a post-conflict environment operating at grassroots level. It provided small grants to community groups for rehabilitation, resettlement and reintegration activities. In response to increasing demands from communities as government services continued to decline, CPRF evolved well beyond the original scope of services and became widely perceived as a project rather than a fund.

The issue of improving the effectiveness of aid interventions in conflict and post-conflict situations is increasingly relevant. Evaluating the success of such activities raises interesting issues of how success should be measured. Who judges success? And by what criteria? We will use CPRF to examine differing perceptions of successful social development in a post-conflict environment, and how the traditional criteria for judging success, such as audit and evaluation reports, can be reconciled with partner and community stakeholder perceptions. We will suggest how these observations can be applied to the flexible, rolling designs that are becoming the common means of development program delivery.

## CPRF history and the context for intervention

Unrest from ethnic conflict in Solomon Islands ended formally in October 2000. It involved armed militants (particularly youth) and led to displacement of families, destruction of (probably more non-government, for example private homes) property and exacerbated a breakdown in government systems that had failed to deliver basic services for several years. Guadalcanal and Malaita were impacted directly, but people across all provinces were affected.

An AusAID humanitarian and rehabilitation mission in August 2000 recommended a number of interventions including the establishment of a community peace fund. Their report provided the original rationale and goal for what became the

Community Peace and Restoration Fund (CPRF) and served as its foundation document (Solomon Islands Reintegration and Assessment Mission, AusAID (HES) August 2000). The mission observed that while the conflict was primarily ethnic, there were other contributing factors, including inequitable access to development, perceived injustices around land compensation, clashes between traditional and modern values, and individual power seeking. In addition, many issues existed prior to the crisis and were the product of chronic under-development, so there were no quick-fix solutions. Some problems, for example, resettlement of displaced persons, resulted directly from conflict.

The small scale of most sector activity, the existing roles of different levels of government and the involvement of other donors precluded Australian aid from focussing on any one area. In addition, the scale and capacities of available delivery mechanisms meant no single group offered scope to provide a broadly based community response and that most organisations would benefit from capacity-building support.

The mission identified strategic opportunities that would promote peace and address both long and short-term needs. These recommendations guided the approach of the CPRF. For a durable solution to the crisis to be found, the local population had to maintain ownership of the peace process. It was recommended that Australia should take a flexible approach and establish a broad-based community peace fund that could target all sectors and delivery mechanisms. The CPRF's goal should be to provide incentives to communities to pursue peaceful resolutions to disputes and to assist them to address priority community concerns. The objective was to provide support for small-scale, community-based initiatives, which met the reintegration, resettlement and rehabilitation needs of affected populations in a manner that promoted peace and reconciliation between parties to the conflict. Criteria for the CPRF included that:

- activities be underpinned by reconciliation and peace-building objectives rooted in community participation, to act as vehicles to strengthen communities, as well as address needs;
- activities to have broad-based support within the community;

- maximum use of local resources and institutions (with unemployed and underemployed youth a priority);
- immediate tangible benefits;
- support to local capacities for peace; and
- guidelines to allow for the provision of emergency relief assistance as needs were identified.

Activities commenced under CPRF in November 2000 for six months, and addressed immediate needs, including facilitation of peace-building meetings, provision of small-scale infrastructure, including water supplies, rehabilitation of educational and health facilities, community-based road repair and community training. Key objectives were responsiveness, equitable distribution of projects in all provinces (later all wards) and to women and youth, as well as to men. Delivery involved selecting and training provincial coordinators as community facilitators. As CPRF evolved, the coordinators acted as extension agents, so community projects shifted from those meeting immediate post-conflict demand towards sectoral interventions and community development in which the coordinators received trainer-training.

CPRF was reviewed repeatedly, and its tenure extended each time. During the first two years CPRF changed from responding to an emergency situation to meeting requests for a wide range of longer term livelihood support. In November 2003 a design was undertaken for a more comprehensive follow-on Community Sector Program (CSP) to incorporate the lessons learned from CPRF and build upon that project's systems and networks. CPRF will end in December 2004, with a total allocation of about A\$21 million.

### Locating CPRF in the overall development context

There are several theoretical frameworks for locating and assessing the work of CPRF. Relevant development questions in this context are: What is (good) community development in a post-conflict situation? Are affected communities and local stakeholders the best judges of project success, and are lessons from a post-conflict context transferable to broader development theory?

In summarising the Reflecting on Peace Practice Project, Anderson(2003) provided a comparable framework for CPRF as a modality for development, suggesting two basic models for international agencies: one for working directly on conflict; the second for working within a conflict situation to address short-term development needs and mitigate the immediate effects of conflict.

CPRF was established to operate in the second model. It was to contribute to overall peace building, as well as to ongoing development: the former was intended to lead directly to the

latter. The CPRF was intended as a *transition phase* activity, providing incentives and mechanisms for promoting longer term development. It needed to be flexible and responsive, taking advantage of emerging opportunities, identifying and addressing community needs in a variety of contexts and sectors.

Conflict ceased officially in October 2000, but skirmishes and lawlessness accelerated until the Regional Assistance Mission to Solomon Islands (RAMSI) intervention in July 2003. It is the opinion of many (for example Bennett 2002, Chand 2002, Hegarty et al. 2004) and confirmed in the PCDA, that until the original causes are addressed the potential for conflict remains. Ongoing support is needed, and flexibility, responsiveness and processes for promoting peace and stability through community-based activities will need to continue.

While there are obvious differences in scope, size and method of operations, there are similarities between CPRF and RAMSI (see Hegarty et al. 2004). Both required rapid response and impact achievement, and conscious risk taking in their initial stages; both necessitated the establishment of interim parallel systems in the absence of adequate local systems; both were planned interventions, but without standard design frameworks, operating in a shifting, post-conflict environment; and both present challenges for measuring impact by conventional means.

### Alternative perceptions of CPRF

The CPRF could be viewed either as the building of a project from a set of activities or as a response to a changing context. AusAID (2004) noted that since it began in 2000, CPRF had grown from a set of activities responding to the immediate emergency restoration and rehabilitation needs of communities affected by the ethnic tension, to a successful project organisation. From a traditional aid perspective, its evolution meant that CPRF was not designed as a project, but as it evolved well beyond its original scope of services, it grew to resemble one. Thus, by the end of 2001, the CPRF had become widely perceived as a project and its performance has come to be judged as if it had been designed as an integrated community support project.

As CPRF evolved, its overall goal and objectives were modified to reflect the changing context. In 2002 the goal became to build self-reliance, cohesion and positive relationships between and within communities throughout Solomon Islands by providing incentives and assistance to address priority community concerns. The objective was to provide support for small-scale, quick impact, community-based initiatives, which met reintegration, resettlement, rehabilitation and longstanding community development needs in populations directly or indirectly affected by conflict.

In 2001 collaboration between AusAID and CPRF produced preliminary performance indicators and guidelines

that were further developed by the provincial coordinators in consultation with communities. Subsequent monitoring was undertaken against a set of indicators to measure community 'wellbeing', including cohesion, self-reliance, and the state of peace, as well as against sector-specific achievement indicators.

Lacking a formal and directive-planning ('positivist') framework, CPRF was by its nature truly responsive to community demands and flexible. This experience suggests it is useful to start in an unstructured way for flexible, rolling designs. This approach gained the confidence of both rural and urban communities, and enabled good communications to be established between the project and those stakeholders. Because it had a fund to implement small projects to meet needs and demands, CPRF won the confidence of provincial government agencies, and NGOs whose agendas included service delivery. In an environment where government structures were weak, CPRF established the only countrywide network of provincial coordinators, women's network facilitators, communications (radio, email and telephone), and outreach to traditional systems such as councils of chiefs.

Such responsive development is not without risks. One risk is that government systems and offices may be bypassed. Any follow-on program will need to focus on (re)building the capacity of institutions, but, in the absence of effective government services, a key benefit of CPRF has been the establishment of a provincial and community outreach network widely appreciated by Solomon Islanders and by other donors.

## Monitoring and evaluation dilemmas and challenges

Evaluating the success of such an activity raises interesting issues for development agencies, partners and stakeholders: Who judges success? And by what criteria? It is reassuring that the issues raised in evaluating CPRF impact are common in conflict related programs. Until recently, there were few internationally agreed guidelines for such work, but there have been attempts by peace and development agencies (for example, the Berghof Research Center) and practitioners (for example, Anderson 1999, 2003) to address the issues. They recognise both the difficulty in measuring impacts of this work and the need to persist in developing appropriate methodologies. Anderson's (2003) research-based guidelines included transferable lessons, including that:

- the more accurate the diagnosis of the elements of a conflict and the specification of a strategy to address precisely these elements, the more likely will an approach be linked to conflict resolution and peace promotion;
- there are inherent difficulties both in measuring impacts in complex dynamic environments, and attributing them accurately to any intervention;

- the need to focus on perspectives of local stakeholders who invariably have opinions about impacts and causation. On site, it is often not difficult to determine the immediate, unambiguous impact of an activity;
- attribution through public opinion is only partially reliable, but observation of actual behaviour, coupled with gathering broad opinion, is instructive in understanding how effective an agency has been in achieving its intended outcomes; and
- that there is a need to monitor process as well as outputs. Traditional activity monitoring and evaluation (M&E) focuses on assessing the intended outputs; conflict-sensitive M&E also requires understanding how the context changes over time and measuring the interaction between the project and the context. This is reflected in the relationship the project has built with stakeholders. (see also FEWER 2003).

How does CPRF rate against these criteria? It has evolved as peace has been restored, and community demands have shifted towards longer term concerns. Outputs in the form of improved services and infrastructure are observable. AusAID's 2000 diagnosis of the elements of the conflict was confirmed by the PCDA (UNDP 2004), and CPRF has worked to address each of these within its operational parameters. As an outcome, public opinion is very positive. Overall, CPRF could be judged as very successful. Monitoring has been of case-by-case delivery, not of wider impacts or changing context. A challenge remains to demonstrate the consolidated effect of CPRF activities on higher level goals of transforming conflict and affecting development at the macro-level. The broader topic of 'good community development' warrants more discussion than this paper allows. It needs particular consideration in a post-conflict situation.

## Evaluation from a donor perspective

A positivist approach to the delivery of development assistance (see, for example, Keen and Sullivan 2004) assumes that if project-cycle steps or operations guidelines are followed, a good design will lead to good outcomes, and both partners (donor and key stakeholder) will judge the activity as successful. Post-conflict theory is demonstrating that new models for dynamic evaluation such as 'contribution analysis', 'plausible association' (Mayne 1999, 2003) or 'evolutionary expectations' (Fowler and Hailey 2003) are more appropriate to evaluate projects in such dynamic situations.

Because CPRF was a transition project operating in a post-conflict environment outside traditional structures, it presents challenges for evaluation. CPRF began as a set of problem-solving activities, and because, there was no hierarchical design,

'necessary and sufficient' outputs and anticipated outcomes were not identified. As it is not possible to evaluate the achievements of CPRF against identified performance indicators, other approaches are necessary.

Perceptions are important in making judgments and each stakeholder in a development partnership perceives the situation from a unique standpoint. CPRF stakeholders include Canberra-based AusAID managers, AusAID and other government personnel based in Honiara, various Solomon Islands government and non-government institutions, project personnel and affected communities. With a year for the project to left to run, their perceptions of CPRF success differed.

At the end of 2003, AusAID Canberra and its design team for the proposed follow-on community program looked to formal reports to assess CPRF success. Not surprisingly, there was little that resembled standard project documentation. Because there was no standard design, there was no formal log frame, no ancillary management tools or documentation such as a risk assessment and management framework and no project environmental management system, overview sustainability plan or comprehensive M&E plan. Questions raised by contract managers included: How do we know what the money is being spent on? What have we achieved in various sectors? And what are the outputs, outcomes and benefits for costs? Because it was activity specific, CPRF reporting was minimal for an activity that had run since 2000 and would spend A\$21 million. It is difficult to demonstrate, in conventional terms, the achievements of the project.

It is not possible or desirable to go back and re-design or re-fit elements of a traditional design that were not present in the initial scope of the activity. The challenge is to recognise and/or develop alternative models for activity reporting in post-conflict situations. Development agencies are likely to remain uncomfortable with reports that cannot be related to familiar formats, and post-project evaluations or financial audits are likely to identify such projects as having been mismanaged unless the rationale for alternative formats is clear and obvious.

The reporting is not standard, but was the activity a success? CPRF certainly requires evaluation appropriate to the type of project it was and the environment in which it operated. From an AusAID Honiara perspective, CPRF looked much better. As part of a post-conflict approach that involved both CPRF and RAMSI, Australia was seen to be delivering support to communities when government could not, and was assisting in maintaining peace and facilitating rehabilitation of livelihoods. AusAID Honiara's comments in March 2004 acknowledged that CPRF had grown to a successful organisation with staff working with communities in every province to implement projects in every ward throughout Solomon Islands. In addition, what had started under CPRF would continue to grow under a

community-sector program in which Australia hopes to have an even bigger impact assisting more communities and other organisations to improve the lives of Solomon Islanders.

## **In-country stakeholder assessments**

It is not yet known how Solomon Islands government and non-government institutions assess CPRF. There has been increasing demonstrated cooperation and development of linkage agreements with CPRF by government agencies in agriculture and works, and non-government and community organisations as the activity developed.

While standard monitoring systems were not appropriate because of the way CPRF evolved in a reflective action-research manner, it is both possible and necessary to measure overall impact against the goal. This will continue by consolidating summary data from the M&E reports on lower-level project activities, with data triangulated from other sources — including qualitative assessments from provincial governments, community organisations and others — using the indicators developed by provincial coordinators for community strengthening, to discover whether CPRF did what was intended. Did it 'build self-reliance, cohesion and positive relationships between and within communities throughout Solomon Islands by providing incentives and assistance to address priority community concerns?' Sample focus group surveys will be completed later this year. All indications are that CPRF is held in very high regard by local participants, that it came a long way towards achieving those community re-building objectives, that it was successful (see Box 1 for representative sample comments from CPRF stakeholders).

## **Lessons for project designs from CPRF**

Risk and sustainability — when is the right time to look at them, and from what perspective? CPRF provides lessons that might be relevant to other flexible designs. At the outset of such programs, as in CPRF, the demands can only be guessed at. It is possible to have strategic approaches, similar to those commonly formalised in program or project environmental management systems, where a system with guiding principles is in place, but it can be clarified (generally simplified) only when the range of options and demands is known. This basic adaptive management is essential with post-conflict projects. Strategies to ensure sustainability will be a key consideration and the need for risks to be identified and managed will be necessary at the outset of such interventions, but specific management plans will be identifiable only after the range of likely activities is known.

Analysis of the elements of conflict or overall context needs to be revisited continually and updated. A positive impact in one period may have negative implications later and under different circumstances. There is a need to recognise and develop

## Box 1: CPRF stakeholder comments

While there are negative effects that this country experienced as the result the tension, there are positive things that have happened also. One of those positive effects ... are the benefits which we as communities from this country experience from CPRF Programs ... more than 50 per cent of your allocated fund in Makira have gone to the education sector, and that has already made an impact on the livelihood, socio economic and educational background of the communities. You could hardly see a better permanent building and sanitation facilities at our primary and secondary schools prior to the ethnic tension. Today the communities are proud to own and to have those facilities available at their schools... Thank you to the people of Australia ... We will always support each other in our endeavours in serving our people (A Gabriel, Chief Education Officer, Makira Ulawa Province).

CPRF can only be best described as the only hope of the grassroots people for their development aspiration with in the way back for communities of Solomon Islands ... I believe the strength of CPRF is their clear vision of approaching the needs of our communities from the local peoples point of view ... CPRF fully understands the views and wishes of the local communities (Hon. Solly Tengemoana, Deputy Premier Renbell Province).

We need more of this kind of development ... many people here do not trust donors because they come, ask questions, make promises and then go away. When CPRF comes and says they will do something, they do what they say they will do. We know and trust them because they live with us and do not tell us lies (Member of Weather Coast Community at RAMSI visit in 2004).

'CPRF Bringing Hope, Building Peace' (banner carried by children of Visale School opening, Guadalcanal).

alternative measurement systems for conflict, post-conflict and comparable situations requiring a flexible response.

## Conclusion

It takes time to assess fully and respond appropriately in post-conflict or other situations where there is rapid social change. A lesson for flexible designs is that sustainability and risk management plans should be finalised only after the initial 'defining' period — commonly one year. CPRF was implemented as a transition-phase activity and has evolved to resemble a development project, but appropriate methodologies for the analysis of its impacts derive from humanitarian and

post-conflict evaluations. There would be benefit in greater intra-agency sharing of information and methodologies, covering humanitarian and bilateral interventions and associated contracts. Greater flexibility and responsiveness at a project level also requires proportionately greater in-country involvement and collaboration with local stakeholders in its management. There is potential to develop innovative and appropriate systems to measure genuine impacts of interventions; the challenge is to develop appropriate systems to measure what needs to be done, rather to do what can be measured.

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# Aid effectiveness in rural Papua New Guinea: A long-term perspective

*R Michael Bourke, Research School of Pacific and Asian Studies, Australian National University*

## Introduction

Over the past 28 years, I have been closely involved with many aid projects in rural Papua New Guinea (PNG) and have observed others from the roadside. This has ranged from designing projects, implementing parts of them and conducting reviews. This involvement continues, particularly with a number of AusAID-funded projects. Here I reflect on the effectiveness of some of this aid in improving the lives of rural villagers in PNG over this period. The focus of this paper is on the third objective of the AusAID PNG program, titled 'Building prospects for sustainable economic growth', although the paper also draws on experience from projects funded by donors other than AusAID. In particular, the focus is on increasing agricultural productivity and sustainable use of natural resources.

It is acknowledged that there are important components of development for rural villagers other than agriculture. These include adequate transport infrastructure, such as roads, wharves and airstrips; personal security for travellers; literacy and numeracy skills; good health for most of the population; and marketing infrastructure and systems. The relative significance of each factor varies between locations and over time as social and economic conditions change. An improvement in one of these factors may cause a significant improvement in villagers' wellbeing. But in the longer term, several factors usually need to change so that improvement is not limited.

## The agricultural sector in PNG

The main components of the agricultural sector in PNG are subsistence food production; domestically marketed food; export cash crops, in particular coffee, oil palm, cocoa and coconuts; and minor cash crops, including vanilla, rubber, cardamom and pyrethrum. The Australian Government, through AusAID and the Australian Centre for International Agricultural Research (ACIAR), and the European Union are the main donors involved in the agricultural sector in PNG. The Asian Development Bank (ADB) is conducting a major study of agriculture and rural development in 2004 and is funding a pilot agricultural outreach project in two provinces. Both the ADB and the World Bank have been more involved in the past, as has the International Fund for Agricultural Development

(IFAD), particularly through the Integrated Rural Development Projects. There are a number of other donors active in agriculture in PNG, including China, Republic of China (Taiwan), Japan, Germany, New Zealand and Canada. AusAID contributes A\$10 million per year for projects in the renewable resource sector, up from A\$8 million in 2003 for agricultural and fisheries projects. The European Union has spent about 3.4 million euros (almost A\$6 million) on agriculture, forestry and fisheries during 2001–2003 (D Freyne, pers. comm. July 2004).

## Returns on investment in agricultural research and outreach

An assessment has recently been carried out on the social and economic impact of research and development conducted by the PNG National Agricultural Research Institute (NARI). The assessment was conducted in the context of evaluating the effectiveness of an AusAID-funded project, titled Australian Contribution to the PNG National Agricultural Research System (ACNARS). However, it was not possible to separate the contribution of that particular project from that provided by other donors, such as ACIAR, the World Bank, ADB, German Development Service, European Union and others, nor importantly the contribution of the PNG government itself. The conclusions of this assessment (URSSD 2003) are worth paraphrasing in part.

An impact matrix was generated which portrayed the nature, magnitude and likely timing of impacts of each main research activity in NARI's portfolio. The impact matrix revealed 'large, current and continuing major impacts in the area of staple food crops research, and a substantial inventory of current research programs which are highly likely to begin delivering benefits to rural communities in the near future' (URSSD 2003). Six activities were then selected for quantitative economic analysis. The current level of economic benefits arising from these six activities was estimated as K16–22 million (A\$8–11 million) per annum, mostly arising from incremental production of sweet potato and yam in the lowlands. The economic benefit cost ratio of NARI's activities, considering only activities where valuation of benefits was reasonably easy, was in the range of 3–4:1 and internal rate of return about 30–35 per cent. The authors concluded that:

This leads to the unavoidable conclusion, even under the most conservative assumptions, that all of the contributors to the creation of NARI have generated good value for money. This finding is consistent with many other assessments of the economic impact of agricultural R&D in developing countries (URSSD 2003:v).

Some of the assumptions used in the study are perhaps a little on the optimistic side, but my assessment is that the author's conclusions are valid. They highlight the high return on the aid dollar invested in agricultural research.

### **Institutional strengthening**

Public sector institutions involved in agriculture in PNG are reasonably strong, in contrast with many other government departments which are often ineffective. In agriculture, the capacity of institutions to fulfil their mandate ranges from being poor to very good. Aside from an ineffective national Department of Agriculture and Livestock, the main institutions are the National Agricultural Research Institute (NARI), National Agricultural Quarantine and Inspection Authority (NAQIA), Cocoa and Coconut Institute (CCI), Coffee Industry Corporation (CIC), Oil Palm Research Association (OPRA) and the Fresh Produce Development Company (FPDCo). There are also a number of major private enterprise companies, which are generally efficiently managed. These include Agmark Pacific Ltd, Hargy Oil Palms Ltd, Higaturu Oil Palm Pty Ltd, Milne Bay Estates Ltd, New Britain Palm Oil Ltd, Niuguinea Table Birds Ltd, Poliamba Ltd, Ramu Sugar Ltd and WR Carpenters and Co Estates.

Staff in the public sector institutions have reasonably strong links with professional staff and organisations in overseas countries, particularly in Australia and New Zealand. These links make a huge difference to professional standards, to the output from the organisations and to their ability to address their mandate. They have helped keep professional standards reasonably high and have contributed to the delivery of outputs which have provided actual or potential benefits to rural villagers.

For example, in recent years, research scientists at the National Agricultural Research Institute have developed superior varieties of sweet potato, taro, yam, banana, cassava and corn. The quality of this research has been good and the produce has the potential to increase food production for both the subsistence and marketed sectors. Breeders at the PNG Cocoa and Coconut Institute have produced superior clones of cocoa. As well, many relevant outreach publications have been produced by a number of these institutions.

Most of the effective projects, including those developing superior varieties of food and export cash crops, have had an involvement by one or more donors. In particular, there has been a close professional association between overseas scientists and PNG scientists. In some cases, the overseas scientists are based in PNG, but often they are based in their home country.

A few of the successful projects have been carried out by PNG scientists with limited or no involvement by overseas scientists. As well, some donor projects in agricultural research have resulted in very little output, with no benefit to rural villagers. But overall, the involvement of overseas aid donors and scientists in various projects has resulted in significant output which has assisted rural villagers to increase production or has the potential to do so.

Many PNG scientists and others involved in rural development have been trained during overseas aid projects, either formally or often informally. There are constant staff movements in PNG, and trained staff rarely stay long in the position for which they are trained. This is a source of much frustration and disappointment for the overseas staff involved in working with these scientists. In some cases, the trained staff move to another organisation or project where the skills and attitudes they have learnt are put to good use. While the skills have been lost to one institution, they are at least still applied to assist development within PNG. In many other cases, the training is not used and staff move on to other work or retire back to their village while at an age that would be considered 'mid-career' in a Western economy.

In 1997, PNG was affected by a major drought and series of frosts, among the most severe in recorded history, and probably the worst of the three major droughts of the past 100 years (Bourke 2000). In the second half of 1997, Bryant Allen and I organised two assessments of the impact of the drought and frost on food and water supply. We selected individuals to form small teams who visited most of rural PNG and assessed the impact. We had previously worked with most team members, particularly during fieldwork for a major project which described village agriculture for all of PNG over a six-year period (the Mapping Agricultural Systems of PNG project or MASP) (Bourke et al. 1998; Allen et al. 2001). The team members did an excellent job, often under very difficult conditions. It was the availability of a large pool of competent PNG agriculturalists that facilitated this complex exercise in a short time period. Almost all of the agriculturalists had received training under the MASP project, most of which was funded by AusAID. Without this group of competent scientists and others, this exercise would not have been possible and the situation would have been more like that which prevailed in Papua (West New Guinea) where there was much less information available on the impact of the drought on which to base decisions on priorities for food aid (Ballard 2000).

### **Information for rural development**

Information provides a vital foundation for development. It is needed by planners, researchers, development workers and especially by rural villagers. Disseminating information is an

area which has received inadequate attention from donors, despite its importance and the ineffectiveness of the PNG public sector organisations charged with disseminating information to rural villagers.

Several factors were important for the assessments of the impacts of the 1997 drought and frosts and the subsequent relief efforts. One was the availability of relevant information on agricultural systems in non-drought conditions. This data was generated by the MASP project, supported financially by AusAID. Also important was information from previous events of the impact of drought and frosts on crop production, villagers' responses and the most vulnerable locations. Much of the experiences from previous events, particularly those in 1972 and 1982, were captured in a special issue of the journal *Mountain Research and Development*, (Allen et al. 1989). So that the experiences in 1997–1998 could be drawn upon during future climatic extremes, a series of papers were commissioned and published in the volume *Food Security for Papua New Guinea*, supported by the ACNARS projects and published by ACIAR (Bourke et al. 2001).

There is a very large amount of relevant information for rural development in PNG. Here are some examples, based on the work of the Land Management Group at the Australian National University (ANU), working in collaboration with staff from a number of PNG institutions:

- we know the distribution of the most disadvantaged people in PNG (Hanson et al. 2001);
- we have good data on cash income from agriculture, generated by the MASP project (Bourke et al. 1998; Hanson et al. 2001);
- there are recent estimates of production and economic value of the main staple food crops in PNG (Bourke and Vlassak 2004);
- there is much information on many aspects of individual provinces, for example, on Bougainville (Bourke and Betitis 2003); and
- there is a comprehensive database on agriculture literature in PNG (Harwood and Vlassak 2004).

This ANU research has been funded by aid money, mostly from AusAID and ACIAR, but with some from the World Bank and other sources. Some of this rich information is being used to facilitate development in PNG, often by consultants and donors, and to some degree by PNG scientists and planners. The information can be used to target the most disadvantaged people; to improve the efficiency of research, including reducing duplication of past research; and to plan rural development. The big challenge is to get more planners and researchers in PNG to use the rich resources which are available to them.

One building block for rural development is having previously unpublished research published and making the findings available to those who can use it. This has been an effective use of overseas aid in PNG. However, while there has been a lot of agricultural research conducted in PNG, much of this has not been published (Conway et al. 2001). One component of the ACNARS project funded by AusAID aimed to remedy this. We documented over 400 extant unpublished monographs, papers, draft or incomplete reports and papers. Over a three-year period, we edited and had published over 100 papers from this material, many in the volume *Food Security for Papua New Guinea* (Bourke et al. 2001). This in turn has led to some positive development outcomes.

One example will suffice to illustrate this. At the Lowlands Agricultural Experiment Station at Keravat on New Britain, a series of unpublished technical reports on evaluation of sweet potato cultivars, funded by the European Union and the PNG Government, had been written by Paul Van Wijmeersch, Elick Guaf and their colleagues. The work was comprehensive, of national significance, and these scientists had done rigorous evaluation of a large number of cultivars and made recommendations for different environments (Van Wijmeersch 2001). However, few of the cultivars had been released to village growers. Janine Conway edited a number of these papers, and they were eventually published by the National Agricultural Research Institute (Guaf et al. 2001).

Staff of one development agency, World Vision, saw some of these published reports and found that the selected sweet potato cultivars had not been distributed widely. They sought and obtained funding from the ACIAR to conduct evaluation in villagers' plots in coastal Madang Province and to distribute the best cultivars widely within that province. This project commenced in mid 2004. If these technical reports had not been published by NARI, the World Vision staff would not have been alerted to the large amount of high quality cultivar evaluation conducted at Keravat by Van Wijmeersch, Guaf and colleagues. It is a reasonable expectation that some of the cultivars will be widely adopted in Madang and in other provinces and this will improve village food supply.

## Domestic food marketing

Domestically marketed food is a dynamic and important part of the PNG economy. A high proportion (78 per cent) of rural Papua New Guineans live in households where fresh food is sold. Domestically marketed food is second only to Arabica coffee as a source of cash income for rural villagers (Allen et al. 2001). This sector is growing rapidly. Expansion since 1998 has been boosted by the devaluation of the PNG currency in 1997–1998, and the consequent large increase in the price of imported food, particularly rice from Australia.



There is a large demand for fresh food in PNG because of the significant urban or rural non-village population, as there are over 700,000 people living in non-village situations. As well, there are marked differences in environmental conditions, particularly between the highlands and the coastal areas, but even on a more local scale. Because different crops grow best under different temperature and rainfall conditions, demand for the various agricultural products comes not only from the non-village sector, where people have limited capacity to grow food, but also from rural villagers in different agro-ecological zones who wish to purchase foods that they cannot grow themselves. For example, there is a vigorous trade of potato, cabbage and other temperate-climate vegetables from the highlands to the lowlands, and a reverse trade of betel nut, coconut, mango, peanuts and other lowland crops into the highlands.

How much of this thriving part of the rural economy been assisted by aid projects? There has been a long involvement by outside organisations in assisting the industry, including inputs by agriculturalists and patrol officers in the colonial period. The Lutheran Church sponsored various agricultural development projects in the 1970s, particularly in Morobe and the highlands provinces. As well, the Adventist Church has had a long involvement in agricultural training, through their schools and colleges. The PNG organisation charged with the responsibility to assist production and marketing of fresh food is the Fresh Produce Development Company (FPDCo). This was initiated in the 1980s as a New Zealand aid project. The inputs from New Zealand continued over a long period, with the focus in the 1990s moving to facilitating greater involvement by women in food production and marketing. There has also been assistance provided by the German Development Service, AusAID and ACIAR.

Production of 'English' potato for the domestic market has made huge gains over the past 25 years. There is not space to tell the story of this component of the domestically marketed food sector here. Sufficient to say that the success of the industry since the late 1970s was based on inputs from staff in the PNG Department of Primary Industry. A major production problem caused by a fungal disease in 2003 is being addressed by staff from a wholesaling company, FPDCo and NARI, with significant assistance from overseas technical expertise funded by AusAID and ACIAR.

It is difficult to say how much any particular project has assisted the sector. But my judgment is that the long-term inputs by various donors, including the churches, has been an important contributing factor in the success of this industry. I suspect that the sector would have developed without the aid projects, but that they have helped the development of this still-evolving part of the rural economy. There are still many

challenges in domestic food marketing in PNG, including those that could be tagged 'human relations', as well as handling and communication issues. I believe that effective aid has a role to play in helping domestically marketed food achieve its full potential in the rural economy.

## **Wasted money**

So far, this assessment of the impact of overseas aid on the PNG agricultural sector has been mostly positive. Nevertheless, it is important to temper this by acknowledging the significant amount of aid money which has been, and continues to be, dissipated in the name of helping rural villagers. Of course, this is not confined to the rural development sector as aid funds are spent unwisely in every sector.

Much money was spent by donors in a series of Rural Development Projects or Integrated Development Projects between the mid 1970s and the mid 1990s. In PNG, these were located in the least-developed parts of the nation. They were funded by the World Bank, the Asian Development Bank, AusAID and the PNG Government. Locations covered include East Sepik Province (ADB funded), Southern Highlands (World Bank), Enga Province (World Bank), South Simbu (IFAD and AusAID), North Simbu (IFAD and AusAID), West Sepik Province (World Bank), the Pomio-Baining area of East New Britain (provincial government) and the Kandrian-Gloucester area of West New Britain (AusAID).

There is very little to show for the large sums spent by these donors and the efforts of many PNG and overseas development specialists. The development indices still show these locations to be among the most disadvantaged in rural PNG and there is generally very little observable change in the lives of rural villagers in the target locations. One must conclude that these projects spent a significant amount of aid money, some of which must be repaid by the PNG Government, and provided minimal improvements to the target populations.

## **Some lessons learnt and conclusions**

Development is a slow process, often frustrating for the villagers, PNG development specialists and outsiders attempting to facilitate it. There are many factors and actors involved in successful rural development. It is difficult to identify the contribution of overseas aid to positive outcomes in rural PNG. It is also difficult to evaluate the contribution from a particular project, despite the best efforts of the donors and their consultants.

There can be no doubt, however, that overseas aid projects have contributed to many successes in rural development in rural PNG. The reasonably high levels of professionalism among PNG agricultural scientists can in part be attributed to the impact of various aid projects, and in particular to the professional and personal links between PNG professionals and

overseas scientists and development workers. These links, and other inputs, have resulted in the strengthening of a number of PNG agricultural institutions in recent years.

As has been demonstrated in many developing nations, including PNG, investment in applied agricultural research has a high probability of giving a high return on the money invested. Delivery of information to rural people that is relevant to their situation is also likely to bring benefit to a significant number of people. I am considering agriculture here, but this is likely to apply in sectors as diverse as primary health care, marketing and governance. The return on disseminating relevant information and superior planting material to rural villagers is likely to be among the most effective uses of aid funds.

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# A serious case of conditionality: The World Bank gets stuck in the forests of PNG

Colin Filer, Research School of Pacific and Asian Studies, Australian National University

## Introduction

Four years ago, I published a book about the World Bank's role in the process of forest policy reform in Papua New Guinea (PNG) during the period from 1989 to 1999 (Filer et al. 2000). This was one of a number of country case studies designed to evaluate the effectiveness of structural adjustment loan conditionality as an instrument of forest policy reform in tropical countries (Seymour and Dubash 2000). In the PNG case, we were also led to ask whether the World Bank had been more effective in its use of this particular instrument than in its other roles as a sectoral lender, donor coordinator or provider of 'technical assistance'. However, this question was rather difficult to answer, because our story came to an end at a time when the World Bank was still negotiating with the PNG Government over the second adjustment loan to feature forest policy conditions, and one of those conditions was acceptance of a separate loan to implement a forestry and conservation project which would count as the first instance of sectoral lending after a decade of forest policy reform supported by other forms of aid. In this paper, I propose to update and revisit my earlier conclusions in light of what has (or has not) happened over the course of the last four years.

## The paradox of national ownership

To assess the effectiveness of adjustment loan conditions as instruments of policy reform, we must first recognise that conditionality implies a certain reluctance on the part of the borrower. In addition, the borrower's compliance may be difficult to monitor, the termination of a loan normally has more costs than benefits to both sides, and the lender is likely to lose control when the funds have finally been disbursed (Kahler 1989; Mosley et al. 1995; Collier et al. 1997; Killick et al. 1998). The World Bank's response to this 'adjustment paradox' has been to articulate a doctrine of 'borrower ownership', which seems to require that the measures in question are measures the borrower already wishes to adopt (Johnson and Wasty 1993; World Bank 2004), yet this only serves to construct a second paradox, since it is not clear why the bank should oblige a government to do what it already wants to do. The basic problem with the concept of 'borrower ownership', at least in the PNG case, is the assumption that a 'government'

possesses the unity of purpose that would allow it to act as a single stakeholder in any process of policy reform (Filer et al. 2000:101).

In 1989, the PNG Government invited the World Bank to coordinate a donor-funded process of forest policy reform in response to the findings of a judicial inquiry into forest industry corruption (Barnett 1989). In 1995, the bank and its bureaucratic allies attached five forest policy conditions to an Economic Recovery Program loan in the name of promoting 'long-term sustainable private sector-led growth in income and employment' (Filer et al. 2000:27–28). These could be understood as an effort to sustain the reforms which had already been engineered through the National Forestry and Conservation Action Program. In essence, they said that:

- you/we won't muck around with the powers of the National Forest Board;
- you/we won't reduce the budget of the PNG Forest Authority;
- you/we will impose a sustainable management regime on the log export industry;
- you/we will implement a logging code of practice; and
- you/we will introduce a rational forest revenue system.

In 1996, the bank saw that the government was defaulting on some of these obligations, or breaking some of these promises, and threatened to withhold the final tranche of the loan. The Prime Minister, Julius Chan, told the bank to 'go to hell', and then backed down (Filer et al. 2000:41).

In 2000, another set of forest policy conditions was attached to the Governance Promotion Adjustment (GPA) loan negotiated with the government of Mekere Morauta. In essence, these said that:

- you/we will introduce an *even more* rational forest revenue system;
- you/we will close the loopholes in the *Forestry Act* and kick the loggers off the National Forest Board;
- you/we will conduct 'an independent review of Forest Management Agreements (FMAs), timber permits and geographical extensions to timber permits'; and in the meantime ...

- you/we will not grant any new timber concessions; and
- you/we will borrow US\$17.3 million from the World Bank for the Forestry and Conservation Project (FCP).

Aside from 'promoting governance', this set of conditions was meant to support the aims ascribed to the FCP itself, while the FCP loan was to have its own set of ten, more detailed conditions to support these same objectives. At the time when the GPA loan was being negotiated, the FCP had three aims:

- 'to strengthen the capacity of local people, government and non-governmental entities to more sustainably manage and conserve PNG's forest resources';
- 'to improve the quality of life of people living at the local level'; and
- 'to improve management and conservation of important forest ecosystems in one of the world's most biodiversity-rich regions' (World Bank 2000b:3–4).

The first two were understood to be 'national development' objectives related to the World Bank's Country Assistance Strategy and the loan component of the FCP, while the third was understood to be a 'global benefit' objective related to the second component of the FCP, which was the grant of another US\$17.3 million to a conservation trust fund managed by representatives of 'civil society'. But this grant was itself conditional on the government's acceptance of the project loan.

## Beating around the bush

The moratorium on new logging concessions became an issue between the World Bank, the PNG Government, and the NGO community because it was not clear who had *proposed*, or who had *agreed*, that all logging project *proposals* or all current logging *operations* should be subjected to an independent process of review to determine their compliance with the *Forestry Act* and its 289 Regulations before the moratorium could be lifted. To put the matter very crudely, my analysis of the historical evidence in 2000 led me to conclude that bank staff and representatives of the NGO community had agreed to push the more comprehensive version of the moratorium down the government's throat by including it in a draft policy matrix which the bank sent to the government in November 1999 (Filer et al. 2000:81–3). The NGO community figured that this would stop the government from granting any new logging concessions for a very long time, if not forever, but the bank was mindful of the fact that adjustment loan conditions can only apply during the period of the loan, which in this case would be 18 months, so it had one version of the moratorium attached as a condition

of the GPA loan and another version attached as a condition of the FCP loan, which was to be spent over a longer (six-year) period (Filer et al. 2000:86).

The doctrine of 'borrower ownership' required the World Bank to pretend that all of this had been the government's own idea in the first place, but the government was thoroughly confused, not least because the bank seems to have got the two versions of the moratorium mixed up with each other. Nor was it hard to predict that these ambiguities would also enable the NGO community to accuse the bank of breaking its promise of tough action against the logging industry and concealing this act of betrayal under the doctrine of 'borrower ownership' (Filer et al. 2000:114–5). That is precisely what happened when the final tranche of the GPA loan was released at the end of 2001.

By that time, the Independent Forestry Review Team (IFRT) had reviewed 32 logging project proposals then under consideration by the PNG Forest Authority, and had identified ten of these as projects which might be sustainable if certain 'remedial actions' were taken to ensure their compliance with sectoral rules and regulations (IFRT 2001). These remedial actions were incorporated into a 39-step 'Time-Bound Action Plan' which would have the effect of extending the period of the moratorium. The final tranche of the GPA loan was released after the government had agreed to this new set of conditions as part of the FCP loan agreement. However, the Forests Minister instantly broke the agreement by granting an extension of the infamous Kiunga-Aiambak Timber Authority, by means of which a businessman with five nationalities and excellent political connections had been illegally logging part of Western Province on the pretext of building a road (Anon. 2002; Greenpeace n.d.). A local NGO then lodged a complaint with the World Bank's Inspection Panel on behalf of the landowners affected by this operation, arguing that the bank had breached its own policies and undertakings by releasing the second tranche of the GPA loan (CELCOR 2001). By the time the panel had inspected and rejected this complaint (World Bank 2002a), the minister had rubbed more salt in the wound by extending the period of the Wawoi-Guavi Timber Permit held by Rimbunan Hijau — the biggest fish in the national log pond.

The forest policy ping-pong game continued when Michael Somare took over the reins of government in August 2002. The managing director of the Forest Authority cancelled the launch of the FCP at the last minute in favour of further discussions with Malaysian logging companies. The new Forests Minister then asked the National Forest Board to allocate three new timber permits, and the Prime Minister announced that this action had the approval of the bank, although it contravened the Time-Bound Action Plan. Three senior bureaucrats then endorsed a further extension of the Kiunga-Aiambak concession. In March 2003, the IFRT reported on irregularities in all six

permit extensions granted in the previous year. Cabinet was finally persuaded to endorse some of the team's recommendations, and Rimbunan Hijau was officially threatened with suspension of two of its own permits. This provoked a flurry of criticism in the pages of *The National*, a newspaper owned by Rimbunan Hijau (see Box 1). The government kept dithering, so the bank suspended the FCP. The Forests Minister then granted a new permit to Rimbunan Hijau. In March 2004, while the IRFT was still probing the irregularities in 14 current timber permits, the Prime Minister announced that the new logging projects already in the pipeline were worth more to PNG than the value of the FCP loan, but the bank had by then taken the further step of suspending a separate road maintenance loan in order to focus his mind on the game in hand. At the time of writing, the government has still not taken the last of the 39 steps, because Rimbunan Hijau has been pulling out all the stops to prevent it from doing so.<sup>1</sup>

### Effectiveness for what?

The main reason why I still find it hard to assess the effectiveness of adjustment loan conditionality as an instrument, or the World Bank itself as an agent, of forest policy reform in PNG is that the bank's own objectives now seem to have less coherence than they did when the bank first entered the reform process 15 years ago. While the bank was in the business of designing and delivering the GPA loan to PNG, it was also undertaking a wholesale review of its global forest policy (Lele et al. 2000). The result of this exercise (World Bank 2002b, 2002c) was the maintenance of a commitment to the principles of 'sustainable

forest management', despite the fact that few people outside the bank appear to believe that the sustainable extraction of timber from old-growth forests makes economic or political sense (Rice et al. 2001). Yet the bank's own belief is partly hidden behind the 'three pillars' of a new policy whose aims are to 'assist borrowers to harness the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests' (World Bank 2002b:1).

So how do we make sense of the World Bank's current engagement with the forests of PNG in light of its new policy and strategy? It is hard to see how the FCP, as presently designed, will serve to reduce poverty or integrate forests into sustainable economic development. Does the bank really believe that another dose of salty consultants will produce a sustainable, well-managed, and properly regulated log export industry within the next ten years? Even the bank's current crop of consultants seem sceptical on this score (see Box 2). Or does the bank believe that alternative ways of deriving incomes and revenues from the forests of PNG, of the kind promoted by the NGO community, can substitute for the incomes and revenues derived from large-scale logging? This also seems unlikely. Could it therefore be true that the bank has a hidden agenda to close down the large-scale log export industry because it privately agrees with the NGOs who say that the industry is corrupt, corrosive and incorrigible? World Bank staff might say that they only have an open agenda to persuade the PNG Government to comply with its own rules

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### Box 1: Borrower ownership, state failure, and national sovereignty

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We strongly support Sir Michael's dislike of PNG and other South Pacific nations being referred to with the phrase 'failed states', if for no other reason than inaccuracy ...

PNG may have its problems, many in common with other far more 'developed' nations — but that's a long way from being a failed state, a basket case, or the embodiment of any other of the glib and offensive phrases so often used to describe our country ...

Those titles mainly emanate from that bane of modern governments throughout the world, the 'think tank'. These clubs of former politicians, retired economists and would-be power brokers are frequently as nimble with their continually changing interpretation of statistics and policies as they are with their devious pursuit of political influence and power ...

The World Bank is a good example. Blind to all but its theories and its spreadsheets, impervious to criticism, and contemptuous of sovereignty and national aspirations, this monolithic money manipulator is also deaf to those who dare to point out its fast-growing record of disastrous misjudgments [sic] ...

It seems that the PNG government has been told bluntly to get rid of our timber industry. Never mind that it contributes hundreds of millions to the nation's coffers. Never mind that thousands of people and their families are dependent upon timber for employment or that landowners gain substantial royalties from the industry.

Doubtless this pressure will be met with hysterical applause by the Greenpeace hordes, certain left-leaning academics, and a noisy section of the media that wrongly judges its pose enjoys the support of the bulk of the literate public.

The World Bank is not a democratic or a parliamentary organisation. It must not be allowed to continue its faceless infiltration of PNG — loans, grants, donations or Big Brother notwithstanding.

Source: Editorial, *The National*, 18 August 2003.

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and regulations in the name of good governance, yet these rules and regulations are primarily the work of the bank's own consultants, and the borrower's sense of ownership is therefore none too strong.

The PNG Government also has reason to wonder why it would need to borrow money from the World Bank in order to regulate an industry which is essentially unsustainable (Filer et al. 2000:115). If the bank is still in the business of implementing Justice Barnett's recommendation to 'slow down' an industry which is 'out of control', (1989:375-6) and if this entails a further reduction in the economic value of PNG's old-growth forests then how does the bank propose to trade off this process of contraction with a process of expansion in other sectors of the national economy? If the bank does believe that PNG needs an export-led economic development strategy, then the answer must surely be that a compensating process of expansion is to be pursued in the other branches of extractive industry — mining, petroleum, fisheries or oil palm.<sup>2</sup> The recent history of technical assistance and lending from both the World Bank and the Asian Development Bank does suggest that this might be the case. Yet this is not a strategy that recommends itself to the environmental NGOs with whom the bank has formed an uneasy alliance in the forestry sector. So the bank is inclined to argue that '[i]ncreased investment in PNG's extractive industries is unlikely to have a positive development outcome unless it is preceded by improvements in governance and fiscal management' (Mathrani 2003:19).

In the last three years, the Independent Forestry Review Team has investigated 49 logging projects or project proposals, and has produced a total of 57 reports. The team has recently repeated the finding made umpteen times before, that landowners are 'keen to support any development activity in their area which brings monetary benefits', including logging, but they lack internal cohesion, management skills, and access to good legal, financial and technical advice (IFRT 2004:91-2). In November 2003, some grumpy landowners were quoted in a national newspaper as saying that 'the World Bank should now compensate them for the deaths of more than 1000 people since 1983 while awaiting approval of their logging permit' (*The National* 14 November 2003). In April this year, the same newspaper quoted another grumpy landowner asking, 'What goods are the World Bank going to bring to my people?', and complaining that, 'The government has not provided us with proper services such as health and education. All it sends us are these review teams' (*The National* 22-23 April 2004). Although the newspaper in question is owned by Rimbunan Hijau, these characters cannot simply be dismissed as the puppets of the log export industry, because their sentiments are widely shared, and currently endorsed by no less a person than the Prime Minister.

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## Box 2: Reflections of the Independent Forestry Review Team

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None of the direct stakeholders in the industry wish logging to cease ...

The logging industry, an essential stakeholder if sustainable timber production is to be achieved, is not profitable, and the logging companies are not replacing their field equipment. This is not sustainable and unless the situation changes for the better it is estimated that PNG's current logging capacity will cease to exist within 10 years ...

Whilst new large scale sustainable logging projects may offer the opportunity for landowners to receive a sustainable income, the level of income under current arrangements is generally too small to impact significantly on rural living standards. It is evident that in general landowners are not able to manage their affairs in the democratic way they are expected to with regard to their organisation, and the management of cash flows from logging projects for long term benefits ...

[U]nder the current market conditions, the current levels of log export tax, the current non-compliance with environmental standards, and the inadequate monitoring and control imposed by the Government regulating agencies, timber production as currently practiced is not sustainable. *However*, in accordance with the national objectives set out in the Constitution, and the National Forest Policy 1991, it behoves Government to protect the productive capacity of the national forest resource, and to pursue sustainable timber production, for future generations.

Source: IFRT 2004:vii-ix (emphasis added).

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## Conclusion

Although it can be argued that the World Bank's use of adjustment loan conditionality was effective in holding 'the thin green line' back in 1996, an internal evaluation of the bank's operations in PNG says that this 'use of financial leverage in the absence of sufficient high-level ownership, resulted in considerable bank influence and goodwill being used up, without ensuring a sustainable change' (World Bank 2000a:8). When we consider the events of the last four years, we must wonder whether it makes sense to compare the effectiveness of project lending with 'stroke-of-the-pen' adjustment loan conditions when the acceptance of a project loan becomes an adjustment loan condition in its own right, when the project loan has its own conditionality, and when a project loan which the borrower wants (in this case for road maintenance) is suspended in order to make the borrower accept another project loan (for forestry and conservation) which it never really wanted in the first place.

If World Bank staff are innocent of my previous suggestion that they always intended to stifle the log export industry in a mountain of red tape (Filer et al. 2000:98), should we consider an alternative explanation of what has happened as a form of 'analysis to paralysis' in which each successive study generates

more problems than it solves, because the implementation of its recommendations only serves to increase the complexity of the problem to which they are addressed? Political Will is the only solution offered by the Independent Forests Review Team, but in PNG, Political Will is a hard man to pin down. An internal bank report laments the absence of the 'political and social dynamics needed to carry out the reform agenda' in the forestry sector (World Bank 2001:13). But if we look to the positive side of this equation, we could say that the main obstacle to the bank's agenda is the fact that PNG's state politics are its community politics writ large, while PNG's community politics are its state politics writ small, so national and community 'ownership' of sustainable forest management and good forest governance are equally problematic.

## Notes

1. The events described in this paragraph are documented in a series of electronic newsletters distributed by an anonymous but very well-informed character known as the 'Grumbling Bush Spirit' (Masalai i Tokaut), who began broadcasting in June 2002.
2. In 2003, extractive industry (including oil palm) accounted for 87.5 per cent of the total value of PNG's exports, but the forestry sector only accounted for 5.3 per cent of the total, whereas mining and petroleum together accounted for 75.1 per cent.

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# Reaching the peak: Contrasting experiences for NGOs in Solomon Islands and Papua New Guinea

*Felicity Pascoe, Centre for Democratic Institutions, Australian National University*

## Introduction

In December 2002, the Centre for Democratic Institutions (CDI) and the Australian Council for International Development (ACFID) responded to requests from the non-government organisation (NGO) sector in the Solomon Islands for a program focused on the skills of NGO leadership and management.<sup>1</sup> In response, the CDI/ACFID Solomon Islands NGO Leadership and Management Program began in March 2003, with the additional aim to strengthen the Development Services Exchange (DSE) to fulfil an effective role as the Solomon Islands NGO peak body. The program produced high levels of satisfaction within the NGO sector and DSE will be officially re-launched as the NGO peak body in late 2004. CDI and ACFID conducted a similar NGO program in Papua New Guinea (PNG) in 2001. However, enthusiasm for the PNG program was short-lived and it did not continue in 2002. The similarities between these two NGO programs, conducted in seemingly similar Melanesian nations, prompted the question of why an NGO leadership and management program that was so successful in Solomon Islands was not successful in PNG.

After briefly considering the complexities of creating an NGO peak body, this paper provides an outline of the factors that enhanced and inhibited the success of the two Melanesian NGO programs.<sup>2</sup> The paper highlights the crucial role played by external factors in determining program success and draws brief conclusions on the extent to which program success can be controlled. Relevant factors are identified as: local ownership over program design and delivery; the sociopolitical context; and role of strong NGO leadership. In the case of Solomon Islands, the political situation had opened a flow of dialogue between NGOs, government and stakeholders, creating an immediate need for NGOs to improve sectoral effectiveness and gain representation under a peak body in order to achieve desired outcomes. This environment and provision of leadership was conspicuously absent in the PNG program which contributed to poor program outcomes.

## The complexities of creating a peak NGO body

NGOs are not a homogenous group. Typically they vary in their size, scope and mission, making peak body representation

complex. The establishment of an effective NGO peak body in PNG and Solomon Islands is made more complex because Melanesian society is diverse and fragmented. Remote communities are not only geographically isolated due to poor infrastructure, but also in terms of access to information, resources and political influence. Ethnic and linguistic diversity create additional cleavages within society. In PNG, for example, there are over 800 linguistic groups (May 2003:2). Douglas (2000:4) notes there is also an increasing rejection of 'local' and 'national' in the Melanesian state, giving rise to regional identification with island, province or ethnic groups, which are regarded as 'homegrown' and more responsive to people's needs.<sup>3</sup>

Furthermore, the history of PNG's NGO peak body, the PNG National Association of NGOs (NANGO), demonstrates that if the creation of a peak body is largely driven by external forces, for example donors, NGO attitudes towards that peak body will not be as supportive as to an initiative for collective action which stems from within the sector. The Foundation for the Peoples of the South Pacific (FSP) established NANGO in 1988–1989 and received funding from the United Nations Development Programme (UNDP), in part because donors were keen for coordination of PNG's diverse NGO sector. In particular, FSP wanted PNG NGOs to gain access to donor funds during implementation of the Tropical Forestry Action Plan (TFAP), a program supported by the World Bank, the Food and Agriculture Organisation (FAO) and UNDP (Dickson-Waiko 2003:259). However, when FSP introduced to NANGO a number of NGOs funded from the US, this sparked tension between indigenous and international NGOs about foreign control of NANGO. Partly as a result of this tension, some indigenous PNG NGOs then refused World Bank funds (Dickson-Waiko 2003:259).

The development of a peak body in Solomon Islands, however, was initiated within the sector to improve NGO effectiveness by the Solomon Islands Development Trust (SIDT). SIDT, established in 1982, was seen as an agent of change, lobbying the government on behalf of the community and providing development education, awareness raising and training (Roughan 1994:146). In 1983, SIDT established the Development Services Exchange (DSE) as an 'informational clearinghouse for NGO activity as well as *lobbyists* for its members' (Roughan 1994:149, emphasis added).



## Program ownership and sustainability

The CDI/ACFID NGO programs in Solomon Islands and PNG responded to a need identified by local NGOs and they were similar in design and content. Both combined local workshops with a study tour to Australia. Topics covered in the workshops included: NGO monitoring and evaluation; staff training and management; financial management; accountability; and relations with government and stakeholders. The programs were flexible, responsive and as participatory as possible. The main difference lay in the facilitation of the workshops and the promotion of local ownership throughout both programs.

The workshops in Solomon Islands were designed and facilitated by Emele Duituturaga, a Pacific development specialist who grew up in Solomon Islands, and Abraham Baeania, the chair of DSE. Emele Duituturaga and Abraham Baeania conducted a Training Needs Assessment that combined local knowledge and their first-hand experience with NGOs to deliver appropriate and relevant training. Furthermore, the three NGO leaders who took part in the Australian study tour were selected by their peers. Maintaining their involvement throughout the program, Emele and Abraham accompanied the NGO leaders to Australia on the study tour and provided support during negotiations with government and NGO representatives. The process, even when conducted in Australia, was based on local ownership and the involvement of local leaders. This was a key to the success of the program.

The PNG NGO program was primarily facilitated by external trainers from CDI and ACFID. The Australian trainers were experts in their field and had an understanding of Melanesian culture, political systems and customs, however, they lacked 'insider' knowledge and local credibility. Local ownership during the PNG NGO program only developed as the program progressed. A steering committee comprising NGO participants was established to consult with NGO personnel between workshops and the final stage of the program was the first time PNG NGOs completely owned a training process (Crooke 2001:1).

It is uncertain whether the strong involvement of external trainers and facilitators directly contributed to poor outcomes during the PNG workshop. Mike Crooke,<sup>4</sup> who facilitated the training in PNG, noted that people often regard external trainers as the experts and are reluctant to be trained by people from their own community. Despite this, PNG participants often see workshops conducted by external trainers as 'one-offs'. Without long-term donor commitment — even when there is an identified need — workshops are not always prioritised (pers. comm. Crooke 2004). External facilitation of the process helped and hindered program outcomes. Participants valued the training from outsider experts, yet they did not completely own

the process, and it is likely that this contributed to the lack of enthusiasm given past rejections of donor control over indigenous NGOs in the 1980s.

## Times of crisis: Seizing the opportunity for change

The sociopolitical context during the implementation of the NGO programs affected the level of success. In Solomon Islands, the near collapse of the state created the *need* for societal change, while the Australian-led regional assistance mission gave NGOs the *opportunity*. While conflict and poor government performance in PNG also created the need for change, it appears that a degree of aid fatigue has nullified enthusiasm about the possibilities for change.

### Solomon Islands

In 2003, Solomon Islands was described as Australia's 'failing neighbour' (ASPI 2003) suffering from corruption, lawlessness and poor government performance. Australia's Prime Minister, the Hon. John Howard MP, stated that 'it is not in the interests of this country that we have failed states on our doorstep, and it would be a failure of our duty ... not to extend a helping hand to a neighbour who's asked for our help' (Howard 2003). The implications of the crisis in Solomon Islands were seen as engaging 'Australia's interests at many levels, from short-term economic, consular and humanitarian concerns to our most enduring strategic imperatives' (ASPI 2003).

Tensions and violence in Solomon Islands date back to 1996 and primarily occurred between Malaitan settlers living in Guadalcanal Province and Guadalcanal people (Kabutaulaka 2001:3).<sup>5</sup> The Townsville Peace Agreement in 2000 was intended to end armed conflict, however, a number of flaws in the agreement created further conflict (Tuhanuku 2001). While the conflict has been attributed to ethnic tension, Kabutaulaka argues that its origins lie in the 'poor policies of successive governments, poorly planned large-scale resource developments, the inequitable distribution of development benefits and the need for institutional and constitutional changes' (Kabutaulaka 2001:2). Similarly, Roughan (2002) stated that 'government's failure to serve its citizens is one of the most important reasons for our current unrest ... governments have been seriously failing their people since 1989'.

Within this context, in July 2003, Australia responded to a formal request from the Solomon Islands' Governor-General (Downer 2003) and led the Regional Assistance Mission to Solomon Islands (RAMSI) with the aid of the governments of Fiji, PNG, New Zealand, Samoa and Tonga. The initial plan was for the restoration of law and order, followed by stabilisation of the economy, improved service provision and the strengthening of democratic institutions. According to Paul

Tovua (2004:3), Chair of the Peace Council of the Solomon Islands, RAMSI '[had] given us hope ... people's only hope for the future'. RAMSI provided the opportunity for NGOs to assist in securing the delivery of services and restoring order (see Roughan 2002). The objectives of the CDI/ACFID program to strengthen NGO leadership and management throughout the provinces, in particular to develop an NGO peak body, coincided with the needs of the NGO sector in this environment to gain representation and become involved in rebuilding the state.

RAMSI also provided an opportunity for NGOs to access additional funding. Solomon Islands relies heavily on foreign aid and Australia is Solomon Islands' second largest donor (after Japan). Australia's aid to Solomon Islands took a gigantic leap forward and strengthened sectoral representation.

### **Papua New Guinea**

PNG, like Solomon Islands, has suffered from political upheaval, social unrest and economic mismanagement, and has been described as a 'vast sinking ship caught in an ocean of chaos, political turmoil and social inferno' (Stella 2003:11). Inter-ethnic tension, violence and lawlessness has occurred since the early 1970s (May 2001:8). Events such as the Bougainville Crisis in 1988, which brought the country close to civil war and led to the closure of its gold and copper mine (one of the world's largest and a primary source of revenue and export earning for PNG) (May 2003:3), as well as the Sandline Affair in 1997,<sup>6</sup> are examples among many of the crisis in PNG. However, the same urgency for regional assistance did not occur as it did with the Solomon Islands.

Whereas Solomon Islands was described as Australia's 'failing neighbour', PNG has been described as a 'disorderly democracy' (May 2003). PNG's political institutions are weak, the parliament is ineffective and violent outbreaks occur during elections. Yet regular elections are held, each change of government has followed constitutional processes, and the judiciary has maintained its independence (May 2003:1).

PNG has received assistance through countless development programs and structural adjustment plans. Multilateral and bilateral development assistance has come from major donors, including Japan, Australia, Germany, the World Bank, the Asian Development Bank (ADB) and the European Union (Hnanguie 2003:134). While development aid to PNG has resulted in some improvements in the areas of health, education and infrastructure, controversy surrounds the overall effectiveness of aid over the past few decades.

In the period 1975–2000, development assistance to PNG saw more failures than successes (Hnanguie 2003:140). The ADB's 1998 Country Assistance Plan concluded that 11 of the 16 ADB projects were unsuccessful. Similarly, the World Bank

reported a 22 per cent failure rate for its projects in 1968–1978. More alarmingly still, in 1978–2003 the failure rate rose to 60 per cent (Hnanguie 2003:140). Today, PNG remains heavily dependent upon foreign aid and close to two-thirds of the population lives below the poverty line (Hnanguie 2003:137–8). In 2003, PNG ranked 132 out of 175 countries on the UNDP's Human Development Index.<sup>7</sup>

One commentator's perception on the situation in PNG is the belief that over the past few decades a degree of aid fatigue has emerged and people are sometimes sceptical about what can be achieved (pers. comm. Crooke 2004). The CDI/ACFID NGO workshop reflected this sentiment. Although 22 participants registered for the November 2001 workshop, only 14 attended (Crooke 2001), suggesting that training in leadership and management was recognised as desirable but not crucial.

NGO complacency during the workshop was also reflected in the decision by participants not to re-establish NANGO. The PNG NGO leaders identified existing channels through which they could engage with the government and stakeholders if and when the need arose (pers. comm. Crooke 2004). The Economic Forestry Forum, a coalition of NGOs focused on environmental issues, the National Council of Churches, a coalition of religious NGOs, and the Madang NGO Forum, a regionally based group of NGOs, were effective at representing NGO interests in these specific areas. Should the need for broader representation arise, participants decided a representative from each of the aforementioned bodies would come together. A permanent peak body was regarded as valuable, but would only be formed if necessary (pers. comm. Crooke 2004).

### **Fostering effective leadership**

Strong leadership from within NGOs is perhaps most likely to motivate people's involvement in training programs. In contrast to the PNG program, the Solomon Islands CDI/ACFID NGO program reflected continuity of strong leadership and a commitment to fostering the development of future leaders in the NGO sector. This motivated participants, provided sustainability and contributed to program success.

Fowler (2000:164) reinforces the importance of strong leadership suggesting that in comparison to the government and business sector, organisational performance of a non-profit organisation (such as NGOs) is more significantly influenced by the organisation's leader, their behaviour and values. Consistency between a leader's rhetoric and practice, organisational calling and vision play a crucial role in developing internal trust within the organisation (Fowler 2000:165). Abraham Baeanisia, who conducted training in the Solomon Islands program while serving as the chair of

DSE, was also the director of SIDT and chair of the Pacific Islands Association of NGOs (PIANGO) in the mid 1990s (Roughan 1994:149). His continuity in the process and his expertise in and commitment to the NGO sector has earned him respect, trust and credibility, which in turn added validity and sustainability to the CDI/ACFID program. The ability of the Solomon Islands NGO sector to take advantage of the opportunities presented by the RAMSI mission is partly attributed to the guidance of Abraham, who motivated the sector and kept optimism high.

On the other hand, the involvement of NGO leaders was not as central in the PNG program. Internal sustainability relied on the ongoing involvement and support from external personnel. While respected NGO leaders were involved in facilitating the final stages of the workshop in November, their ongoing involvement within their own organisations was not guaranteed. Some NGO leaders at the workshop were frequently absent from their workplace, attending conferences and regional meetings. They were not often available to play a leadership role in strengthening the capacity of their NGO (pers. comm. Crooke 2004).

The problem of renewing NGO leadership in PNG also appeared to be due to a lack of training for emerging NGO leaders. As discovered during the CDI/ACFID workshop, there is an expertise gap between NGO leaders and their staff. In some cases this was due to lack of resources, time and money to conduct necessary staff training. In other cases, the lack of training was perhaps due to an unwillingness of NGO leaders to share their power downwards.

Problems with NGO leadership in PNG are not new. In 1989, the World Bank's Tropical Forestry Action Plan aimed to develop NGO capacity and was implemented through a new government partnership with NGOs under NANGO (Dickson-Waiko 2003:260). NGO leaders were given control and ownership over the process, however, contrary to the expectation of donors, some used their position as a platform to pursue individual interests, while a number of volunteers left their positions to take up private consultancy positions (Dickson-Waiko 2003:261).

Similarly, in the 1990s a number of NGO leaders used their involvement in these NGO organisations to launch their own political careers (Dickson-Waiko 2003:248). A number of NGO leaders also held, and were still holding, positions within government (pers. comm. Crooke 2004). Respected leaders pursuing alternative careers, combined with a lack of training for future leaders, hindered the development of NGO leadership. The NGO response to the CDI/ACFID Solomon Islands program demonstrates a greater willingness to foster the development of emerging leaders. For example, in Solomon Islands the NGOs ensured that one of the three leaders on the Australian study tour was a person identified as a future leader.

## Conclusion

The contrasting outcomes of the CDI/ACFID NGO programs in Solomon Islands and PNG demonstrate that development programs do not occur in a static environment. While certain factors can be controlled to promote success, many factors cannot. Local ownership of a program can be promoted through design and delivery, but, without strong leadership or participant motivation to drive the process and create sustainability, this is insufficient in itself to ensure success. The development of effective leadership skills can be fostered by program facilitators if there is commitment and guidance from existing leaders to sustain the process once the program ends. The sociopolitical context in which the program exists cannot be controlled; but the program can be sensitive to the context in order to enhance program success. While design and delivery can guide the process, local factors are the most decisive in determining outcomes.

## Notes

1. CDI is an Australian democracy promotion institution, which receives its core funding from AusAID. CDI works with developing countries in the fields of good governance and democratic institutions, providing training courses, technical assistance and networking. CDI's main sectoral focus is on parliamentary process and judicial process. CDI also works in the fields of civil society, the media and political parties, and covers the broad themes of human rights and accountability. ACFID is the peak council for approximately 90 Australian non-government development organisations (NGOs). The focus of ACFID's work is international development, advocacy and development education.
2. Program success in the paper is measured in terms of the stated outcomes of the program — to develop leadership and management skills and to strengthen an NGO peak body.
3. This relates to the issue of *wantokism*, a Pacific term meaning one language. The needs of a person's *wantok* have priority over those of the nation (Tovua 2004).
4. Mike Crooke was a private consultant employed by CDI and ACFID as the course manager of the PNG NGO program. Prior to this, Mr Crooke was employed at ACFID.
5. For a detailed account of the origins of conflict in the Solomon Islands see Kabutaulaka (2001).
6. For details on the Sandline Affair in PNG, see May (2001).
7. The HDI is calculated based on the average achievement in three basic dimensions of human development — a long and healthy life, level of education and a decent standard of living. See the UNDP 2003 HDI table at <[http://hdr.undp.org/reports/global/2003/indicator/indic\\_15\\_1\\_1.html](http://hdr.undp.org/reports/global/2003/indicator/indic_15_1_1.html)>.

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# Women in East Timor: Health crisis and aid priorities

*Lee-Anne Henfry\**

## Introduction

The newly independent state of East Timor<sup>1</sup> is facing a crisis in health. Over 70 per cent of health care facilities were damaged or destroyed in the violence surrounding the 1999 referendum and many health care professionals fled. By August 1999, there were no senior health administrators and only 35 doctors remaining in East Timor (Mercer and Povey 2002:608). The destruction of East Timor's health system has meant that the new government and key donor organisations such as the United Nations have had to prioritise bigger picture infrastructure and policy development in the health sector. As necessary as this is, in the interim some of East Timor's most pressing health problems — particularly those affecting women — have been deprived of effective and targeted attention.

This paper explores the historical and recent forces that have contributed to a crisis in women's health in East Timor. It considers East Timor's Ministry of Health policy objectives, donor involvement, and future options for women's health. It argues that women's health issues, such as maternal mortality and reproductive health, are in need of urgent attention and that, as the emergency rehabilitation phase of donor assistance in East Timor has now ended, a crucial reassessment of objectives and the targeted implementation of priority programs is needed. Despite increasingly sophisticated health policies and the entry of more donors into the health sector, effective targeting of women's health is lacking.

## East Timor today

The newly independent East Timor is the poorest country in the Asia-Pacific region and among the 20 poorest countries in the world. As a province of Indonesia, it had the lowest per capita household expenditure. Today 41 per cent of the population lives below the internationally accepted poverty line of US\$0.55 per day (UNDP 2003). East Timor is ranked alongside Angola, Bangladesh, Guinea-Bissau, Mozambique and Rwanda at 152<sup>nd</sup> of 162 countries under the United Nations Development Programme (UNDP) Human Development Index (HDI) (UNDP 2002).

Poverty and poor health go hand in hand. East Timor's population is frequently exposed to diseases such as malaria, tuberculosis and diarrhoeal disease, for which drugs and treatment are typically unavailable. Rural people, the majority of the population, are particularly vulnerable to infectious

diseases due to lack of access to health services and transport — the East Timor Ministry of Health estimates, for example, that the average walking time to a health centre is 70 minutes (Ministry of Health 2002b).

Poverty and poor health in developing countries have a devastating effect on women.<sup>2</sup> One of the most striking indicators of East Timor's low level of development and health status is its maternal mortality rate, which is the fifth highest in the world, with up to 800 maternal deaths per 100,000 live births (East Timor Planning Commission 2002: 151). By comparison, rates for Indonesia, Papua New Guinea and Vietnam are 380, 370 and 95 per 100,000 live births respectively. Only the Central African Republic, Eritrea, Malawi and Mozambique record higher maternal mortality rates (UNDP 2002).

Child mortality is influenced by a range of factors including the nutritional health and health knowledge of mothers, and the availability and quality of maternal and child health services (UNDP 2002). In East Timor, the infant mortality rate of 89 deaths per 1000 live births is almost triple that of Indonesia (33 per 1000 live births). In addition, East Timor has the highest under-five mortality rate in Asia at 126 deaths per 1000 live births. By contrast, the rate for Indonesia is 45 per 1000 live births (UNICEF 2002).

Complementary to the UNDP's HDI is the gender-related development index (GDI), which adjusts the HDI to account for gender inequality. For 2001, the GDI for East Timor was 12 per cent behind its HDI. By comparison, the GDI for Malaysia, Thailand and the Philippines were approximately 1 per cent their respective HDIs (UNDP 2002). This 'gender-related development lag' puts East Timor among the worst in the world in terms of gender equality in development.

## Origins of the crisis in women's health in East Timor

Many of the health issues faced by East Timorese women today originate in the past. The health situation in East Timor is inextricably linked to its recent political history, in particular, the consequences of the Indonesian military occupation of 1975 to 1999, and also to East Timor's own traditional cultural traits and religious practices.

## Indonesian occupation

During the Indonesian occupation of East Timor, many women

were the victims of sexual abuse on a massive scale, with reports that Indonesian military personnel routinely raped and sexually assaulted East Timorese women. In some cases, women died from their injuries and those who survived often faced ostracism in their communities (East Timor Alert Network 2000). The consequences of such institutionalised violence for the health sector in East Timor are enormous. Post-traumatic stress disorder, domestic violence and depression are just some of the urgent health issues facing East Timorese women today.

The violence surrounding the August 1999 referendum in East Timor also took a heavy toll on East Timorese women. They suffered from loss of income, unemployment and family displacement. Moreover, because during conflict the rate of rape, unwanted pregnancies, anxiety, suicide and infanticide increases, East Timor's already inadequate health resources were stretched even thinner. In such circumstances, pregnant women are often unable to obtain medications, health care or access to safe and sanitary conditions in which to give birth (UNFPA 2002).

Part of the problem with women's access to health care in East Timor is a general lack of trust in the health system. Modern health services were greatly expanded during the Indonesian occupation. During the 1990s, for example, 11 modern hospitals were established in district capitals and 60 health centres in villages. But the state-run health service was characterised by understaffing and generally poor health care.<sup>3</sup> Furthermore, it was widely believed that only the wealthy and well-connected would receive adequate treatment.

More disturbing, however, is that, according to many East Timorese and others, Indonesia's family planning program was based on coercion and forced sterilisation. Reports of the injection of East Timorese women with Depo-Provera without their consent were widespread and contributed to East Timorese women's fear and avoidance of the state medical system. This led to many women avoiding the state-run health clinics, instead using under-equipped church-run clinics or simply staying at home, even when in need of urgent treatment (East Timor Alert Network 2000).

The East Timor Ministry of Health identifies the low utilisation of skilled assistance for antenatal and postnatal care and lack of skilled attendance at delivery as the main reasons for the high maternal mortality rate. Only 27 per cent of births in East Timor are attended by a trained midwife or doctor (by comparison, in Indonesia 57 per cent of births are attended by skilled health workers) (Ministry of Health 2002a).

### **Cultural factors**

Traditional patriarchal culture also impacts on women's health. In male-dominated East Timorese society, tradition and customary law favour men over women — men own and inherit property and occupy the majority of leadership and decision-

making roles. Traditional cultural attitudes that value males differently to females lead to parents prioritising the education of sons and to an unequal distribution of food and health care in the family favouring boys (Ministry of Health 2002b).

East Timorese women's low social status compounds the risks to their health and safety. Stemming from traditional values, but also influenced by colonial history, post-conflict instability and high unemployment, is the widespread social problem of gender-related violence, including domestic violence. Delegates of the First National Congress of Women of Timor Loro Sae held in Dili in June 2000 referred to a contemporary 'culture of violence' (*Timor Link* 2000:5). Violence against women by male family members was estimated at 40 per cent of all offences committed in East Timor in 2001 and accounted for 50 per cent of all cases heard in the Dili District Court (Farkas 2003:58).

Entrenched Catholic beliefs also impact on women's health in East Timor. A stated goal of the East Timorese government is improved reproductive health through increased use of contraceptives. According to World Bank statistics for 2001, the contraceptive prevalence rate among women aged 15 to 49 was an exceptionally low 8 per cent in East Timor (compared with 57 per cent for Indonesia) (World Bank 2001). There is an increasing incidence of teenage pregnancies with short periods of time between each pregnancy (East Timor Planning Commission 2002:51). Further, it is reported that sexually transmitted infections, particularly syphilis, gonorrhoea and chlamydia, are endemic (Mercer and Povey 2002:619). The East Timorese Catholic Church, however, has fully endorsed the Papal prohibition against any form of birth control and does not tolerate abortion (Retbøll 2002).

In a society in which discussion of sex is taboo, where health and sex education and awareness is low, where access to health services is limited and Catholic teaching reinforces illiberal tendencies, it may be some time before improvements in reproductive health indicators are seen.

### **Donor assistance**

East Timor's health sector is heavily reliant on external aid. External assistance began during the aftermath of the 1999 post-referendum violence. The International Force for East Timor arrived in September 1999 and military medical teams set up emergency health services. The International Committee of the Red Cross assumed responsibility for Dili General Hospital, providing surgical services and emergency obstetric care. The World Health Organization (WHO) coordinated public health services and the Central Medical Laboratory in Dili was reconstructed and equipped by the United Nations Children's Fund (UNICEF) and the Australian Agency for International Development (AusAID) (Mercer and Povey 2002).

During the following months a number of international non-government organisations arrived in East Timor to assist with the restoration of health services. Initial assistance was necessarily humanitarian. The core of the transitional strategy for health was:

the immediate re-establishment of essential health care provision ... re-establishment of essential inpatient services (hospital care); re-establishment of a central health authority that would become the country's Ministry of Health; and health human resource capacity building (World Bank 2002:61).

Initially, implementation of the transitional strategy was based on the support of a number of international NGOs, which played a key role in the delivery of basic health services and the management of hospitals during the emergency period. Even as the Ministry of Health began to establish itself in early 2000, the NGOs continued to cover the gap. It is estimated that external assistance accounted for approximately 75 per cent of all health spending in East Timor in 2000 (Ministry of Health 2002a).

At independence in May 2002, national and district health services came under East Timorese management and control. However, the Ministry of Health is still highly dependent on external assistance. The World Bank-administered Trust Fund for East Timor (TFET) is the primary avenue for health sector donor assistance via its Health Sector Rehabilitation and Development Program (HSRDP), which became effective in July 2000. Principal contributors to this program are WHO, UNICEF, AusAID, USAid, the European Community and the Japanese International Cooperation Agency.

The HSRDP is being implemented in two phases. The major components of Phase I are restoring access to basic health services (maternal care is a high priority project under this component), health policy and health systems development and program management. Phase II became effective on 2 December 2001 and was fully integrated into the overall budget of the Ministry of Health. Its main components are supporting ongoing health service delivery, improving the range and quality of health services, development and implementation of health support systems, and development and implementation of a health sector policy and management system (World Bank 2003a).

In addition to the TFET arrangement, international and East Timorese NGOs, humanitarian organisations and other multilateral and bilateral agencies provide assistance to the health sector in East Timor, largely within the broad framework of the Ministry of Health. NGOs and community-based organisations, in particular, have been visible in the areas of women's health and women's issues. According to the East Timor National NGO Forum, as at January 2003, there were more than 100 local and international NGOs operating in the health sector.

East Timor's rapidly developing health sector has been under enormous pressure to accommodate the interests of a large number of donors and NGOs. The East Timor Ministry of Health has identified a number of factors that 'constrained the effectiveness of external assistance in East Timor', noting that:

assistance through NGOs in the initial phase of health sector development had several drawbacks: lack of control and accountability, and delay in disbursement of funds [which] resulted in inequity and different standards of health service between districts. Other problems ... included overloading local capacity to coordinate donors particularly during program development and implementation, lack of sustainability and institutional development and inefficient use of resources (Ministry of Health 2002a:59).

The Ministry of Health also identified its own lack of a strategic policy framework as limiting its effective leadership role in dialogue with donors.

It is critical that international donors continue to support the nascent state of East Timor in the still difficult years ahead to ensure that gains made in the health sector are maintained and built upon. The East Timorese health sector's National Development Plan outlines strategies for the next four years (2003 to 2007), with sustained economic growth and poverty reduction as the overriding goals. In East Timor's 2003–2004 budget, 10.6 per cent of funds were allocated to the Ministry of Health, compared with an average of about 2 per cent under the Indonesian administration (World Bank 2003b).

In the National Development Plan and in the Health Policy Framework, the Ministry of Health has identified 15 'main health problems'. Among the top five are high maternal and infant mortality and maternal and child malnutrition. Further, the Ministry of Health has highlighted as constraints lack of awareness of health problems, particularly among women, and a general lack of understanding of government health benefits available to them, poor access to health services, early marriage and pregnancy, neglect of gender issues, low utilisation of skilled assistance for antenatal care, and poor reproductive health (Ministry of Health 2002b:3–4).

However, both the National Development Plan and the Health Policy Framework address only very broad health sector policy objectives and management strategies, and do not provide sufficient detail to guide the delivery of government health services and the implementation of programs, particularly at the district level. Neither the National Development Plan nor the Health Policy Framework outline in detail how or by whom priority programs will be implemented and target health indicators achieved.

As donor aid moves away from emergency assistance and rehabilitation to development of longer-term activities, donor

activities are expected to align more with East Timor's Ministry of Health priorities. The ministry now has greater capacity to coordinate donor funding and expertise in implementing the programs identified in its National Development Plan. In addition, a small number of local NGOs have developed stronger capacity and expertise in the area of women's health. There are opportunities for the Ministry of Health to coordinate these resources into a strategic plan targeting important women's health issues such as maternal and reproductive health.

## Conclusion

East Timor's health sector is experiencing rapid improvements and the Ministry of Health has established a reputation as one of the best organised ministries in the East Timor government, particularly in terms of planning and vision. However, women's health issues have continued to suffer from a lack of prioritised attention over the past four years, in part because bigger picture priorities arising from the 1999 crisis demanded immediate attention, and emergency humanitarian assistance was a crucial priority for a devastated East Timor from 1999 to 2001.

Women's health will only be improved through increased health promotion and community education, development of indigenous expertise, targeted program implementation and the alleviation of endemic poverty. In order that health sector funds are used effectively and priority health programs such as maternal and reproductive health are effectively targeted, the Ministry of Health must progress from the national strategic planning and policy framework development phase to program implementation and basic service delivery. Community utilisation of health services should be a priority for engagement, while community involvement in planning and management of health services will be important in the future. More importantly, health services need to build trust so that women feel safe in returning to public health for treatment and advice. It is now an opportune time for the Ministry of Health to revisit its health strategy and develop an action plan for better coordinating its health resources to help East Timor's long suffering women.

## Notes

- \* Lee-Anne Henfry researched this paper while studying at the Faculty of Asian Studies, Australian National University.
1. At independence on 20 May 2002 East Timor became the Democratic Republic of Timor-Leste. The English designation 'East Timor' is also widely used, including throughout this paper.
  2. In the developing world one woman dies every minute from pregnancy related causes and women in developing countries are thirty times more likely to die from pregnancy related causes than those in developed countries (United Nations Population Fund 2002).
  3. In 1997 there were 398 doctors and 1877 registered Timorese nurses in East Timor. However, many doctors sent to remote

provinces such as East Timor were young, inexperienced and often in their first job since graduation from medical school. In addition, a significant proportion of community health centers did not have a doctor among their regular staff (Mercer and Povey 2002:612).

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# Measuring the effectiveness of aid for Nepali health

*Terence Murphy, Consultant on Family Planning and Community Health*

## Introduction

In my opinion, the attempt by one sovereign state to assist in the economic development of another through provision of limited financial and technical assistance is one of the most complex economic, social and political enterprises ever conceived. Donors, while carrying the burden of their own preconceptions, misconceptions and structural constraints, are intervening in highly complex cultural and political systems. Focusing on one or a few technical interventions, it is impossible to know in advance what obstacles or unintended outcomes will follow. The results, therefore, are seldom as clear-cut as the stated objectives, and achieving desirable outcomes is never simply a matter of analysing a system and then providing the inputs that are logically required. But the fact that we cannot delineate clear and unambiguous connections between the work we do, the money we spend, the intelligence we apply and some positive outcomes down the track, should not lead us into a state of despondency.

A case in point is the results of a recent review of population and health trends in Nepal. In order to assist in efficient allocation of national health resources, the Kingdom of Nepal has carried out a national demographic and health survey every five years since 1976. The latest one in 2001 was paid for by USAID, my then employer, and I was given the task of overseeing the survey. In order to examine the larger question of effectiveness in ODA, I would like first to examine a few of the key indicators from the 2001 survey (Ministry of Health 2001), compare them to previous surveys to show the direction and magnitude of change, and then examine the significance of these changes with respect to the question of effectiveness.<sup>1</sup>

## Background

To the world at large, Nepal is the land of high mountains and Sherpa guides, trekking, and the Annapurna circuit; and, for those of us old enough to have visited there in the early 1970s, cheap hotels, abundant hashish, and equally abundant traveller's diarrhoea. The reality encompasses rather more than this. Nepal is a small country, slightly larger in area than the state of Victoria, with around 24 million people according to the last census, and, whereas the mountains get all the photos, close to 50 per cent of the population lives at low altitude in the Terai, the northern edge of India's Gangetic plain. The Himalayas are awesome to behold, but, in terms of habitability, they are little

more than vertical deserts. A significant portion of the population also lives in the Kathmandu Valley, nestled comfortably between the foothills of the Himalayas and the Mahabharat Ranges, which separate it from the Terai.

Nepal is a place of stunning beauty and astonishing cultural complexity. It is also very poor. Per capita income is in the vicinity of US\$200, and as we all know that does not mean the average man in the street or on the farm gets his hands on that much cash in a year. The average farm family would have considerably less, but would generate most of its subsistence in situ, if they had their own land. If landless, they would be in poor shape indeed. Very few Nepalis have much to show for their labour at the end of the year. If they survive and are in good health, then it's been a good year.

And when it comes to health, conditions can be appalling. If you live in the Kathmandu Valley and you have lots of money, you can get highly sophisticated medical assistance; but even if you aren't rich you can get generally adequate service, as long as you are prepared to spend a lot of time sitting around clinic waiting rooms. Outside of Kathmandu, the picture is not so pretty. Most Nepalis would go to the village health post or sub health post as the first point of contact. Here they may be confronted with a number of harsh realities. The building itself may be in poor condition, small, with a dirt floor, poor light, no power and possibly no water. It will have a store of drugs and disposable supplies, but they may not be appropriate to the needs of the community — say enough Depo-Provera for two years, but no paracetamol. The staff may not be adequately trained to deal with routine problems; they may not really know what drugs are in the store, or how to use the ones that are there. The official staff might or might not have turned up. A doctor might have been assigned to the post, but failed to arrive, or showed up and signed in, then returned to private practice in Kathmandu.

Or there may be no trained staff at all. Judith Justice, in her book *Policies Plans and People* (Justice 1986), found that service at rural clinics is often provided by the peon, the local person hired to clean the floors or make tea for the staff. There is some logic in this: the peon knows the community, speaks the same language, and has probably served at the clinic longer than the last four or five appointees added together. He or she, having watched the trained staff, and perhaps received some rudimentary training, knows how to do basic dressings, perhaps

stitches, and will probably have access to paracetamol for common aches and pains. But this hardly adds up to a vibrant community health system. The state of these clinics is important because nearly 90 per cent of Nepal's population is still rural, most families living a life of subsistence, or semi-subsistence, with limited access to towns, markets and health care beyond the village.

Nepalis have on average a much shorter life span than we do in Australia: 58 years for women and 59 for men. Although tuberculosis is a continuing concern, and HIV/AIDS an emerging one, for adults generally the biggest problem is simply that traumas and diseases that are readily diagnosed and easily treated in the West, don't get diagnosed, or, if they do, don't get treated because the treatment is too expensive or inaccessible or because families simply accept illness and its consequences as inevitable or because poor health is not a priority when allocating limited family resources. For women, the consequences of high levels of fertility are a further contributing factor, particularly given limited access to appropriate care.

For children, the great killers are diarrhoea and upper respiratory infections. These are the classic diseases of poverty, resulting from ignorance, lack of access to clean water and decent accommodation, and, of course, lack of ready access to simple, appropriate medications and medical support. Given this national health profile, the USAID health program in Nepal focused on child health and fertility, including family planning, antenatal and postnatal care.

## Family planning

First let's look at fertility. For family planners, the total fertility rate (TFR) is a key indicator for long-term trends in population because it shows the number of children a married woman will produce, on average, during her child bearing years from age 15 to 49. In Nepal total fertility between 1991 and 2001 declined from 5.1 to 4.1 children, a 20 per cent decline in 10 years. For the urban areas, the TFR declined to replacement level of 2.1, a significant change in reproductive preference among city dwellers, comparable to the TFR of industrialised countries 20 years ago.

The achievement of a decline in fertility usually requires use of some form of contraception. The contraceptive prevalence rate (CPR), which is the percentage of women of reproductive age using modern contraceptive methods, increased by 36 per cent between 1996 and 2001. The 2001 survey showed that 35 per cent of currently married women in Nepal reported using modern contraception. The comparative figure for 1996 was 26 per cent. The increase in contraceptive prevalence correlates with a decline in total fertility, suggesting that family planning program activities were having a significant impact on reproductive patterns.

Given an impressive change in fertility patterns, results in maternal health were less than encouraging. Availability of competent antenatal and delivery care for pregnant women correlates strongly with low rates of maternal and infant mortality. Nepal, however, has a high level of maternal mortality, estimated at 539 per 100,000 live births in the 1996 survey. Although not sampled in 2001, field experience suggests that the rate remains high, particularly when you consider the levels of antenatal and delivery care. For women who were pregnant during the five-year survey period, less than half received antenatal care of any kind. For those receiving care by a doctor, nurse or assistant nurse midwife (ANM), the 2001 DHS shows only a slight improvement over 1996 with 28 per cent receiving some medical support as opposed to 23.6 per cent. For delivery care, only slightly more than 10 per cent were attended by a doctor, nurse or ANM. Nine per cent received no assistance at all, and the remainder were assisted by a traditional birth attendant (TBA) or by relatives or friends. This is a slight improvement over 1996, but not one that would be cause for celebration.

## Child health

Although few Nepalis have access to comprehensive child health services, nevertheless there have been some impressive gains over five years. Mortality in children under five years, the international standard for measuring changes in child health over time, decreased from 118 deaths per 1000 live births in 1996 to 91 deaths per 1000 in 2001, a 23 per cent reduction over five years. Infant mortality showed a corresponding 22 per cent reduction, from 78.5 deaths per thousand to 64.2 over the same period. There are two major program inputs that may have contributed to these improvements: immunisation and vitamin A supplementation. Coverage rates for immunisation increased significantly, with the percentage of children fully immunised rising from 43 per cent to 66 per cent between 1996 and 2001. This increase correlates directly with the decline in child mortality and reflects progress made by the health system in delivery of immunisation services.

Data from the DHS and other surveys show that high-dose vitamin A supplementation is being maintained at high levels in all 75 of Nepal's administrative districts. Vitamin A supplementation, according to some sources, has been shown to reduce under-five mortality by as much as 30 per cent, by increasing resistance to diarrhoea, measles and other common childhood illness. Vitamin A also prevents night blindness and other symptoms of xerophthalmia that can otherwise lead to permanent blindness. Other factors which may have contributed to the declines in child and infant mortality are education on, and the widespread availability of, oral rehydration for diarrhoea and antibiotic treatment of pneumonia in children at

community level, and, possibly, the availability of inexpensive, clean home-delivery kits. These correlations are speculative since it would take a focused study to show direct relationships, indeed, if they could be demonstrated at all.

Given the bad news on antenatal care, the decline in infant mortality may seem an anomaly. Two other factors may have contributed to the decline. The first is the rising number of pregnant mothers who have two tetanus shots prior to delivery (45 per cent in 2001, 33 per cent in 1996), and the availability of mega-dose vitamin A, administered to infants at approximately six months of age (the dosage was delivered nationally on a fixed schedule twice a year). Thus, through system-wide interventions, more children are surviving infancy and early childhood. However, offsetting these advances is the fact that there has been no significant change in children's overall nutrition status in the past five years. For example, 48 per cent of children under three years of age were classified as underweight (low weight-for-age) in 2001 against 47 per cent in 1996.

### **Effectiveness?**

So, are we making progress? On the one hand, given a large amount of technical assistance and support, it seems clear that aid has been effective in helping to reduce infant and child mortality, as well as lowering total fertility to 4.1 children through an extensive family planning program. On the other hand, in the critical areas of child nutrition and peri-natal care we have made little progress over the last decade. Are we increasing the number of people who survive merely to live longer amid the squalor of poverty? And why the differential — the significant improvements in some areas and almost none in others?

A closer examination of those areas of success reveals them to be traditional vertical programs, where focus is on a single disease or set of diseases which can be dealt with in isolation from the larger health environment. For immunisation programs, once the vaccines are available and shown to be effective, then mass immunisation becomes conceptually simple. And whereas vitamin A capsules, like vaccines, can be delivered to the administration point through an established logistic chain, improvements in nutrition may require changes on many fronts: in land holding and production patterns, increased access to markets through roads and bridges, better communications systems, more equitable distribution of national income, and so forth.

Peri-natal care is perhaps a less complex issue than nutrition, but nevertheless still demands greater access to sophisticated care, which may mean again better transport and communication, and improved local facilities with properly trained staff. It may also mean significant changes in the status of women.

But what about family planning? Why the impressive increase in contraceptive prevalence when peri-natal care has hardly changed? Among other reasons, contraceptives are now widely available in government clinics and shops, as well as private pharmacies. Condoms can be purchased cheaply almost everywhere, in tea shops and food outlets, as well as pharmacies, while contraceptive pills and Depo-Provera can be had from pharmacists who are trained in evaluating and counselling clients. Norplant for long-term spacing is generally available on demand through government clinics, as are IUDs. But the most popular form of family planning is female sterilisation, chosen by 16.5 per cent of women using modern contraception (with women in the 35–44 age group at 26 per cent), while the average age at sterilisation is 28 years. In addition, USAID supported a national drama-based national radio program over five years that encouraged widespread discussion of family planning issues. The program was designed and administered by the Johns Hopkins University Population Communication Services (JHU-PCS), which conducted a baseline in study 1996 and a follow-up review in 1999 (Storey and Boulay 2001). The study revealed a strong positive correlation between contact with the radio program and increased or continued use of modern contraception.

### **Sustaining the gains**

The gains are impressive, but can they be sustained? Until 1999 USAID provided almost all of Nepal's contraceptives. It has for more than 20 years underwritten the operating costs of the Nepal Contraceptive Retail Sales (CRS) company, a social marketing program, and continues to provide it with contraceptives for sale. When USAID pulled back from its commitment to the Nepali government to provide contraceptives, the German Development Bank, KfW, stepped in to make up the difference, also offering support to CRS. USAID not only provided supplies, but logistic backup through a contractor, who hired and placed Nepali computer staff within the health department to compile and track the data necessary for maintaining the flow of contraceptives and essential drugs. The vitamin A distribution program was essentially managed outside of government by a local NGO set up and funded by USAID. Capsules were paid for by grants from other donors. If donors were to withdraw this critical support, the family planning program would surely collapse, as would in all probability the vitamin A distribution program.

Undoubtedly, the training and experience health staff have received in association with various projects has been beneficial. But the aid has created a relationship of dependency, which if broken, could see a reversal of many of the gains of the last two decades. Certainly the ODA has been effective in reducing child and infant mortality, and supporting family health through

reduced fertility, but is this then effective aid? I would have to say, No! Not if 'effective' means that aid inputs are there to develop local capacity, which can then sustain any gains achieved through international assistance programs. But a life saved is not an insignificant gain. And a doubling of the life span over the course of 50 years must surely have resulted, at least in part, from the impact of outside assistance to the health system.

Therefore, although the 2001 DHS revealed some serious weaknesses in Nepal's health system, the successes in family planning and child health cannot be dismissed as unimportant. Given the complexities of the program environment, and the resultant difficulties in linking aid inputs to population outcomes, to be able to chart large improvements over time in those areas of program focus does lend support to the argument that, overall, the aid has been effective.

Nevertheless, the results are somewhat messy and unsatisfying. How much better it would be to show clear-cut gains linked to well-defined inputs. But recall what I said at the beginning: Aid is a complex endeavour. It is also rampant with personal ambitions, compromises, guesswork and approximations, and subject to the whims of fashions and political balancing acts. And whereas it is inspired by the highest of ideals and altruistic commitment, it is on occasion sullied by greed, corruption, hypocrisy and sordid political dealing. These realities will always be part of the aid equation, in Nepal and elsewhere. Consequently, in spite of attempts to make it orderly and scientific, with log frames, risk matrixes, and other sophisticated planning and evaluation tools, it will remain an untidy business.

But there is no room for cynicism. Nepal received its first external assistance in 1951. Progress was very slow until the mid 1980s, and then came a rapid acceleration following democratisation in 1991. There are still some major obstacles — corruption, and now the Maoist rebellion, among others, remain serious threats — but given time and persistence, these can probably be overcome. And whereas the gains in health to date are an important achievement in themselves, they also demonstrate that in spite of the complexities aid can be effective.

Perhaps the biggest challenge of all is to resist giving up too soon.

## Note

1. Unless otherwise indicated, data included in the paper are from the 2001 and 1996 Demographic and Health Surveys conducted on behalf of the Ministry of Health, His Majesty's Government of Nepal by ORC Macro International and New ERA Surveys, with funding from the USAID Measure Project. Both reports are available online at <[www.orcmacro.com](http://www.orcmacro.com)>. Raw data tables can also be accessed by approved researchers.

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## New Books

### Food Aid after Fifty Years: Recasting Its Role

*Christopher B Barrett, Daniel G Maxwell, 2005. ISBN 0415701244, hb, 256 pp, GBP 65.00; ISBN 0415701252, pb, 256 pp, GBP 21.99. Routledge, 11 New Fetter Lane, London, EC4P 4EE, UK. Tel: 44 (0) 20 7583 9855, Fax: 44 (0) 20 7842 2298; Email: info@routledge.co.uk; Web: <http://www.routledge.com>.*

This book analyses the impact food aid programmes have had over the past fifty years, assessing the current situation as well as future prospects. Issues such as political expediency, the impact of international trade and exchange rates are put under the microscope to provide the reader with a greater understanding of this important subject matter.

This book will prove vital to students of Development Economics and Development studies and those working in the field.

### Key Issues in Development

*Damien Kingsbury, Joseph Remenyi, John McKay and Janet Hunt (eds), 2004. ISBN: 1403900450 pb, 336 pp, \$54.00/ GBP 18.99. Palgrave Macmillan, Houndmills, Basingstoke, Hampshire, RG21 6XS, UK. Tel: 44 (0) 1256 302866; Fax: 44 (0) 1256 364733; Email: orders@palgrave.com; Web: <http://www.palgrave.com/home1>. In Australia: Locked Bag 1400, South Yarra, Victoria, 3141. Tel: +61 3 9825 1111; Fax: +61 3 9825 1010; Email: [palgrave@macmillan.com.au](mailto:palgrave@macmillan.com.au); Web: <http://www.palgravemacmillan.com.au/>.*

The notion of development has evolved from a relatively straightforward concern with industrialization plus increasing gross

domestic product to a much more complex mix of quality of life, participation, empowerment and good governance — all of which have remained elusive to many of the world's poor. This major new text provides a critical interdisciplinary introduction to the theory, practice and study of development at the start of the twenty-first century.

### Development Planning and Poverty Reduction

*David Potts, Patrick Ryan and Anna Toner, 2003. ISBN: 0333970179 hb, 304 pp, GBP 55.00. Palgrave Macmillan, Houndmills, Basingstoke, Hampshire, RG21 6XS, UK. Tel: 44 (0) 1256 302866; Fax: 44 (0) 1256 364733; Email: orders@palgrave.com; Web: <http://www.palgrave.com/home1>. In Australia: Locked Bag 1400, South Yarra, Victoria, 3141. Tel: +61 3 9825 1111; Fax: +61 3 9825 1010; Email: [palgrave@macmillan.com.au](mailto:palgrave@macmillan.com.au); Web: <http://www.palgravemacmillan.com.au/>.*

The stated aim of much development assistance is the reduction of poverty. This book examines how development interventions might be more effectively targeted to achieve this aim. Part One provides an overview of planning for poverty reduction, and evidence on the extent and causes of poverty. Part Two examines participatory approaches to development planning. Part Three assesses macro-economic strategies and programmes for poverty reduction. Part Four concludes with a microeconomic analysis of the distribution of benefits from investment projects.

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## Foreign Aid in the New Global Economy

Peter Burnell (ed), 2004. ISBN: 1 84376 280 3 hb 656 pp, GBP150.00 (web price GBP135.00)/ US\$250.00 (web price US\$225.00); Edward Elgar Publishing Ltd, Glensanda House, Montpellier Parade, Cheltenham Glos GL50 1UA UK. Tel: 44 (0) 1242 226934; Fax: 44 (0) 1242 262111; Email: [info@e-elgar.co.uk](mailto:info@e-elgar.co.uk); Web: <http://www.e-elgar.co.uk/web/index.lasso>.

Aid is one of the major issues in development and international relations. Over the last 50 years there have been remarkable changes in our understanding of aid's limits and potentialities as an instrument of economic, social and political change. This important collection brings together major landmark contributions to the analysis, structured around key issues and debates and offers an overview of present understanding.

Aid's role in the new global political economy is under intense scrutiny, as analysts, politicians and civil society struggle to reach a consensus on such issues as how much and what kinds of aid to support, to which countries to allocate aid and under what conditions.

The publication includes 32 articles, dating from 1970 to 2001. Contributors include: P Bauer, D Dollar, S Hook, T Killick, M McGillivray, R D McKinlay, P Mosley, F Tarp.

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## Cultivating Development: An Ethnography of Aid Policy and Practice

David Mosse, forthcoming. ISBN: 0745317987 pb 288 pp, GBP16.99/ US\$22.50; ISBN: 0745317995 cloth 288 pp, GBP55.00 Pluto Press, 345 Archway Road, London, N6 5AA UK. Tel. 44 (0) 20 8348 2724; Fax 44 (0) 20 8348 9133. Email: [pluto@plutobooks.com](mailto:pluto@plutobooks.com); Web: <http://www.plutobooks.com/>.

David Mosse offers an anthropological analysis of participatory development which explores the power and limitations of the concept of 'participation' and the tensions and struggles over its meaning in the light of current anthropological concerns with power, discourse, and reflexivity.

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## Annual World Bank Conference on Development Economics — Europe 2003: Toward Pro-Poor Policies: Aid, Institutions, and Globalization

Bertil Tungodden, Nicholas Stern and Ivar Kolstad (eds), 2004. ISBN: 0821353888 pb 368 pp, US\$22.00; World Bank/ Oxford University Press, 198 Madison Avenue, New York, NY 10016 USA. Tel: 212 726 6000; Email: [custserv@oup-usa.org](mailto:custserv@oup-usa.org); Web: <http://www.oup.com/>.

This publication contains papers from the Annual World Bank Conference on Development Economics Europe 2003. This annual conference has become a key event in Europe for the discussion of development issues. It is a unique platform for many of the world's finest development thinkers and experienced policymakers to present their perspectives, ideas, and to challenge researchers and senior staff of the World Bank and other organizations with their views. These papers look at a number of compelling issues surrounding the topic of development.

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## Debt Relief for Poor Countries

Tony Addison, Henrik Hansen and Finn Tarp (eds), 2004. ISBN: 1403934827 hb 344 pp, GBP 19.99. Palgrave Macmillan, Houndmills, Basingstoke, Hampshire, RG21 6XS, UK. Tel: 44 (0) 1256 302866; Fax: 44 (0) 1256 364733; Email: [orders@palgrave.com](mailto:orders@palgrave.com); Web: <http://www.palgrave.com/home1>. In Australia:

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After a massive international campaign calling attention to the development impact of foreign debt, the Heavily Indebted Poor Countries (HIPC) initiative is now underway. But will the HIPC Initiative meet its high expectations? Will debt relief substantially raise growth? How do we make sure that debt relief benefits poor people? And how can we ensure that poor countries do not become highly indebted again? These are some of the key policy issues covered in this rigorous and independent analysis of debt, development, and poverty.

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## The Other War: Global Poverty and the Millennium Challenge Account

Lael Brainard, Carol Graham, Nigel Purvis, Steven Radelet, and Gayle Smith, 2003. ISBN: 0 8157 1115 8, pb 192 pp US\$17.95; 0 8157 1114 x, cloth 192 pp, US\$42.95; Center for Global Development, co-published with Brookings Institution Press, 1776 Massachusetts Ave NW, Suite 301, Washington DC 20036 USA. Tel: 1 (202) 416 0700; Fax: 1 (202) 416 0750; Email: [info@cgdev.org](mailto:info@cgdev.org); Web: <http://www.cgdev.org/>.

The plight of the poorest around the world has been pushed to the forefront of America's international agenda for the first time in many years by the war on terrorism and the formidable challenges presented by the HIV/AIDS pandemic. In March 2002, President Bush announced the creation of the Millennium Challenge Account (MCA). This bilateral development fund represents an increase of \$5 billion per year over current assistance levels and establishes a new agency to



promote growth in reform-oriented developing countries.

Amounting to a doubling of US bilateral development aid — the largest increase in decades — the MCA offers a critical chance to deliberately shape the face that the United States presents to people in poor nations around the world. This book makes concrete recommendations on crafting a new blueprint for distributing and delivering aid to make the MCA an effective tool, not only in its own right, but also in transforming US foreign aid and strengthening international aid cooperation more generally.

The book tackles head on the tension between foreign policy and development goals that chronically afflicts US foreign assistance; the danger of being dismissed as one more instance of the United States going it alone instead of buttressing international cooperation; and the risk of exacerbating confusion among the myriad overlapping US policies, agencies, and programs targeted at developing nations, particularly USAID.

In doing so, *The Other War* draws important lessons from new international development initiatives, such as the Global Fund to Fight AIDS, TB, and Malaria; the mixed record of previous US aid efforts; trends in the US budget for foreign assistance; the agencies currently involved in administering US development policy; and the importance of the relationship between Congress and the executive branch in determining aid outcomes. The MCA holds the promise of substantially increasing US development assistance and pioneering a new era in aid, but the authors caution against creating yet another example of wasted aid that could undermine political support for foreign assistance for decades to come.

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### **Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account**

*Steven Radelet, 2003. ISBN: 0 88132 354 3, pb 200 pp, US\$20.00. Center for Global Development, 1776 Massachusetts Ave NW, Suite 301, Washington DC 20036 USA. Tel: 1 (202) 416 0700; Fax: 1 (202) 416 0750; Email: info@cgdev.org; Web: http://www.cgdev.org/.*

In March 2002, President George W Bush proposed establishing the Millennium Challenge Account (MCA), a new foreign aid program designed to provide substantial assistance to a select group of low-income countries that are committed to sound development policies. The MCA could bring about the most fundamental changes to US foreign assistance policy in 40 years.

In this study, Steven Radelet examines the MCA's potential promise and possible pitfalls. He offers a rigorous analysis of the MCA's central challenge: making foreign aid more effective in supporting economic growth and poverty reduction in the poor countries. He systematically explores what makes the MCA different and pinpoints the critical issues that will determine its success or failure.

The book concludes with important recommendations about how the MCA should be strengthened to solidify its innovation and independence and to ensure coordination with other US foreign aid programs. Written at a practical level, this book is an invaluable resource for anyone seriously interested in the MCA and US foreign assistance policy.

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### **Zimbabwe's Fight to the Finish: The Catalyst of the Free Market**

*John Louis Moore, 2003. ISBN 0710-08728, hb, pp. xvii + 345, inc. index, maps and tables, £58.50. KeganPaul, London, PO Box 256, London WC1B 3SW, UK, Tel: (44) 20 7580 5511; Fax: (44) 20 7436 0899; Web: http://www.keganpaul.com*

This book challenges the 'poor governance' interpretation of Zimbabwe's development crisis and primarily blames inherited colonial structures and economic liberalisation under an IMF and World Bank Structural Adjustment Program [SAP]. Historically, a state-led macroeconomic strategy, via a range of price and trade controls, proved decisive in assuring that a land deprived peasantry — the majority of the population — gain access to employment opportunities and affordable food, productive inputs, health and education services.

Economic deregulation under the SAP from 1990, however, witnessed the onset of a stagflation crisis — high inflation and low growth — which increased poverty among the peasantry. In turn, among the ranks of the ruling party, ZANU-PF, political pressures mounted to broaden the indigenous economy, via land redistribution and the Congo war. Meanwhile, an emergent opposition, the Movement for Democratic Change, campaigned to restore lawful land reform, peace in the Congo and the SAP, which militant nationalists saw as a threat to emancipation. Ideally, given assurances from the Mugabe regime to face a truly free and fair election, Western countries, particularly the UK and US, should help resolve the land question, which could lay the foundations for a lasting democracy.

# Journals

## Journal of International Development

Paul Mosley and Hazel Johnson (Managing Editors), *Development Studies Association*. ISSN: 1099 1328 (online); ISSN: 09541748 (print), 8 issues per year. Institutional rate (print): US\$960.00 (Rest of World) Personal rate (print): GBP305.00 (UK)/US\$480.00 (Rest of World). Published by John Wiley & Sons, Ltd, Journals Administration Department, 1 Oldlands Way, Bognor Regis, West Sussex, PO22 9SA, UK. Tel: 44 (0) 1243 779 777; Fax: 44 (0) 1243 843 232; Email: [cs-journals@wiley.co.uk](mailto:cs-journals@wiley.co.uk); Web: <http://www3.interscience.wiley.com/cgi-bin/jhome/5102>.

The journal aims to publicise the best research on development issues in a form which will be accessible to practitioners and policy-makers as well as to an academic audience. The focus is on the social sciences — economics, politics, international relations, sociology and anthropology — but the journal is glad to publish papers which blend the approach of the natural and the social sciences in an attack on a development problem. The journal wishes in particular not to represent any particular school, analytical technique or methodological approach, but to publicise any work which shows promise in confronting the problems of poverty and underdevelopment in low income countries. The journal is published in association with the Development Studies Association.

## Development and Change

Martin Doornbos, Ashwani Saith and Ben White (editors), published for the Institute of Social Studies, The Hague. ISSN: 0012 155X (print)/ISSN: 1467 7660 (online), five issues per year. Institutional rate (print and online): GBP326.00; Personal rate (print and online): GBP59.00. Published by Blackwell Publishing, 108 Cowley Road, Oxford, OX4 1JF, UK. Tel: 44 (0) 1865 791100; Fax: 44 (0) 1865 791347; Web: <http://www.blackwellpublishing.com/subs.asp?ref=0012-155X>.

*Development and Change* is internationally recognized as one of the leading journals in the field of development studies and social change. With more than thirty years of publishing experience and with a truly interdisciplinary character, it occupies a unique position in the field, covering a broad range of topics and publishing articles from all the social sciences and all intellectual persuasions concerned with development. With a mix of regular and special theme issues, *Development and Change* is devoted to the critical analysis and discussion of the complete spectrum of development issues.

## Development Policy Review

David Booth (ed), published for the Overseas Development Institute. ISSN: 0950 6764 (print), ISSN: 1467 7679 (online), six issues per year. Institutional rate (print and online): GBP286.00; Personal rate (print and online): GBP37.00. Published by Blackwell Publishing, 108 Cowley Road, Oxford, OX4 1JF, UK. Tel: 44 (0) 1865 791100; Fax: 44 (0) 1865 791347; Web: <http://www.blackwellpublishing.com/journal.asp?ref=0950-6764>.

*Development Policy Review (DPR)* is a refereed journal that makes the crucial links between research and policy in international development. Edited by staff of the Overseas Development Institute, the London-based think-tank on international development and humanitarian issues, it publishes single articles and theme issues on topics at the forefront of current development policy debate.

Coverage includes the latest thinking and research on poverty-reduction strategies, inequality and social exclusion, property rights and sustainable livelihoods, globalisation in trade and finance, and the reform of global governance. Informed, rigorous, multi-disciplinary and up-to-the-minute, *DPR* is an indispensable tool for development researchers and practitioners alike.

# Reports

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## **2003 Annual Review of Development Effectiveness (ARDE 2003): The Effectiveness of Bank Support for Policy Reform**

*World Bank Operations Evaluation Department, 2004. ISBN 0 8213 5938 X, ISBN 0 8213 5939 8. The International Bank for Reconstruction and Development/The World Bank, 1818 H Street, NW, Washington, DC 20433; Tel: 1 (202) 458 4497; Fax: 1 (202) 522 3125; Email: [eline@worldbank.org](mailto:eline@worldbank.org); Web: <http://www.worldbank.org/oed>.*

*ARDE 2003* examines the effectiveness of World Bank support for developing country policy reform. Policy reform has become a central element of the Bank's strategy for sustainable poverty reduction. The report finds that reform has been widespread across countries during the last few years and across a wide spectrum of policy areas. Countries that improved their policies over this period — on average — achieved substantially higher per-capita economic growth than those that did not.

The report also finds that Bank support has contributed to reform in a number of cases. But there are also cases where the Bank's support has not been associated with improvements in the policy environment. This is especially noticeable in countries with no track record at all — or an inconsistent or deteriorating record — of policy reform. The Bank's available instruments, namely CAS triggers and lending conditionality, haven't always been effectively used in these situations.

Several countries have absorbed large amounts of adjustment lending with only mixed results on reform and a substantial increase in indebtedness. In some cases the Bank has designed operations that don't

fit well with the pace and style of policy making style of the recipient country. In others, staff lacked the specific country knowledge they need to help to identify risks and improve sequencing and ownership. The report finds, in conclusion, that management should consider ways to better customize its support to clients' needs and should explore pilot mechanisms to introduce a more direct linkage between its support and results in terms of poverty reduction.

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## **Human Development Report 2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty**

*United Nations Development Programme, 2003. ISBN: 0 19 521988 0, pb 384 pp, US\$22.95. Oxford University Press, 198 Madison Avenue, New York, NY 10016 USA. Tel: 1 (212) 726 6000; Email: [custserv@oup-usa.org](mailto:custserv@oup-usa.org); Web: <http://www.oup.com/>.*

The *Human Development Report 2003* discusses the Millennium Development Goals (MDGs) — the targets set for reductions in poverty, improvements in health and education, and protection of the environment around the world by the year 2015. In September 2000, world leaders pledged to achieve the MDGs, including the overarching goal of cutting poverty in half by 2015. This report examines the progress made towards reaching these goals on a country-by-country basis. *The Human Development Report 2003* also features a wide variety of national development indicators for 174 countries including demographic trends, educational levels, gender disparities, and macroeconomic indicators. It is an important tool in the formulation of government policy.

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## **Poverty Reduction Outcomes in Education and Health: Public Expenditure and Aid**

*John Roberts, 2003. ISBN 0 85003 654 2. Overseas Development Institute, 111 Westminster Bridge Road, London SE1 7JD, UK. Tel: 44 (0) 207922 0300; Fax: 44 (0) 20 7922 0399; Email: [publications@odi.org.uk](mailto:publications@odi.org.uk). Available from: [http://www.odi.org.uk/publications/working\\_papers/wp210.pdf](http://www.odi.org.uk/publications/working_papers/wp210.pdf)*

This paper is a survey of the literature and evidence on the determinants of development outcomes in the social sectors, and into the role of public expenditure programs in promoting them. Coming at a time when donors have pledged major increases in aid much of which will support government programs, and when a new mechanism for doubling aid flows is being canvassed, it asks how well public expenditure works to deliver social sector MDGs — specifically universal primary education and a two-thirds reduction in under 5 mortality — and how should donors should best support public programs to achieve MDG outcomes.

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## **Can We Attain the Millennium Development Goals in Education and Health through Public Expenditure and Aid?**

*Overseas Development Institute, 2003. ISSN 0140 8682. Overseas Development Institute, 111 Westminster Bridge Road, London SE1 7JD, UK. Tel: 44 (0) 20 7922 0300; Fax: 44 (0) 20 7922 0399; Email: [publications@odi.org.uk](mailto:publications@odi.org.uk). Available from: [http://www.odi.org.uk/publications/briefing/mdgs\\_public\\_expenditure\\_april03.pdf](http://www.odi.org.uk/publications/briefing/mdgs_public_expenditure_april03.pdf)*

The UN and the 'development community' of developing countries and their donor partners are committed to the Millennium Development Goals (MDGs). Donors are adding a commitment to managing aid for results to their existing commitments to poverty reduction and good aid practice. This paper asks how good the record of public expenditure in developing countries has been in delivering two MDG targets, one each in education and health, viz primary school completion for all (or universal

primary education) and a two-thirds reduction in child mortality.

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### **The Reality of Aid 2004**

*Australian Council for International Development, 2004. \$22.00, 278 pp. Private Bag 3, Deakin, 2600, Australian Capital Territory. Tel: (61) 02 6285 1816; Fax (61) 02 6285 1720; Email: main@acfid.asn.au; Web: <http://www.acfid.asn.au>.*

Provides an overview of trends in aid and poverty, with facts and figures giving a clear picture of how far donors are delivering on the promises they have made. It also draws on the experience of some 40 NGOs and NGO coalitions in Africa, the Asia-Pacific, Latin America, and OECD donor countries to present a range of perspectives on governance and promotion of human rights in development. The report pays particular attention to the impact of current global security agendas on development cooperation.

## Organisations and Programs

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### **Bellanet Studies and Reports for the Global Development Gateway (GDG)**

*<http://www.bellanet.org/gdg/>*

Over the last few months the World Bank has commissioned several studies designed to inform the development of different aspects of the Global Development Gateway (GDG). Bellanet has produced several documents to aid the GDG team in developing a viable strategy for the Aid Effectiveness Exchange component of the Gateway. At the same time, Bellanet is participating in civil society discussions of the Gateway project.

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### **AID/WATCH**

*<http://www.aidwatch.org.au/>*

AID/WATCH is a not for profit activist organisation monitoring and campaigning on Australian overseas aid and trade policies and programs. It works to ensure aid-funding reaches the right people, communities and their environments.

The flow of aid can be constructive particularly in programs of emergency relief and health. However, development projects can have detrimental impacts on local communities when the donor country imposes decisions without the appropriate assessment of social, cultural and environmental needs. AID/WATCH works with partner groups, especially in the Asia-Pacific, researching and evaluating projects impacts in order to lobby the Australian Government to prevent potentially damaging programs.

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### **Australian Council for International Development (ACFID)**

*Private Bag 3, Deakin, 2600, Australian Capital Territory. Tel: (61) 02 6285 1816; Fax (61) 02 6285 1720; Email: [main@acfid.asn.au](mailto:main@acfid.asn.au); Web: <http://www.acfid.asn.au>.*

ACFID is an independent national association of Australian NGOs working in the field of international aid and development. ACFID has some 80 members. It administers a Code of Conduct committing members to high standards of integrity and accountability.

ACFID is committed to achieving sustainable human development in which people are able to enjoy a full range of human rights, fulfil their needs free from poverty, and live in dignity.

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### **Bretton Woods Project**

*<http://www.brettonwoodsproject.org>*

The Bretton Woods Project works as a networker, information-provider, media informant and watchdog to scrutinise and influence the World Bank and International Monetary Fund (IMF). Through briefings, reports and the bimonthly digest Bretton Woods Update, it monitors projects, policy reforms and the overall management of the Bretton Woods institutions with special emphasis on environmental and social concerns.

Created as an independent initiative by a group of British non-governmental organisations (NGOs), it works with an extensive network to press for increased transparency and civil society participation in World Bank and IMF policies and interventions. This includes over 7000 non-governmental organisations, policy-makers, journalists, researchers and parliamentarians worldwide.

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## European Commission

<http://europa.eu.int/comm/europeaid/evaluation/index.htm>

The Evaluation Unit is in charge of the evaluation of the European Commission's cooperation and development programmes in third countries, with the exception of enlargement candidate countries and humanitarian aid. It covers all geographical regions and the corresponding EC external cooperation programs: Africa, Caribbean and Pacific Countries (ACP), Mediterranean Region (MED), Asia and Latin America (ALA), Balkan countries (CARDS, formerly PHARE/OBNOVA) and the New Independent States and Mongolia (TACIS). It also manages evaluations of sectoral policies, such as education and transport.

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## OECD: The Development Co-operation Directorate (DAC)

[http://www.oecd.org/department/0,2688,en\\_2649\\_34435\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,2688,en_2649_34435_1_1_1_1_1,00.html)

DAC's work on development evaluation started in 1982 with the creation of an Expert Group which was then replaced by the DAC Working Party on Aid Evaluation. Since March 2003, this work has been carried out by the DAC Network on Development Evaluation. The Network provides a forum where evaluation experts and managers from 30 bilateral and multilateral development agencies meet regularly to improve the practice and use of evaluation in development assistance.

The activities of the DAC Network on Development Evaluation cover a number of areas in accordance with its mandate.

The Network seeks to improve evaluation practice by elaborating technical guidance and sharing methods and experience between practitioners from national and multilateral development agencies. It contributes to improve aid effectiveness by providing relevant operational and policy lessons from evaluations and joint multi-donor synthesis

studies and by facilitating joint evaluation and collaboration among donors and partners.

The Network is also committed to enhancing evaluation capacity building in partner countries and for increased transparency, accountability and development effectiveness.

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## Poverty Action Lab

<http://www.povertyactionlab.com/>

The Poverty Action Lab serves as a focal point for development and poverty research based on randomized trials. The objective is to improve the effectiveness of poverty programs by providing policy makers with clear scientific results that help shape successful policies to combat poverty. The Lab works with NGOs, international organisations, and others to evaluate programs and disseminate the results of high quality research. We work on issues as diverse as boosting girls' attendance at school, improving the output of farmers in sub-Saharan Africa, racial bias in employment in the US, and the role of women political leaders in India.

The Lab was started in June 2003 by Professors Abhijit Banerjee, Esther Duflo, and Sendhil Mullainathan at the Massachusetts Institute of Technology.

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## International Development Evaluation Association (IDEAS)

<http://www.ideas-int.org/>

IDEAS aims to advance and extend the practice of development evaluation by refining methods, strengthening capacity and expanding ownership.

In meeting the challenges of development evaluation IDEAS aim to be:

- Global — serving development evaluators everywhere;
- Voluntary — membership, participation and professional contributions are voluntary;

- Inclusive — membership is open to all who are interested in development evaluation.
- Democratic — elected leadership.
- Educational — advancing evaluation for the benefit of all through education and training.
- Pluralistic — encouraging multiple theories, methods, and perspectives;
- Responsive — assessing and meeting the needs of development evaluators;
- Participatory — all members are encouraged to participate actively.

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## Department for International Development (DFID)

<http://www2.dfid.gov.uk/>

The Department for International Development (DFID) is the part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty. DFID is headed by a Cabinet minister.

New science, technologies and ideas are crucial for the achievement of the Millennium Development Goals, but global research investments are insufficient to match needs and do not focus on the priorities of the poor. Many technological and policy innovations require an international scale of research effort. DFID's Central Research Department (CRD) commissions research to help fill this gap, aiming to ensure tangible outcomes on the livelihoods of the poor. DFID also seeks to influence the international and UK research agendas, putting poverty reduction and the needs of the poor at the forefront of global research efforts.

The Department manages long-term research initiatives that cut across individual countries or regions, and only funds activities if there are clear opportunities and mechanisms for the research to have a significant impact on poverty.

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## **Institute of Development Studies (IDS)**

<http://www.ids.ac.uk/ids/index.html>

IDS is an internationally-renowned centre for research and teaching on development, established in 1966. IDS also hosts many innovative information and knowledge management services.

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## **Center for Global Development**

<http://www.cgdev.org/Research/?TopicID=38>

The Center for Global Development is dedicated to reducing global poverty and inequality through policy-oriented research and active engagement on development issues with the policy community and the public. A principal focus of the Center's work is the policies of the United States and other industrial countries that affect development prospects in poor countries.

The Center's research assesses the impact on poor people of globalization and of the policies of industrialized countries, developing countries and multilateral institutions. The Center seeks to identify

alternative policies that promote equitable growth and participatory development in low-income and transitional economies, and, in collaboration with civil society and private sector groups, seeks to translate policy ideas into policy reforms. The Center partners with other institutions in efforts to improve public understanding in industrial countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

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## **Canadian International Development Agency (CIDA)**

<http://www.acdi-cida.gc.ca/index-e.htm>

CIDA supports sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

Development is a complex, long-term process that involves all of the world's people, governments and organizations at all levels. Working with partners in the private and public sectors in Canada and in developing countries, and with international organizations and agencies,

CIDA supports foreign aid projects in more than 100 of the poorest countries of the world. The objective: to work with developing countries and countries in transition to develop the tools to eventually meet their own needs.

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## **United Nations Evaluation Forum**

<http://www.uneval.org/>

The UN Evaluation Forum is a knowledge network that contains moderated discussions, digests and interesting news postings. The Forum disseminates good practices and lessons learned on measuring, monitoring and evaluation to all member agencies of the UN Evaluation Group (UNEG). More specifically, the UN Evaluation Forum aims to: a) enable exchange of experiences and knowledge among involved agencies; b) distil lessons learned and best practices while sharing methodologies; and c) provide a platform to raise and discuss issues on evaluation policy and practices. The forum was created as a result of an informal UNEG meeting that took place on 23 March 2003 in Paris.

# Web Resources

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## World Bank Aid Effectiveness Homepage

<http://www.worldbank.org/research/aid/index.htm>

The Development Research Group of the World Bank is currently conducting a research project on 'Aid and Reform in Africa'. The aim of the project is to arrive at a better understanding of the links between foreign aid and policy reforms in Africa. The study will focus on the causes of reform and analyze if and how aid has encouraged, generated, influenced, supported, or retarded reforms. The aim is to analyze the reform processes rather than the results of the reforms.

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## Development Gateway Foundation

<http://topics.developmentgateway.org/aideffectiveness>

The Development Gateway Foundation is an enabler of development. It helps to improve people's lives in developing countries by building partnerships and information systems that provide access to knowledge for development.

The Development Gateway Foundation exploits powerful and affordable information and communication technologies (ICT) that were previously unavailable to:

- Increase knowledge sharing;
- Enhance development effectiveness;
- Improve public sector transparency; and
- Build local capacity to empower communities.

The Development Gateway is an independent not-for-profit organization. It was conceived by World Bank President James Wolfensohn and initially developed in the World Bank. Operations began in July 2001.

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## OneWorld.net

<http://www.oneworld.net/guides/aid/effectiveness>

The OneWorld network spans five continents and produces content in 11 different languages, published across its international site, regional editions, and thematic channels. Many of these are produced from the South to widen the participation of the world's poorest and most marginalised peoples in the global debate.

The OneWorld network includes an 'Aid Effectiveness' thematic channel, with useful links to relevant articles and documents.

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## Asian Development Bank — Operations Evaluation Department (OED)

<http://www.adb.org/Evaluation/default.asp>

OED was established in 1978 as the Postevaluation Office, and since then has undergone several changes in functions. The importance of OED increased when it became a department in 2001.

OED's functions are the:

- Evaluation of the performance of completed projects, programs, and technical assistance (TA), the ongoing project portfolio, broader thematic issues, and of the effectiveness of ADB's policies, practices, and procedures (evaluation reports)
- Review and selective validation of project and TA completion reports prepared by operational departments
- Feedback to ongoing operations, including the design of new operations
- Monitoring and reporting on actions taken in response to evaluation recommendations

- Building of evaluation capacity within ADB's developing member countries.

OED also coordinates evaluation practices and activities with other multilateral development banks through the Evaluation Cooperation Group and participates in evaluation activities of multilateral and bilateral assistance agencies through the Working Party on Aid Evaluation of OECD's Development Assistance Committee

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## Europe's Forum on International Cooperation (Euforic): Aid Effectiveness

[http://www.euforic.org/by\\_theme/106.htm](http://www.euforic.org/by_theme/106.htm)

Euforic focuses on European development cooperation policies and related issues. The web site contains a wealth of information of various kinds and in different languages. The main audiences are experts and students in development issues from all over the world.

Several thousand documents are presented in full text. Other types of information such as a calendar of activities, directories, country specific information and discussions complete the broad spectrum of Euforic's content.

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## ELDIS

<http://www.eldis.org/aid/index.htm>

ELDIS is a gateway to information on development issues, providing free and easy access to wide range of high quality online resources. ELDIS provides summaries and links to online documents. ELDIS offers a directory of websites, databases, library catalogues and email discussion lists. ELDIS' resource guides offer easy access to information on a wide range of subjects including aid effectiveness.



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# Author Guidelines

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## Manuscripts and Copyright

Manuscripts are normally accepted on the understanding that they are unpublished and not on offer to another publication. Once published by the *Development Studies Network* (the Network), however, manuscripts, articles and reports may subsequently be published elsewhere. Acknowledgement of the Network as the source would be appreciated. No acknowledgement is needed for conference reports, other notices or lists of publications.

The Network cannot assume responsibility for any loss of or damage to manuscripts. Contributors are therefore encouraged to retain a complete copy of their work.

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## Word length

Submitted papers are to be short and concise, with a minimum of 1000–1500 words and a maximum of 2,500–3,000 words. The word limit includes subheadings and footnotes and excludes references. Conference reports: 800–1000 words.

## Presentation and Style

Manuscripts should be double spaced with at least 2.5cm (1") margins. Subheadings, footnotes and references need to be clearly indicated in the text. Quotation marks should be single, double within single. Spelling is English (OED with '-ise' endings).

Documents can be sent as email attachments, on disk or in hard copy. Documents sent electronically should be saved as Microsoft Word files, or in .rtf format. Email attachments are preferred in Word or .rtf format. A virus check is requested prior to any material being electronically sent. No .pdf files please as these cannot be edited or corrected prior to printing.

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## Referencing

A minimum of references and/or footnotes is requested due to space constraints. All references referred to or cited in the text are to be included in the reference list. Book titles and journal names should be italicised or underlined; titles of journal articles and book chapters are in single inverted commas.

The Harvard style of referencing is preferred: author's surname, forename and/or initials, date of publication, title of publication, publisher and place of publication. Journal references should include volume and issue number, date and page numbers.

Detailed guidelines on the Harvard style of referencing are available online at:

[http://www.uwe.ac.uk/library/resources/general/info\\_study\\_skills/harvard2.htm#book](http://www.uwe.ac.uk/library/resources/general/info_study_skills/harvard2.htm#book)


Examples:

Hamilton, C. 1996a, *Capitalist industrialisation in Korea*, Westview Press, Boulder.

Hill, H.M. 1986, 'The Jackson Committee and women', in P. Eldridge, D. Forbes and D. Strachan (eds),

*Australian overseas aid: Future directions*, Croom Helm, Sydney.

Palmer, D. 1995, "'Getting shown a thing or two": The adoption of Nyungar cultural forms by youth workers', *Youth Studies Australia*, 14(4), 22-28.

A decorative graphic on the left side of the page consists of a diagonal line of seven concentric squares. Each square is composed of three nested squares, with the innermost being the darkest and the outermost being the lightest. The squares are arranged in a descending staircase pattern from top-left to bottom-right.

*Development Studies Network  
Research School of Social Sciences  
Australian National University  
Canberra ACT 0200  
Australia*

*Phone: +61 2 6125 2466 Facsimile: +61 2 6125 9785*

*E-mail: [devnetwork@anu.edu.au](mailto:devnetwork@anu.edu.au)*

*Website: <http://devnet.anu.edu.au>*