

Submission to the Independent Review of Aid Effectiveness for the Australian Aid Programme

Submitted by:

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1. Introduction

My interest in the Australian Aid Program arises through my involvement as an independent contractor participating in the AusAID funded telecommunication reforms in Vanuatu from 2008 to 2010.

This brief submission highlights what has, in my view, been a highly effective aid intervention. I hope that this outline will assist the members of the review panel to understand what has worked well in the past and perhaps be a useful guide to their thinking about the future.

2. Background

I was employed in Vanuatu as Interim Telecommunications Regulator by AusAID, through the services of Covec Limited (a New Zealand firm of consulting economists specializing in utility industries) from 28 February 2008, shortly after the Settlement Agreement with TVL was signed, and when the new licences were issued to TVL and Digicel, and the TVL Digicel Interconnection Agreement was signed. My appointment to the position was made by the Vanuatu Minister for Infrastructure and Public Utilities.

Throughout this project, which lasted until the end of September 2010, I worked closely with AusAID's Governance for Growth team. I am particularly indebted to the Director of that team, Mr Chris Bleakley, whose guidance, support and counsel proved invaluable.

3. Achievements of the AusAID Vanuatu telecommunications project

1. Facilitated and supported the negotiations between the Government of Vanuatu and the incumbent monopoly telecommunications operator TVL (Telecom Vanuatu Limited) to end the end the monopoly, open the market to competition and establish a regulator's office.
2. Funding and supporting the drafting of a Settlement Agreement in 2007 to give effect to the outcome of the above negotiations.
3. In conjunction with the Government of Vanuatu, finding and appointing a suitable person to act as Interim Regulator and commence the establishment of a regulator's office. Funded the establishment of this office for 18 months and the staffing of the Interim Regulator's position for two years and seven months from March 2008 to September 2010.

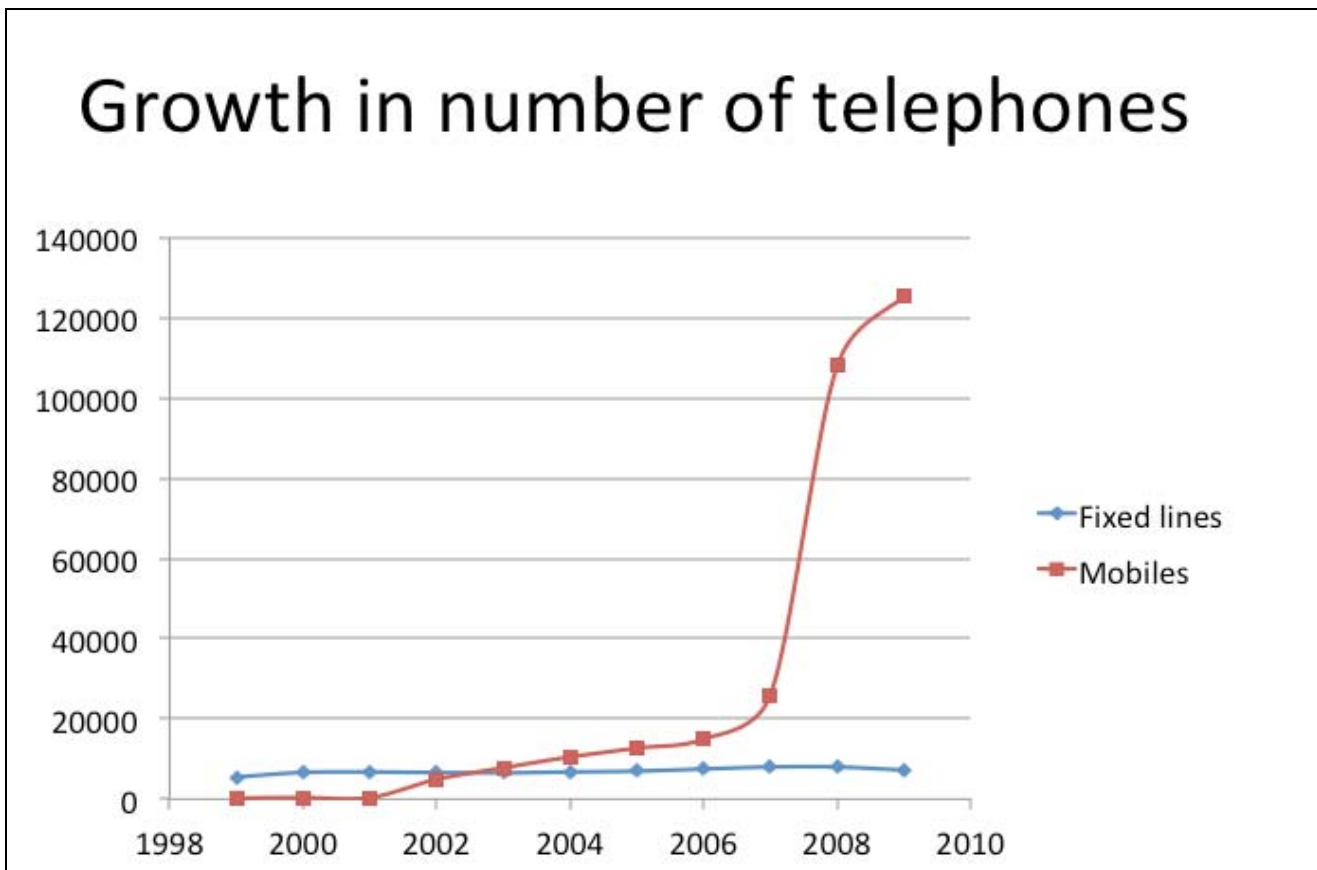
As part of this project the following achievements related to my role (with AusAID support):

4. Recruiting and training an excellent team of highly-motivated ni-Vanuatu to run the Regulator's Office.
5. Maintaining a competitive environment that has brought lower prices and service improvements, and more than quadrupled the number of mobile phones and the population coverage of mobile phone networks in two and a half years.
6. Facilitating the TVL/Digicel negotiation and project management meetings that got the interconnection links in place and working in time for Digicel's launch in June 2008
7. Verifying that Digicel's coverage commitment of 75% of population had been met in the first six months. (This wasn't easy – Digicel put up all sorts of arguments, but in the end they brought in several new base stations and commissioned them in time to reach the target.)
8. Verifying that Digicel's coverage commitment of 85% population had been met in the first 18 months. (Digicel's management had changed so there were more arguments, and in the end they diverted equipment from Fiji to Vanuatu to meet our target in time)
9. Helping the Government to introduce the new Telecom Law in 2009.
10. Awarding a Universal Access Policy contract to TVL for mobile

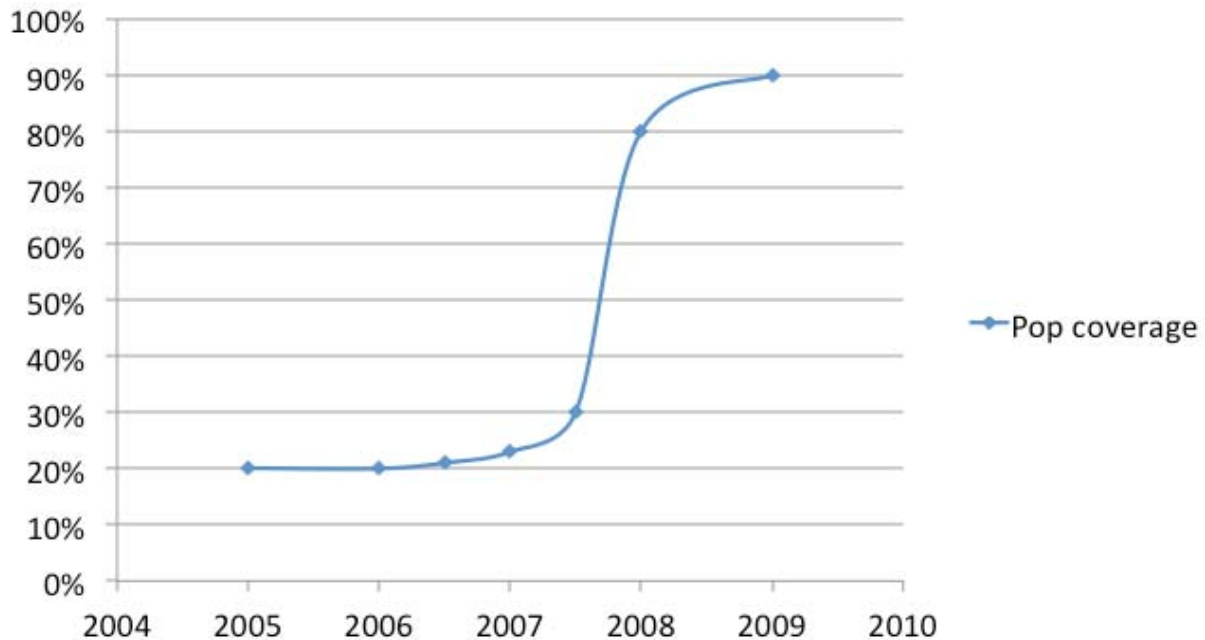
- services to be provided to 10 remote sites before mid 2011
11. Settling TVL's losses under the Settlement Agreement provisions for 80 million vatu (substantially less than the amount contemplated by the Agreement). This means more money available for UAP projects.
 12. Initiating the proposal for putting Internet connections into all high schools, hospitals, health centres and dispensaries using already available money in the Universal Access Policy Fund.

4. Quantified direct benefits for the people of Vanuatu

The following graphics show the quantified direct benefits of the Vanuatu telecommunications project. The growth in the mobile system coverage and the increased take up telephones can be directly attributed to AusAID's support for the Government of Vanuatu in reforming this industry.



Mobile population coverage



5. Indirect benefits of the telecommunications reforms in Vanuatu

The global connected mobile community is no longer confined to the world's richest consumers, and significant benefits will be brought to the people in developing countries. In a typical developing country, an increase of 10 mobile phones per 100 people boosts GDP growth by 0.6% (*source: The impact of telecoms on economic growth in developing countries, Waverman, Meschi and Fuss, 2005*). This macro-level benefit is the result of the many improvements – both large and small – that mobility brings to the everyday lives of individuals.

The Vanuatu reforms have brought about an increase of mobile telephone penetration from about 11 telephones per 100 people in 2007 to 52 telephones per 100 people by the end of 2009; and increase of over 40 telephones per 100. By Waverman, Meschi and Fuss's reckoning, this increase could have contributed 2.5% to GDP growth. This contribution was undoubtedly one of the key factors that contributed to Vanuatu's continuing economic growth while almost all of the rest of the world was in

recession.

Further substantiation of the social and economic contribution of the telecommunications industry reforms in Vanuatu can be found in the excellent study performed by the Pacific Institute of Public Policy: *Social and economic impact of introducing telecommunications throughout Vanuatu: RESEARCH FINDINGS: December, 2009*. (This study also was funded by the AusAID Governance for Growth Programme.) This report can be downloaded at:

http://www.pacificpolicy.org/index.php?option=com_rubberdoc&view=doc&id=18&format=raw&Itemid=99.

6. Conclusions

Based upon my involvement in the Vanuatu project and participation in a significant number of Pacific-wide regional training initiatives run by the ITU in association with the European Union, I make the following general observations and submissions in relation to the Scope section of the Terms of Reference of the Independent Review of Aid Effectiveness.

6.1 The effectiveness of the Vanuatu telecommunications project

1. AusAID's support for the Vanuatu telecommunications reforms has been highly effective and an unqualified success. The project has clearly led to highly leveraged benefits for the people and the economy of Vanuatu. The benefits from the programme clearly greatly exceed the projects cost to the Australian taxpayer.
2. Factors contributing to this success have included:
 - a. The "in-country" presence of the Governance for Growth team.
 - b. The highly able participation of the former GfG Director, Mr Chris Bleakley.
 - c. The excellent, working relationship actively maintained with the Ministers and Officials of the Government of Vanuatu by the GfG team and the Australian High Commission.
 - d. The strong support of the Australian High Commissioners during

- the project, Mr John Pilbeam and Mr Pablo Kang.
- e. The inclusion of a monitoring component in the project i.e. the commissioning of the research project by the Pacific Institute of Public Policy.
 - f. The complementary support of other highly capable AusAID funded technical assistance e.g. Mr Ari Jenshel acting as Technical Adviser in the Vanuatu State Law Office, who assisted with the drafting of legislation and numerous other legal issues.

6.2 Geographic focus

The Pacific, and in particular the LDCs in the Pacific should continue to be a key focus for Australian aid. However, in the smaller countries a great deal of capacity building is needed to enable the indigenous peoples to take up governance roles in a meaningful and effective way.

6.3 Sectoral focus

The telecommunications sector in unreformed markets represents a potentially valuable area for reform as amply demonstrated by the Vanuatu case.

However, many of the medium-sized markets such as Fiji, Vanuatu, Tonga and Samoa, and the large market of PNG already have reform programmes in place or in progress. These programmes should be monitored as there may be room for further useful contributions, particularly in the governance area.

The small island countries, however have been left behind in the reform process, mainly because of the doubts about the commercial viability of introducing competing networks. At this stage those small countries are envious of the progress made by their larger neighbours and the large benefits those countries have achieved. Their networks remain under-developed and under-performing with customers paying high prices for unsatisfactory services.

New policy models are needed if the small countries are to realise similar benefits. One possible model that would be worth exploring for small

countries would be to introduce competition at the service level while maintaining a single (separate) and regulated company for facilities provision.

Support for the provision of international submarine cables to medium and small island states may well be another useful aid arena with good paybacks in social and economic dividends for the recipient nations.

Many of the same considerations outlined for telecommunications would also apply in the energy sector.

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