

02 February 2011

Independent Review of Aid Effectiveness Secretariat
GPO Box 887
Canberra ACT 2601
Australia

Dear Secretariat,

I am writing to congratulate the Australian Government in the undertaking of this important and independent review of Australia's aid effectiveness.

The Australian Government has made some significant achievements in promoting economic growth in the Asia-Pacific region. This includes the establishment of the Australia-Pacific Technical College which is providing young men and women with an opportunity to make a meaningful contribution to the region's economic growth. Investment by the Australian Government in roads and infrastructure in Papua New Guinea (PNG) and the Pacific is paying important economic dividends and underpinning the efforts of other donors.

Working collaboratively

I wish to commend the Australian Government's commitment to strong regional collaboration. However I would also draw attention to the need for robust conversation with local and state government's within Australia who can bring to the development table a wealth of knowledge and experience. Queensland Government for example has a close and multifaceted relationship with PNG including a partnership in international development business. For many small and medium sized businesses the Pacific Islands are an important (and sometimes only) export market. Australian effort to support these partner countries underpins this relationship and serves to promote improved trade and investment opportunities for Australian businesses. The same might be said for local governments and authorities that nurture twinning type relationships and have a sometimes intimate understanding of sub-national challenges and solutions to economic growth and development. State and local authorities and their representative bodies also nurture strong relationships with the business community who can bring private sector expertise and resources to the development table and tackle difficult challenges.

I encourage AusAID and the wider Australian Government to maintain and deepen its engagement with state governments, with local authorities and with the private sector, by working more collaboratively both in terms of program design and delivery.

Soft infrastructure and a skilled workforce

While recognising the significant challenges confronting AusAID, I believe more can be done to address immediate and specific needs that will better support the longer-term sustainable goals of the aid and development program. The relationship between hard and soft infrastructure and their prioritisation is a case in point.

While constructing schools is of critical importance, Australia might contribute more effectively to creating a skilled workforce if those schools had more and better trained teachers. The opportunity costs of education remains a significant impediment to families. The implementation of a grants program that subsidises or phases out primary

school fees, such as that being adopted in Vanuatu, could be considered for expansion to other countries and across other levels of education. A scholarship program in PNG and the Pacific similar to that being rolled out in Africa might serve to counter the significant cost on families and individuals of post-secondary studies.

A smarter workforce will encourage Australian businesses exporting to and operating in these countries to draw more favourably on the local workforce, thereby reducing existing high levels of unemployment, particularly among youth.

The same might be said for construction of hospitals and other community health facilities that contribute to a healthier workforce. While buildings and equipment are urgently needed, a continued shortage of basic medicines and appropriately trained doctors, nurses and medical support staff to operate these facilities is of increasing concern.

Maintaining roads, particularly in PNG, remains a significant challenge despite existing implementation of Australia's Transport Sector Support Program. Consideration might be given to funding support of a roads maintenance program that is underpinned by training, equipment and a commitment from the PNG national government to pay salaries of workers. State and local governments have much to contribute through their expertise in delivering infrastructure effectively including through the use of public-private partnerships.

An increasing challenge for the PNG government is the capacity to build and retain a skilled and experienced public sector. The attractiveness of higher incomes and benefits is drawing public servants into the private sector. As the PNG economy continues to grow and a number of large extractive industry activities come on line, I would expect to see this trend continue. Australia might consider how to support the PNG Government in retaining a strong public sector workforce better able to manage the country's wealth through improved governance (and pay).

Focussing on strengths and innovation

I recognise the important changes to have occurred in AusAID in recent years and in how AusAID operates offshore. This includes the devolving of programs and the introduction of Partnership Agreements. Recipient countries of donor funds will benefit from the Australian Government better targeting its programs by focussing on what the Australian Government does well and increasing its support in other areas where public and private organisations in Australia and in those countries are best placed to deliver.

Consideration might be given to alternate structures and mechanisms within AusAID that promote more innovative approaches to delivering aid and development. Leading ideas and expertise exist within the Australian community, both public and private, that could respond effectively to the challenges confronting developing countries. Queensland's tropical expertise is one such example. Many of the world's poor reside on or near the equator. AusAID's existing structures through which projects are identified, promoted, funded and delivered are not always conducive to capturing tropical expertise.

Securing investment and economies

Please be advised that security concerns continue to be a significant impediment and cost for Australian businesses. I have no doubt that any effort by the Australian Government to review security arrangements around program delivery, including in

PNG, would be welcomed by the business community. The Australian Government might consider new ways to support and strengthen the skills and capacity of the police and military within PNG and Pacific including public sector training for agencies responsible for security.

Finally, recent climatic events in Queensland have served to highlight the potential economic impact of significant and more frequent environmental disasters. Climate-proofing our economic neighbours within the region is timely and increasingly important. I would be encouraged to see greater effort directed towards projects and programs that secure the economic future of our neighbours against adverse climatic events.

Thank you for providing me with the opportunity to contribute and I look with anticipation to any outcomes from this review.

Best regards,

Peter Goldsworthy