

Submission on Independent Review of Aid Effectiveness (Australian Aid)

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Background to Submission

Through recent employment (2007-2010) in the Pacific Island Region with a non-government regional organisation, the Secretariat of the Pacific Community (SPC), I gained some perspectives about how the effectiveness of Australia's aid program may be improved. Australia is SPC's major donor, contributing aid to support SPC to deliver programs in the region across multiple sectors including public health, maritime, land resources (agriculture, forestry, biosecurity, trade), fisheries, energy and economic development, education, social resources (media, statistics and demography, regional rights). SPC typically delivers aid programs through technical assistance, regional coordination, training and research.

SPC maintains a head office in New Caledonia (Noumea), regional offices in Fiji (Suva), and Federated States of Micronesia (Pohnpei), with country offices in Papua New Guinea, the Solomon Islands and Vanuatu.

Australia provides core funding (annually) of approximately \$20-25 million. New Zealand, the United States and France are the other governments that provide significant core funding for SPC. Collectively these four countries provide about 90% of SPC's core funding. The balance of SPC's core funding is provided by 22 member countries and territories within the region (outlined below):

American Samoa, Cook Islands, Federated States of Micronesia, Fiji Islands, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu and Wallis and Futuna.

The two key items outlined in this submission are (i) better targeting of aid delivery and (ii) improved governance standards

1. Better targeting of aid delivery

Are significant efficiencies in aid delivery achievable through targeting of aid funding into lower cost centres?

New Caledonia is a highly developed French territory with a strong economy supported by mining and tourism, with a relatively high cost of living, compared to developing island nations in the Pacific Island region. SPC's headquarters facility in Noumea is a relatively modern and high standard facility but the administrative costs of SPC maintaining its head office in Noumea (New Caledonia) appear to be high in terms of accommodation costs, salary costs and administrative allowances.

SPC owns and maintains significant accommodation facilities (rental properties) to accommodate staff based in its head office of Noumea. The cost of purchasing and maintaining real estate in New Caledonia is relatively higher than in other countries in the region due to its relatively strong economy. *Is the purchase of real estate in a high cost French territory an efficient use of Australian aid funding?*

New Caledonia is not a central transport hub in the Pacific Island region and is therefore a more costly location for project delivery than more centrally located countries (eg Fiji). New Caledonia does however provide advantages of a politically stable and secure location with a very low crime rate.

Salary costs and allowances

To offset the relatively higher cost of living in New Caledonia, SPC staff based in Noumea are provided with a significant cost-of-living allowance. This cost-of-living allowance results in gross salaries of SPC staff based in Noumea being approximately 50-75% higher than salaries (see Attachment 1) of SPC staff based in its largest regional office in Fiji (Suva). Accordingly the delivery of aid projects via Noumea has significantly higher salary overheads than via lower cost centres such as Suva.

When Noumea-based SPC staff are on duty travel (for which appropriate travel allowance is provided) and not located in Noumea – the high cost-of-living allowance (for being based in Noumea) is still provided. Provision of both a ‘cost-of living’ allowance (for costs incurred for living in Noumea) and a travel allowance (for cost incurred while on duty travel), may be seen as ‘double-dipping’ unless there is a genuine need for the cost-of-living allowance in New Caledonia (eg to maintain support for family members).

There appears to be no administrative policy in regard to cost-of-living allowances provided to Noumea-based SPC staff when on duty travel in low cost centres. For example, should executive officers who are substantively based in Noumea but spend a significant proportion (eg > 50% of the working year) of their time in low cost centres elsewhere in the region (eg Fiji) continue to receive the high-cost living allowance provided for being ‘based in Noumea’, when they are on duty travel and have no family based in Noumea? How would the ongoing provision of such a cost-of-living allowance be viewed in Australia?

There appears to be an inherent ‘disincentive’ for SPC executive based in its head office in Noumea to identify and pursue any efficiencies through better administration of cost-of-living allowances in high-cost centres (eg Noumea).

Provision of core-funding that supports inefficient administration of cost-of-living allowances in high-cost centres appears to represent an inefficiency to meet Australia’s aid objectives of reducing poverty, improved medical care, education, economic opportunities and governance standards. By contrast, increasing the delivery of aid projects through lower cost centres (where high cost of living allowances do not apply) is likely to provide increased effectiveness of Australian aid, including increased opportunities for employment and training for people living in developing countries.

Recommendation 1.

That AusAID review the administration of aid funding through ‘high-cost’ centres where significant cost-of-living allowances may apply, to determine whether significant efficiencies may be achievable to improve the effectiveness of aid delivery.

2. Improved Governance Standards

Mechanisms for improved governance (transparency, equitability, accountability) are important to underpin effective aid delivery and remain an area for continuous improvement.

In the course of my employment with SPC it became evident that governance standards in numerous areas were ‘developmental’ with a number of unequitable and non-transparent executive decisions in regard to salary administration, discretionary executive decisions that were not disclosed to SPC’s Governing Council. Details of these decisions have been provided separately to Ms Sue Connelly – Assistant Director General, AusAID and are currently under investigation.

Objective analysis of the executive decisions indicated that in 2009 staff in SPC’s Noumea-based office received a base salary of 8.1 % AUD equivalent (see Attachment 1) above that of counterparts in SPC’s Suva office.

Under SPC’s existing governance framework, there is considerable trust placed in the reports provided by SPC’s executive management to its Governing Council (on which AusAID has a representative). In the instance in question – discretionary executive decisions made by SPC’s executive that resulted in a payrise to staff in one office location (Head Office – Noumea) and a paycut (due to alleged affordability issues) to staff in another office location (Regional Office – Suva) were not reported to the Governing Council. This demonstrates a significant weakness in existing governance frameworks.

As these issues are currently under investigation I cannot pre-empt the findings of AusAID’s investigation.

However, a couple of factors appear to have contributed to the unequitable administration in 2009 of Australian aid funding provided to SPC ;

- (i) That SPC Executive did not report discretionary executive decisions that it made in 2009 in relation to salary administration; and
- (ii) The absence of a formal whistleblower mechanism to enable staff to inform the Governing Council of apparently ‘misleading’ statements in the report provided by the SPC Executive.

Recommendation 2.

That AusAID review governance training arrangements for executive of organizations that receive Australian aid funding to ensure familiarity with Australian Government standards (and expectations).

That AusAID review the desirability of establishing formal whistleblower mechanisms within organizations that receive Australian aid funding and the need to provide relevant governance awareness training programs.

End submission

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