

SERVICE DELIVERY FOR THE POOR

LESSONS FROM RECENT EVALUATIONS OF AUSTRALIAN AID

NOVEMBER 2009



Australian Government

AusAID

Office of Development Effectiveness

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For further information, contact:
Office of Development Effectiveness
AusAID
GPO Box 887
Canberra ACT 2601
Phone (02) 6206 4000
Facsimile (02) 6206 4880
Internet www.ausaid.gov.au
www.ode.ausaid.gov.au

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ABBREVIATIONS

AusAID	Australian Agency for International Development
DFID	United Kingdom's Department for International Development
M&E	monitoring and evaluation
MDGs	Millennium Development Goals
ODE	AusAID's Office of Development Effectiveness
OECD	Organisation for Economic Co-operation and Development

SUMMARY

AusAID's Office of Development Effectiveness (ODE) recently completed a series of evaluations of the Australian aid program's efforts to improve the delivery of basic services for the poor. The evaluations covered basic education in Laos and Papua New Guinea, health in Papua New Guinea, Solomon Islands and Vanuatu, and water and sanitation in East Timor and Indonesia. This synthesis report pulls the findings together, and draws some crosscutting lessons for Australian aid.

Understanding the country context

The diverse economic, social and political conditions of East Timor, Indonesia, Laos, Papua New Guinea, Solomon Islands and Vanuatu point to the first obvious lesson from these evaluations: aid programs must be adapted to the individual circumstances of countries. One size does not fit all—not even among countries categorised as fragile states, let alone for countries further up the development scale. Related findings and lessons follow.

- > To understand the country context, AusAID needs to invest in (and value) knowledge of countries and individual sectors. Recent moves to appoint country economists and sectoral advisors to larger country posts is a step in the right direction.
- > More needs to be done to improve the coherence between country conditions, Australian aid strategies and sectoral programs. The logical place for this to happen is in the country strategies or partnership frameworks. It is important to be able to show how country strategies—not just sectoral programs—contribute to achieving the Millennium Development Goals (MDGs).
- > Aid programs must be flexible enough to adjust quickly and coherently to unexpected changes in country conditions. The decentralisation of administrative powers and budget resources poses special challenges in terms of financing, building capacity and coordinating service delivery in many countries, including Indonesia and Papua New Guinea.
- > Global programs focus world attention on poverty-related issues and mobilise funds in support of well-designed programs. However, it is important to ensure that they do not distort national development priorities and are sustainable when external funding dries up.

Working with country programs and systems

Australia has endorsed the Paris Declaration on Aid Effectiveness, including the principles of aligning aid with country priorities and working through country systems. However, it has proven difficult to translate these principles into practice. The evaluations point to a number of important lessons for Australia as it considers moving to sector-wide approaches in more countries.

- > It is important to set realistic goals about what can be achieved in specific country circumstances. In many fragile states, sector-wide approaches are often pre-empted by the urgent need to prevent the breakdown of basic services and overriding concerns about the risks of using government systems. Under these circumstances, the key is to adopt approaches that get things done in ways that do not undermine government programs and systems and that can lay the groundwork for the development of sector-wide approaches over time.
- > It is often easier for a bilateral donor such as Australia to adopt sector-wide approaches in countries where it is not a major player than in countries where it is funding large shares of the sectoral budgets. In the latter situation, Australia has to be willing to put a lot of effort into high-level policy dialogue. This means placing senior sectoral specialists in country offices and rethinking the current role of managing contractors, who can become a barrier rather than a bridge between AusAID and partner governments.
- > Much of Australian aid is still delivered in the form of technical assistance. Such assistance is often a short-term response to specific policy or project needs, without overall strategic frameworks. And parallel systems for technical assistance can quickly undermine what limited government capacity exists. A very different philosophy and approach is needed to build up government capacities to deliver good-quality public services.
- > Many of the factors that affect sectoral performance emanate from broader issues related to budget management and fiduciary controls. Even in countries where Australia plays an important advisory role on these issues, it is usually divorced from what is happening at the sectoral level. Australian technical assistance has largely focused on improving budget processes, with little policy dialogue on spending priorities. This suggests an important role for sectoral advisers—to link broader public sector reforms to service delivery outcomes.
- > Australia needs to strike the right balance between protecting funds and supporting service delivery. Current policy tends to stress managing fiduciary risk, without regard for the impact on development outcomes. AusAID staff should be encouraged to provide a balanced assessment of both fiduciary and development risks in sectoral programs and to come up with a clear strategy on how to manage risks and respond when problems arise.

- > One way for donors to work with weak government systems is to use multi-donor trust funds. The key to the success of these funds is that they are fully owned by the recipient governments. Bilateral donors need to weigh up the potential costs of slower and less flexible procedures, against the advantages of accessing the broader policy dialogue and fiduciary safeguards provided by multi-donor trust funds. In some cases, Australia may be best placed to take the lead on donor coordination.
- > Sector-wide approaches need to be supported by reliable and predictable flows of donor funds. This can be difficult for Australia, which works within annual budgets approved by the parliament. But, at the very least, reliable annual information on actual aid disbursements needs to be provided so that it can be recorded in the recipient countries' budget estimates and accounting systems—preferably along with indicative resource allocations for future years.

There is a fundamental tension between Australia's commitment to scale up aid, with moves to sector-wide approaches, and the project model that still drives many of AusAID's business processes. This is not a criticism of projects as such. There are many good examples of projects improving the lives of the poor in post-crisis situations and in disadvantaged communities, and projects can be designed to fit within a sector-wide approach. However, this model has its limits as Australian aid is scaled up and more attention is paid to the broader agenda of aid effectiveness. Major changes in AusAID's mindset, processes and skills base are needed. Recent lessons from Vietnam and Indonesia suggest that progress may not always be as fast as under the old project model, especially when learning how to work with complex government systems, but the results are likely to be more robust and sustainable in the longer term.

Promoting gender equality

The Australian Government is committed to fair development, including the opportunity for women to participate fully in society. However, while components of gender equality have been built into many initiatives, they are usually peripheral and rarely sustained. AusAID should give more attention to maintaining a dialogue with sectoral authorities on gender equality issues, linking sectoral activities with national initiatives for gender equality, and monitoring the role of women within AusAID programs. A good starting point would be to push for more gender-disaggregated data on service delivery and social outcomes. There is a risk that gender equality issues will get lost in any shift to sector-wide approaches—unless Australia and other donors make a conscious effort to pursue them as part of the sectoral policy agenda.

Ensuring sustainability

One of the major challenges of any aid initiative is to ensure that its benefits are sustained beyond its life. This requires particular attention to be paid to the institutional arrangements for managing initiatives, including the capacity and funding to keep them running without donor support.

- > Most fragile states are highly dependent on aid to finance both recurrent and investment spending in the short term. But, in the longer run, more needs to be done to generate domestic revenues and to allocate them to priority programs, including those implemented by local governments and non-state actors. Systemic issues can be solved only through high-level policy dialogue (including with central agencies and local governments) and sector-wide approaches to budgeting resources.
- > In education sectors, Australian aid has been focused on discrete supply-side interventions. These are unlikely to make a lasting contribution to the quality of basic education without more attention being given to the demand side of the equation—the policies and strategies that are needed to enable children from poor families to benefit from a full cycle of basic education.
- > AusAID's strategies in health sectors should be shaped by deeper analysis of how sustainable improvements in services for the poor can be achieved, and be reflected in understandings with governments on Australia's role and in the policy and expenditure frameworks within which they will operate. As Australia moves towards sector-wide approaches, it will be important to consider the role of non-state actors as service providers, as well as the scope for communities to contribute to funding health services.
- > For water and sanitation, more attention should be given to the role of local governments, which are responsible for operations and management after construction is completed. Issues of environmental sustainability are also important, including the longer term need for protecting catchments and providing a regulatory environment that can ensure that water resources are sufficient and free from contamination.



Managing for results

Ultimately, the decisions on how to deliver services, and the choice of aid modalities, have to be judged by their impact on results, especially progress towards the MDGs. There is no guarantee that sector-wide approaches will deliver better results than projects, and a lot can be learned about both approaches by closely tracking their impacts on service delivery and social outcomes.

- > Monitoring and evaluation (M&E) systems need to be designed to fit country and sectoral realities. Rather than creating complex project-level M&E systems, AusAID should aim to help governments establish their own simple and robust systems at the program or sectoral level. National frameworks for measuring performance, managed by government, should become the norm as aid moves to sector-wide approaches.
- > Poor-quality data on social outcomes make it very difficult to design appropriate delivery mechanisms and to track progress. Improving the quantity and quality of data available is a priority for future Australian support. Special attention should be paid to identifying social indicators (not limited to the MDGs) that are relevant to a country's level of development and, when appropriate, gender disaggregated. Progress on intermediate outcomes and outputs should also be tracked to provide more timely feedback on service delivery performance.

INTRODUCTION

AusAID's Office of Development Effectiveness recently completed a series of evaluations of the Australian aid program's efforts to improve the delivery of basic services for the poor.¹ The evaluations covered basic education in Laos and Papua New Guinea, health in Papua New Guinea, Solomon Islands and Vanuatu, and water and sanitation in East Timor and Indonesia. With the exception of Indonesia, all of these countries are categorised as 'fragile states' by the Organisation for Economic Co-operation and Development (OECD), meaning they are 'failing to provide basic services to poor people because they are unwilling or unable to do so'.² About half of Australian bilateral aid goes to fragile states, so the findings of these evaluations have wide relevance to the aid program. And even in more developed countries, such as Indonesia, service delivery often falls short of what is required to achieve the MDGs in more remote and disadvantaged regions.

Access to good-quality basic social services—education, health care, clean water and sanitation—is essential to improve the daily living conditions of the poor, and to develop their full potential to participate in the economy. That is why better social outcomes are at the heart of six of the eight MDGs (Table 1).³ While these are often seen as separate goals, they are closely interrelated. Good health care allows children to do better at school, educated mothers do a better job of looking after their own health and that of their children, and clean water and sanitation are essential for healthy living.⁴ The private sector and community groups can play a key role in delivering all of these services. But 'making public services work for poor people' is widely understood to be a public responsibility and the state is seen as having a central role in financing, regulating and overseeing basic service provision.⁵ Therefore, aid donors have a responsibility to work with governments to make sure these services are provided as effectively as possible. Effective service delivery, in turn, may help to build state legitimacy and public confidence in government institutions, which is often lacking in fragile states.

1 These evaluations were a response to issues raised by AusAID's ODE, *Annual review of development effectiveness 2007*, which highlighted the importance of improving Australia's engagement with fragile states, especially for service delivery.

2 OECD, *Resource flows to fragile and conflict-affected states, annual report 2008*, Organisation for Economic Co-operation and Development, Paris, 2009, currently lists 48 fragile and conflict-affected states. This list is derived from indicators compiled by the World Bank, the Brookings Institution and the Carleton University.

3 Indeed, better service delivery for the poor is one of the key determinants (along with economic growth) of achieving the first MDG: to eradicate extreme poverty and hunger.

4 For interesting research on the links between education, health and water, see Edward Miguel & Michael Kremer, 'Worms: identifying impacts on education and health in the presence of treatment externalities', *Econometrica*, vol. 72, no. 1, 2004, pp. 159–217, and Jyotsna Jalan & Martin Ravallion, *Does piped water reduce diarrhea for children in rural India?*, World Bank policy research working paper series 2664, Washington, DC, August 2001.

5 See World Bank, *World development report 2004: making services work for poor people*, World Bank & Oxford University Press, Washington, DC, 2003, which provides a useful framework for thinking about accountability among policymakers, service providers and citizens.

TABLE 1: SELECTED MILLENNIUM DEVELOPMENT GOALS AND TARGETS

Goal	Relevant target ^a
Achieve universal primary education	Ensure that all boys and girls complete a full course of primary schooling.
Promote gender equality and empower women	Eliminate gender disparity in all levels of education.
Reduce child mortality	Reduce by two-thirds the under-five mortality rate.
Improve maternal health	Reduce by three-quarters the maternal mortality ratio. Achieve universal access to reproductive health.
Combat HIV/AIDS, malaria and other diseases	Halt and begin to reverse the spread of HIV/AIDS. Achieve universal access to treatment for HIV/AIDS for all who need it. Halt and begin to reverse the incidence of malaria and other major diseases.
Ensure environmental sustainability	Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation.

a The targets refer to 2015 or progress from 1990 to 2015.

Source: United Nations Development Programme, *About the MDGs: basics—what are the Millennium Development Goals?*, viewed 10 November 2009, <<http://www.undp.org/mdg/basics.shtml>>.

The Australian Government places a high priority on its support for basic social services, especially in the Asia-Pacific region.⁶ In 2009–10 the Australian aid program plans to provide approximately \$490 million for education (excluding higher education), \$595 million for health, and \$165 million for water and sanitation—accounting for a third of total Australian aid.⁷ AusAID's approach to achieving the MDGs in these sectors is laid out in a series of policy papers: *Better education: a policy for Australian development assistance in education* (2007), *Helping health systems deliver: a policy for Australian development assistance in health* (2006) and *Making every drop count: water and Australian aid* (2003). These policies are then reflected in country strategies and programs, and in support for various global programs. Progress is monitored at the program and country levels, and reported in annual thematic performance reports. Significant achievements have been made by the programs covered by the evaluations on which this synthesis is based, as highlighted in Box 1.

6 See, for example, Australian Government, *Budget 2009–10—Australia's international development assistance program: a good international citizen*, statement by the Honourable Stephen Smith MP, Minister for Foreign Affairs, and the Honourable Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 12 May 2009, <http://www.ato.gov.au/budget/2009-10/content/ministerial_statements/ausaid/html/index_ausaid.htm>. This highlights that Australia's aid program is guided by the MDGs, with a particular focus on 'the power of education'. Health is identified as one of the 'key themes' of the aid program.

7 Numbers are derived from *Budget 2009–10*. Education includes basic and secondary education, education governance and sector-wide activities, and technical/vocational education. Health includes basic health care and infrastructure, health governance and sector-wide activities, and initiatives covering sexually-transmitted infections and HIV/AIDS, infectious disease control, reproductive health care, and medical services, research, education and training. Total Australian aid in 2009–10 is estimated at \$3819 million.

BOX 1: MAJOR ACHIEVEMENTS OF THE EVALUATED PROGRAMS

While the focus of this report is lessons learned, the evaluations also highlight significant achievements of the Australian-supported programs.

- > AusAID programs for basic education in Laos have been provided in partnership with other agencies: the World Bank, the Asian Development Bank, the United Nations Children's Fund and the World Food Programme. By extending the coverage and reach of these programs, more primary teachers have been trained, more schools have been built, more school children have been fed, and more communities have been engaged in the development of their schools. And there is some evidence that these programs have had a wider influence on government statements and policies on basic education.
- > AusAID programs for basic education in Papua New Guinea during the past decade have developed a new primary curriculum, which is now being used in schools, improved maintenance in nearly 2500 schools through community-based management approaches, and provided training to more than 9000 elementary teachers and their trainers. These are significant achievements in a difficult environment, even though the impact on education outcomes is hard to assess.
- > AusAID support in Solomon Islands played a critical role in keeping health services operating during the 1999–2003 tensions and facilitating a recovery in health outcomes in recent years. The quality and coverage of health services would now be the envy of most countries with equivalent national income per person.
- > AusAID has supplied water and sanitation services to some of the poorest and most remote communities in East Timor. Approximately 50 000 people have been served by the schemes built since 2002. The AusAID project also helped to establish better planning processes in the three districts where it worked, involving local governments and community leaders in determining priorities.
- > AusAID's support for water and sanitation services in Indonesia has contributed to national efforts that have provided sustainable piped-water supplies to some 4.6 million people, and has dramatically improved sectoral coordination at the national and subnational levels.

The purpose of these recent ODE evaluations was to provide an independent check on how these policies stack up against current thinking on aid effectiveness and their impact on program results in selected countries. This synthesis report pulls the findings together and draws some crosscutting lessons for Australian aid.⁸ These findings and lessons are organised into five themes:

- > Understanding the country context
- > Working with country programs and systems
- > Promoting gender equality
- > Ensuring sustainability
- > Managing for results.

⁸ For more details on the individual programs, see Appendix A to this report and the country evaluation reports in the ODE list of references in Appendix B.

UNDERSTANDING THE COUNTRY CONTEXT

The six countries covered by these evaluations—East Timor, Indonesia, Laos, Papua New Guinea, Solomon Islands and Vanuatu—account for about 35 per cent of Australian aid. Even though five of these countries are fragile states, they all face very different development challenges (see Table 2). To highlight a few:

- > Population size varies from 230 000 in Vanuatu to 226 million in Indonesia. Access to social services is adversely affected by physical geography in Papua New Guinea and by the special challenges of small island states of Solomon Islands and Vanuatu. While Indonesia is a large archipelago, Laos is land locked.
- > Gross national income per person varies from US\$630 in Laos to US\$1840 in Vanuatu. Income levels have recently been boosted in Solomon Islands by the unsustainable use of forestry resources and in East Timor by new oil revenues. Economic growth rates for the five years to 2007 exceeded 7 per cent a year in Solomon Islands and Laos, but in Papua New Guinea and East Timor were barely adequate to keep up with population growth.
- > Poverty rates range from 49 per cent in East Timor to 21 per cent in Indonesia. While Indonesia has the lowest poverty rate, the number of poor is still large (47 million), and poverty rates are significantly higher in remote and disadvantaged regions, such as Eastern Indonesia.
- > Net official development assistance ranges from \$496 per person in Solomon Islands to \$4 per person in Indonesia. Australia accounts for a major share of aid in Solomon Islands and Papua New Guinea, and this has a major impact on how it works in these countries. Australia has also become the second largest bilateral donor in Indonesia, but aid plays a relatively small role in that country's affairs. In Laos, Australia accounts for only 4 per cent of net aid flows.

TABLE 2: SELECTED DEVELOPMENT AND AID INDICATORS

	Unit	Indonesia	Papua New Guinea	Laos	East Timor	Solomon Islands	Vanuatu
Population ^a	million	225.6	6.3	5.9	1.1	0.5	0.2
Gross national income per person ^a	US\$	1 650	850	630	1 510	750	1 840
Annual GDP growth ^b	%	5.5	3.4	7.1	2.4	7.1	5.5
Poverty ^c							
No. of poor	million	47.3	1.7	2.4	0.4	na	na
Poverty rate	%	21	36	44	49	na	na
Net official development assistance ^d	US\$m	796	317	396	278	248	57
Per person	US\$	4	50	68	262	496	248
Relative to gross national income	%	0.2	5.7	10.9	16.3	67.3	13.5
Australian aid ^e	A\$m	453	414	36	117	246	56
Share of official development assistance ^f	%	27	88	4	27	77	41

na Reliable data are not available.

Note: All data are the latest estimates available and are for the years mentioned in the sources.

Sources:

a World Bank estimates for 2007.

b Average annual growth rate for five years to 2007 (World Bank estimates).

c Latest World Bank estimates, using poverty line of US\$1.25 a day at 2005 prices.

d OECD Development Assistance Committee estimates for 2007.

e Budget estimates for 2008–09.

f OECD Development Assistance Committee estimates for 2006–07.

These six countries also have very diverse political systems and government capacities. At one extreme, Laos has had a stable political regime for the past 30 years, with a highly centralised, party-controlled government system. At the other, East Timor emerged as an independent country in 2002 after a period of severe conflict, and has had to rebuild its government structures from scratch. Indonesia falls somewhere in between, having political stability for 30 years but with minimal institutional development. For the past decade, Indonesia has been adjusting to major political changes, including more open democratic processes and more decentralised government powers. What these countries do have in common, unfortunately, are low ratings on governance. According to the Transparency International's Corruption Perception Index for 2008, out of 180 countries Solomon Islands and Vanuatu rank 109, Indonesia ranks 126, East Timor ranks 145, and Papua New Guinea and Laos rank 151. This has major implications for the way services are delivered and their impact on social outcomes.

With such diverse economic and political situations, it is not surprising that progress towards the MDGs has also been mixed (see Table 3).⁹

- > Indonesia does relatively well on access to primary education and child mortality. However, there are continuing concerns about the quality of basic education, high rates of maternal mortality and the rapid spread of HIV/AIDS, especially in Papua and urban areas.¹⁰ Despite recent progress, only about 30 per cent of urban areas and 9 per cent of rural areas have access to piped water.¹¹
- > In Papua New Guinea an estimated 680 000 children aged 12–14 years remain out of school.¹² Together with low completion rates, large gender inequalities and poor learning outcomes, Papua New Guinea faces an education crisis. In the health sector, child mortality has improved in recent years, but is still high, as is maternal mortality. Papua New Guinea faces a generalised HIV/AIDS epidemic, with risk among women exacerbated by gender-based violence.

9 There are many gaps and inconsistencies in MDG data at the country level (see the comment in the chapter 'Managing for results'). The trends in the text include qualitative judgements taken from a range of AusAID, United Nations and World Bank sources.

10 Middle-income countries such as Indonesia are keen to move beyond the MDGs, especially in the education sector, where higher level skills are needed to support economic growth and generate higher incomes. This in turn has implications for the quality of basic education and teacher training. For a recent review of development issues in middle-income countries, and the implications for Australian aid, see ODE, *Making a difference in middle-income countries? An Office of Development Effectiveness assessment of future support to Indonesia and the Philippines: issues and implications*, Australian Agency for International Development, Canberra, 2009.

11 Data for 2007 from Eric Buhl-Nielsen, Sandra Giltner, Penny Dutton, Jennifer Donohoe, Sue-Ellen O'Farrell & Devi Setiawan, *Working paper 2: Indonesia— independent evaluation of Australian aid to water supply and sanitation service delivery in East Timor and Indonesia*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, forthcoming.

12 Data from Steve Packer, Sue Emmott & Keith Hinchliffe, *Improving the provision of basic education services to the poor in Papua New Guinea: a case study*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, May 2009, p. vii.

TABLE 3: SELECTED MDG INDICATORS

	Indonesia	Papua New Guinea	Laos	East Timor	Solomon Islands	Vanuatu
Goal 2: Achieve universal primary education						
Primary enrolment ratio (net)	97		86	68	62	89
Primary completion rate	99		77	69		86
Literacy rate (15–24 year olds)	97	64	84			92
Goal 3: Promote gender equality & empower women						
Female:male primary enrolment	96	84	90	94	96	98
Goal 4: Reduce child mortality						
Under-5 mortality rate (no. per 1000)	31	65	70	97	70	34
Infant mortality rate (no. per 1000 live births)	25	50	56	77	53	28
Goal 5: Improve maternal health						
Maternal mortality rate (no. per 100 000 live births)	420	470	660	380	220	
Goal 6: Combat HIV/AIDS, malaria & other diseases						
HIV prevalence (15–24 years)		2	0			
Goal 7: Ensure environmental sustainability						
Improved drinking water source	80		60	62	70	
Improved sanitation facility	52		48	41	32	

Note: All data are the latest estimates. The unit is % unless noted otherwise.

Source: World Bank MDG data base, <<http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&menuId=LNAV01HOME3>>.

- > In Laos, primary school enrolment rates have improved steadily in recent years, but completion rates are still low, and access is more limited in rural areas and for girls and minority ethnic groups. Similarly, child mortality rates have also come down in recent years, and access to clean water and sanitation has improved, but progress has been slower in more remote and rural areas. Maternal mortality is among the highest in the region.
- > East Timor has made progress towards many of the MDGs in recent years, but from a very low base. Primary school enrolment and completion rates are still very low, and child mortality is high. Access to clean water and sanitation is also poor, especially in rural areas, and may have declined in recent years due to population growth and poor maintenance. Only half of the schools surveyed in 2007 had adequate water and sanitation facilities.
- > Solomon Islands is still recovering from the conflict in the period 1999–2003, which had a crippling effect on economic activity and service delivery. Despite improvements since the arrival of the Regional Assistance Mission to Solomon Islands, high population growth and urban migration continue to raise demand for basic services. Access to education is low compared with other Pacific islands, and the country has one of the highest malaria rates in the world. However, child mortality is declining again, after rising during the conflict.
- > Vanuatu has the highest gross national income per person among the six countries, but access to basic services is still limited by geography and population growth. Only 86 per cent of children completed primary school in 2004, and drop-out rates are rising. Prevalence of non-communicable diseases is also rising with higher incomes and changing lifestyles. Many people have to travel for up to two days to reach the nearest health post. Even so, child mortality has come down steadily and is on track to meet the MDG by 2015.

These diverse economic, social and political conditions point to the first obvious lesson of these evaluations: aid programs must be adapted to individual country circumstances. One size does not fit all—not even among countries categorised as fragile states, let alone for countries further up the development scale. All of the evaluations talk about the need to underpin assistance ‘with better analysis and understanding of the institutional context, taking the status of the national sector framework and country systems as the departure point for future support’.¹³ More generally, OECD’s first principle for engaging with fragile states is: ‘take context as the starting point’.¹⁴ To quote from the principles:

It is essential for international actors to understand the specific context in each country and develop a shared view of the strategic response that is required. It is particularly important to recognise the different constraints of capacity, political will and legitimacy, and the differences between: (i) post-conflict/crisis or political transition situations; (ii) deteriorating governance environments; (iii) gradual improvement; and (iv) prolonged crisis or impasse. Sound political analysis is needed to adapt international responses to country and regional context, beyond quantitative indicators of conflict, governance or institutional strength. International actors should mix and sequence their aid instruments according to context, and avoid blue-print approaches.

This requires a degree of country and sectoral knowledge that is often lacking in AusAID.¹⁵ Of course, it is quite reasonable to rely on the analysis of others, such as the multilateral development banks, when Australia is a small aid donor (as in Laos). But Australia also needs to form its own view, especially where it is a large player (as in Papua New Guinea and Solomon Islands) and in political areas, which are often beyond the mandate of the multilateral development banks. To move in this direction, some of the larger programs (for example, for Indonesia) have recently appointed economists in country offices to analyse country conditions and participate in policy dialogue. Sectoral advisers have also been appointed to provide guidance to Australia’s sectoral programs and engage with partner governments and other donors.¹⁶ In the health sector, for example, staff with specialised policy and technical expertise have been recruited in Papua New Guinea, Indonesia, Solomon Islands and Vanuatu. In the past, these functions were sometimes performed by managing contractors, who did not have an overview of the aid program and often crowded out opportunities for building more direct relationships with partner governments.

13 From the water supply and sanitation evaluation (ODE, *Australian aid to water supply and sanitation services in East Timor and Indonesia*, p. 16). Similarly, the education evaluation (ODE, ‘Improving the provision of basic education services for the poor’, p. 25) notes: ‘There has been very little detailed wider institutional analysis within or for the AusAID education programs in Laos and PNG, although there have been some good technical appraisals for AusAID supported projects’. And from the health evaluation (ODE, *Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, evaluation report, Australian Agency for International Development, Canberra, June 2009, p. 28): ‘AusAID’s strategy for the health sector should be informed by deeper analysis of opportunities and constraints for improving service delivery’.

14 OECD, *Principles for good international engagement in fragile states and situations*, April 2007, viewed November 2009, <www.oecd.org/document/46/0,3343,en_2649_33693550_35233262_1_1_1_1,00.html>.

15 Some AusAID staff do have this knowledge, but it is not always valued in staff assignments and rotations. In East Timor, for example, AusAID has had three water supply and sanitation program officers during the past two-and-a-half years. The East Timor desk in Canberra has also experienced a large staff turnover, including six directors in the past 18 months.

16 An important role for in-country sectoral advisers is to provide international thinking on policy issues and experience from sectoral programs in other countries (including on aid modalities).

Despite this progress, more needs to be done to improve the coherence between country conditions, Australian aid strategies and sectoral programs. The logical place for this to happen is in the development of country strategies or partnership frameworks, with genuine give and take between those working on country-wide issues (such as budget policy and fiduciary safeguards) and those with sectoral expertise. Given the priority attached to achieving the MDGs, it is important to be able to show how the country strategies and the aid program contribute to these goals, including the links between central agency reform and improved service delivery outcomes. It is also important to show how inter-sectoral links (between education, health, water and sanitation) have been taken into account.

The evaluations also highlight the importance of flexibility within country strategies to adjust quickly and coherently to unexpected changes in country conditions. It is highly unlikely that conditions will be as projected in the country strategies. Natural disasters (for example, the tsunami of 2004), political unrest (as in Solomon Islands from 1999 to 2003) and economic shocks (such as the current global financial crisis) are more the norm than the exception. It is far better to build in flexibility to respond to these events, than to throw out or work around the country strategies.¹⁷ Flexibility can be facilitated through rolling annual updates and possibly using some unallocated funds for contingent purposes. But, more than anything else, strategies need to be constantly reassessed with the partner governments, to determine whether they are meeting their development objectives.

A notable example of a change in conditions is decentralisation in Indonesia. In early 2001, Indonesia embarked on a major program to decentralise administrative powers and budget resources to district governments. This fundamentally altered the way social services were to be delivered.¹⁸ However, according to the water and sanitation evaluation, it is taking time for this change to be reflected in the design of programs supported by Australia.¹⁹ For example, while the Water and Sanitation for Low-Income Communities Program made good use of local communities to supply piped-water to some 4.6 million people, these achievements are unlikely to be sustainable without proper post-construction monitoring and maintenance by district governments. This component will now be built into the proposed follow-up program, but this will cover new districts, so support for districts covered by the initial program is still missing.²⁰

17 For example, Australia's response to the 2004 tsunami—the Australia Indonesia Partnership for Reconstruction and Development—was initially set up outside the country strategy. However, the two were quickly merged, as the costs and confusion of this separation soon became apparent. See AusAID, *Review of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD)*, final report, Australian Agency for International Development, Canberra, 21 August 2008.

18 Decentralisation was especially challenging in the health sector. There was confusion in the division of functions between the Ministry of Health and district governments, and most district governments lacked the capacity and resources to take on their new responsibilities. The small scale of district governments made it difficult to maintain essential public health functions, contributing to outbreaks of polio and malnutrition in some districts. See Samuel Lieberman & Puti Marzoeqi, *Health strategy in a post-crisis, decentralizing Indonesia*, World Bank HNP discussion paper, Washington, DC, December 2002.

19 Eric Buhl-Nielsen et al, *Working paper 2: Indonesia*.

20 The water and sanitation evaluation for East Timor recommended that the post-construction monitoring period be extended and linked more closely with district and subdistrict levels as capacity develops (Eric Buhl-Nielsen, Sandra Giltner, Penny Dutton & Jennifer Donohoe, *Working paper 1: East Timor—Independent evaluation of Australian aid to water supply and sanitation service delivery in East Timor and Indonesia*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, forthcoming).

Similar challenges of decentralisation are raised in the health and education evaluations for Papua New Guinea. Most health services in Papua New Guinea are a provincial responsibility, and it is hard for the central government to impose national standards or ensure that provinces allocate sufficient funding for health services. With hindsight, increased Australian support for operating costs at the provincial and district levels would have created a more balanced pattern of spending in which services could have been expanded, and allowed the investment and technical assistance that was provided to achieve more. Similarly for basic education, the decentralisation of service delivery responsibilities to provincial and district governments remains a challenge. Stated national education priorities are not shared by all provincial governments, large resource imbalances remain between provinces, and their capacity to ensure that teachers and learning materials are in all schools varies. The evaluation concludes that Australia will have to find new ways of working at the subnational levels that are consistent with the national sectoral plan.

A major breakthrough was made in early 2009 in Papua New Guinea, when legislation was passed to redistribute the future growth in tax revenue so that all provinces could eventually afford a basic package of essential services.²¹ Opposition was avoided by ensuring no province would receive less than at present, and by applying the redistribution to only the goods and services budget, and not to the far larger development budget. Although the amounts are small, the inadequate goods and services grant was identified by the National Economic and Fiscal Commission as the critical funding constraint on the delivery of services, and the increases for some provinces are substantial. In addition to the direct impact of the grants, the commission's work has developed into a broader reform process, with attention being given to reviewing how provinces use their own resources and service delivery performance. This success is built on strong Papua New Guinea leadership and on consistent, high-quality technical assistance, working not as advisers but alongside their Papua New Guinea colleagues in mostly in-line roles.

Another positive example is provided in Solomon Islands, where direct AusAID support to provincial health grants during the tensions of 1999–2003 ensured that the collapse in government revenue was not accompanied by a collapse in health services. A number of independent surveys confirm the positive performance of the health system, which achieves good coverage (three-quarters of the population use health facilities and some 85 per cent of mothers give birth in a facility), high satisfaction levels, and steady progress on health outcomes with relatively equitable access. According to the health evaluation for Solomon Islands:

21 This paragraph draws on the findings of Mick Foster, *Improving the provision of basic services for the poor: linkages with broader public sector reform*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, forthcoming.

The positive performance of the health sector has only been possible because of sustained AusAID financial support, especially crucial in keeping services operating during tensions and facilitating a speedy recovery of service coverage. The health system did not collapse as has happened elsewhere in the world during similar periods of instability and AusAID deserves a significant share of the credit for this. Installation of a radio system had a major impact on the management and effectiveness of the system. The Health Information System (HIS) provides a range of useful information, the general accuracy of which is confirmed by a range of survey-based estimates. TA [Technical assistance] in planning and budgeting contributed to improved management and better integration of services.²²

Global programs face special challenges of country coherence and integration. Australia supports a number of global programs aimed at accelerating progress towards the MDGs for education (for example, the World Bank-led 'Education for All' Fast Track Initiative and the United Nations Children's Fund's Back on Track Initiative) and health (for example, the Global Fund to Fight AIDS, Tuberculosis and Malaria). These initiatives help to focus world attention on poverty-related issues and mobilise funds in support of well-designed programs. However, it is sometimes a challenge to ensure that they do not distort national development priorities and are sustained when external funding ends.²³

In Vanuatu, for example, the Pacific Islands Project provided discrete, short-term inputs for individual patient management in a chronic disease context where a more sustained, public health approach would have been more appropriate. Funding for anti-malaria programs suddenly dried up in 2001 with the completion of the Pacific Regional Vector-Borne Diseases Project, and the incidence of malaria doubled before new funding was put in place in 2004. The challenges are perhaps greatest in education, where the basic service package is very country specific. As a result, the education evaluation proposes that Australia help the Government of Papua New Guinea to prepare its submission to the 'Education for All' Fast Track Initiative, to ensure consistency with the country's education sector strategy and to manage expectations about potential funding levels.

22 Mick Foster, Chris Chamberlin, Rob Condon, Simon Henderson, Katja Janovsky & Beth Slatyer, *Working paper 2: Solomon Islands country report—evaluation of Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, June 2009, p. 9.

23 Similar issues can arise when central governments impose their priorities on local governments or when sectoral priorities override country priorities in aid allocations.

WORKING WITH COUNTRY PROGRAMS AND SYSTEMS

The principles of aligning aid with country priorities and working through country systems are now widely accepted, and endorsed in the Paris Declaration on Aid Effectiveness (2005). At a minimum, this means helping governments to articulate their own priorities and strengthening their budget systems and fiduciary controls. Aid should be provided in ways that support these efforts, and avoid whenever possible setting up parallel programs and systems. As government systems improve, more aid should be channelled through them—either to finance sector-wide programs or in the form of general budget support.²⁴ Of course, there will always be situations when this is not possible because of poor governance and low trust between aid donors and recipient governments. But without progress on the core agenda of state building, it is unlikely that any benefits provided by aid programs will be sustained for very long.

Australia has endorsed the principles of the Paris Declaration, and this is clearly reflected in AusAID's policy statements for health and education.²⁵ These policies in turn help to shape AusAID's health and education strategies in specific countries.

- > In Papua New Guinea in the late 1990s, Australia had 19 separate activities in the health sector, some with multiple components. The Government of Papua New Guinea was concerned about high transaction costs and asked AusAID to support moves away from projects towards a sector-wide approach. AusAID responded by providing technical assistance for putting together a sectoral plan and medium-term budget, beginning to consolidate the number of activities and developing a pooled funding mechanism—the Health Sector Improvement Trust Account—for financing the sectoral plan.
- > In Solomon Islands, from 2007–08 AusAID has changed the nature of its engagement in the health sector by moving towards a sector-wide approach. Australia will contribute A\$60 million over five years to the approach through the Health Sector Support Program.
- > In Laos, Australia has become an increasingly active partner in the education sector, co-chairing the Education Sector Working Group with the United Nations Children's Fund under the overall leadership of the Ministry of Education. It has been providing technical assistance to prepare the new Education Sector Development Framework, and contributing to the World Bank's Poverty Reduction

²⁴ These terms are often misunderstood and misused. Aid to support sector-wide approaches can be provided in many forms, which may or may not be reported in the budget or channelled through treasuries. General budget support is 'on budget' and 'on treasury' but not tied to any specific spending items. For more explanation, see Mokoro Ltd 2008, *Putting aid on budget: a study for the Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA)*, synthesis report, Oxford, April 2008.

²⁵ The water policy was formulated in 2003, before the Paris Declaration. AusAID issued a series of Operational Policy Notes in May 2009, which look at the implications for Australian aid of working in and through partner government systems.

Support Operation (which includes some education triggers) and to the Public Finance Management Strengthening Program through a multi-donor trust fund. These initiatives are putting in place some of the basic prerequisites for moving to a sector-wide approach in education.

However, as noted in the evaluations, it has been difficult to translate these principles and strategies into practice. This is perhaps most clearly demonstrated in the health sector in Papua New Guinea. Mainly because of lower than intended disbursements from the pooled fund, the level and pattern of Australian aid does not reflect the priorities AusAID helped to articulate. Total Australian aid to the health sector has fallen since 2002 and is still dominated by technical assistance and capital expenditure managed by Australian contractors. The recent establishment of a high-level steering committee offers some prospect of more effective action, but will depend on more effective mechanisms for decision making and follow-through, and on sustained leadership commitment.

More generally, the original intention of using the sector-wide approach to program government and donor resources to implement the health program in Papua New Guinea needs to be realised. For AusAID, this would require a commitment to increased funding of the sectoral strategy, preferably with early progress on spending an increasing share of resources through a reformed trust account fully integrated with government financial and planning systems, and with more appropriate management structures. It would also require a more transparent approach to communicating future financing and reporting actual spending.

Similar issues arise in the sector-wide approach for health services in Solomon Islands. According to the health evaluation, the Health Sector Support Program document was produced by an AusAID consultant and appears to lack government ownership. While AusAID support is largely captured in the budget, it is administered using parallel procedures and there is as yet no medium-term plan and expenditure program with clear objectives for service delivery and system reform. Because Australia provides one-third of total public spending in the health sector, restrictions on what these funds can be used for risk distorting the budget (too little for provinces). And there are obvious dangers in the long-term dependence of the health sector on a parallel donor trust account for the supply of nearly all drugs. Good annual dialogue on the budget, plus measures to strengthen financial management and monitoring should enable AusAID to provide support using government procedures, without earmarking to specific purposes and without incurring unacceptable risks of misappropriation.

Australia has been considering a shift to a sector-wide approach for education in Papua New Guinea since 2000. However, in practice, aid for education has continued to be provided through a series of discrete projects. A series of reviews concluded that these projects were designed, managed and reviewed in ways that ran counter to local ownership, capacity development and systemic reforms. They have contributed

little to overcoming deep-seated barriers to delivering basic education services in an effective and sustainable way, and had little impact on education outcomes. Nor is there much evidence, until recently, of a sustained dialogue on sectoral policy by AusAID with either the Papua New Guinea Government or other donors in the education sector. Donor dialogue prior to the institution of government-led mechanisms to advance the Education Sector Improvement Program (2007) was low key and is still not geared to promoting strong collective ways of working. The decision to contract out the management of projects, and AusAID's focus on managing this relationship, have resulted in contractors and their technical advisers having a deeper dialogue with the National Department of Education than AusAID with its government partners. AusAID has lacked the processes and technical expertise to develop and sustain coherent government-to-government dialogue around the national education reform plan as a whole.

In East Timor the independent completion report for the Community Water Supply and Sanitation Program concluded that the project had its own internal logic, which did not relate well to the institutional setup of the sector that it was supposed to be supporting. The program's design and implementation did not properly separate what the managing contractor should be doing and what the implementing agency should be doing. The program essentially behaved in parallel—like a mini-ministry of water supply and sanitation—instead of first analysing and then supporting existing institutions. The newer Rural Water Supply and Sanitation Program attempted to address some of these issues by proposing a phased approach to shifting responsibility for planning, contracting and management from the managing contractor to the government. However, this approach was subsequently downplayed in the work plan (developed by the managing contractor). The evaluation concludes that the program approach adopted in the Rural Water Supply and Sanitation Program is divorced from the reality of the sector in East Timor. Staff providing technical assistance still command the financial and human resources and are implementing the program rather than advising the government on how to do it. In the words of one senior official in East Timor: 'we support your plans, rather than you supporting our plans'.

These experiences highlight a number of important lessons for Australia, as it considers moving to sector-wide approaches in more countries and sectors.

- > It is important to set realistic goals about what can be achieved in specific country circumstances. In many fragile states, sector-wide approaches are often pre-empted by the urgent need to prevent the breakdown of basic services (Solomon Islands and East Timor) and overriding concerns about the risks of using government systems (Papua New Guinea). Under these circumstances, the key is to adopt approaches that get things done in ways that do not undermine government programs and systems, and that can lay the groundwork for their development over time.

- > It is often easier for a bilateral donor such as Australia to adopt sector-wide approaches in countries where it is not a major player (Laos) than in countries where it is funding large shares of the sectoral budgets (Papua New Guinea, Solomon Islands and East Timor). In the latter situation, Australia has to be willing to put a lot of effort into high-level policy dialogue. This means placing senior sectoral specialists in country offices and rethinking the current role of managing contractors, who can become a barrier rather than a bridge between AusAID and partner governments.
- > Much of Australian aid is still delivered in the form of technical assistance. Such assistance is often a short-term response to specific policy or project needs, without overall strategic frameworks. And, when this assistance sets up parallel systems (East Timor), it can quickly undermine what limited government capacity exists. Providing capacity to deliver donor-designed projects is very different in both philosophy and approach from supporting government capacities to deliver good-quality public services. The focus needs to shift to the latter by adopting a longer term strategic approach to capacity building and closer integration with partner government plans.
- > Many of the factors that affect sectoral performance often emanate from broader issues related to budget management and fiduciary controls. Even in countries where Australia plays an important advisory role on these issues (Papua New Guinea and Solomon Islands), it is usually divorced from what is happening at the sectoral level (although the recent work with the National Economic and Fiscal Commission in Papua New Guinea is an important exception). Agencies responsible for service delivery require a budget that is comprehensive, predictable and structured in such a way that they can allocate funds to sectoral priorities and report on spending. Australian technical assistance has focused largely on improving budget processes, with little policy dialogue on spending priorities.²⁶ Again, this suggests an important role for sectoral advisers—to provide a bridge between country and sectoral policy dialogue, and to link broader public sector reforms to service delivery outcomes. The Public Finance Management Strengthening Program in Laos may well be a positive example of how this can be done.
- > The health evaluation suggests that Australia needs to rethink the balance between protecting funds and delivering services. In Papua New Guinea and Solomon Islands, the demanding safeguards placed on donor trust funds severely limited their disbursement to provinces and constrained the delivery of health services. More generally, current policy tends to stress managing fiduciary risk without regard for the impact on development outcomes. AusAID staff should be

²⁶ These findings are from a separate study on the links between broader public sector reforms and basic service delivery (Mick Foster, *Improving the provision of basic services for the poor*).

encouraged to provide a balanced assessment of both fiduciary and development risks in sectoral programs, and to come up with a clear strategy on how to manage risks and respond when problems arise. This is not to understate the risks of corruption or the importance of improving public financial management.²⁷ But progress is likely to be greater if Australia commits to using partners' systems rather than relying on separate safeguards.

- > One way for donors to work with weak government systems is to use multi-donor trust funds. These are usually administered by the United Nations or the World Bank, and provide a convenient vehicle for resource mobilisation, donor harmonisation, policy dialogue and risk management, especially in fragile states.²⁸ The key to the success of these funds is that they are fully owned by the recipient governments. Bilateral donors need to weigh up, on a case-by-case basis, the potential costs of slower and less flexible procedures against the advantages of accessing the broader policy dialogue and fiduciary safeguards provided by these funds. In some cases, Australia may be best placed to take the lead on donor coordination. Lessons from Indonesia's recent experience with multi-donor trust funds are summarised in Box 2.
- > Finally, to be fully effective, sector-wide approaches need to be supported by reliable and predictable flows of donor funds. As re-emphasised in the Accra Agenda for Action, 'greater predictability in the provision of aid flows is needed to enable developing countries to effectively plan and manage their development programmes over the short and medium term'.²⁹ This can be difficult for a country such as Australia, which works within annual budgets approved by the parliament.³⁰ But, at the very least, reliable annual information on actual aid disbursements needs to be provided so that it can be recorded in the recipient countries' budget estimates and accounting systems—preferably along with indicative resource allocations for future years. According to the OECD, only

27 For more on the impact of corruption and the challenges of anti-corruption approaches in Papua New Guinea, Indonesia and Solomon Islands, see ODE, *Approaches to anti-corruption through the Australian aid program: lessons from PNG, Indonesia and Solomon Islands*, Australian Agency for International Development, Canberra, 2007. A major corruption case could severely undermine support for Australian aid. This is not a hypothetical concern. For example, a 2005 audit of the National Referral Hospital in Solomon Islands found abundant evidence of fraud and poor management in many hospital units. Problem areas requiring follow-up included catering, patient travel, fee management and financial reporting. A clear strategy is needed on how to respond to corruption cases, including the impact on aid disbursements and sanctions against those responsible.

28 While multi-donor trust funds are usually set up to harmonise donor procedures, they are not always well aligned with government systems. For a review of experience with such funds in post-crisis situations, see Scanteam/Norway, *Review: post-crisis multi-donor trust funds*, final report, February 2007.

29 3rd High Level Forum on Aid Effectiveness, *Accra Agenda for Action*, Accra, Ghana, 2–4 September 2008, viewed November 2009, <www.undp.org/mdtf/docs/Accra-Agenda-for-Action.pdf>, p. 6.

30 Australia has made multi-year commitments in the past. The Australia Indonesia Partnership for Reconstruction and Development, for example, was a five-year commitment to Indonesia for \$1 billion. The multi-year commitment was one of the contributing factors to the success of this program. See AusAID, *Review of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD)*.

about 30 per cent of Australian aid is recorded in the budgets of partner countries (compared with an average of 48 per cent for Development Assistance Committee members)³¹, and Australian country strategies are usually devoid of any forward-looking aid numbers.³²

BOX 2: EXPERIENCE WITH MULTI-DONOR TRUST FUNDS IN INDONESIA

Indonesia has had a mixed experience with multi-donor trust funds. In the Jakarta Commitment, signed on 12 January 2009, the Government of Indonesia and its development partners (including Australia) made the following comment:

While the Government supports the multi-donor support modality in principle, it recognizes that in some cases it may not necessarily contribute to convergence of ideas on critical development issues, nor even support the alignment and harmonisation agenda and the government's own interventions. This is especially so if the activities are executed by the development partners and the funding is not incorporated in the government's budget.

The Decentralisation Support Facility is a case in point. This was set up to support the decentralisation agenda of the government, particularly as it pertains to improved service delivery for citizens. However, being largely funded by DFID and managed by the World Bank, it initially lacked strong government ownership and broad donor support. More recently, an effort has been made to increase government and donor engagement. Australia made a contribution of US\$1 million in 2007 and currently sits on the facility's steering committee. However, despite some successes, overall progress has fallen well short of expectations.

The Multi-Donor Fund for Aceh and Nias, established to coordinate donor assistance in the aftermath of the tsunami in December 2004, presents a more positive story. This fund, managed by the World Bank and working closely with the Agency for the Rehabilitation and Reconstruction of Aceh-Nias, has generally done a good job. Australia chose to spend its reconstruction funds outside the Multi-Donor Fund for Aceh and Nias, although coordination was facilitated by Australia's participation in its steering committee (as a non-voting observer). All parties acknowledge the valuable 'gap-filling' role played by Australia, and the rapid and flexible way in which Australian aid responded to Aceh's needs. Australia is now participating in a much smaller follow-up fund, managed by the World Bank, to support a wider agenda (peace and development) throughout Aceh.

Sources: Government of Indonesia & its Development Partners, Jakarta commitment—aid for development effectiveness: Indonesia's road map to 2014, signed in Jakarta on 12 January 2009, p. 3; AusAID, Review of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD), final report, Australian Agency for International Development, Canberra, 21 August 2008; ODE, Making a difference in middle-income countries? An Office of Development Effectiveness assessment of future support to Indonesia and the Philippines: issues and implications, Australian Agency for International Development, Canberra, 2009.

31 ODE, *Annual review of development effectiveness 2008: scaling up in a deteriorating environment*, Australian Agency for International Development, Canberra, 2009, p. 42.

32 By comparison, country strategies prepared by the World Bank and the Asian Development Bank include medium-term projections of aid commitments (often with several scenarios around a base case).



In summary, these evaluations point to a fundamental tension between Australia's commitment to scale up aid, with moves to sector-wide approaches, and the project model that still drives many of AusAID's business processes.³³ This is not a criticism of projects as such. There are many good examples of projects delivering social services and improving the lives of the poor in post-crisis situations (Solomon Islands and East Timor) and in remote and disadvantaged communities (Laos, Papua New Guinea and East Timor). Moreover, projects can be designed to fit within a sector-wide approach. However, this model has its limits as Australian aid is scaled up and more attention is paid to the broader agenda of aid effectiveness. Major changes in AusAID's mindset, processes and skills base are needed. To quote from the education evaluation for Laos:

There is a strong project mentality in the way in which AusAID works – procedurally and in the branding of its activities. Switching to a different process of dialogue, sector planning and programming, driven by government leadership and collective action, requires a different suite of skills and experience from those of micro-managing projects. Policymaking is rarely just a technical matter. It embraces broad policy issues of political economy and questions related to the locus of power and political decision making. Although the technical features required for the adoption of a sector-wide approach may be in place, in practice they can be worked around. To have faith in the willingness of governments to adopt the many rules of resource allocation and decision making powers which such an approach needs, a high degree of accountability and transparency is required.³⁴

33 This is confirmed by OECD, *Better aid—2008 survey on monitoring the Paris Declaration: making aid more effective by 2010*, Organisation for Economic Co-operation and Development, Paris, 2008, viewed November 2009, <www.oecd.org/dataoecd/58/41/41202121.pdf>, which paints a mixed picture of Australia's efforts on aid effectiveness. According to OECD, *Australia: Development Assistance Committee (DAC) peer review*, Organisation for Economic Co-operation and Development, Paris, p. 19, 'The country performed well in areas like joint donor approaches and aid untying, but had weaker results in its use of partner country systems, the share of aid flows channelled through partner country budgets and its reliance on parallel project units'. Australia provides about one-third of its aid through program-based approaches, compared with the average of almost half for Development Assistance Committee members (ODE, *Annual review of development effectiveness 2008*, p. 43).

34 Steve Packer, Sue Emmott & Keith Hinchliffe, *Improving the provision of basic education services for the poor: Lao PDR case study*, Office of Development Effectiveness, Australian Agency for International Development, Canberra, forthcoming, pp. iv–v.

Australia now has a growing body of country experience to draw on in working with country programs and systems. Recent lessons from Vietnam and Indonesia are summarised in Box 3.

BOX 3: PROGRAM APPROACHES IN VIETNAM AND INDONESIA

Australia has used a program-based approach in four programs in **Vietnam**: the Poverty Reduction Support Credit, Rural Water Supply and Sanitation National Target Program II, Program 135 Phase II for Remote and Mountainous Communities including Ethnic Minorities, and the Beyond WTO Program. All of these programs provided funding through the Government of Vietnam budget, and provided an entry point for AusAID to engage in policy dialogue.

According to a review conducted in 2008, this approach has strengthened policy and outcomes for all four programs, with greater harmonisation of AusAID activities and alignment with the policies and processes of Vietnam. The main areas of value added stemmed from AusAID's specialist knowledge, particularly in gender, public financial management and government systems, while its experience from projects has been useful for strengthening the design and implementation of program-based approaches and policy dialogue. The work that AusAID undertakes at the provincial level, where capacity is weak, has been an important contribution. AusAID's hands-on and flexible approach is seen as an asset, although more strategic engagement, based on an analysis of where AusAID can intervene most effectively, would enhance the benefits from the program-based approach.

A more recent joint review of Rural Water Supply and Sanitation National Target Program II proposes that the pilot program should now be rolled out to all provinces provided they allocate sufficient funds to implement the agreed M&E program and adopt sanitation programs in line with the principles and guidelines of National Target Program II. A major challenge will be getting all donors, including the World Bank and the Asian Development Bank, to align their water and sanitation support within the program's framework (which is currently used by Australia, Denmark and the Netherlands, with the United Kingdom about to join).

In **Indonesia**, AusAID supported two major infrastructure programs under the Australia Indonesia Partnership for Reconstruction and Development: the Basic Education Program and the Eastern Indonesia National Roads Improvement Project. Both were initiated in 2005 but took longer than expected to get up and running because of Australia's unfamiliarity with loan financing, the complexity of working through the government budget and systems, and the need to put in place strong anti-corruption safeguards.

Progress on construction has been more rapid under the Basic Education Program, which had built 2000 fully operational junior high schools and madrasah by mid-2008. Progress was facilitated by Australia's prior experience in the education sector, the clear commitment from the Government of Indonesia to provide universal access to basic education, and the availability of a relatively simple model for disbursing funds directly from the Ministry of Finance to school construction committees. While additional safeguards were imposed for some components, these have been shown to have had minimal impact, and may be scrapped in the next round of the program.

By contrast, road construction was still to start in mid-2008. But the Roads Improvement Project has made a substantial investment in building up capacity for technical work and project supervision, which is also being used by the World Bank.

Sources: Ann Bartholomew, Hieu Nguyen & Richard Kousek, "Review of effectiveness of programs through government systems using the program based approach and the appropriateness of risk management strategies under the AusAID bilateral program in Vietnam", draft report II, November 2008; Governments of Vietnam, Australia, Denmark and the Netherlands, "Vietnam rural drinking water and sanitation: joint annual review of the national target program II", final aide-mémoire, 6–22 July 2009; AusAID, *Review of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD)*, final report, 21 August 2008.



They clearly show that Australia's project experience can be an asset in contributing to broader program approaches, especially when substantive capacity in crosscutting and sectoral policy issues exists in the country post. The main challenges are to adopt a more strategic approach to where Australia will intervene, and to bring other donors along in a sector-wide program. Progress may not always be as fast as under the old project model, especially when learning how to work with complex government systems, but the results are likely to be more robust and sustainable in the longer term.

PROMOTING GENDER EQUALITY

As stressed in the recent budget statement on Australia's international development assistance:

... the Australian Government is committed to fair development: the benefits of development should be accessible and available to all. This is a goal in itself, but a fairer society—particularly to the extent that women have the opportunity to fully participate in society—also advances development.³⁵

This is one of several principles underlying Australian aid, which at times may be at odds with practice in recipient countries. Australia needs to manage this tension, especially when aid modalities are increasingly focused on country ownership and support for government programs.

The MDGs specifically target the elimination of gender disparities in **education** at all levels. Australia has supported this objective through a number of its projects.

- > In Laos, for example, the Laos Australia Basic Education Project aimed to improve the relevance, quality and efficiency of primary education, especially for girls in selected remote ethnic minority areas through assistance for curriculum and materials development and for teacher education. This was a component of the Asian Development Bank project that focused on basic education for girls. The independent completion report for the project rated it as highly successful, exceeding the quantitative targets set and contributing to broader improvements in the government's approach to education for poor people in remote areas. In particular, it showed that local school graduates—including poor ethnic women—could be trained as pre-service teachers who would stay and work in their home areas.
- > The experience in Papua New Guinea has been less positive. A recent review of gender mainstreaming found that only the Basic Education Development Project had made progress, including the involvement of locally recruited District Women Facilitators (although this network may not be sustainable within Papua New Guinea government systems). The Education Capacity Building Project has few female advisers and there is no gender focus within the project. Overall, the gender equality work that is occurring in most projects is largely peripheral and rarely influences their strategic direction.

35 Australian Government, *Budget 2009–10—Australia's international development assistance program: a good international citizen*, p. 7.

The health evaluation notes that gender relations in Melanesia are generally characterised by a clear division of labour. In many ways women are the primary producers of wealth, but men tend to dominate decision making in nearly all public arenas.³⁶ Violence against women is endemic in the region, and has high social, economic and health costs.³⁷ Despite AusAID's corporate focus on gender equality, this has not been carried forward in any significant way into the health programs in Solomon Islands and Papua New Guinea.

- > In Solomon Islands, while the implementation plan for the Health Sector Support Program does contain a good discussion of gender issues, it is handicapped by the fact that the Health Information System (established with AusAID support) contains no gender-disaggregated indicators, even though there was a commitment to introduce some gender disaggregation from 2008. Only one key performance indicator in the results framework is gender disaggregated (condom use by men and women at last sexual contact). On the principle that 'what gets measured gets done', there is a risk that gender concerns will not get much attention as the program is implemented. The lack of a gender focus is even starker in AusAID documents; the word 'gender', for example, does not appear at all in the Health Sector Support Program document. This weakness was recognised in the recent review of the program's design and actions to address it have been identified.
- > In Papua New Guinea, the focus on gender equality in AusAID's program has been relatively weak, and there is limited evidence of it being taken up in the dialogue on the sector-wide approach. There is a lack of data for analysing gender issues. There has been no Household Income and Expenditure Survey since 1996, and none of the performance indicators are gender disaggregated. Given the well-recorded fact that gender inequality is marked in Papua New Guinea, it is likely that women are disadvantaged in accessing health services, but it is difficult to quantify. The Women and Child Health Project did useful work to introduce a gender approach and to address gender-based violence, but an Independent Completion Report (ICR) did not find evidence of impacts on health status or access to services, and this work was not adequately carried into the sector-wide approach.

There has been more attention given to gender issues in AusAID's water and sanitation programs. However, progress is often not monitored or sustained, especially when AusAID is working in a sectoral environment that is not particularly conducive to promoting gender equality.

36 The Pacific subregion (excluding Australia and New Zealand) ranks second last in the world in terms of the proportion of members of parliament who are women. In 2006, Solomon Islands had no female MPs, Papua New Guinea had 1 out of 108, and Vanuatu had 2 out of 52.

37 See ODE, *Violence against women in Melanesia and East Timor: building on global and regional promising approaches*, Australian Agency for International Development, Canberra, November 2008.

- > In East Timor women bear most of the burden related to family water and sanitation needs but have comparatively little influence on its management.³⁸ The gender strategy of the Rural Water Supply and Sanitation Program attempts to overcome the low level of gender mainstreaming achieved by the Community Water Supply and Sanitation Program. Gender is appropriately integrated into key areas of the program including recruitment processes, skills development of the staff of the National Directorate for Water Supply and Sanitation, hygiene promotion, data collection, and community decision making and management of water supply schemes. Most importantly, the program's strategy recognises the need to build demand for gender equality from within, by using government systems and structures. However, it faces many challenges because the sector itself is difficult to penetrate due to traditional views on gender. Previous successes in institutionalising social approaches for community water supply schemes through community action planning may provide some leverage for acceptance of gender mainstreaming in the sector.
- > In Indonesia, promoting the role of women has been an important part of the design and execution of the Second Water and Sanitation for Low-Income Communities Project. The project guidelines state that 30 per cent of the village implementation teams should be women and that 30 per cent of the user group's management committee be women. It would seem that this requirement is often not sustained beyond the project's handover to community management. Better information would facilitate more concerted action to improve women's participation.

The water and sanitation evaluation concludes that Australia could do more to open and maintain a dialogue with sectoral authorities on gender equality issues. This dialogue would be facilitated by better monitoring of the role of women within AusAID programs and the water and sanitation sector more broadly. There is a risk that gender equality issues will get lost in any shift to sector-wide approaches unless Australia and other donors make a conscious effort to pursue them as part of the sectoral policy agenda. And sectoral activities need to be better integrated with national initiatives for gender equality.

³⁸ Men usually lead water user groups, although women are included as members, often as the treasurer and/or health and hygiene provider. Men also dominate formal employment in the sector—not just the traditional technical jobs within the National Directorate for Water Supply and Sanitation, but also atypically in the Ministry of Health and non-government organisations..

ENSURING SUSTAINABILITY

One of the major challenges of any aid initiative is to ensure that its benefits are sustained beyond its life. This requires particular attention to be paid to the institutional arrangements for an initiative's management, including the capacity and funding to keep it running without donor support. Major breakdowns in service delivery have occurred when aid financing dries up—for example, the disruption in the anti-malaria program in Vanuatu from 2001 to 2004, and the delay before the start of the Health Sector Support Program in Solomon Islands (which resulted in a 30 per cent drop in AusAID spending in 2007–08). But most issues of sustainability have to do with longer term issues of sectoral financing, institutional development and environmental impact.

In the education sector it has been rare for AusAID-funded projects to address issues of sustainability from their inception, even though one of their central objectives has been to sustain and even expand their benefits after donor funding ceases. The following examples are illustrative.

- > In Laos the World Bank's supervision mission for the Second Education Development Project in 2008 did discuss sustainability plans, as the project was scheduled to conclude in one year's time. However, the focus was on how the Ministry of Education would sustain individual project interventions, rather than on examining lessons and their implications for sectoral policy, practice and financing more generally.
- > In Papua New Guinea the Curriculum Reform Implementation Project is still being hotly debated as there are concerns over whether the new curriculum can be introduced and sustained because of high transaction and financial costs in terms of classroom resources, research facilities, teacher:student ratios and evaluation.
- > In Papua New Guinea the design of the Basic Education Development Project did not intend for the role of District Women Facilitators or the provision of school maintenance grants and infrastructure development to be sustained. Both were seen as means to build capacity for self-management and to demand better support from government.

More generally, the sustainability of education services in both Laos and Papua New Guinea is threatened by below-average budget financing compared with other developing countries. The share of domestically generated government revenues for education in Laos is among the lowest in the world—around 5.5 per cent (although it rose to 6.7 per cent in 2008–09). About 60 per cent of total education spending is funded by development aid. It is estimated that in Papua New Guinea the share of government domestic revenue spent on primary and secondary education fell from 19 per cent in 1998 to 10 per cent in 2007. It cannot be ruled out that aid has been viewed as a substitute for government spending rather than as additional resources. Australian aid, in turn, has focused on discrete supply-side interventions. These are

unlikely to make a lasting contribution to the quality of basic education without more attention being given to the demand side of the equation—the policies and strategies needed to enable children from poor families in all parts of the country to benefit from a full cycle of basic education.

In the **health** sector, much of Australian aid has been directed to improving the effectiveness and efficiency of health systems themselves. Technical assistance has been the main means of support, but AusAID also funded investments in infrastructure and equipment for health systems. While important improvements have been made, the health evaluation concludes that:

... overall, the results achieved in terms of lasting improvement in the capacity of health systems have not been commensurate with costs. Attempts to help organisations operate more effectively had limited impact on service delivery because of deeper institutional problems. Similarly, inadequate operating budgets limited the effectiveness of other efforts to build capacity through technical assistance and capital investment.³⁹

The evaluation goes on to recommend that AusAID's strategies in health sectors should be shaped by deeper analysis of how sustainable improvements in services for the poor can be achieved and reflected in understandings with governments on AusAID's role and in the policy and expenditure frameworks within which they will operate.

Ultimately, the sustainability of health services depends on adequate financing allocated to the right purposes. Higher health spending, supported by aid, has enabled Vanuatu and Solomon Islands to provide reasonably effective health services at an affordable cost and close to where the majority of their populations live. These two countries generally succeed in staffing health facilities and keeping them supplied with drugs and consumables, despite serious inequalities in the way resources are allocated—too great a concentration on the capital cities and on hospital-based services. Papua New Guinea spends significantly less than the other two countries on health services and in real terms spending per person fell from 1998 to 2006. The lack of resources and staff have forced many aid posts to close and has led to protracted shortages of drugs and other medical supplies. Also, a significantly higher proportion of Papua New Guinea's population live beyond the effective reach of health services. With the highest delivery costs for health services, and lowest per person budget to deliver them, it is not surprising that Papua New Guinea achieves significantly poorer results. These systemic problems can be solved only through high-level policy dialogue (including with central agencies and local governments) and a sector-wide approach to budgeting health sector resources.

39 ODE, *Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, pp. vii–viii.

AusAID's health strategies have to engage with non-state actors, which can play important roles in providing services, promoting health, and supporting the voice of civil society and accountability. This is most notably the case in Papua New Guinea, where church health services (highly subsidised by the government) are an integral part of the country's national health system. Relatively few non-state actors are involved in the routine delivery of health services in Solomon Islands and Vanuatu, although a large number of non-government organisations are active in health promotion and home care, with a particular focus on HIV/AIDS, in part due to the availability of external funding. AusAID has had limited engagement with these organisations, with the notable exception of the long-running assistance for the work of Save the Children Australia in Vanuatu, which provides support to village health workers and builds government capacity, more recently under contract to the Ministry of Health. As Australia moves to sector-wide approaches, it will be important to consider the role of non-state actors as service providers, as well as the scope for communities to contribute to funding health services.

Water and sanitation projects supported by AusAID in East Timor and Indonesia have focused on the delivery of services, not improving the delivery systems themselves. In East Timor, for example, the AusAID project directly hires non-government organisations to work with communities to deliver water and sanitation services, with little involvement of local governments, who are left with the task of responding to operations and management problems once the organisations are gone.⁴⁰ AusAID primarily engages with non-government organisations as subcontractors for project implementation, largely overlooking their potential for innovation, demonstration, advocacy and replication in the sector. Similarly in Indonesia, the AusAID project finances and interacts directly with communities, consigning local government to a spectator role. However, as noted earlier, local government is in the process of building its capacity to channel subsidies to local communities and to ensure the efficient delivery of basic services. This new mandate is, fortunately, more clearly reflected in the next phase of World Bank – AusAID support for rural water supplies in Indonesia (Third Water Supply and Sanitation for Low-Income Communities Project). The aim should be to get more local governments to adopt the community-based approach—with user cost recovery and community operations and maintenance committees—which has been used so effectively in aid-financed projects.

40 According to surveys carried out in 2008 in two districts, the functionality of small community-managed schemes, constructed for the most part under the Community Water Supply and Sanitation Program, is around 28 per cent (with 50 per cent partly functional). Generally, cost recovery is poor. While some 39 per cent of the surveyed communities have water management committees, only 12 per cent are collecting funds. Without a functioning water user group, community management is very likely to fail and eventually cause the water supply systems to fail. This in turn will limit the health benefits of improved sanitation, even though 70 per cent of the toilets constructed are still being used.

Water and sanitation projects also raise issues of environmental sustainability. For example, the goals of increasing the coverage of piped water and improving access to sanitation in the Second Water and Sanitation for Low-Income Communities Project in Indonesia overrode some environmental concerns, although in a broad sense the environment is improved through reduced open defecation (especially directly into rivers). The types of latrine favoured in the project—or the septic tanks favoured for public toilets, especially in congested areas—could have environmental or human health implications from seepage into groundwater and shallow wells. More generally, the project has contributed to the legal framework and to support promising initiatives in water resource management. Nevertheless, insufficient attention has been given to the longer term need for protecting catchments and providing a regulatory environment that can ensure that water resources are sufficient and remain free from contamination.⁴¹

MANAGING FOR RESULTS

Ultimately, decisions on how to deliver services, and the choice of aid modalities, have to be judged by their impact on results, especially progress towards the MDGs. There is no guarantee that sector-wide approaches will deliver better results than projects, and a lot can be learned about both approaches by closely tracking their impacts on service delivery and social outcomes. Effective monitoring and evaluation, based on reliable information, should be built into all aid processes and used to inform future decisions on program design and implementation.

Almost all Australian aid programs and projects have built-in mechanisms for M&E, including mid-term reviews, activity completion reports and independent completion reports. However, it is often noted that the activity completion reports, completed by managing contractors, have a built-in bias to show success. In East Timor, for example, the managing contractor reported that more than 90 per cent of the water systems built by the Community Water Supply and Sanitation Program were still functioning satisfactorily, while independent surveys showed significantly lower results. As noted in the independent completion report, there is a systematic tendency for the managing contractor to give the benefit of the doubt and to declare unknown assessment factors as positive rather than uncertain. This gives an optimistic picture of overall project effectiveness. Unfortunately, the response in the follow-up Rural Water Supply and Sanitation Program has been to impose an over-designed M&E system. The whole approach is geared towards an inward monitoring of the project, rather than helping

41 The aide-mémoire from the Second Water and Sanitation for Low-Income Communities Project's Tenth Supervision Mission (June 2007) notes that 'a failure to identify and manage village water supply catchments will result in longer-term catchment degradation with negative impacts on water quality, including pollution of water sources. There are numerous examples where this has occurred'. The aide-mémoire recommends capacity building for communities and the inclusion of appropriate activities in the community action plans for the project.



the government establish a simple and robust M&E system of its own for the sector. National frameworks for measuring performance, managed by government, should become the norm as aid moves to sector-wide approaches.

By comparison, the National Department of Health in Papua New Guinea has a good performance monitoring system, based around easy-to-understand forms filled in by more than 90 per cent of health facilities. The data are consolidated and published annually in the Assessment of Sector Performance produced as an input to the health sector review. It includes data on health outputs, expenditure, financial management, and management indicators such as the number of supervisory visits.⁴² The data are all disaggregated by province. They are certainly used at the national level—for example, to identify the best performing and most improved provinces and to determine incentives in the form of additional technical assistance under the Health Sector Improvement Project. Milne Bay is also using the detailed returns at the provincial level to compare

⁴² The health evaluation notes that some gaps in the data could be filled with gender disaggregation of the indicators, data on outpatient contacts in aid posts, hospital in-patient service statistics, and management data on supervisory visits by churches or district health offices.

and reward better performing facilities, and reported on the positive impact that ranking had on staff and how this encouraged staff to want to improve their standing. Milne Bay is consistently the best performing province and is an exception, but this shows how better managed provinces can make use of the data.

Finally, efforts to ‘manage for results’ are often constrained by the lack of good data on social outcomes. Table 3, for example, shows data on MDGs from one source: the World Bank MDG database. However, there are many gaps in the coverage of these data and inconsistencies with data from other sources. Many data problems are highlighted in the evaluations. In Solomon Islands, for example, the Demographic and Health Survey shows an infant mortality rate of 24 per 1000 live births in 2007. According to the health evaluation, this estimate is derived from birth history and subject to recall bias, sampling errors and large confidence intervals, and should be viewed with caution. A substantially higher estimate (53) is provided in the World Bank MDG database used in Table 3. Conversely, the estimate of maternal mortality in Papua New Guinea in Table 3 (470 per 100 000 live births) is substantially lower than that from the Demographic and Health Survey (733) quoted in the health evaluation.⁴³ Such inconsistencies make it very difficult to design appropriate health interventions and to track progress over time.

Improving the quantity and quality of data available is a priority for future Australian support. Special attention should be paid to identifying social indicators (not limited to the MDGs) that are relevant to a country’s level of development and, when appropriate, gender disaggregated. Progress on intermediate outcomes and outputs should also be tracked to provide more timely feedback on service delivery performance. Tracking surveys, showing how government spending finds its way from the central budget to local communities, can be particularly useful for identifying ways to reduce corruption and improve service delivery. Survey instruments should be well designed and implemented to provide meaningful results.

43 There are also significant inconsistencies between the MDG databases of the World Bank and the United Nations Development Programme on maternal mortality in Indonesia, Papua New Guinea, Laos and East Timor.

APPENDIXES



APPENDIX A: SUMMARY OF EVALUATED PROGRAMS

Basic education: Laos

1. Education Development Program 2 (EDP2)—Activity 07B434, INH412
 - Loan and grant amount: US\$14.4 million
 - AusAID contribution: A\$3.9 million
 - Duration: 2007 to 2011
 - Lead agency: World Bank
 - Purpose: To increase access to and completion of primary education. AusAID supports Component 1, which provides additional funds for community-based contracting for classroom construction, community grants for schooling, and in-service teacher training for Grades 3-5 textbooks.
2. Access to Basic Education in Laos (ABEL)—INF976
 - Amount: A\$11 million
 - Duration: 2004 to 2010
 - Lead agencies: United Nations Children’s Fund, World Food Programme
 - Purpose: To meet the shared objectives of the governments of Laos and Australia to improve basic education, particularly for girls, and thereby move towards achieving universal basic education.
3. Laos Australia Basic Education Program (LABEP)—IND982
 - Loan amount: US\$21 million
 - AusAID contribution: A\$8.2 million
 - Duration: 1998 to 2007
 - Lead agency: Asian Development Bank
 - Purpose: To improve the relevance, quality and efficiency of primary education, especially for girls in selected remote ethnic minority areas, through assistance to curriculum and materials development, and teacher education.
4. Teacher Upgrading Program (TUP)—IND923
 - Amount: A\$1.1 million
 - Duration: 1998 to 2001
 - Lead agency: United Nations Children’s Fund
 - Purpose: To upgrade the skills and knowledge of the large cohort of untrained and unqualified teachers.

Basic education: Papua New Guinea

1. Basic Education Development Project (BEDP)—INF220
 - Amount: A\$54 million
 - Duration: 2001 to 2011
 - Lead agency: Coffey International Development
 - Purpose: To support capacity development and school infrastructure development at provincial and school community levels.
2. Education Capacity Building Project (ECBP)—INE090, Activity 12186
 - Amount: A\$54.3 million
 - Duration: 2004 to 2009
 - Lead agency: Coffey International Development
 - Purpose: To strengthen the capacity of the education system at the national, provincial and district levels to achieve improvements in service delivery.
3. Curriculum Reform Implementation Project (CRIP)—IND713
 - Amount: A\$45.1 million
 - Duration: 1997 to 2008
 - Lead agency: Coffey International Development
 - Purpose: To develop a new curriculum for elementary, primary and lower secondary education and a plan for in-service teacher training.
4. Primary and Secondary Teacher Education Project (PASTEP)—IND184
 - Amount: A\$38.1 million
 - Duration: 1996 to 2005
 - Lead agency: Coffey International Development
 - Purpose: To deliver technical assistance and infrastructure support for primary teacher training linked to Papua New Guinea education sector reforms.
5. Elementary Teacher Education Support Project (ETESP)—IND183
 - Amount: A\$25.2 million
 - Duration: 1996 to 2005
 - Lead agency: International Development Support Services
 - Purpose: To assist the Papua New Guinea Government to provide a sufficient number of appropriately trained elementary teachers to meet the requirements of education reforms.

Health: Papua New Guinea⁴⁴

1. Women and Child Health Project (WCHP)—INB562
 - Amount: A\$49.1 million
 - Duration: 1998 to 2006
 - Lead agency: International Development Support Services
 - Purpose: To build capacity for the achievement of family health initiatives in the National Health Plan through support at national, provincial, health facility and community level for programs in women’s health and safe motherhood, child health, reproductive health and nutrition.
2. Health Services Support Program (HSSP)—INE143
 - Amount: A\$135.7 million
 - Duration: 1998 to 2006
 - Lead agencies: GRM International, Papua New Guinea Department of Health
 - Purpose: To improve the quality and access to health services, to encourage and improve partnerships with local-level governments, provincial and district administrations, churches, communities, donors, training institutions, private sector and other stakeholders, and to facilitate transition from project-based assistance to a sector-wide approach for the delivery of Australian aid to health.
3. Medical Equipment Management Project (MEMP)—INC897
 - Amount: A\$22.5 million
 - Duration: 1996 to 2004
 - Lead agency: IDP Education
 - Purpose: To improve procurement and general equipment management practices within the Papua New Guinea health sector to ensure that appropriate and cost-effective equipment is provided to both the primary and secondary health services, and to ensure the reliability and operational efficiency of equipment used in the health sector through improved maintenance and repair practices in all provinces.
4. Pharmaceutical Upgrade Project (PUP)—INC896
 - Amount: A\$46.7
 - Duration: 1996 to 2007
 - Lead agency: ACIL
 - Purpose: To establish an efficient and effective system of medical supplies procurement and distribution, an effective National Drug Policy program and efficient administration of the Medicines and Cosmetics Act (1999).

44 From 1998 to 2008 Australia provided more than \$400 million through more than 30 different activities to support the health sector in Papua New Guinea. Other major health activities include the Health Sector Resourcing Framework (\$33 million), the Capacity Building Service Centre (\$40 million), Tertiary Health Services Support (\$6 million), the Central Public Health Laboratory Project (\$8 million), the Health Sector Procurement Support Project (\$4 million), the Sector Monitoring and Review Group (\$6 million), Medical Officers, Nurses and Allied Health-Workers Project (\$11 million), the University of Papua New Guinea’s Medical School Support Program (\$3 million), World Health Organization Technical Support (\$3 million) and the Health Program Response to HIV/AIDS (\$16 million).

5. Institute of Medical Research Support Program⁴⁵—INF317
 - Amount: A\$8.3 million
 - Duration: 2001 to 2007
 - Lead agency: PNG Institute of Medical Research
 - Purpose: To support priority research to facilitate implementation of the National Health Plan 2001–10 and, where appropriate, the National HIV Medium-Term Plan, and to provide a secure funding base for the Institute of Medical Research to broaden its collaborative partnerships and funding sources and its progress towards budgetary autonomy.

Health: Solomon Islands

1. Health Institutional Strengthening Project (HISP)—INE709⁴⁶
 - a. Total amount: A\$75.9 million
 - Duration: 2000 to 2007
 - Lead agency: JTA International
 - Purpose: To strengthen the management capacity of senior headquarters staff, improve the efficiency and effectiveness of primary, preventive and promotive health services at the provincial level, and develop the National Referral Hospital's role and improve its efficiency and effectiveness in service delivery. The project also includes the Health Sector Trust Account (details below).
 - b. Health Sector Trust Account (HSTA)—INE709, Activity 05A049
 - Amount: A\$15.6 million
 - Duration: 2001 to 2007
 - Lead agency: Sinclair Knight Merz
 - Purpose: In direct response to the adverse effects of the conflict, to provide assistance in the almost total absence of provincial health grants from the Solomon Islands Government and initially meet most recurrent costs (including salaries).
3. Health Sector Support Program (HSSP)—INH479
 - Amount: A\$60 million
 - Duration: 2007 to 2012
 - Lead agency: Solomon Islands Government
 - Purpose: To support the government's health budget, including technical assistance to the Ministry of Health and Medical Services.

⁴⁵ Phase 2 of this program (from 2007 to 2011) provides \$10.5 million in grant funds directly to the Papua New Guinea Government.

⁴⁶ This project was preceded by the Interim Strengthening Project (\$1.6 million from 1999 to 2001).

4. PacMI: Solomon Islands Malaria Program—INH478
 - Amount: A\$13.9 million
 - Duration: 2007 to 2011
 - Lead agencies: Solomon Islands Government, University of Queensland
 - Purpose: To control and eventually eliminate malaria, by providing additional high-level technical assistance to the Solomon Islands Government's National Vector Borne Diseases Control Program.

Health: Vanuatu

1. Health Sector Planning and Management Development Project (HSPMDP) and Health Sector Post Project Support (HSPPS)
 - Amount: A\$9.8 million (HSPMDP) and A\$0.9 million (HSPPS)
 - Duration: January 1999 to June 2005
 - Lead agency: Hassall & Associates Pty Ltd
 - Purpose: To strengthen the capacity of the Ministry of Health to better plan, manage and deliver health services throughout Vanuatu.
2. Health Small Grants and Hospital Maintenance Grants—ING950
 - Amount: A\$0.5 million
 - Duration: 2006 to 2008
 - Lead agency: Government of Vanuatu
 - Purpose: To support small grant programs for hospital maintenance and equipment, and the construction and maintenance of rural health facilities.
3. Vanuatu Village Health Workers Project—INE134
 - Amount: \$2.6 million
 - Duration: 1998 to 2008
 - Lead agency: Save the Children
 - Purpose: To provide pre-service and in-service training and supervision to village health workers and to distribute essential equipment and educational materials.
4. Pacific Regional Vector-Borne Diseases Project (PRVBDP)—INC308
 - Amount: A\$9.6 million
 - Duration: 1996 to 2001
 - Lead agency: Secretariat of the Pacific Community in Vanuatu, Fiji and Solomon Islands
 - Purpose: To provide technical and logistical support for malaria and other vector-borne disease control.

5. Pacific Action for Health Project (PAHP)—IND792
 - Amount: A\$4.5 million
 - Duration: 1998 to 2006
 - Lead agency: Secretariat of the Pacific Community
 - Purpose: To support non-communicable disease control in Vanuatu and two other Pacific countries.
6. Medical Equipment Maintenance Project (MEMP)—INE092
 - Amount: A\$4.4 million
 - Duration: 1998 to 2008
 - Lead agency: Royal Australian College of Surgeons (Melbourne)
 - Purpose: To provide technical and logistical support for bio-medical maintenance personnel in Vanuatu and six other Pacific countries.
7. Pacific Islands Healthy Islands Health Promotion Project—INC358
 - Amount: A\$0.9 million
 - Duration: 1995 to 1999
 - Lead agencies: Victorian Health Promotion Foundation (VicHealth), Macfarlane Burnet Centre, School of Medical Education at the University of NSW
 - Purpose: To provide funding to the Royal Australian College of Surgeons to deliver surgical and other specialised services to Vanuatu and nine other Pacific countries.

Water and sanitation: East Timor

1. Community Water Supply and Sanitation Program (CWSSP)—INE921
 - Amount: \$18.6 million
 - Duration: January 2000 to April 2006
 - Lead agency: International Development Support Services
 - Purpose: To deliver sustainable community-managed water and sanitation services to priority subdistrict towns and villages in Bobonaro, Viqueque and Covalima.
1. Rural Water Supply and Sanitation Program (RWSSP)—ING002
 - Amount: \$30.5 million
 - Duration: 2004 to 2011
 - Lead agency: International Development Support Services
 - Purpose: To ensure rural communities have sustainable access to improved water supply, sanitation and environmental health for poverty reduction and rural economic development.

Water and sanitation: Indonesia

1. Second Water Supply and Sanitation for Low-Income Communities Project (WSLIC-2)—INE608
 - Amount: A\$11.3 million (AusAID contribution)
 - Duration: 2000 to 2010
 - Lead agencies: World Bank, Ministry of Health
 - Purpose: To improve the health behaviour and health services of the communities related to water-borne diseases, provide safe, adequate, cost effective and easily accessible water supply and sanitation services, and develop sustainability and effectiveness through community participation.
2. Third Water Supply and Sanitation for Low-Income Communities Project (PAMSIMAS)—INI391
 - Amount: \$10 million
 - Duration: 2008 to 2011
 - Lead agencies: World Bank, Ministry of Public Works
 - Purpose: To increase the percentage of low-income rural and peri-urban populations accessing improved water and sanitation facilities and practicing improved hygiene behaviours, through programmatic mainstreaming and scaling up of a nationwide community-driven approach to water supply and sanitation MDGs.
3. Water Supply and Sanitation Policy Formulation and Action Planning Project, Phase II (WASPOLA 2)
 - Amount: A\$8.1 million
 - Duration: 2004 to 2009
 - Lead agencies: World Bank, BAPPENAS
 - Purpose: To increase the capacity of the Government of Indonesia to implement policy and continue the process of policy reform for the water supply and sanitation sector.

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