AusAID's Management of Tertiary Training Assistance

Australian Agency for International Development

Canberra ACT
26 May 2011

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Agency for International Development with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *AusAID's Management of Tertiary Training Assistance.*

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Abbreviations

ADS	Australian Development Scholarships
ALAS	Australian Leadership Award Scholarships
APPRs	Annual Program Performance Reports
APTC	Australia–Pacific Technical College
AIPRD	Australia Indonesia Partnership for Reconstruction & Development
ARDS	Australian Regional Development Scholarships
AusAID	Australian Agency for International Development
DEEWR	Department of Education, Employment and Workplace Relations
ODA	Official Development Assistance

Summary and Recommendations

Summary

Introduction

1. The objective of Australia's aid program is 'to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.' In support of this objective, Australia's aid investment in education is expected to be around $744 million, or 19 per cent of Australia's Official Development Assistance (ODA) in 2010–11. Tertiary training is a major focus of Australia's aid for education spending, receiving around one third of the total allocated to education, and close to seven per cent of total ODA. Other aid for education spending is largely focused on basic (primary and lower secondary) education initiatives, including, for example, the aid program's large school building program in Indonesia.

2. Tertiary training—which encompasses post-secondary education, including vocational and technical training institutions and universities—is widely recognised as being critical to a country's development prospects.[1] The World Bank has observed that:

> Tertiary education can offer better opportunities and life chances for students from low income and other minority groups, thereby increasing their employability, income prospects and social mobility and decreasing income inequality. At the same time, the norms, values, ethics and knowledge that tertiary education can impart to students contribute to the social capital necessary to construct healthy civil societies and socially cohesive cultures, as well as to achieve good governance and democratic political systems.[2]

3. Aid for tertiary training has been an important element of Australia's aid program since the 1950s, when scholarships to study in Australia were offered under the Colombo Plan. Scholarships to study in Australia continue to

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[1] According to the World Bank, tertiary education broadly refers to all post-secondary education. This includes not only universities but also a range of public and private tertiary institutions such as advanced technical training institutes, community colleges, nursing schools, and teacher training institutions. Together, these form a network of institutions that support the production of higher-order human capital required for development. See: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/0,,contentMDK:20298183~menuPK:617592~pagePK:148956~piPK:216618~theSitePK:282386,00.html> [Accessed 28 February 2011].

[2] World Bank, *Constructing knowledge societies: New challenges for tertiary education*, 2002, p. 5. See: <http://siteresources.worldbank.org/TERTIARYEDUCATION/Resources/Documents/Constructing-Knowledge-Societies/ConstructingKnowledgeSocieties.pdf> [Accessed 28 February 2011].

be a major component of tertiary training assistance, accounting for close to 80 per cent of tertiary training expenditure. In addition, assistance is also provided in the form of scholarships for study in non-Australian institutions, direct support for overseas tertiary training institutions, and direct provision of tertiary training overseas, notably through the Australia–Pacific Technical College (APTC). The APTC delivers technical and vocational training courses in four campuses across the Pacific.[3]

4.   The Australian Agency for International Development (AusAID) is the main Australian Government agency responsible for managing the aid program, and provides the bulk of tertiary training assistance. A small number of in-Australia scholarships are also provided by other Australian Government departments. These are mostly administered by the Department of Education, Employment and Workplace Relations (DEEWR) through its Endeavour scholarships program.

5.   Tertiary training assistance forms one component of AusAID's country programs, which are implemented by a network of overseas country offices. Country offices are guided in their implementation of country programs by country strategies or Pacific Partnerships for Development, which provide a basis for agreement with aid recipients on how Australia will contribute to the country's development objectives. These are multi-year (usually five-year) plans developed to explain the Australian Government's position on ODA engagement in a particular country.

6.   From 2004–05 onwards, AusAID has managed a significant expansion of the aid program, from $2.7 billion (in real prices) to an estimated $4.2 billion in 2010–11.[4] Aid flows are expected to increase to over $8 billion annually in the next five years, to meet the Government's objective of increasing the proportion of ODA to gross national income to 0.50 per cent by 2015–16.[5] In the area of education and training, aid spending could amount to as much $1.6 billion by 2015–16, a tripling of current allocations.

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[3]   In Fiji, Samoa, Papua New Guinea, and Vanuatu.

[4]   Commonwealth of Australia, *Budget 2010–11, Australia's International Development Assistance: 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, 11 May 2010, Table 17.

[5]   ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*, p. 30.

Audit objective and scope

7. The objective of the audit was to assess the effectiveness of AusAID's management of tertiary training assistance. Particular emphasis was given to:

- planning of tertiary training assistance;

- management of in-Australia scholarship programs;

- management of other forms of tertiary training assistance, including support for overseas tertiary training institutions, and direct provision of tertiary training overseas;

- devolved management of tertiary training assistance; and

- monitoring, evaluation, and reporting.

8. For the purposes of the audit, tertiary training assistance is defined as the support provided by the aid program to enable individuals to obtain formal qualifications at an advanced (that is post-secondary school) level, including through universities, and technical and vocational training institutions.

9. As previously noted, tertiary training is recognised as being critical in providing the human capital required to support sustainable development. However, it is but one component of Australia's aid program, and of education assistance in particular. Funding for tertiary training depends, in part, on judgements by the Australian Government, and AusAID, in consultation with aid recipients, about the importance of tertiary training relative to other funding priorities for individual countries. As such, consideration was also given to how activities outside the tertiary training sector may affect the tertiary training assistance offered by Australia, and the effectiveness of this assistance.

Overall conclusion

10. Australia provides aid to over 80 countries—small and large, fast-growing and slow, peaceful and unstable—each of which has its own needs. In some countries or regions, Australian aid plays only a niche role. In others, particularly in the Pacific, Australia is the dominant donor. The amount and types of tertiary training assistance offered by Australia depend on judgements by the Government (informed by advice from AusAID), and AusAID itself, about the relative needs of, and funding priorities for, individual countries.

Importantly, it also depends on the role governments consider the aid program should play in supporting national interest or foreign policy objectives.

11. As every country's circumstances are different, it is difficult to generalise about the outcomes of Australian aid or tertiary training assistance in particular. The outcomes of aid, including any unintended consequences, can usually only be assessed in the specific contexts of the countries that are supported. Even at the country level, it is important to recognise that the outcomes of aid may be constrained by factors that are outside the direct control of aid agencies. This means that, even if interventions are well-conceived and effectively implemented, their effectiveness can be undermined by corruption, conflict, weak institutions, or chronic funding shortages within countries receiving aid.

12. In spite of these constraints, many of Australia's tertiary training interventions are having a positive impact. Evaluations of Australia's large in-Australia scholarship programs have consistently established that individuals benefit from the program. Often they are promoted to more senior positions, and are able to have a greater influence in their professional roles. Beyond the benefits to individuals, there is also evidence to suggest the training provided has made a contribution to reform efforts in certain countries. In addition, direct support for tertiary training institutions (including scholarships to study at them) has made a tangible contribution to improving tertiary training outcomes, particularly in the Pacific region, where the bulk of Australia's support has been focused.

13. Overall, AusAID's management of tertiary training assistance has been broadly effective. In designing tertiary training initiatives, AusAID targets assistance to the needs of aid recipients, and implements tertiary training initiatives in a way that is appropriate to local contexts. AusAID's regular monitoring and review of the performance of initiatives is robust, and the outcomes of these reviews are a major influence on the design of future initiatives. AusAID has also made good progress in coordinating the delivery of tertiary training programs in the Pacific by establishing joint management arrangements with the New Zealand Government's aid program. The assistance provided by AusAID is generally well regarded by aid recipients.

14. Consistent with international agreements on reforming how aid is delivered, the Australian Government has committed to more closely aligning assistance with the financing needs of aid recipients, and increasing the predictability of aid. Continued progress in this area will be particularly

important in countries where Australian aid accounts for a large proportion both of total aid flows, and of recipient government resources. In pursuing these objectives, a notable gap in AusAID's management of tertiary training assistance has been a failure to build greater certainty into the implementation of its country programs with longer-term financing commitments to priority sectors that are closely aligned to the needs and policies of aid recipients.

15.   This gap has increased the potential for misalignment between aid allocations and needs on the ground. The impact of this gap has been particularly evident in the Pacific, where AusAID has struggled to develop a well-balanced and predictable program of tertiary training assistance, both as a mechanism for addressing the higher order capacity needs of recipient countries, and as an effective complement to other education and aid assistance. With the aid program undergoing a rapid expansion, the effectiveness of AusAID's country offices in providing more stable, balanced and predictable assistance will depend on AusAID corporately achieving greater strategic clarity about where, and to what sectors additional resources will be allocated.

16.   The ANAO has identified a number of other areas where AusAID's management of tertiary training assistance could be improved. In particular, proliferation of scholarships schemes has created unnecessary administrative complexity and could confuse potential candidates. Streamlining of scholarship programs would help to improve the targeting of tertiary training assistance and the quality of information collected about the focus and scale of assistance. This information will help AusAID to better explain the rationale for its tertiary training assistance program, and to better understand its contribution to development efforts. A stronger focus on monitoring scholarships alumni after they complete their studies, and the establishment of a consistent methodology for evaluating the impacts of scholarship programs, as well as better geographical coverage of evaluations, would provide stronger evidence about the impact of scholarship programs.

17.   The ANAO has made three recommendations aimed at improving AusAID's management of the aid for tertiary training.

Key findings

Planning of tertiary training assistance

18.   Aid policies under successive governments have generally not stated the proportion of aid that will be devoted to education; where education resources will be allocated; or how resources will be divided between the different education sub-sectors. Planning of education assistance has instead relied on AusAID's country offices to identify investment priorities that are appropriate to the specific needs and circumstances of partner countries, and that reflect aid policy objectives and Australia's national interests. The focus of the assistance to be provided, in terms of priority sectors and initiatives, should then be formalised in country strategies, which are multi-year (usually five-year) plans developed by AusAID. Country strategies are expected to define the Australian Government's position on *what* priority sectors Australia's aid will target, *why* those priority sectors have been chosen, and *how* aid objectives will be achieved.

19.   Historically, AusAID has found it difficult to maintain up-to-date country strategies. Until recently, nine of the top 20 recipients of country program aid did not have approved country strategies. In addition, completed strategies have generally not contained a clear delineation of aid priorities, or been supported by long-term spending commitments that will address those priorities. These shortcomings have reduced the effectiveness of country strategies in supporting coherent and disciplined resource allocation decisions by AusAID, including those affecting tertiary training assistance. They have also made it difficult for AusAID to integrate its support with the budgets and policies of recipient country governments.

20.   Against this background, development of a well-balanced and sustained approach to providing education and tertiary training assistance across the aid program has presented challenges for AusAID. In PNG, the Pacific and Timor-Leste, the region with the highest financing needs and poorest performing education systems, education assistance reduced from over $150 million in the early 2000s to less than $100 million by 2006–07. While subsequent increases in support for education returned education spending to historical levels, around 60 per cent of the new education spending in the region has come from initiatives that are not integrated with the budgets and policies of recipient country governments, such as the APTC, and scholarships to study in Australia.

21. The release in early 2011 of 12 country strategies means they now cover most of AusAID's major country programs. AusAID has also revised its approach to country strategy development, which has provided a basis for more substantive consideration, in a small number of cases, of partner country needs in specific sectors and multi-year resource commitments to them. Continued progress in this area will be important in supporting a sharper delineation of aid priorities, and a more consolidated focus on addressing these priorities.

22. With the aid program growing rapidly, and education assistance projected to almost triple current spending levels to $1.6 billion by 2015–16, the capacity of AusAID's country offices to develop more focused, predictable education and tertiary training assistance programs will depend on achieving greater certainty about where, and to what sectors, it will be provided.

23. To provide this certainty, AusAID has developed a strategic framework to guide the expansion of education assistance. The influence of the strategic framework would be increased by translating its intent into long-term, indicative budget allocations that address aid recipients' education sector needs in a balanced manner, and appropriately reflect Australia's national interests. Within its overall budget for education, AusAID will need to consider the appropriate level of investment in: post-secondary education relative to other education sub-sectors; direct support for aid recipients' tertiary training systems and institutions; and indirect support provided through avenues such as the APTC and scholarships to study in Australia.

24. Building on its strategic framework for education assistance, AusAID is currently developing an education strategy, which will provide a vehicle for these considerations. This could also provide an avenue for publicly explaining the rationale for choices that will be made about the focus of increased education and tertiary training assistance.

Scholarships to study in Australia

25. In 2009–10, the aid program provided over 2000 scholarships to study in Australian tertiary institutions, to recipients from over 70 countries. They represent around five per cent of Australian aid expenditure globally, and a significant share of aid expenditure in all of the regions that are the focus of the

aid program, including in many countries that receive no other assistance.[6] By 2015–16, the number of scholarships offered is expected to double, and the pool of recipient countries will expand considerably.

26.   The global focus of scholarships to study in Australia reflects, in part, the role they play in Australia's foreign policy agenda, including their role in improving people-to-people links between Australia and its partners. The presence of Australian educated alumni within partner institutions facilitates and supports Australia's diplomatic relationships with partner countries. Australian foreign affairs officials consulted during the audit emphasised the contribution scholarships to study in Australia made in improving access to senior government officials, and communication with partner government officials across cultural boundaries. The ANAO observed during fieldwork to Indonesia, PNG, and Fiji that Australian scholarships alumni were prominent in senior positions in partner government agencies that are important to AusAID and other Australian Government agencies.

27.   Evaluations of AusAID's in-Australia scholarships programs have consistently highlighted the benefits they provide to recipients, including promotion to more senior positions, and increased capacity to exert influence in their professional roles. Evaluations of many of AusAID's largest scholarships programs have found that most alumni return home and derive benefit from their newly found skills. This was particularly evident for programs in Indonesia, the Philippines, Vietnam and Laos, which together account for over 40 per cent of annual scholarships expenditure. There is also evidence to suggest that the training provided has had an impact beyond benefits to individuals in certain countries. In Laos and Samoa, reviews undertaken by AusAID in 2003 concluded that scholarships to study in Australia had made a measurable contribution to reform efforts by recipient governments.

28.   The ANAO identified a number of countries where scholarship allocations has increased substantially at a time when country offices have been unable to attract sufficient numbers of suitable candidates. In the case of AusAID's $17 million annual investment in scholarships to PNG, high course extension and failure rates have incurred costs amounting to about 17 per cent

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6   Scholarships to study in Australia accounts for over 10 per cent of aid expenditure in at least 12 countries. In countries such as Mongolia and Bhutan they account for almost all of the assistance provided.

of scholarship program expenditure over the past five years. In some smaller programs, such as the Solomon Islands and Kiribati, AusAID evaluations and performance reports have observed that increased scholarships assistance has placed heavy demands on the limited human resource pools in those countries, and put AusAID's broader capacity development efforts at risk.

29.   Identifying the appropriate number of scholarships to offer to aid recipients depends, in part, on effective coordination between AusAID and other donors. AusAID has made substantial progress in coordinating the delivery of scholarships programs with other donors and, in particular, through the joint management of programs in the Pacific with the New Zealand Government. In addition, AusAID has also played a lead role in efforts to improve donor coordination in Indonesia.

30.   Improved coordination between AusAID and DEEWR scholarship programs, which forms part of the current Government's forward agenda, has been more challenging. The Government's Australia Awards initiative marks a second attempt in recent times to better integrate the scholarship programs managed by the different departments. The first attempt under the previous Government, the Australian Scholarships initiative, presented a number of challenges from its inception. While progress was made in some areas, most of the joint activities envisaged by the initiative were not fully implemented. In countries with small human resource pools, such as most of the countries in the Pacific, it is important that DEEWR and AusAID work together to mitigate the risk that the number of scholarships offered will undermine the effectiveness of other capacity development efforts.

Other tertiary training assistance

31.   In addition to scholarships to study in Australia, AusAID provides a number of other types of tertiary training assistance. This includes direct support for aid recipients' tertiary training systems and institutions, and scholarships to study at developing country institutions. It also includes the provision of tertiary training overseas, through initiatives such as the APTC, which provides technical and vocational training in four countries using Australian registered training providers.

32.   Over the past decade, the major focus of AusAID's direct support for tertiary training systems and institutions has been on the Pacific and Timor-Leste, where tertiary training outcomes have generally either stagnated, or declined. The cornerstone of AusAID's tertiary training assistance in the Pacific

has been the long-standing support it has provided to the University of the South Pacific (USP) in Fiji, which has amounted to over $76 million in real terms since 1995–96. The impacts of this support are visible and tangible, including in the form of improved information systems, libraries, classrooms, laboratories and regional campuses. Australia's regular funding contributions have helped the university deal with some significant financial challenges, and to maintain its position as the premier university in the Pacific region (excluding Australia and New Zealand). In addition, AusAID's program of scholarships to study at USP and other regional institutions (almost $150 million over the last 15 years) has been a cost-effective and valuable way of supporting tertiary training institutions and outcomes in the region.

33.   AusAID's direct support for other tertiary training systems and institutions in the Pacific and Timor-Leste has been smaller in scale, and less sustained. While beneficiaries have generally valued the assistance provided, its impacts are difficult to discern at a sectoral level. Two factors have contributed to this situation. Firstly, the broad focus of most country programs has made it difficult to provide sustained support on a sufficient scale to have a discernable impact on tertiary training outcomes. Secondly, the availability of resources to support education and tertiary training efforts has been affected by decisions taken over the last decade to allocate aid to other priority areas. This includes the deployment of expert consultants, to provide (where it does not exist) or to build the capacity of government institutions in these countries. In combination, these factors have contributed to a decline in the resources AusAID provides to directly support tertiary training systems and institutions, from over $34 million annually at the beginning of the decade to around $18 million in more recent times.

34.   A recent addition to AusAID's tertiary training assistance in the region has been the establishment of a regional technical and vocational training institution, the Australia–Pacific Technical College (APTC). The APTC accounts for over 20 per cent of AusAID's education spending in the Pacific. AusAID's establishment of the college following its announcement in 2005 and its learning outcomes have been very successful. The APTC has trained some 2424 graduates who have received Australian standard qualifications in a range of disciplines. Observations during field visits to two of the college's campuses in Fiji and PNG and discussions with employer groups confirmed that, in a relatively short space of time, the APTC has established a good reputation among students and employers.

35. While the APTC represents a valued addition to the tertiary training provision in the region, there is scope to improve its sustainability and effectiveness. The APTC is Australian owned and operated, which means it does not directly support aid recipients' technical and vocational training systems. The APTC endeavours to avoid competing with local providers by assuming a niche role at the upper end of the training market not covered by local suppliers. However, partner government stakeholders consulted during the audit raised the potential for the APTC to compete with and undermine the capacity of local providers, which has affected their support for the initiative. In addition, delivering Australian standard technical training in developing countries is expensive. A submission to the recently established independent review of the aid program has suggested that the cost of a qualification from the Fiji National University is about one quarter that of an equivalent qualification obtained through the APTC. Given the relatively high cost of the initiative (over $30 million annually), there will be an ongoing need to monitor and improve the value for money of courses delivered by the APTC.

Management of tertiary training assistance

36. To cater for the unique characteristics of each of the countries they support, AusAID has established a devolved management model, which delegates responsibility and accountability for the implementation of its development strategy in a country to its country program offices. These offices have responsibility for program design, implementation and management, in-country policy dialogue, managing local stakeholder relationships, monitoring and performance assessment.

37. The devolved management approach provides country offices with the flexibility to tailor the design of aid interventions to country contexts. In administering tertiary training programs, this includes consideration of: the merits of coordination with other donors; the relative merits and costs of in-country or regional versus in-Australia scholarships; the way that training is targeted to the needs of countries and to aid objectives; and the amount of pre-departure training required to support scholars to perform well academically. The approach has also supported the development of greater country knowledge within AusAID, and stronger relationships with partner government personnel. It has also supported improved coordination with other donors.

38. There are a number of areas where AusAID could preserve the strengths of its devolved management model, while at the same time address some of the unintended outcomes that have resulted from the way it has been implemented. These include:

- proliferation of different scholarship programs, which has created a high level of administrative complexity and duplication of effort, and made it difficult for country programs to coherently target tertiary training assistance;

- inconsistent approaches to monitoring and evaluation, which have reduced the ability to compare the performance of different programs; and

- deficiencies in information management, which have contributed to a loss of central oversight over the scope and scale of tertiary training initiatives globally.

Monitoring, evaluation and reporting

39. Evaluating outcomes from development investments, which may only be realised over a long time period, is very difficult. In the case of overseas scholarships programs, for example, some years will elapse before a returning student might contribute to their country's development, and even then, it would be very difficult to establish a causal connection between that individual's efforts, and broader economic or developmental outcomes.

40. Recognising this, monitoring and evaluation is taken very seriously by AusAID. AusAID closely monitors the performance of tertiary training initiatives and their contribution to country program objectives. Regular independent reviews and evaluations have an important influence over the design of tertiary training initiatives and, taken together, provide valuable insights into their performance, and the benefits and pitfalls of education aid in the various contexts in which AusAID operates. In addition, the commencement of joint reviews of Pacific scholarship programs with the New Zealand Government is providing a stronger basis for considering the overall effectiveness of donor scholarships and, by implication, Australia's contributions.

41. This body of research provides AusAID with a strong foundation to draw from in addressing weaknesses in the quality and coverage of its evaluative work. While coverage by evaluations of programs in East Asia has been strong, AusAID has not completed any impact evaluations in South Asia

and Africa. The results of the few evaluations AusAID has completed in the Pacific have been inconclusive because of methodological flaws. This means there is limited empirical evidence about the performance of scholarships in many countries or regions where substantial investments are being made. At a time when in-Australia scholarships assistance is being expanded, including to a larger number of countries, it will be important that AusAID strengthens the evaluation of the long-term impacts of scholarship investments, and advises the Government accordingly.

42.   Until recently, there has been limited external reporting on tertiary training support. Since 2005, AusAID has completed over 25 significant reviews and evaluations of its support for tertiary training, which provide insights into what is working, what is not, and the reasons why. However, none of this work has been made available to external stakeholders, contrary to AusAID's internal policy position that internal evaluation reports should be released publicly. Similarly, until recent times, reporting on the scope, scale and performance of tertiary training initiatives has been minimal, and inconsistencies in the information that has been provided has made it very difficult to get an accurate picture of AusAID's allocation of resources between different education sectors and programs.

43.   AusAID has made some progress in improving the quality and quantity of information that is available about the aid program, including information about tertiary training expenditure. This includes the reintroduction, after a three-year hiatus, of a detailed statistical summary of aid expenditure, and increased public release of reviews and evaluation reports. To build on this progress, greater attention could be given to the clarity and consistency of external reporting, and to disseminating the results of reviews and evaluations of tertiary training initiatives, most of which remain unpublished.

Summary of agency response

44.   The proposed report was provided to AusAID and extracts were provided to the Departments of Education, Employment and Workplace Relations (DEEWR), and Foreign Affairs and Trade for formal comment. AusAID provided the following summary response, and the formal responses from AusAID and DEEWR are shown at Appendix 1.

AusAID

45. AusAID welcomes the ANAO's report *AusAID's Management of Tertiary Training Assistance*, in particular, its recognition that AusAID's management of tertiary training assistance has been broadly effective, targeting the needs of recipients and implementing activities in ways that are appropriate to local contexts.

46. The report highlights a number of areas in the education sector, and in particular scholarships, where AusAID is already implementing reforms. These include developing a new education strategy to guide investments in education over the next five years, increasing the flexibility and efficiency of our tertiary assistance, improving the management of scholarships, and implementing a strengthened approach to monitoring and evaluation of scholarships.

47. The recommendations of the report focus on areas where work is already well progressed. The Government's response to the Independent Review of Aid Effectiveness, commissioned in November 2010 and submitted to the Government in April 2011, will also help determine how AusAID implements the recommendations of this present audit.

Recommendations

Recommendation No.1

Para. 2.48

To support the provision of more balanced and predictable aid for tertiary training, and in a way that appropriately reflects Australia's foreign policy priorities, the ANAO recommends that, as part of its strategic planning process, AusAID:

(a) develops indicative multi-year resource commitments for its education program, by region, country and sector; and

(b) provides options to its Minister for publicly reporting these resource commitments.

AusAID response: Agreed with qualification.

Recommendation No.2

Para. 5.28

Consistent with current efforts to streamline scholarship programs and provide greater visibility to, and recognition of, their contribution to development efforts, the ANAO recommends that AusAID:

(a) progressively integrates scholarships information management systems so that they support the implementation of, and provide consolidated information about, all AusAID scholarship programs; and

(b) attributes tertiary training expenditure in a manner that is both consistent with OECD guidelines and sufficiently granular to enable ready identification of expenditure on each of its major tertiary training programs.

AusAID response: Agreed.

Recommendation No.3

Para. 6.24

To strengthen evaluation of the short and long-term impacts of scholarship programs, the ANAO recommends that AusAID:

(a) develops a consistent approach to post-award monitoring so that a representative proportion of scholarship alumni can be contacted to assess scholarship program outcomes;

(b) establishes a consistent methodological approach to evaluating the impacts of scholarship programs; and

(c) develops a forward program of evaluations that provides a balanced coverage of the regions and countries where scholarship programs are implemented.

AusAID response: Agreed.

Audit Findings

1.   Introduction

This chapter describes the types of support the aid program provides for tertiary training. The audit's objective, scope and methodology are also outlined.

Background

1.1   The objective of Australia's overseas aid program is 'to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.'[7] In support of this objective, Australia's aid spending on education in 2010–11 is expected to be around $744 million, 19 per cent of Australia's overseas aid, or Official Development Assistance (ODA).[8] At $320 million, tertiary training is a major focus of Australia's education spending, accounting for over one third of education expenditure, and about seven per cent of total ODA.[9] Other aid for education spending is largely focused on basic (primary and lower secondary) education initiatives including, for example, the aid program's large school building program in Indonesia.

1.2   Tertiary training—which encompasses post-secondary education, including vocational and technical training institutions and universities—is widely recognised as being critical to a country's development prospects.[10] The World Bank has observed that:

> Tertiary education can offer better opportunities and life chances for students from low income and other minority groups, thereby increasing their employability, income prospects and social mobility and decreasing income inequality. At the same time, the norms, values, ethics and knowledge that

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[7]   AusAID, *Annual Report 2009–10*, 2010, p. iii. See: <http://www.ausaid.gov.au/anrep/rep10/pdf/anrep09-10entirereport.pdf> [Accessed 28 February 2011].

[8]   Commonwealth of Australia, *Budget 2010–11, Australia's International Development Assistance: 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, 11 May 2010, p. 8.

[9]   ibid.

[10]   According to the World Bank, tertiary education broadly refers to all post-secondary education. This includes not only universities, but also a range of public and private tertiary institutions such as advanced technical training institutes, community colleges, nursing schools, and teacher training institutions. Together, these form a network of institutions that support the production of higher-order human capital required for development. See: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/0,,contentMDK:20298183~menuPK:617592~pagePK:148956~piPK:216618~theSitePK:282386,00.html> [Accessed 28 February 2011].

tertiary education can impart to students contribute to the social capital necessary to construct healthy civil societies and socially cohesive cultures, as well as to achieve good governance and democratic political systems.[11]

1.3 Aid for tertiary training has been an important element of Australia's aid program since the 1950s, when scholarships to study in Australia were offered under the Colombo Plan. The Australian Agency for International Development (AusAID) is the main Australian Government agency responsible for managing the aid program, and provides the bulk of tertiary training assistance. Tertiary training assistance forms one component of AusAID's country programs, which are implemented by a network of overseas country offices. In the main, the aid program, mostly through AusAID, provides four types of tertiary training assistance.

- *Scholarships for study in Australia:* While there are a large number of schemes providing scholarships, the major constituent schemes are Australian Development scholarships, Australian Leadership Awards scholarships (administered by AusAID) and Endeavour Awards, (administered by the Department of Education, Employment and Workplace Relations (DEEWR)).[12] Each scheme supports students to study at technical and vocational and higher education institutions in Australia, at either undergraduate or post-graduate levels. The goal of AusAID's in-Australia scholarship programs is to promote sustainable development and excellence in education, by providing educational, research and professional development opportunities to support the growth of the region and build enduring links at the individual, institutional and country levels.[13]

- *Scholarships for study in non-Australian institutions:* In addition to scholarships for study in Australia, AusAID has also provided, for over

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[11]   World Bank, *Constructing knowledge societies: New challenges for tertiary education*, 2002, p. 5. See: <http://siteresources.worldbank.org/TERTIARYEDUCATION/Resources/Documents/Constructing-Knowledge-Societies/ConstructingKnowledgeSocieties.pdf> [Accessed 28 February 2011].

[12]   Some scholarships to study in Australia are also provided by AusAID through other schemes, such as the Kiribati Nurses, Carnegie Mellon University, University of Wollongong Centre for Trans-national Crime Prevention, Pakistan Agriculture Sector Linkages, or the Australia–IMF scholarship programs. Many of these operate under the same conditions as the Australian Development Scholarships, but can differ in their eligibility requirements, selection procedures or management arrangements, depending on their origins and/or objectives.

[13]   AusAID, *Better education: a policy for Australian development assistance in education*, 2007, p. 8. See: <http://www.ausaid.gov.au/publications/pdf/education_policy.pdf> [Accessed 28 February 2011].

20 years, scholarships to study at in-country or regional institutions. The primary mechanism for doing so has been the long-standing Australian Regional Development Scholarships (ARDS) scheme, which supports Pacific Islanders to study at institutions such as the Fiji School of Medicine, the University of the South Pacific, and the University of Papua New Guinea. Other regional scholarship schemes have been or are in operation in Timor-Leste, Mozambique, Laos, Vanuatu, Afghanistan and the Philippines.

- *Support for tertiary training institutions:* The aid program also funds initiatives that directly support tertiary training systems and institutions in developing countries. This includes, for example, support to the University of the South Pacific, the Fiji School of Medicine, the Vanuatu Institute of Teacher Training and the Philippines Government Technical and Skills Development Authority.

- *Direct training overseas:* Through schemes such as the Australia–Pacific Technical College (APTC), the aid program also provides training through schemes that operate outside of recipient government systems and institutions.

1.4 For the purposes of the audit, tertiary training assistance is defined as support provided by the aid program to enable individuals to obtain formal qualifications at an advanced (that is post-secondary school) level. This includes not only qualifications provided through universities, but also technical and vocational training institutions.

Support for education, including tertiary training is growing rapidly

1.5 In recent times, successive Australian governments have committed to increase aid. The commitment by the current Government to increase ODA to 0.50 per cent of gross national income by 2015–16 means the aid program could amount to over $8 billion annually by that time.[14] Over the past five years, there has been a significant scaling up of Australia's aid investment in education. As can be seen in Figure 1.1, the previous Government's 2006 White Paper—the last major policy statement on the aid program—marked a reversal of the declining trend of support for education, both in annual expenditure,

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[14]   ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program.*

and education spending as a proportion of Australia's ODA.[15] This increasing trend has continued under the current Government.

Figure 1.1

Education sector aid, 1995–96 to 2009–10 in real prices
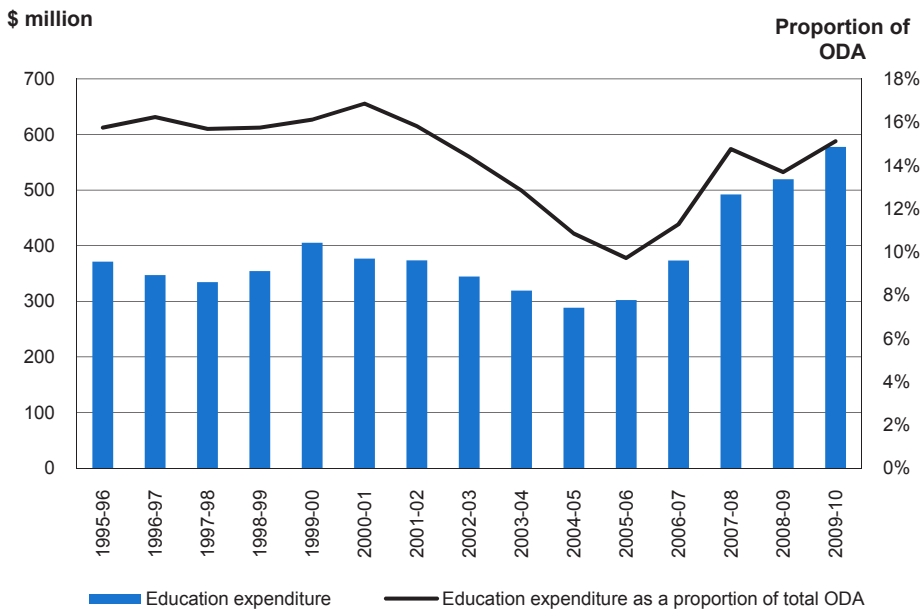
Source: Education expenditure is derived from AusAID administered expense data. Figures for total ODA and price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 17.

1.6   Just over half of Australia's education aid is focused on basic (primary and secondary) education, and helping countries achieve progress on one of the eight 'Millennium Development Goals', to achieve universal primary education by 2015.[16] Recognising the importance of tertiary training as a vehicle for developing the leadership and skills that support good governance,

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[15]   See: AusAID, *Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's overseas aid program*, 2006. Following the release of the white paper, a range of new policy proposals were approved in order to triple Australia's support for education systems by 2010, to about $300 million per year.

[16]   The Millennium Development Goals are global targets to be achieved by 2015 for poverty and hunger reduction, primary education, gender equality, maternal health and child mortality, combating disease, environmental sustainability, and global partnerships. These targets were formalised in the Millennium Declaration, which was adopted by 189 nations and signed by 147 heads of states and governments during the United Nations Millennium Summit in September 2000.

a large proportion of Australia's education sector aid is allocated for this purpose. Consistent with increases in education spending announced in the 2006 White Paper, the quantum of aid allocated to tertiary training has also increased substantially (see Figure 1.2).

Figure 1.2

Aid for tertiary training, 1995–96 to 2009–10 in real prices
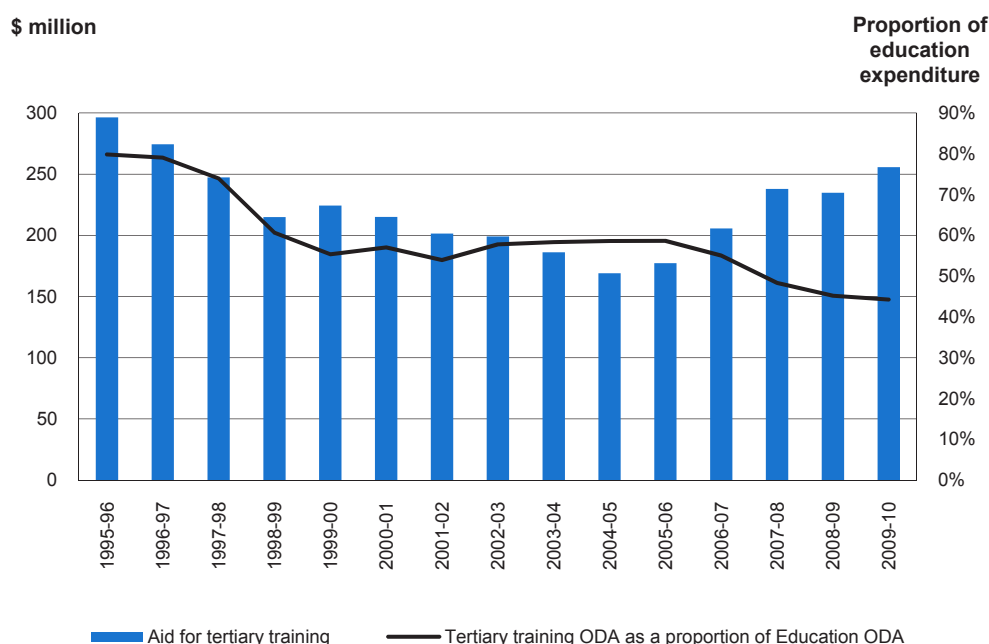
Source: Education expenditure is derived from AusAID administered expense data. Figures for total ODA and price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 17.

1.7   If current projections materialise (in relation to the ultimate size of the aid program, and spending on education in particular), the proportion of aid allocated to tertiary training will remain at around 40 per cent of education spending with annual expenditures almost triple the current budgetary allocations. Taking into account approved funding allocations, scholarships to study in Australia will cost at least $400 million annually by 2015–16. The amount that will be allocated to other forms of tertiary training assistance will depend on future budget considerations, but assuming current growth

projections for education aid, AusAID has estimated this could amount to as much as \$171 million by that time.[17]

Tertiary training assistance is mostly provided through scholarships to study in Australia

1.8 Since the 2006 White Paper identified scholarships as one of the more effective forms of aid that Australia delivers, the number of scholarships offered, and the cost, has been increasing (see Figure 1.3). This trend is continuing under the current Government, with the geographic scope of the program expanding to include Africa and South America. Major increases in the allocation of scholarship aid were announced in the 2010–11 Budget, including \$303.7 million over four years for Education and Development Awards (with a significant portion going to scholarships) and \$346.9 million over four years for scholarships to Africa.

Figure 1.3

Number of new scholarships to study in Australia, actual and projected, 1995 to 2014
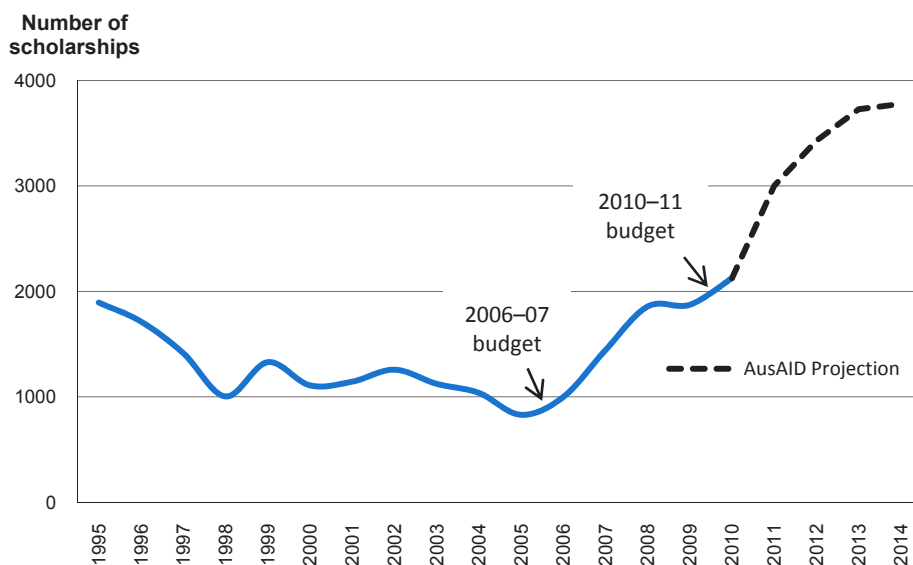
Source: Intake data provided by AusAID. Excludes scholarships administered by other government departments.

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[17] AusAID, *Ministerial Submission: Projected ODA expenditure on education and health*, 15 July 2010.

1.9 Scholarships to study in Australia account for close to 80 per cent of tertiary training support. Approved increases in the size of the in-Australia scholarships program make it likely this will not change substantially, but will be dependent on future policy considerations of the amount of aid allocated to other forms of tertiary training assistance.

Previous reviews of AusAID's tertiary training assistance

1.10 The ANAO previously reviewed *AusAID's Management of the Development Scholarships Scheme* in 1999–2000.[18] This audit observed that reforms introduced in the mid-1990s had resulted in improvements to the integration of scholarships within country planning, and had tightened the focus of the program on the development priorities of aid recipients.

1.11 While some external reviews of the aid program have touched on scholarships, including regular OECD peer reviews,[19] they were excluded from the scope of the recent ANAO audit of the aid program, *AusAID's Management of the Expanding Australian Aid Program*, undertaken in 2009. However, several of the areas examined by that audit are relevant to the current audit, including the role of country offices, and the approach to monitoring and evaluation.

About the audit

Audit objective and scope

1.12 The objective of the audit was to assess the effectiveness of AusAID's management of tertiary training assistance. This included an examination of the effectiveness of AusAID's:

- planning of tertiary training assistance;

- management of in-Australia scholarships programs;

- management of other forms of tertiary training assistance;

- devolved management of tertiary training assistance; and

- monitoring, evaluation, and reporting.

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[18] ANAO Audit Report No.15 1999–2000, *Management of the Australian Development Scholarships Scheme*.

[19] See for example, OECD, *Peer Review of Australia*, 2008; OECD, *Peer Review of Australia*, 2004; and Commonwealth of Australia, *One Clear Objective: Poverty reduction through sustainable development, Report of the Committee of Review*, prepared by H Simons (Chair), G Hart, & C Walsh, 1997.

1.13   In undertaking the audit, the ANAO was appreciative of the fact that tertiary training is but one component of Australia's aid program, and of education assistance in particular. Funding for tertiary training depends, in part, on judgements by the Australian Government, and AusAID, in consultation with aid recipients, about the importance of tertiary training relative to other funding priorities for individual countries. As such, some consideration was also given to how AusAID's activities outside of the tertiary training sector have affected the amount and types of tertiary training assistance offered by Australia, and the effectiveness of this assistance.

1.14   As previously noted, a small number of development scholarships are administered by DEEWR. The ANAO did not examine how well these scholarships are being managed, but did assess the effectiveness of AusAID's coordination with DEEWR. Another aspect of AusAID's scholarships programs that was not examined was the contracting of higher education institutions to provide education services and support to scholarship recipients after they arrive in Australia.

Audit methodology

1.15   Fieldwork was undertaken in countries that are a major focus of Australia's aid for tertiary education, namely Fiji, Indonesia (Jakarta), and PNG (Port Moresby). Interviews were conducted with AusAID officers at each location, and with officials from other Australian Government agencies, developing country governments, managing contractors, and other development organisations. Initiative designs, monitoring reports, reviews and evaluations of the 20 largest scholarship initiatives, and each of the major non-scholarship initiatives in the tertiary training sector, were examined. AusAID data on tertiary education initiatives and expenditure was also analysed.[20]

1.16   A group of independent experts was commissioned to conduct a review of the links between tertiary training and economic development and poverty reduction, including evidence about the effectiveness of development scholarships. The resulting paper provided context for this audit report.[21]

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[20]   Including AusAID's AidWorks and Scholarship Online Management System (SIMON) databases.

[21]   Cuthbert, D, Spark, C, Arunachalam, D, & Healy, E, *Tertiary Education in an International Development Context*, 2010.

1.17 The audit was conducted in accordance with ANAO auditing standards at a cost of $385 000.

Report structure

1.18 The remaining five chapters in the report cover AusAID's:

- planning of education and tertiary training assistance (Chapter 2);

- management of scholarships to study in Australia, including the targeting of scholarships, consideration of opportunity costs, and coordination with scholarship programs administered by other donors (Chapter 3);

- management of other tertiary training assistance, including direct support for tertiary training institutions, and the support provided through the Australia–Pacific Technical College (Chapter 4);

- management of tertiary training assistance (Chapter 5); and

- monitoring and evaluation of tertiary training assistance and external reporting (Chapter 6).

2. Planning Education and Tertiary Training Assistance

This chapter examines AusAID's planning for providing education and tertiary training assistance to support a well-balanced and predictable program that addresses the needs of aid recipients.

Introduction

2.1 Most experts agree that the successful development of a country depends, to a large extent, on the quality of its education systems. Within the education sector, there is also general agreement that all forms of education are important. As the International Monetary Fund has observed:

> [T]ertiary education is more productive if it rests on a solid foundation of high quality early education, and early education is more productive if it is reinforced by secondary and tertiary education.[22]

2.2 For this reason, aid donors need to balance their support for education systems, taking into account the respective contributions of the education sub-sectors (that is primary, secondary and tertiary) to development. The continuing growth of the aid program represents a major opportunity to increase Australia's influence on the development prospects of poorer nations. In the area of education and training, which is recognised as being critical to these prospects, aid spending could amount to as much as $1.6 billion annually by 2015–16, or more than double current allocations.

2.3 The ANAO examined AusAID's planning of education and tertiary training assistance to support a well-balanced and predictable program that addresses the needs of aid recipients. The ANAO examined the planning conducted by AusAID:

- within individual country programs; and

- at the agency level, through the development of new policy proposals and education sector policies.

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[22] International Monetary Fund, 'Financing Higher Education', in: *Finance and Development*, 22:2, 2005, p. 37. <http://www.imf.org/external/pubs/ft/fandd/2005/06/index.htm> [Accessed 26 November 2010].

Country program planning

2.4   The approach taken by successive governments to planning education assistance has been to rely on individual country programs to select initiatives that are appropriate to the specific needs and circumstances of partner countries. For example, the aid program's 2007 Education Policy stated that:

> Australia's assistance for education will continue to be delivered primarily through country programs. To improve the performance orientation of education support, country strategies will incorporate more detailed sectoral analysis to underpin their education strategies.[23]

2.5   This approach is consistent with reforms undertaken during the last 15 years that have aimed to ensure that the value for money of aid investments and opportunity costs are considered in the context of the resources available for spending in certain countries or regions, and other initiatives that could be supported.[24] In 2007, it was agreed that the heads of country offices would be responsible for deciding the best use of the available resources to deliver a quality program, within an agreed business plan. They would have full responsibility and accountability for all aspects of the implementation of AusAID's development strategy in-country.[25]

2.6   The ANAO examined the planning documentation for the 20 country programs that are the largest providers of tertiary training assistance. This was done to determine whether country program planning is supporting focused and predictable tertiary training assistance, as a complement to other aid and education assistance.

Importance of country strategies, and Pacific Partnerships for development

2.7   Country strategies are multi-year (usually five-year) plans developed by AusAID to explain the Australian Government's position on ODA engagement in a particular country. In 2008, Pacific Partnerships for Development replaced country strategies in the Pacific. Pacific Partnerships

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[23]   AusAID, *Better education: A Policy for Australian Development Assistance in Education,* 2007.

[24]   AusAID, *AusAID 2010: Director General's Blueprint*, 2007, p.5. See: <http://www.ausaid.gov.au/publications/pdf/ausaid_2010.pdf> [Accessed 28 February 2011].

[25]   ibid.

fulfil essentially the same purpose as country strategies, and have been incorporated in AusAID's revised country strategy architecture.[26]

2.8 Country strategies and Pacific Partnerships for Development are vehicles for prioritising the allocation of aid, and for supporting budget planning by partner governments.[27] Country strategies should identify where Australia can make the most difference in contributing to the country's development outcomes. They are expected to define the Australian Government's position on *what* priority sectors Australia's aid will be target, *why* those priority sectors have been chosen, and *how* aid objectives will be achieved.[28]

2.9 A critical determinant of the effectiveness of country strategies and Pacific Partnerships is the extent to which they provide a basis for setting priorities. If available resources are spread too broadly or thinly, it is difficult to obtain sufficient depth and quality of engagement to achieve a sustainable difference in the areas that are supported.[29] This is particularly relevant in aid-dependent countries, where aid constitutes a substantial component of available development resources, and is depended on to support the delivery of basic services.

2.10 There is no precise metric for determining the relative value for money of different investment options. For this reason, these decisions should be made on the basis of sound analysis, and open and frank engagement with partner governments about expenditure priorities.

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[26] The Pacific Partnerships for Development were launched by the Prime Minister under the 2008 Port Moresby Declaration. Media Release from the Prime Minister of Australia, *Port Moresby Declaration*, 6 March 2008.

[27] In the Pacific, country programs are also guided by Pacific Partnerships for Development, which jointly commit Australia and Pacific nations to achieving and assessing progress against shared goals and, following a transition period, will be the sole strategy arrangement in place. Under each Pacific Partnership for Development schedules are being developed incrementally so that they will ultimately encompass the entire country strategy and aid relationships. AusAID 2010, *Country Strategy Development Policy*, 17 May 2010.

[28] ibid.

[29] For example, AusAID 2007, *Assessment of the Indonesia Country Program Strategy*, p. 9; AusAID 2007, *Review of AusAID's Africa Strategy: Australia's 2003–07 framework for Africa*, p. ii; and, AusAID 2006, *Rapid Assessment of the Philippines Country Strategy, 2004–2008*, p. vii.

Articulating the priority accorded to tertiary training assistance

2.11 Historically, AusAID has found it difficult to maintain up-to-date country strategies. Until recently, nine of the top 20 recipients of country program aid did not have approved country strategies.[30] In addition, completed strategies have generally not contained a clear delineation of aid priorities, or been supported by the long-term spending commitments that will address those priorities. These shortcomings have reduced the effectiveness of country strategies in supporting coherent and disciplined resource allocation decisions by AusAID, including those affecting tertiary training assistance.[31] They have also reduced confidence that there has been agreement with aid recipient governments on the proportion of aid allocated to tertiary training, in the context of available resources, or that the most effective tertiary training strategies have been selected. This conclusion is supported by a review of the Vanuatu country program, which noted that:

> [T]he scholarships program does not effectively support Vanuatu's needs. In fact few interlocutors mentioned scholarships as part of the aid program, despite it representing 11% of bilateral expenditure. There is no link between the scholarships program and the Strategy and, in fact, scholarships are mentioned only twice in the Strategy document.[32]

2.12 AusAID's recent progress has been positive. AusAID has established new policies governing the development of country strategies to bring about a more systematic and robust basis for prioritising the allocation of resources.[33] The release in early 2011 of 12 new country strategies means that country strategies or Pacific Partnerships now cover all of AusAID's top 20 country programs.

2.13 The approved strategies outline the areas of focus for, and objectives of, each program as well as giving examples of initiatives that will be implemented in support of those objectives. All of the agreed strategies and partnerships highlight the problem of weak institutional capacity, and the

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[30] ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

[31] ibid.

[32] AusAID 2008, *Australia–Vanuatu Joint Development Cooperation Strategy 2005–2010, Joint Mid-Term Review*.

[33] The approach adopted includes: Country Situation Analyses, which identify priorities for the allocation of Australian aid; Statements of Commitment, which are then negotiated with the partner governments; and Delivery Strategies, which specify how commitments will be delivered.

importance of building the capacity of government institutions. Some strategies identify scholarships to study in Australia as a tool for addressing capacity needs, while others identify other tertiary training initiatives as being a focus for development efforts. AusAID's revised approach to country strategy development has provided a basis for more substantive consideration, in a small number of cases, of partner country needs in specific sectors and multi-year resource commitments to them.[34]

2.14 The negotiation of multi-year financing commitments with aid recipients to build greater certainty into the implementation of country strategies is not easy. It requires a detailed understanding of country needs, policies, and administrative systems, and an ability to balance competing interests and priorities. It also means sacrificing some of the flexibility to change priorities that annual budgeting provides, relative to multi-year budgeting. However, continued progress in providing greater funding certainty that supports high priority interventions will be important in supporting a sharper delineation of aid priorities, and a more consolidated and sustained focus on addressing these priorities.

Importance of more clearly defining priorities

2.15 While it is important to be realistic about the capacity of aid donors to address the underlying problems facing developing countries, weaknesses in defining priorities can have a major impact on the effectiveness of assistance. This problem has been particularly evident in PNG, where direct investments in strengthening education services have declined substantially over the past decade, in both absolute terms and as a proportion of total aid (see Figure 2.1).

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[34] This includes, for example, the inclusion of multi-year commitments to: basic education in Papua New Guinea; technical and vocational training and health in Tonga; health in Vanuatu; and health in the Solomon Islands.

Figure 2.1

Direct education assistance to PNG, 1998–99 to 2009–10 in real prices
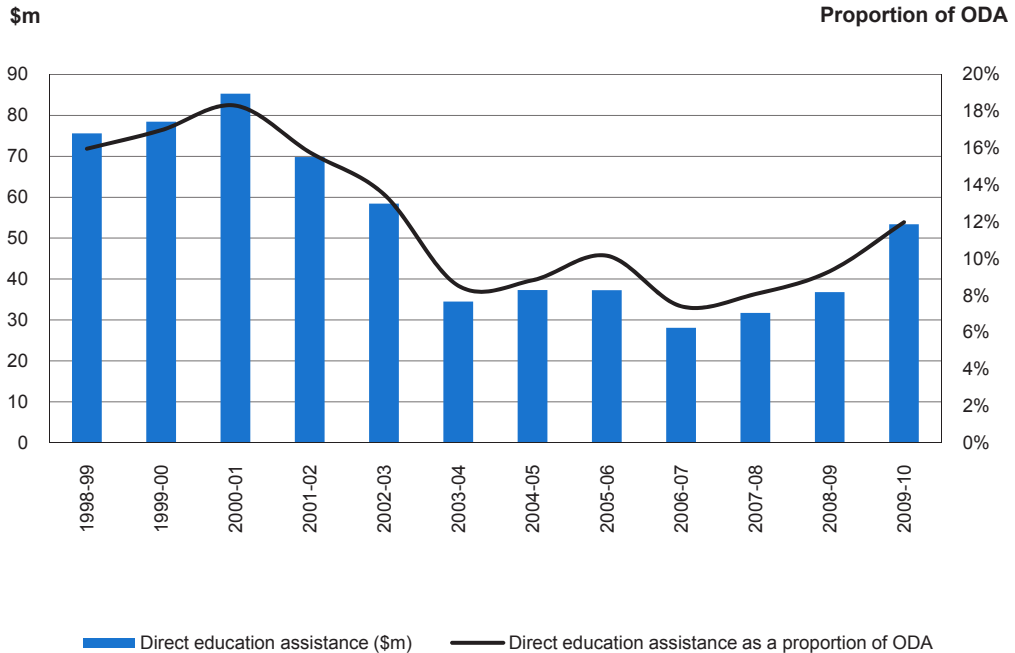
Source: Education expenditure is derived from AusAID administered expense data. Figures for total ODA are derived from Annual Budget Statements, 1999–2000 to 2009–10.

2.16   While the total aid investment has been large—amounting to over $1 billion dollars over the last 15 years—it is only a relatively small component of PNG's overall funding requirements. In 2008–09, Australia's contribution of $36.8 million to basic (primary and secondary) education amounted to nine per cent of PNG government expenditure in the sector.[35]

2.17   In spite of the significant challenges associated with the delivery of aid in PNG, including limited aid resources and rapid population growth, AusAID's investments in basic education have had some impressive achievements.[36] However, the quality of education provided by PNG's tertiary training institutions has progressively deteriorated (discussed further in

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[35]   Partnership for Development between the Government of Papua New Guinea and the Government of Australia, 10 June 2009, Basic Education Schedule.

[36]   Australia has helped PNG to increase primary school enrolment from 54 per cent to 63 per cent over the last three years—enabling an extra 300 000 children to go to school. AusAID internal paper 2010, *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015.*

Chapter 4). This situation led the recent independent review of the PNG Development Cooperation Treaty to observe that 'over time, as the aid program has become a smaller part of the PNG economy, it has been spread so thinly that its impact has become hard to discern.'[37]

2.18 The experience in PNG has direct relevance to circumstances in other countries that Australia supports, many of which depend heavily on aid flows to support the delivery of basic services. As discussed in the ANAO's 2009 audit report, AusAID's country program resources have often been spread too thinly to achieve the depth and quality of engagement required to bring about long-term improvements in the sectors in which they have been deployed.[38]

2.19 There are limits to the capacity of any aid program, even with increased resources, to address the underlying issues that constrain the development prospects of PNG, or other countries that are the focus of Australia's aid program. The progressive development of multi-year resource commitments for priority sectors (such as education) would assist in making country and regional strategies more central to aid allocation decisions, and more effective in improving the selectivity and predictability of aid investments. This will be particularly important in the Pacific, PNG and Timor-Leste, where Australian aid accounts for a large proportion of total aid flows, and of recipient government resources.

2.20 The ANAO recommended in the 2009 audit report that AusAID should progressively develop indicative multi-year resource allocations in all country strategies.[39] In terms of tertiary training assistance, this would include:

- forward estimates of the amount, and the proportion of country program aid devoted to tertiary training; and

- the different vehicles through which this assistance will be provided.

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[37] Independent Review Team 2010, *Independent review of the PNG-Australia Development Cooperation Treaty*, p. 1. See: <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf> [Accessed 28 February 2011.]

[38] ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

[39] In its response, AusAID argued that the use of multi-year allocations needs to be balanced with the need to remain flexible and be able to reflect the changing priorities of the Australian Government and changes in the global environment. See ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

2.21 The ANAO acknowledges that meeting these commitments remains contingent on actual budget appropriations in future years. Recognising the uncertainties associated with delivering aid in unstable or otherwise difficult environments, the ANAO also acknowledges that AusAID will need to retain some flexibility to respond to changes in government priorities, and address foreign policy considerations as they arise.

Agency planning for education and tertiary training assistance

2.22 Decisions made about the geographic and sectoral composition of the aid program at the policy or agency levels have a major influence on the availability of resources at the country level. For this reason, these decisions should be based on country needs, while taking into account the role governments consider the aid program should play in supporting national interest or foreign policy objectives. At a time when the program is growing rapidly, AusAID faces the challenge of using the additional resources approved within the Australian budget context to support a balanced approach to addressing its partners' education and training needs, in line with national interest considerations. The ANAO examined:

- the factors affecting aid allocation decisions; and
- AusAID's approach to, and management of the scaling up of education assistance.

Factors affecting aid allocation decisions

2.23 The objective of the aid program is to 'assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest'.[40] In seeking to maximise the effectiveness of aid, decisions need to be made about how the program can best support this objective through the allocation of available resources between and within different regions and countries, and between and within different sectors.

2.24 National interest considerations are central to these decisions. For example, if the focus of Australian aid was to be determined by poverty alone,

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[40] Commonwealth of Australia 2009, *Australia's International Development Assistance Program: A Good International Citizen*, Statement by the Hon. Stephen Smith MP, Minister for Foreign Affairs and the Hon. Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 12 May 2009, p. 1.

a far greater share of the aid budget would be allocated to Africa, where poverty is most concentrated. Instead, the aid program has traditionally focused on the Asia–Pacific, recognising that Australia's national interest is intrinsically linked to the future of countries in its immediate region, and that this represents a sensible division of labour among aid agencies.[41]

2.25 It is also in the national interest of governments that their support is visible both domestically and overseas, and that they are seen to be helpful and responsive. However, these pressures also create a risk that aid agencies will spread their resources too widely, over many different countries and sectors. In many countries, this has resulted in fragmentation of aid and high transaction costs, and undermined the effectiveness of aid in reducing poverty.[42] Effective management of this risk requires a strong process for balancing national interest considerations with the need to provide focused assistance.

2.26 At a time when Australian aid is increasing rapidly, there is a heightened interest in how national interest and poverty considerations are balanced in deciding where, and for what purposes, additional resources are allocated. As AusAID has articulated:

> Deciding where to scale up requires consideration of a range of development and broader foreign policy interests. It also needs to consider issues of absorptive capacity, the role of other donors and performance of partner governments.[43]

Approach to scaling-up education assistance

2.27 From 2005–06 onwards, the aid budget has grown considerably. The initial period of growth resulted from the commitment in 2005 by the then government to double annual aid expenditure to $4 billion by 2010. The current Government has committed to further increase Australia's ODA to 0.5 per cent of gross national income by 2015–16, which could amount to over

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[41] *Core Group Recommendations Report for a White Paper on Australia's aid program*, December 2005.

[42] Tanzania is a widely cited example of this occurring. Rennika has observed that in Tanzania: '[G]overnment officials had to prepare about 2,000 reports of different kinds to donors and receive more than 1,000 donor delegations each year. These requirements tax rather than build provider organizations' limited capacities distorting efforts towards satisfying donor obligations rather than reporting to domestic policymakers. Renikka, R. 'Donors and Service Delivery', in: Easterly, W. (ed.) *Reinventing Foreign Aid,* MIT Press, 2008.

[43] AusAID internal paper 2010, *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015.*

$8 billion by that time. Under this commitment, the Australian Government has committed to invest around $5 billion dollars in education assistance over five years to 2014–15. AusAID projections suggest annual education expenditure could amount to between $1.6 billion (or 19 per cent of projected ODA) and $1.8 billion (22 per cent of projected ODA) by 2015–16.

2.28 Historically, neither AusAID nor governments have articulated specific long-term resource commitments about the proportion of aid that should be devoted to education, where education resources should be allocated, or how available resources should be divided between the different education sub-sectors. The lack of long-term commitments about where, and to what sectors aid will be allocated has provided governments and AusAID with the flexibility to respond incrementally to changes in priorities, and address foreign policy considerations as they arise. This flexibility has, for example, enabled the aid program to respond to major geopolitical shifts, such as those associated with interventions in Iraq and Afghanistan, which have resulted in large increases in assistance to those countries, and also to the Middle East and Pakistan. Closer to home, there were also major interventions in Indonesia, the Solomon Islands, and Timor-Leste, which have received large increases in aid as a result.

2.29 To date, increases in aid have been approved through the annual budget, in the form of new policy proposals which have been largely conceived and approved on a sectoral basis. Increases in education funding, including tertiary training assistance, from 2005 have been brought about by a number of budgetary decisions, including approval of:

- $1 billion in the 2005–06 Budget, to implement a new Australia-Indonesia Partnership for Reconstruction and Development (AIPRD), which included an additional 600 scholarships and funding to improve lower secondary school infrastructure;

- $442.5 million in the 2006–07 Budget to provide over 19 000 scholarships during the five-year period;

- $149.5 million in the 2006–07 Budget to establish the APTC;

- $540.3 million over four years in the 2007–08 Budget to help strengthen national education systems;

- $106.5m over four years in the 2008–09 Budget to strengthen public sector administration in the Pacific, including by supporting

partnerships with regional tertiary training institutions, and providing formal training;

- $303.7 million over four years in the 2009–10 Budget for education, including a focus on basic education, and on scholarships; and

- $346.9 million over four years in the 2009–10 Budget for an expanded program of scholarships to Africa.

2.30 These decisions have given effect to a range of development and broader foreign policy objectives. For example, recent increases in scholarship aid have given effect to the objective of strengthening leadership capacity, and, in the case of increased in-Australia scholarships to Africa, Latin America and the Caribbean, the objective of broadening Australia's aid and foreign policy influence. The objective under successive governments to increase assistance for basic education has been implemented through Australia's response to the earthquake and tsunami in Indonesia (through the AIPRD program), and through other budget measures. The APTC aims to improve skills development in the Pacific region, but was also established, in part, to address Pacific Island countries' requests for increased access to Australian labour markets (discussed further in Chapter 4).

AusAID's management of the scaling-up education assistance

2.31 The approach to the scaling up of education assistance, which is shared by the aid program more generally, raises a number of potential risks. One of these is that the approach to education assistance that results from decisions taken over time will lack strategic coherence, both as a mechanism for reducing poverty, and as a reflection of Australia's national interests. This might mean that resources are not allocated in a way that best reflects Australia's national interests. It might also mean that the priority accorded to education by AusAID country offices and aid recipients will not be reflected in the way resources are allocated globally.[44] Another risk, at a time when education assistance is projected to double, is that the current approach could create uncertainty for AusAID country offices about forward budgetary parameters, and reduce their ability to program for planned increases in

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[44] As discussed in the ANAO's previous audit of the aid program, in managing new policy proposals, AusAID has not always achieved effective internal collaboration, which has sometimes led to a perception from program areas that adequately country contexts and needs were not adequately considered. See ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*, p. 80.

assistance. The lack of a clear public statement about the rationale for choices about the focus of increased education and tertiary training assistance could expose the aid program to criticism about the basis for these decisions.

2.32 To address these risks, and guide choices surrounding the expansion of education assistance, AusAID has developed, in late 2010, a strategic framework for education assistance. The framework identified four categories of focus for future support (outlined in Figure 2.2). AusAID's internal planning has identified that the central focus of Australian support for the education sector should be on Australia's fragile and low-income neighbours, namely PNG, Timor-Leste and Pacific Island countries. This approach recognises their high needs, and the long-standing priority accorded to Australia's immediate region. The second priority identified by AusAID is to continue support for education in larger middle income countries in our region, namely Indonesia and the Philippines. Recognising both the broader foreign policy interests of the aid program and development considerations, AusAID's plans envisage that more niche roles will be filled in other regions, primarily through scholarships to study in Australia and contributions to multilateral organisations.[45]

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[45] AusAID internal paper 2010, *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015*.

Figure 2.2

Proposed focus of Australia's education support
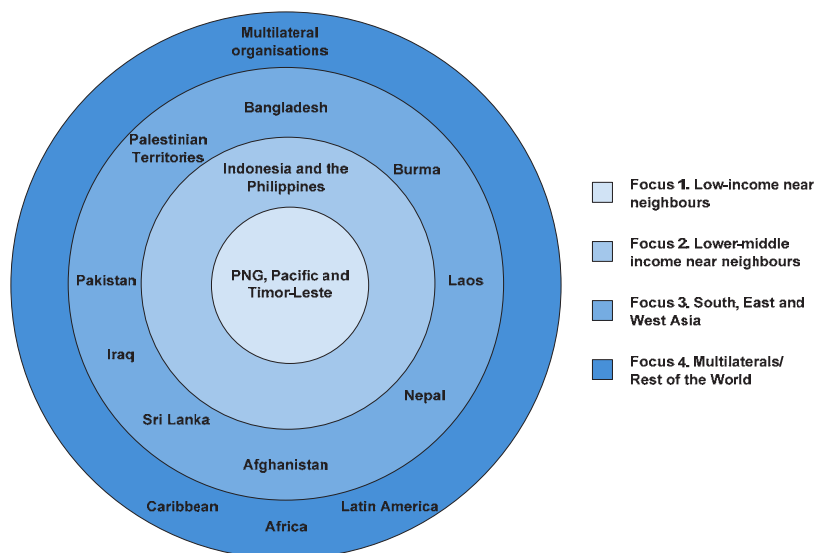
Source: AusAID internal paper (2010), *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015*.[46]

2.33   AusAID advised the ANAO that the priorities identified reflect the extent to which:

> Australia is a dominant or large donor in comparison to country size, and the extent to which our aid engagements will need to assure themselves that whole of education sector needs within these countries are adequately met by partners governments, other donors and through Australia's engagement.

2.34   Figure 2.3 shows AusAID's education spending over the past decade in each of the proposed areas of strategic focus. Figure 2.3 shows the impact of the major school building program in Indonesia through the AIPRD (Focus 2), which has resulted in a doubling of education assistance to the region. In focus areas three and four, it shows the impact of increases in in-Australia scholarships assistance (30 per cent of recent increases), funding for multilateral education initiatives (25 per cent of recent increases), and basic education assistance (20 per cent of recent increases).

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[46]   Pacific includes: Fiji, Tonga, Samoa, Nauru, Kiribati, Tuvalu, Vanuatu, Solomon Islands, Cook Islands and Palau.

Figure 2.3

Education spending by region, 1998–99 to 2009–10 in real prices
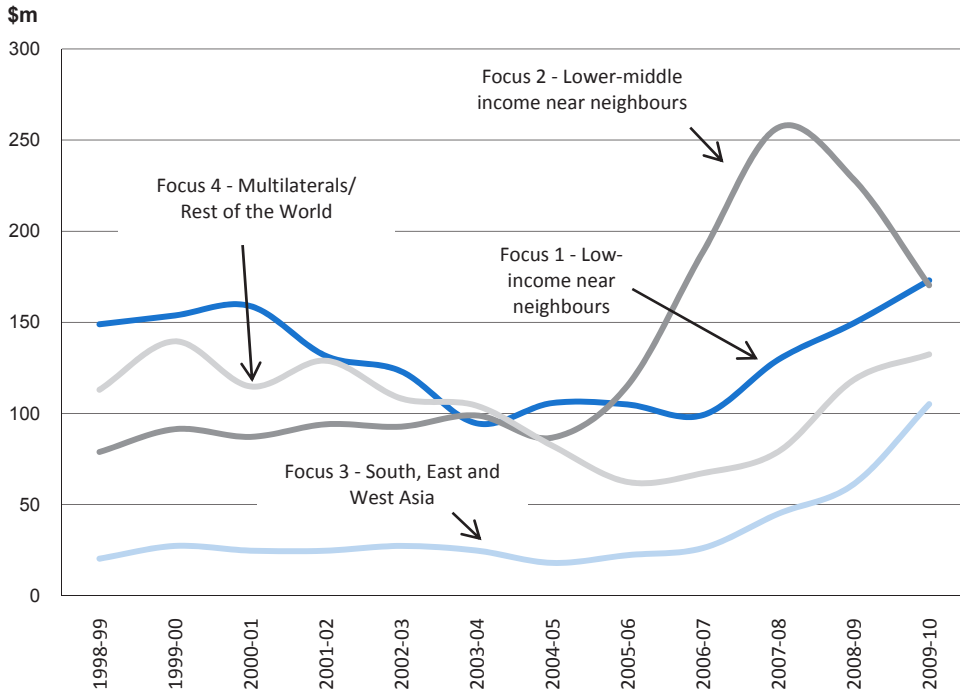
Source: Expenditure data is derived from AusAID administered expense data. Price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 2.

2.35 In the region identified by AusAID as the highest priority for future education spending, PNG, the Pacific and Timor-Leste (Focus 1), Australia is the dominant aid donor, and Australian aid represents a major component of the resources available for development. In such contexts, AusAID's Office of Development Effectiveness has noted that a central challenge for AusAID is how to use finances effectively to support basic services and development investment.[47] Recognising this challenge, AusAID's development strategy for assistance to the education and training sector in the region emphasizes the

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[47] AusAID 2009, *Annual Review of Development Effectiveness 2008*, p. 15.

importance of integrating support with the budgets and policies of recipient country governments.[48]

2.36   Progress against this objective has been a particular challenge for AusAID. Currently, only 21 per cent of Australian aid disbursements are currently recorded on recipient government budget estimates and accounting systems, compared to the OECD donor average of 43 per cent. This places Australia among the lowest performing donors in this respect.[49]

2.37   Recent increases in support for education in PNG, the Pacific and Timor-Leste have reversed a long-term decline in expenditure from the early 2000s. As a result, education spending has recovered to historical levels. The ANAO's analysis shows that around 60 percent of recent increases in education spending in PNG and the Pacific can be attributed to funding for the APTC (around $30 million annually), and in-Australia scholarships (an additional $12 million annually from 2005–06 expenditure). Neither of these programs provide support that is directed towards strengthening recipient country education systems, or that is integrated with their budgets and policies.[50] Currently, around 60 per cent of education assistance in the region provides direct support for aid recipients' education systems.

2.38   Recognising the high needs of countries in PNG, the Pacific and Timor-Leste, AusAID has embarked on an ambitious program of assistance for the region, which encompasses support for early childhood, primary, secondary, and tertiary education.[51]

2.39   The categories for education support identified by AusAID in its strategic framework provide a good starting point for planning where it will allocate increases in education assistance. The influence of the strategic

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[48] This challenge is formalised in Australia's commitments to the Paris Declaration on Aid Effectiveness, and also the Pacific Partnerships for Development, which commit Australia to align funding increasingly with partner country decision making, finance and procurement systems.

[49] AusAID 2009, *Annual Review of Development Effectiveness, p 50.* <http://www.ode.ausaid.gov.au/publications/pdf/arde2009.pdf> [Accessed 28 February 2011.]

[50] See discussion in Chapters 3 and 4. Scholarships to study in Australia do not directly support in-country education systems, but rather are a form of training provided to develop capacities in a number of different sectors. Similarly, the APTC is Australian owned and operated, and operates outside of government systems. Reflecting this, the APTC is identified as an explicit priority for assistance in only three of the completed country strategies and Pacific Partnerships with Pacific Island countries, despite accounting for over 20 per cent of AusAID's education assistance to the Pacific.

[51] Major increases in assistance are planned for basic, senior secondary and higher education in PNG, and for technical and vocational training in most of the countries in the region. AusAID, *Pacific Education and Training Framework,* 2010.

framework would be increased by translating its intent into long-term, indicative budget allocations that address aid recipients' education sector needs in a balanced manner, as well as appropriately reflect Australia's national interests. Within its overall budget for education, AusAID will need to consider for each country it supports the appropriate level of investment in:

- post-secondary education relative to other education sub-sectors (primary, secondary, higher, non-formal and informal education);

- direct support for aid recipients' tertiary training systems and institutions; and

- indirect support provided through avenues such as the APTC and scholarships to study in Australia.

2.40 These decisions will require continued consultation with country offices and recipient governments about needs and priorities. It will also require agreement from government, including on the role it considers the aid program should play in supporting national interest, or foreign policy objectives. A potential model that AusAID may wish to consider is the United Kingdom Department for International Development's education strategy for 2010–2015.[52] This strategy, which was developed through an intensive consultation process, contains five-year spending commitments, explains the sectoral and geographic (by region and country) focus of these commitments, and the channels through which support will be provided.

Conclusion

2.41 The current sectoral and geographic focus of the aid program is the outcome of decisions by successive governments, informed by advice from AusAID, over the past decade or more. Aid policies under successive governments have generally not stated the proportion of aid that will be devoted to education; where education resources will be allocated; or how resources will be divided between the different education sub-sectors. Planning of education assistance has instead relied on country programs to identify investment priorities that are appropriate to the specific needs and circumstances of partner countries, reflect aid policy objectives, and Australia's

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[52] Department for International Development, Learning for All: DFID's Education Strategy, 2010–2015, 2010. See: <http://www.reliefweb.int/rw/lib.nsf/db900SID/DNEO-84HFRC?OpenDocument> [Accessed 28 February 2011].

national interests. These investment priorities should be formalised in country strategies, which are expected to define the Australian Government's position on *what* priority sectors Australia's aid will be target, *why* those priority sectors have been chosen, and *how* aid objectives will be achieved.

2.42   Historically, AusAID has found it difficult to maintain up-to-date country strategies. Until recently, nine of the top 20 recipients of country program aid did not have approved country strategies. In addition, completed strategies have generally not contained a clear delineation of aid priorities, nor been supported by the long-term spending commitments that will address those priorities. These shortcomings have reduced the effectiveness of country strategies in supporting coherent and disciplined resource allocation decisions by AusAID, including those affecting tertiary training assistance. This has also made it difficult for AusAID to integrate its support with the budgets and policies of recipient country governments.

2.43   Against this background, AusAID has struggled to develop a well-balanced and sustained approach to providing education and tertiary training assistance across the aid program. In PNG, the Pacific and Timor-Leste, the region with the highest financing needs and poorest performing education systems, education assistance reduced from over $150 million in the early 2000s to less than $100 million by 2006–07. While subsequent increases in support for education returned education spending to historical levels, around 60 per cent of the new education spending in the region has come from initiatives that are not integrated with the budgets and policies of recipient country governments, such as the APTC, and scholarships to study in Australia. This suggests further work will be needed to improve the alignment of aid for education with the needs of recipient countries.

2.44   The release in early 2011 of 12 country strategies means they now cover most of AusAID's major country programs. AusAID has also revised its approach to country strategy development, which has provided a basis for more substantive consideration, in a small number of cases, of partner country needs in specific sectors and multi-year resource commitments to them. Continued progress in this area will be important in supporting a sharper delineation of aid priorities, and a more consolidated focus on addressing these priorities.

2.45   With the aid program growing rapidly, and education assistance projected to more than double current spending levels to $1.6 billion by 2015–16, the capacity of AusAID's country offices to develop more focused,

predictable education and tertiary training assistance programs will depend on achieving greater certainty about where, and to what sectors it will be provided.

2.46   To provide this certainty, AusAID has developed a strategic framework to guide the expansion of education assistance. The influence of the strategic framework would be increased by translating its intent into long-term, indicative budget allocations that address aid recipients' education sector needs in a balanced manner, and appropriately reflect Australia's national interests. Within its overall budget for education, AusAID will need to consider the appropriate level of investment in: post-secondary education relative to other education sub-sectors; direct support for aid recipients' tertiary training systems and institutions; and indirect support provided through avenues such as the APTC and scholarships to study in Australia.

2.47   Building on its strategic framework for education assistance, AusAID is currently developing an education strategy, which will provide a vehicle for these considerations. This could also provide an avenue for publicly explaining the rationale for choices that will be made about the focus of increased education and tertiary training assistance.

Recommendation No.1

2.48   To support the provision of more balanced and predictable aid for tertiary training, and in a way that appropriately reflects Australia's foreign policy priorities, the ANAO recommends that, as part of its strategic planning process, AusAID:

(a)   develops indicative multi-year resource commitments for its education program, by region, country and sector; and

(b)   provides options to its Minister for publicly reporting these resource commitments.

AusAID response: Agreed with qualification.

2.49   Appendix 1 sets out AusAID's complete response to the recommendation.

3.   Scholarships to Study in Australia

This chapter examines AusAID's management of scholarships to study in Australia, including the targeting of scholarships, consideration of the opportunity costs of in-Australia scholarships, and coordination with scholarship programs administered by other donors.

Introduction

3.1   Scholarships to study in Australia account for around five per cent of Australia's total ODA, and over 80 percent of aid expenditure on tertiary training. They have been a major component of Australia's education expenditure since the inception of the Colombo Plan, in 1948. Since the 2006 White Paper identified in-Australia scholarships as one of the most effective forms of aid Australia delivered, the number of scholarships offered, and their cost, has been increasing.[53] This trend is continuing under the current government, which announced major increases in the allocation of scholarship aid in the 2010–11 Budget, including an expansion of the geographic scope of the program. The objective of providing scholarships to study in Australia is to:

- promote sustainable development and excellence in education, by providing educational, research and professional development opportunities to support the growth of the region; and

- build enduring links at the individual, institutional and country levels.[54]

3.2   The ANAO assessed whether AusAID appropriately:

- targets scholarships to study in Australia and supports alumni after they complete their studies;

- considers the opportunity costs associated with the allocation of aid to scholarships to study in Australia; and

- coordinates the delivery of its scholarship programs with those of other donors and Australian Government departments.

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[53]   AusAID 2006, *Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's overseas aid program*, p. 53.

[54]   AusAID 2007, *Better education: a policy for Australian development assistance in education*, p. 8.

Targeting of scholarships

3.3 To maximise the contribution of in-Australia scholarships to aid objectives, it is important that the support they provide be carefully targeted. Scholarships are awarded to individuals through annual competitive selection processes conducted in their respective home countries by either AusAID or its managing contractors.[55] Program guidelines establish basic eligibility criteria, which include, for example, age and citizenship, and English language capability requirements.[56] The allocation of scholarships is guided by initiative designs, which are developed for each country. Initiative designs articulate, amongst other things:

- the level and nature of involvement of recipient country governments;

- the type and level of training that will be provided;

- targets relating to the number of scholarships that will be allocated to public sector candidates, applicants from outside of the government, or applicants from provincial or rural areas; and

- variations to standard eligibility requirements deemed necessary to meet these targets.

3.4 The ANAO examined initiative designs, monitoring reports and reviews of the aid program's 20 largest scholarships initiatives to assess the effectiveness of AusAID's:

- allocation of scholarships to individuals and institutions that will support reform;

- consideration of equity in the allocation of scholarships; and

- provision of support to scholars after they complete their studies.

Using scholarships to support reform

3.5 Evaluations of AusAID's in-Australia scholarship programs have consistently highlighted the benefits the training provides to individuals, including promotion to more senior positions, and an increased capacity to

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[55] Selection arrangements vary from country to country. In some countries, selection is outsourced to managing contractors. In others selection is undertaken directly by AusAID country office staff.

[56] AusAID 2009, *Australian Development Scholarships Handbook*. AusAID 2010, *Australian Leadership Awards Scholarships Handbook*.

exert influence in their professional roles.[57] The analytical reports that were developed to inform the 2006 White Paper on the aid program noted that, in countries such as Indonesia and Vietnam, donor-funded scholarships had played an important role in training a 'critical mass' of influential reformers within key government agencies.[58] In Indonesia, for example, the so-called 'Berkeley Mafia', a small group of American-educated economists, is credited with engineering a major shift in economic policy and with strengthening leadership in economic management.[59]

3.6   Recognising the potential of scholarships to support reforms, AusAID's country programs generally aim to allocate a set proportion of available scholarships to individuals employed by institutions undertaking work of relevance to country strategies. In Indonesia, AusAID has invested over $20 million over the past five years in six targeted organisations, which has resulted in high concentrations of alumni in these organisations.[60] In the case of 'Bapepam–LK' (the Indonesian equivalent of the Australian Prudential Regulation Authority), scholarships alumni now represent around 10 per cent of its 800-strong workforce.[61]

3.7   In Laos and Samoa, reviews undertaken by AusAID have concluded that scholarships to study in Australia had made a measurable contribution to reform efforts. An independent review of a group of institutional strengthening projects in Samoa observed that, as a result of the provision of tertiary training opportunities in tandem with support from technical advisors:

> [T]here is now a 'critical mass' of skilled and apparently motivated middle managers who have practical experience in change management and who are well placed to lead and manage future change… The [institutional strengthening projects] have made an important contribution to the development of this middle management group. Moreover this contribution

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[57]   Cuthbert, D, Smith, W, & Boey, J, 'What Do We Really Know About the Outcomes of Australian International Education? A Critical Review and Prospectus for Future Research', in: *Journal of Studies in International Education*, 12; 2008; p. 255.

[58]   AusAID 2005, *Core Group Recommendations Report for a White Paper on Australia's aid program*.

[59]   Notably, in this example, the links between Indonesia and Berkeley were reciprocal: Indonesian scholars undertook studies in economics at Berkeley and prominent Berkeley academics took up short term positions as Visiting Professors in Indonesia.

[60]   IDP Education Pty. Ltd. 2010, *Australian Development Scholarships, Monitoring and Evaluation and Activity Progress Report*.

[61]   IDP Education Pty. Ltd. 2007, *ADS Indonesia, Program Impact: Post Award Follow-up & Target Organisations*.

has been complemented by good in-country training, a well-targeted scholarship program leading to more graduates from [the University of the South Pacific] and [the University of Samoa] entering the public service and the return to Samoa of a number of experienced people after extended periods overseas.[62]

3.8 In spite of these achievements, there are also grounds for not being too optimistic about the capacity of scholarships alone to provide a catalyst for reform. In some cases, despite their newly acquired skills, scholarship recipients do not find work commensurate with their qualifications when they return home. Human resources management within partner organisations is often dysfunctional—partners commonly struggle with high levels of staff movement, restructures and loss of corporate memory, which makes it difficult for alumni to maximise the impact of their training in the interests of 'development'. Reflecting these constraints, a review of the Indonesia scholarship program observed, for example, that 'large numbers of graduates in a target organisation—in and of itself—are not a sufficient catalyst for organisational change.'[63] Other AusAID and external reviews have made similar observations (outlined in Table 3.1).

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[62] AusAID 2003, *Review of Institutional Strengthening Projects in Samoa*.

[63] AusAID 2008, *Scholarships Effectiveness Review, Part 1*.

Table 3.1

Examples of constraints on in-Australia scholarships alone as a catalyst for promoting reform

Example	Country
The evidence of longer-term impacts does not support the belief that development and change will automatically follow from training. The studies show that the absence of systemic and institutional commitment and the absence of sustainable links in a complex chain of institutional arrangements are impediments to the goals of development. Cannon, R, 'The impact of training and education in Indonesian aid schemes', in: *International Journal for Academic Development*, 6:2, 2007, 109–119.	Indonesia
Because of major structural changes in the Cambodian public service, a third of respondents felt unable to say whether they had been given more responsibilities after returning from Australia... In response to detailed questions some respondents were very frank in describing why they were not able to use their new skills. A tenth of returnees actually believed that they had been disadvantaged by going to Australia. AusAID, *Australian Development Scholarships: Issues Paper,* 2005.	Cambodia
The structural reform agenda for many institutions was perceived by many respondents to be overly ambitious. The targeted institutions are often organisations that have ingrained opposition to change and political factions that resist reform. To set out on a structural reform agenda that intends to transform the organisation often causes more problems than working on small incremental changes that are more likely to be accepted and sustainable. AusAID, *Independent Progress Report: Philippines Australia Human Resource Development Facility,* 2009.	Philippines

Consideration of equity in the allocation of in-Australia scholarships

3.9   An important consideration in the allocation of scholarships is to avoid disproportionately favouring candidates from major cities, with access to a good education and salaried employment. The provision of scholarships is unavoidably elite, in that scholarships directly support the relative few who have managed to qualify for tertiary study. However, the concentration of in-Australia scholarships on existing elites—particularly if wealth and power is heavily concentrated regionally, by gender, or by ethnicity—may reinforce existing power relations and may not be effective in promoting the social and cultural cohesion necessary to underpin development.

3.10   Addressing equity has been a longstanding feature of Australia's scholarships engagement. One prominent example is the target of gender parity in the award of scholarships. The ANAO observed that almost all posts actively sought to achieve gender equality, and that globally, 52 per cent of scholarships offered in 2010 went to women. More recently work has been

undertaken to promote access and inclusion by revising internal guidelines to better support scholars with a disability. A number of fellowships have been provided to people with a disability and to support disability advocacy organisations (over 100 related to disability and development). The number of scholars studying in a disability-related field has increased.

3.11 Currently, five of the top 20 country programs have adopted explicit strategies to obtain a reasonable level of representation of minority groups or candidates from provincial or remote areas. These include setting targets, and providing English language training for unsuccessful candidates from minority and provincial groups.[64] For example, in the Philippines, 68 per cent of the scholarships awarded between 2004 and 2010 were to provincial applicants.[65] A further two country programs (PNG and Pakistan) are planning foundation courses to increase the representation of women and provincial candidates in the program. AusAID advised the ANAO that, even where there are no explicit targeting strategies, many programs aim to achieve roughly proportionate representation of ethnic and regional groups in selection processes.

Providing post-award support

3.12 The level of support provided to scholarship recipients after they complete their studies and return home has been identified as a weakness in AusAID's administration. An internal review of the scholarships program observed in 2008 that:

> Effort currently focused on post-return aspects of provision of AusAID scholarships seems to be disproportionately low, especially given that it is at this point that benefits may actually start to flow from the program… Most Posts appeared to (at best) only make token efforts in relation to supporting alumni to deliver relevant outcomes. There appeared to be a common misconception that once scholars return 'our work on scholarships is done'. This is an alarming perspective, given that the most desired development or foreign policy outcomes of scholarships can only begin to be achieved after return. Some degree of continued facilitation of such outcomes would

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[64] Namely Indonesia, Philippines, Laos, Bangladesh and Vietnam.

[65] The scholarships were distributed among provincial and local governments, regional entities (such as the Mindanao Development Authority), and teacher education institutes based in the southern Philippines. This reflects the geographic focus of the Australian aid program on southern Philippines, where poverty is the most deeply entrenched.

therefore be a wise strategy for maximising benefits. In contrast, simply 'hoping for the best' risks the considerable investment already made.[66]

3.13   Recognising that program objectives will not be met if alumni are unable to fully use their skills and knowledge on return, AusAID has increased its focus on providing better support to scholars after they return to their home countries.

3.14   One of the major strategies used by AusAID to improve post-award support has been to increase investment in the development of alumni associations, which until recently were in place for only seven of AusAID's top 20 scholarships programs.[67] In 2009–10, AusAID provided round $200 000 of seed funding to country programs to improve alumni engagements, which has increased to 13 the number of countries with alumni organisations.[68] Under the whole-of-government 'Australia Awards' initiative, AusAID, DEEWR and DFAT are investigating the potential of establishing a global alumni network for both DEEWR and AusAID alumni.

3.15   To address problems with the reintegration of scholars, some of AusAID's country programs (notably the Philippines program), have increased their level of investment in strengthening human resource management within target organisations, including by requiring scholars to develop and agree to reintegration plans with their employers.[69] AusAID's recent design for the large Africa scholarships program proposes that reintegration plans be mandatory for all scholarships recipients and reported on regularly.

3.16   AusAID's efforts in improving the level of support for scholars on their return home are likely to be resource intensive. As such, the ANAO considers their impact on program outcomes should be closely monitored, so that the returns are commensurate with the investments being made.

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[66]   AusAID 2008, *Sub-Review of AusAID Scholarships Selection, Reintegration and Monitoring & Evaluation Processes'*

[67]   Indonesia, Vietnam, PNG, Philippines, Cambodia, China, and Mongolia. AusAID 2010, *Report on seed-funding activity.*

[68]   ibid.

[69]   AusAID 2009, *Scholarships PNG Design 2010-2014*, p. 14.

Consideration of opportunity costs

3.17 The amount of aid that is devoted to scholarships to study in Australia affects the resources available for other aid investments. For this reason, it is important that AusAID appropriately considers the budgetary implications of spending on in-Australia scholarships. The ANAO assessed the:

- role played by scholarships to study in Australia in supporting Australia's broader foreign policy interests;

- implications of spending on scholarships to study in Australia on the aid and education sector budget; and

- number of scholarships awarded to partner countries.

The role played by in-Australia scholarships in supporting Australia's broader foreign policy interests

3.18 An important distinguishing feature of AusAID's large program of scholarships to study in Australia is the role it plays in supporting Australia's broader foreign policy agenda through long-term linkages and partnerships. AusAID has observed for example, that:

> Scholarships build important links with influential leaders who share our values and have strong ties to Australia. Networks and mutual understanding established through scholarships promote international collaboration in addressing global issues and in fostering stability and prosperity.[70]

3.19 The ANAO identified that the existence of Australian-educated alumni within partner institutions facilitates and supports Australia's diplomatic relationships with partner countries. Australian foreign affairs officials consulted during the audit emphasised the contribution scholarships to study in Australia made in improving access to senior government officials, and improving the ease of communication with partner government officials across cultural boundaries. The ANAO observed during fieldwork to Indonesia, PNG, and Fiji that Australian scholarships alumni were prominent in senior positions in partner government agencies that are important to AusAID and other Australian Government agencies. At the very highest level, alumni from the scholarships program include several notable figures, including the Indonesian Vice-President, Indonesian Minister for Foreign Affairs, the Deputy

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[70] AusAID 2010, *Annual Scholarships Update*.

Prime Minister of PNG, and the Foreign Minister of Vietnam.[71] Scholarships are highly regarded by many partner governments, and are often the focus of requests for external assistance.

3.20 The public diplomacy role of in-Australia scholarships explains, in part, the global focus of the scholarships program, including the provision of scholarships as the sole form of assistance to many countries. While the size and geographic breadth of the scholarships program was already large, it is set to accelerate as a result of recent decisions to further expand the program.[72] As can be seen in Figure 3.1, the number of scholarships provided by the aid program (1874) is expected to almost double (to 3778) by 2013. More than 50 per cent of the additional scholarships made available in recent budgets will be allocated to countries that have not received large amounts of Australian assistance in recent times. With an additional pool of over fifty African countries, and more from the Caribbean and Latin America that will receive scholarships in the coming years, the geographic focus of the program will continue to broaden.

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[71] AusAID 2010, Ministerial Submission, 'Impact of Development Awards'.

[72] Until the decisions of the current Government, there were two main vehicles for recent changes, namely, the introduction of a large scholarships program administered by the Department of Education, Employment and Workplace Relations, and the 'Australian Leadership Awards' scholarships program administered by AusAID. Both programs are regionally competitive, and open to countries with which Australia does not have a bilateral aid relationship.

Figure 3.1

Planned allocation of in-Australia scholarships by region, 2009–2014
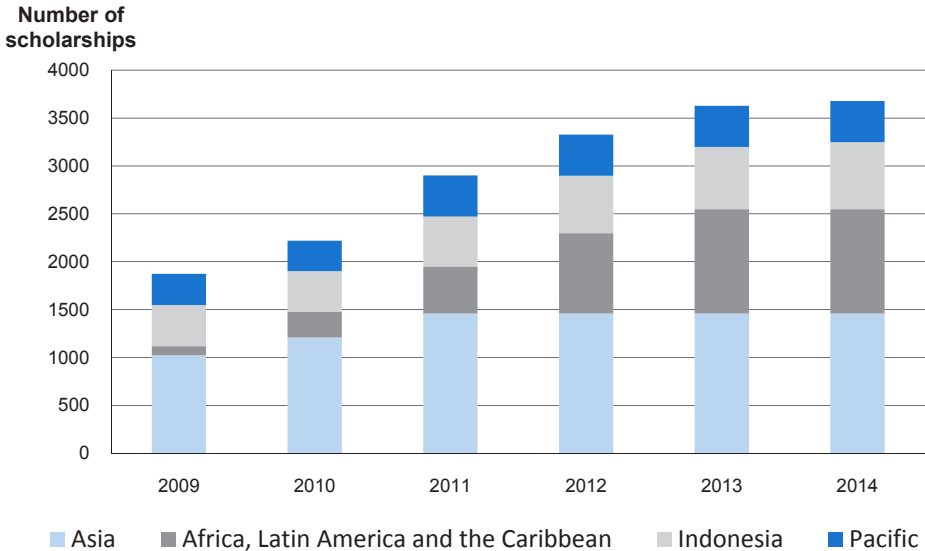
Source: AusAID.

3.21   In addition to scholarships for new regions, there are also increases planned for the number of scholarships allocated to areas that have been a more traditional focus of Australian assistance, and therefore already have sizeable scholarships programs. AusAID has sought to ensure the allocation of additional scholarships is proportionate to the size of existing programs, and the capacity of target countries to benefit from them, through consultation with its country program offices overseas. As a result, countries in the Pacific, with relatively low capacity to absorb increased scholarships, are receiving only a modest increase in their allocations, mostly in the form of short course scholarships. A more substantial increase is planned for Asia, reflecting its larger population and capacity to derive benefit from increased scholarships.

Budgetary implications of in-Australia scholarships

3.22   The potential for Australian tertiary education to strengthen leadership and institutional capacities, and its role as an element of public diplomacy, has meant that scholarships are a consistent feature of most country programs. Scholarships to study in Australia have a global focus, representing a significant share of expenditure in all of the regions that are given Australian aid, including in many countries where no other assistance is provided.

3.23 The high proportion of aid directed to scholarships to study in Australia has previously attracted criticism, on the basis that it comes at a direct cost to other possible forms of education sector spending. For example, the last major independent review of aid policy in 1997 noted a concern that:

> [S]hort-term commercial and foreign policy interests may also have unduly influenced Australia's education and human resource development policies, resulting in an imbalance in favour of in-Australia tertiary scholarships. There is good evidence that this has been at the expense of more cost-effective in-country and in-region training, and at the cost of support for basic education and higher-education capacity building which... yield much higher development returns.[73]

3.24 Along similar lines, the OECD argued in its 2004 review of the aid program that AusAID could increase its consideration of the opportunity costs of providing scholarships to study in Australia and their effectiveness relative to other forms of tertiary training assistance.[74]

3.25 In considering such criticisms, it is important to recognise that scholarships to study in Australia do not directly support in-country education systems, but rather are a form of training provided to develop capacities in a number of different sectors. As such, they should not be regarded as a direct substitute for other education sector investments, any more than they should be considered a substitute for investments outside of the education sector. AusAID advised the ANAO that it agrees with this assessment, noting that:

> [S]cholarships allocations are funded either within country resource envelopes or from cross regional allocations, not from allocated bilateral education budgets within country programs. The opportunity costs associated with scholarships are like those for any aid investment and are not limited to choices within the education sector.

3.26 While this may be AusAID's policy intent, the ANAO identified some instances where AusAID has failed to make this distinction clear. For example,

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[73] Commonwealth of Australia 1997, *One Clear Objective: Poverty reduction through sustainable, development, Report of the Committee of Review*, prepared by H Simons (Chair), G Hart, & C Walsh. To address this concern, the committee recommended that: 'AusAID should devise means to give effect to, monitor and evaluate, a substantial and sustained shift in AusAID-supported human resource development towards basic and other in-country education. AusAID staff should be required to give priority in country education and training strategies to a consideration of basic education needs.'

[74] OECD DAC 2004, *Peer Review of Australia*. The review argued that: 'Australia could go further in strategically positioning its scholarship programme based on country needs, notably capacity building, and should consider extending alternative locations for studying, benefiting from regional opportunities, especially South to South co-operation.'

the internal paper on priorities for scaling up education assistance, which was endorsed by AusAID's executive in late 2010 (see paragraph 2.32), noted that future allocations to basic education would be directly affected by previous budgetary decisions about the program of scholarships to study in Australia.[75]

3.27   The failure to consistently quarantine education funding considerations from decisions about scholarship allocations means budgetary decisions about scholarships to study in Australia, important as they are, could have a disproportionate impact on the resources allocated to other forms of education assistance. This should be carefully managed by AusAID.

The number of scholarships awarded to partner countries

3.28   To be an effective component of Australia's development assistance, it is important that the scale of scholarships expenditure is proportionate to its effectiveness in addressing the aid program's objective, relative to other investment options. This is best decided in the context of the resources devoted to different countries, the objectives of providing aid to them, and evidence about their contribution towards these objectives, relative to other possible investments.

3.29   As is previously discussed, scholarships to study in Australia represent a large component of the assistance Australia provides to many countries. As can be seen in Figure 3.2, it represents over 30 per cent of expenditure in Bhutan, the Maldives and Mongolia[76], and over 10 per cent of expenditure in nine other countries. In a number of countries, the only tertiary education assistance offered is by the Department of Education, Employment and Workplace Relations (DEEWR), through its own scholarships program, the 'Endeavour Awards.' DEEWR scholarships have a non-development objective of promoting Australia's education and training sector, but are nonetheless eligible to be considered as ODA.[77]

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[75]   AusAID internal paper 2010, *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015*.

[76]   The proportion of aid spent on scholarships in Mongolia in 2008–09 was affected by a one-off $5 million contribution to a multilateral effort led by the World Bank and IMF to help Mongolia deal with the impact of the global recession. Ordinarily, scholarships are the only form of development assistance provided by Australia to Mongolia.

[77]   Department of Education, Employment and Workplace Relations 2010, *Annual Report: 2009–10.*

Figure 3.2

Aid for tertiary training as a proportion of ODA to selected countries, 2008–09
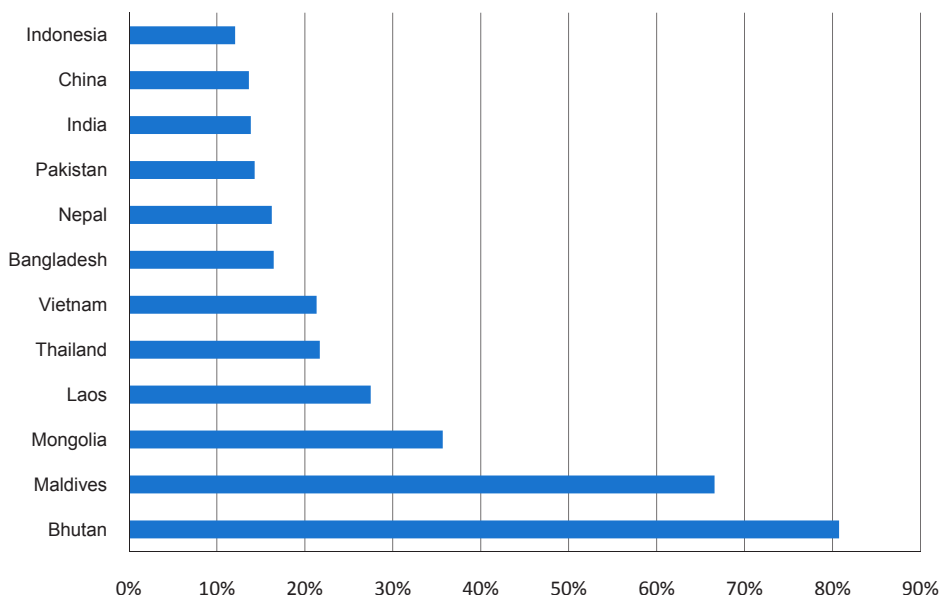
Source: Expenditure data is derived from AusAID administered expense data. ODA figures and price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 2.[78]

3.30 A number of issues need to be taken into account when considering the opportunity costs of in-Australia scholarships at a country level. The direct cost of providing scholarships to study in Australia is an obvious starting point. A number of other factors are also relevant. The impact of the training can be undermined where individuals return to dysfunctional environments, because it is not accompanied by institutional and system reform. Scholarships to study in Australia can attract employees and students away from developing country institutions, weakening (in the short term at least) the capacity of those institutions. They can also contribute to a 'brain drain,' where

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[78]   Ordinarily, scholarships to Mongolia represent over 90 per cent of country program expenditure. However, this was affected in 2008–09 by a one-off $5 million contribution to a multilateral effort led by the World Bank and International Monetary Fund to help Mongolia deal with the impact of the global financial crisis.

the obtainment of international qualifications leads individuals to emigrate from their home country.[79]

3.31 In some regions, particularly in Asia, these issues have not been significant. While recognising that the evidence base about their long-term impacts could be improved (and notwithstanding important regional variations), evaluations, including for example, of the Philippines and Vietnam programs, and successive reviews of the scholarships program in Laos, have consistently found that most alumni do return home and derive benefit from their newly found skills.[80]

3.32 In some cases identified by the ANAO, past performance does not appear to have been paramount in determining the number of scholarships offered to partner countries. For example, scholarship numbers to PNG have increased by almost 10 per cent over the past five years, in spite of the high and costly course extension and failure rates of scholars. In addition, an AusAID evaluation found that 12 per cent of returned scholars were unemployed and a further three per cent had been demoted.[81] The following case study of tertiary training trends in PNG highlights these points.

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[79] Cuthbert, D, Smith, W, & Boey, J, 'What Do We Really Know About the Outcomes of Australian International Education? A Critical Review and Prospectus for Future Research', in: *Journal of Studies in International Education*, 12; 2008. Also Commonwealth of Australia, *One Clear Objective: Poverty reduction through sustainable development*, Report of the Committee of Review, prepared by H Simons (Chair), G Hart, & C Walsh, 1997.

[80] AusAID's (2000) study of the Laos in-Australia scholarships program found that 99 per cent of the graduates interviewed believed that their education had opened up new career paths, and 93 per cent said they were using the skills and knowledge they had gained through their study to a 'great extent'. AusAID's (2002) study of the Vietnam program found that 94 per cent of alumni interviewed were currently employed and that a majority of students were using the skills they had learnt to a great extent. In the Philippines 89 per cent of alumni had returned to the organisation which had sent them on the scholarship, and were able to utilise the skills and knowledge gained, with 53 per cent being promoted after their study. AusAID 2005, *ADS Issues Paper*, pp. 21-22.

[81] AusAID, *PNG Higher Education for Development Program, 2010–14, Draft Design*, 2009. AusAID, *Independent Completion Report: Papua New Guinea–Australia Targeted Training Facility*, 2009, p18.

> **Case Study**
>
> **Tertiary education trends in Papua New Guinea**
>
> Over the 10 years from 1998–99 to 2008–09 AusAID has invested over $150 million in providing in-Australia scholarships to over 1500 scholars from PNG.
>
> The effectiveness of this investment has been impacted by high extension and termination rates, and difficulties faced by alumni on their return to PNG.
>
> Over the past five years, significant costs have been incurred through the high number of extensions, terminations and award downgrades in PNG in comparison to other countries. AusAID has calculated that from 2004 to 2008, almost 300 extensions for scholars incurred a direct cost of $7.8 million. Over the same period, there were 84 terminations, which also cost the program approximately $5.9 million. Together, these costs amount to about 17 per cent of expenditure over the period.
>
> In addition to the challenges faced by students in undertaking their studies, AusAID evaluations have highlighted the difficulties faced by alumni when they return to PNG. An AusAID evaluation of the scheme in 2007 found that 12 per cent of alumni surveyed were unemployed and three per cent were demoted in their organisations.
>
> The challenges facing scholars when returning home after completing their studies are exacerbated by the generally low levels of participation in in-country tertiary education. Without either a significant critical mass of graduates across the labour force or cadres of graduates in particular sectors to take on key leadership roles and drive cultural and institutional reform, the development outcomes from the investment in in-Australia scholarships to PNG risk derailment by prevailing conditions, cultural values and poor governance.
>
> The additional impact of outward skilled migration also needs consideration. Even small permanent migrant outflows from disadvantaged countries with low levels of educational attainment may have a disproportionate negative impact on skills capacity in those countries. In this context, Australia received 258 skilled permanent migrants from PNG alone in 2008–09. It is not possible to tell from the available data if any of the skilled permanent migrants to Australia from PNG were recipients of Australian scholarships, although many hold Australian qualifications.

Source: Gannicott, K, *Higher Education Finance in Papua New Guinea,* 2010. Cuthbert, D, Spark, C, Arunachalam, D, & E Healy, *Tertiary Education in an International Development Context*, 2010.

3.33   Similarly, a review of the Solomon Islands program in 2005 argued that alternative forms of training in Australia should take precedence over long-term scholarships. The basis for this position was that severe short-staffing of partner government institutions meant the departure of staff on international scholarships risked seriously undermining other capacity-building efforts.[82] In

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[82] AusAID, *Review of long-term training in the Solomon Islands*, 2005. AusAID advised the ANAO that the issue of absorptive capacity has since been addressed through the establishment of a Joint Solomon Islands Government, New Zealand Development and AusAID coordination committee, which has developed a set of common principles and selection criteria for both public sector and open scholarships and seeks to ensure greater transparency and coordination in the assignment of scholarships, particularly in the public sector.

spite of these concerns, the number of long-term in-Australia scholarships to the Solomon Islands has increased by 50 per cent since 2005.

3.34   In Kiribati, a review of human resource requirements in 2006 observed that:

> [G]iven limited funding and high need, the current level of overseas training is not a sustainable option, especially for short-term training where a significant number of staff are to be trained in generic or customised courses. More short term (and long term) training should be undertaken in-country. Cost savings achieved from the lower cost of attendance should be used to increase the number of people being trained, customise course material, and provide any necessary institutional strengthening.[83]

3.35   In spite of this feedback, the number of long-term scholarships provided to Kiribati subsequently doubled. This led to an internal assessment of the performance of the Kiribati program in 2008, which identified as one of its major management challenges:

> The increased number of in-Australia training programs and scholarships offered, while aimed at longer term capacity improvement in Kiribati, in the short term is affecting the very limited human resource pool in Kiribati. This will continue to challenge the program.[84]

3.36   Such findings suggest existing scholarship allocations are stretching the capacity of some country offices to attract suitable candidates. At a time when the scholarships program is going through a period of rapid expansion, AusAID will need to consider the appropriateness of scholarship numbers, and the potential unintended consequences of increased scholarship allocations.

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[83]   AusAID and New Zealand Agency for International Development 2006, *Programming Mission: Australian and New Zealand Support for Human Resource Development in Kiribati, Draft Report*. In the case of the Pakistan scholarships program, which has received large increases in scholarships, an external review observed that: '… it is the pressure from [the AusAID Scholarships Group] in Canberra to fill a quota of candidates that staff at Post feel actually militates against the achievement of the higher end developmental and partnership objectives of the program.' AusAID, *Australia–South Asia Development Cooperation Program: Australian Scholarships Program review,* 2007.

[84]   AusAID, *Kiribati Annual Program Performance Report 2007–08*, Submitted to Program Committee, 22 May 2008.

Coordination of scholarship programs

Coordination with other donors

3.37　The need for better coordination among donors is central to the focus of international efforts to reform how aid is delivered and thus improve its effectiveness.[85] For scholarships programs, improved coordination helps to ensure the support provided by donors is proportional to the needs of aid recipients, and that they can absorb scholarships numbers without it having a detrimental impact on institutional capacity. This is particularly relevant in the case of countries that have relatively small pools of applicants who would qualify for a scholarship. It is also relevant when evaluating the impact of scholarship programs, in that it can be extremely difficult to disentangle the effect of one overseas scholarship from another offered by a different donor.

3.38　In recent times, AusAID and the New Zealand Government's aid program have made substantial progress in coordinating the delivery of tertiary training programs in the Pacific, including through joint design and contracting arrangements, and joint evaluations. In particular, significant progress has been made in developing common policies and procedures, application forms, scholarship entitlements and stipend levels for regional scholarships initiatives. A number of recent evaluations have highlighted the benefits that have flowed from this arrangement, including reduced administrative costs and aid administration burden, greater consistency of policy advice, and increased integration and support for government policies.[86] For example, a joint Australia and New Zealand Government review of Pacific scholarships programs concluded that:

> Whilst initially labour intensive, and taking a number of years to implement, the harmonisation initiatives have significantly reduced administrative burdens for applicants, donors, partner governments and educational institutions. In… interviews with [Pacific Government] stakeholders, the Cook Islands reported on improvement on the processing of awards due to

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[85]　This includes key international agreements such as the 'Paris Declaration on Aid Effectiveness,' and its follow-up, the 'Accra Agenda for Action'. High Level Forum on Aid Effectiveness, *Paris Declaration on Aid Effectiveness,* 2005.

[86]　AusAID & New Zealand Agency for International Development, *Joint Samoa Scholarships Programme Evaluation,* 2009. AusAID & New Zealand Agency for International Development, *Programming Mission: Australian and New Zealand Support for Human Resource Development in Kiribati,* 2006. AusAID & New Zealand Agency for International Development, *Joint Australia/New Zealand Pacific Scholarships Review,* 2010.

harmonisation and Samoa reported on the more effective coordination of scholarships to address national priority needs.[87]

3.39   Similarly, in Indonesia, AusAID has led (jointly with the Netherlands aid agency and the Indonesian Government) an effort to improve coordination of donor and Indonesian Government scholarship programs.[88] While there is an inevitable degree of competition between scholarships providers, as a result of a desire to attract the best applicants, and gain recognition of their support, such efforts provide a basis for better alignment and targeting of donor support through scholarships and should be subject to ongoing consideration. AusAID has advised the ANAO that the recent design for the Africa scholarships program specifically includes the establishment of a 'Scholarships donors forum', supported by other donors such as USAID and World Bank, as a direct lesson from the Indonesia experience.

Whole-of-government coordination

3.40   In addition to AusAID's scholarships programs, DEEWR manages the Australian Government's Endeavour scholarships program, which provides opportunities to undertake study, research and professional development in Australia.[89] In recent years, scholarships offered through the Endeavour program to ODA eligible countries has been close to 10 per cent of aid expenditure on scholarships to study in Australia. Other government

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[87]   AusAID & New Zealand Agency for International Development, *Joint Australia/New Zealand Pacific Scholarships Review*, 2010, p. 29. Similarly, a report on the joint AusAID–New Zealand scholarships program in Samoa observed that: 'Overall, there is considerable value for money with respect to the cost of and resources allocated to scholarships management. The three partners all confirmed the benefits of a combined pre-award process, including operational efficiencies, greater transparency and the greater ability to optimise use of scholarships.' AusAID & New Zealand Agency for International Development, *Joint Samoa Scholarships Programme Evaluation, Final Draft Report*, 2009.

[88]   Government of Indonesia (supported by the Governments of Australia and the Kingdom of the Netherlands), *Mapping of Overseas Scholarship Programs in Indonesia: Survey Results*, 2009.

[89]   The stated aims of Endeavour Awards are to:
  - develop on-going educational, research and professional linkages between individuals, organisations and countries;
  - provide opportunities for high achieving individuals to increase their skills and enhance their global awareness;
  - contribute to Australia's position as a high quality education and training provider, and leader in research and innovation; and
  - increase the productivity of Australians through an international study, research or professional development experience.   <http://www.deewr.gov.au/International/EndeavourAwards/Pages/Home.aspx> [Accessed 28 February 2011].

departments also manage scholarships programs, although these are much smaller than DEEWR's.[90]

3.41   There is very little difference between AusAID's scholarship programs and DEEWR's Endeavour program in what they offer to beneficiaries—formal and informal training and professional development opportunities in Australia. The differences arise from the Endeavour program's more explicit foreign policy and trade-in-education oriented objectives. These are partly reflected in the exemption of scholars from the requirement of AusAID's programs that they return home for a period of two years following completion of their studies.

3.42   In November 2009, the then Prime Minister announced the establishment of the Australia Awards initiative, with the intention of bringing together these Australian scholarship programs under a single brand.[91] The initiative will be implemented under the guidance of a board established to provide expert advice and direction on how the scholarship program can meet Australia's long-term interests and can compete with other scholarship programs. The board is supported by a secretariat, located in DFAT and jointly funded by DEEWR and AusAID to coordinate between agencies.

3.43   The Australia Awards initiative marks a second attempt to better integrate the scholarship programs managed by the different departments. The previous Government's Australian Scholarships initiative, which was announced in the 2006–07 Budget, was the first attempt.[92] This initiative presented a number of challenges from its inception, which affected the implementation of joint activities. While progress was made in some areas, most of the joint activities were not fully implemented.[93]

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[90]   Including scholarships provided by the such as the Australian Centre for International Agricultural Research, the Department of Innovation, Industry, Science and Research, and the Australian Defence Force.

[91]   Media Release, *Australia Awards*, 13 November 2009, <http://www.pm.gov.au/node/6325> [Accessed 28 April 2010].

[92]   Statement by the Honorable Alexander Downer MP, Minister for Foreign Affairs, *Australia's Overseas Aid Program 2006-07*, 9 May 2006 p. x.

[93]   Completed activities included the development of an Australia Awards website, and a marketing and communications strategy. Activities that were planned but not implemented included joint online application forms, student databases, websites, and reporting requirements; a joint alumni program; and annual reporting, including an annual report on Australian Scholarships which would contain performance information on each of the individual programs as well as their contribution to meeting the overall objectives of the initiative.

3.44 At this stage, it is not possible to assess the outcomes of the Australia Awards Initiative. However, consideration should be given to the lessons learned from the previous attempt at a more integrated approach to the delivery of scholarships programs. Whole-of-government approaches, as distinct from cross-agency collaboration, present their own risks and challenges that need to be carefully managed so they support achievement of the outcomes expected by government.[94]

3.45 As a result of their different objectives, there are some notable differences in the geographic focus of the AusAID and DEEWR scholarships programs. For example, in countries such as Malaysia, South Korea, and several countries in the Middle East, the only scholarships provided are through DEEWR's Endeavour program. In other countries, both DEEWR and AusAID scholarships are offered. In those countries where both agencies offer scholarships, and where human resource pools are limited, the ANAO considers that DEEWR and AusAID should work together to mitigate the risk that the number of scholarships they offer will undermine the effectiveness of other capacity development efforts. As is discussed in paragraphs 3.32 to 3.36 above, increases in scholarships numbers in some smaller countries has placed other capacity development efforts at risk.

3.46 DEEWR advised the ANAO, that under the Australia Awards initiative, AusAID, DEEWR and DFAT are exploring mechanisms to ensure the strategic management of scholarships is consistent with Government foreign, development and educational policy objectives.

Conclusion

3.47 In 2009–10 the aid program provided over 2000 scholarships to study in Australian tertiary institutions, to recipients from over 70 countries including in many countries where no other assistance is provided.[95] Recognising the potential contribution in-Australia training can make to reform efforts, AusAID's country offices carefully consider how to target scholarships to study in Australia. This includes consideration of how scholarships can best support the achievement of country program objectives by targeting potential

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94 See: ANAO, 'Whole of Government Governance Arrangements', in: *Audit Focus*, December 2009.

95 For example, in-Australia scholarships spending represents over 10 per cent of expenditure in at least 12 countries, and in countries such as Mongolia and Bhutan represents almost all of the assistance provided.

reformers within key sectors and institutions, while at the same time taking into account equity considerations. AusAID has also increased its support to scholars after they return to their home countries, including by doubling the number of countries with functioning alumni organisations.

3.48 The emphasis placed on scholarships to study in Australia in part reflects the role they play in Australia's foreign policy agenda, including their role in developing people-to-people links between Australia and its partners. The distinct focus of in-Australia scholarships programs means that, important as they are, in-Australia scholarships spending should not disproportionately affect the allocation of aid to other types of education spending. As AusAID has acknowledged, this is because 'the opportunity costs associated with scholarships are like those for any aid investment and are not limited to choices within the education sector.'

3.49 Consideration of the opportunity costs associated with scholarships provided to aid recipients is best undertaken at a country level. Evaluations of many of AusAID's largest scholarships programs have found that most alumni return home and derive benefit from their newly found skills. There is also evidence to suggest that the training provided has had an impact beyond benefits to individuals in certain countries. However, the ANAO identified a number of countries where the number of scholarships offered has increased substantially at a time when country offices have been unable to attract sufficient numbers of suitable candidates. This situation indicates that AusAID could give more attention to the opportunity costs associated with scholarship allocations to some countries, and their unintended consequences.

3.50 Identifying the appropriate number of scholarships to offer to aid recipients depends, in part, on effective coordination between AusAID and other donors. AusAID has made substantial progress in coordinating the delivery of scholarships programs with other donors. This success has been largely the result of the establishment of joint management and delivery of programs in the Pacific with the New Zealand Government's aid program. Improved coordination between AusAID and DEEWR scholarship programs, which forms part of the current Government's forward agenda, has been more challenging. At a minimum, the ANAO considers that, where both DEEWR and AusAID offer scholarships to countries that have small human resource pools, the agencies should work together to mitigate the risk that the number of scholarships offered will undermine the effectiveness of other capacity development efforts.

4.   Other Tertiary Training Assistance

This chapter examines AusAID's management of other tertiary training assistance. This includes direct support for tertiary training institutions, scholarships at those institutions, and support provided through the Australia–Pacific Technical College.

Introduction

4.1   As previously discussed, tertiary training is widely recognised as being critical for skills formation and supporting economic development.[96] This includes not only training provided by universities, but also post-secondary technical and vocational training institutions, particularly in the Pacific, where large numbers of people lack practical skills that are useful in the labour market.[97] By providing qualified teachers, tertiary training also supports the delivery of primary and secondary education.

4.2   The rise in the number of students obtaining tertiary qualifications overseas (including those on aid-funded scholarships), represents one part of the solution to addressing developing countries' higher order training needs. However, the number of people obtaining overseas qualifications either privately, or through scholarships, will generally be too small to provide the required stock of skilled human capital.[98] For this reason, the quality of tertiary training outcomes in partner countries and regions will ultimately depend on the capacity of in-country institutions to produce sufficient graduates to meet labour market demands.

4.3   The ANAO examined the support provided for:

- partner country tertiary training systems and institutions, including scholarships to study at those institutions; and

- technical and vocational training at the Australia–Pacific Technical College (APTC).

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[96]   World Bank, *Higher Education in Developing Countries: Peril and Promise*, Washington D.C. 2000.

[97]   Asian Development Bank, *Skilling the Pacific: Technical and Vocational Training in the Pacific,* 2008.

[98]   OECD and World Bank, *Cross Border Tertiary Education: A Way Towards Capacity Development,* 2007.

# Support for partner country tertiary training systems and institutions

Focus of support for tertiary training systems and institutions

4.4 For aid donors, including AusAID, there are strong grounds for caution in deciding when and where to provide support for tertiary training systems and institutions. Chief among these is the cost. OECD countries spend, on average, more than twice as much per student annually at the tertiary level than they do on students in primary and secondary schools. They spend more again on training in technology, the sciences, and medicine—fields which require costly specialised equipment and infrastructure.[99] In developing countries, which commonly face severe challenges in procuring goods and services, the costs are even more prohibitive.[100]

4.5 As can be seen in Figure 4.1, AusAID's direct support for tertiary training institutions has undergone a marked decline over the last decade. This has included a phasing out of large projects supporting universities and technical and vocational training institutions in large, middle-income countries such as Indonesia, Vietnam, Thailand, China and South Africa.

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[99] OECD, *Education at a Glance 2008: OECD Indicators*, 2008, p.205.

[100] World Bank, *Higher Education in Developing Countries: Peril and Promise,* 2000.

Figure 4.1

Support for tertiary training systems and institutions, 1995–96 to 2009–10 in real prices
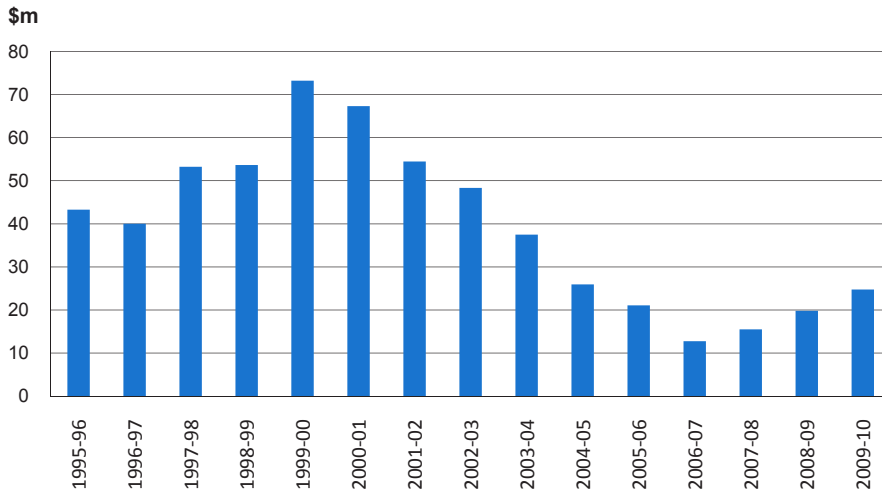
Source: Expenditure data is derived from AusAID administered expense data. Price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 17.

Notes: Excludes expenditure on scholarships to study at overseas tertiary training institutions, multi-sector education and training expenditure, and expenditure on the APTC, which do not directly support aid recipients' tertiary training systems or institutions.

4.6   Figure 4.2 shows the aid program's direct support for education systems and institutions in the Pacific, where most of the remaining resources are focused. This shows that from 1999–2000, direct support for education systems and institutions, including those providing tertiary training, has also reduced substantially, including as a proportion of ODA to the region.

Figure 4.2

Direct support for education systems and institutions in the Pacific, 1996–97 to 2009–10 in real prices
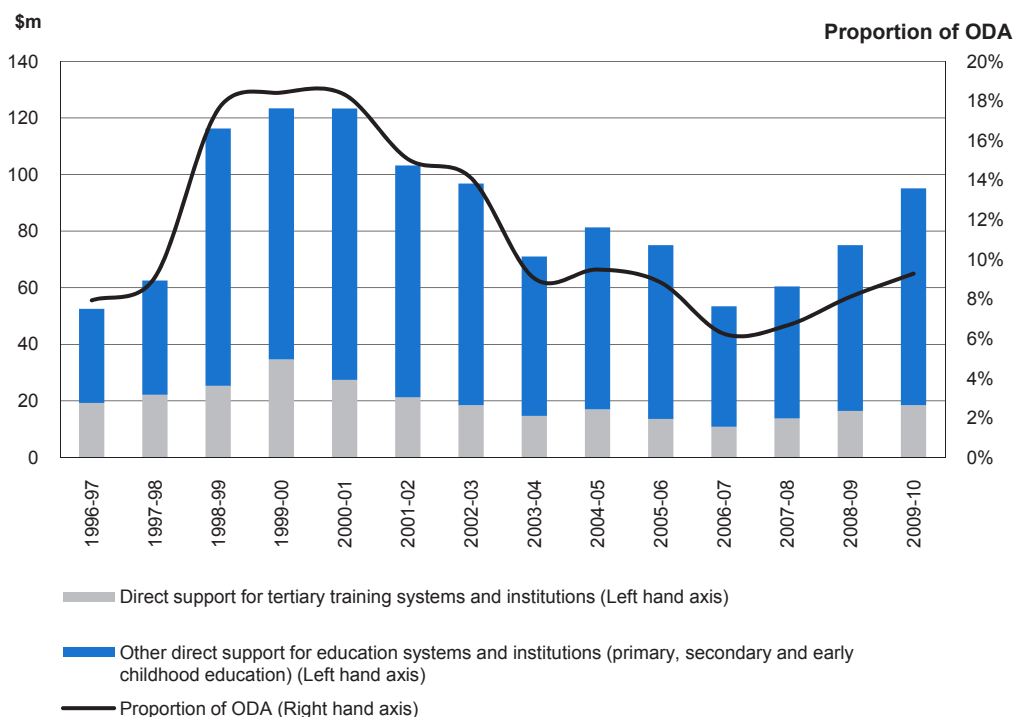

Source: Expenditure data is derived from AusAID administered expense data. Price deflators are derived from Budget 2010–11, 'Australia's International Development Assistance: A Good International Citizen,' Statement by the Honourable Stephen Smith, MP, Minister for Foreign Affairs, and the Honourable Bob McMullan, MP, Parliamentary Secretary for International Development Assistance, 11 May 2010, Table 17.

Notes: Excludes expenditure on scholarships to study at overseas tertiary training institutions, and multi-sector education and training expenditure.

4.7   The support provided includes direct financial and technical assistance to institutions such as the University of the South Pacific (which has received over $76 million in real terms since 1995–96), the Vanuatu Institute of Teacher Training, and the Fiji School of Medicine. The primary source of direct support for tertiary training systems and institutions in the Pacific is provided through scholarships to study at in-country or regional institutions under the long-standing Australian Regional Development Scholarships (ARDS) scheme.[101]

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[101] The Fiji School of Medicine is a major provider of training for the Pacific health workforce in medicine, dentistry, radiography, laboratory technology, public health, environmental health, nutrition and dietetics, and physiotherapy.

ARDS has supported Pacific Islanders to study at institutions such as the Fiji School of Medicine, the University of the South Pacific, and the University of Papua New Guinea for over 20 years. As can be seen in Table 4.1, a scholarship to study in Australia costs around double the cost of a scholarship awarded to a regional institution through ARDS.

Table 4.1

Unit cost of tertiary training: in Australia versus in regional institutions

Course	Course length	Annual cost (AUD)	
		Scholarships to study in Australia	Scholarship to study at a regional university
PHD	4 Years	49 700	27 552
Masters (Research)	2 Years	48 500	22 852
Masters (Coursework)	1 Year	48 500	33 562
Grad Dip	2 Years	36 000	21 270
Bachelor	4 Years	40 000	22 473
Medical Degree	6 Years	Not offered.	23 237

Source: AusAID.

4.8   Scholarships to study in regional or in-country institutions have been consistently identified by external reviews as representing good value for money to the aid program. For example, the OECD, in its 2004 review of the aid program argued that:

> Australia could go further in strategically positioning its scholarship programme based on country needs, notably capacity building, and should consider extending alternative locations for studying, benefiting from regional opportunities, especially South to South co-operation.[102]

4.9   Similarly, the Core Group report which informed the development of the 2006 aid program White Paper, argued that AusAID should 'scale up its use of new forms of recipient-country-based scholarships, such as distance learning and other forms of partnerships, with the aim of achieving cost-effectiveness and building institution-to-institution links'.[103]

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[102]   OECD, *Peer Review of Australia*, 2004.

[103]   Core Group Recommendations Report for a White Paper on Australia's aid program, December 2005.

Effectiveness of support for tertiary training systems and institutions in the Pacific

4.10   AusAID's progressive reduction in direct support for tertiary training systems and institutions has coincided with substantial improvements in access to tertiary training within many of the countries that AusAID supports. For example, tertiary enrolments in Vietnam increased from 186 000 in 1990 to 1.58 million in 2007 (an eight-fold increase), while enrolments in Indonesia increased from approximately 1.52 million in 1990 to 3.8 million in 2007.[104] Given the size and complexity of tertiary training sectors in these large countries, AusAID's basis for narrowing the aid focus to scholarships to study in Australia as a niche contribution is clear. It also reflects the value placed on international education in middle-income countries. In both Indonesia and Vietnam, in-Australia scholarships are one of the most highly valued components of Australian assistance.

4.11   The basis for AusAID's continuing focus on improving tertiary training in the Pacific, where the quality of tertiary institutions has generally either stagnated or declined, is also obvious. As previously noted, the cornerstone of AusAID's tertiary training assistance in the region has been the longstanding partnership with the University of the South Pacific in Fiji, and scholarships through the ARDS program. AusAID's sustained support for the University of the South Pacific has been an important factor in enabling the university to maintain its status as the premier higher education institution in the Pacific (as outlined in the following case study).

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[104] UNESCO Institute for Statistics; <http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=143&IF_Language=eng> [Accessed 28 February 2011].

Case Study

AusAID support for the regional universities

The University of the South Pacific (USP) is a primary source of higher education graduates in the region. Established in 1968, the university is owned by 12 member countries (Cook Islands, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu), and has 14 campuses in the region. Since its establishment, the university has produced close to 40 000 graduates.

The aid program has provided support to USP throughout its 40 years of operation. The impacts of this support are visible and tangible, including in the form of improved information systems upgrades, libraries, classrooms, laboratories and regional campuses. Less tangibly, Australia's contribution of core funding to the university has provided an important source of stable finances, which have helped the university deal with some significant financial challenges and to maintain its position as the premier university in the region.

More recently, AusAID has commenced an additional program of support for the Fiji School of Medicine, in addition to scholarships at that institution. Given that scholarships to study in Australia are not provided in medical fields because graduates from Australia frequently do not return to their home countries, this approach is a potentially economical and effective way of supporting improved health services in the region.

Source: Review of Australia's Support to the University of the South Pacific, 14 November 2008.

4.12   In addition, the ARDS program has provided an important supplement to AusAID's direct funding of, and support for institutions such as the University of the South Pacific, and the Fiji School of Medicine. While the quality of the education provided through these schemes is generally not of the same standard as that available in Australia[105], AusAID reviews and evaluations have consistently underlined the direct relevance of the training[106], their relatively low cost, and value as a direct avenue for supporting in-country or regional tertiary institutions. Given that higher education institutions in the Pacific struggle to attract the highest quality secondary school graduates from the region (most of whom study in developed countries), it is also an important way of ensuring that donor support does not

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[105] An evaluation of the ADS and ARDS schemes in Fiji and Tuvalu noted that: 'The majority of the employers interviewed considered that alumni from Australian institutions had better "soft-skills", including English language competence, greater confidence to be able to fully utilise their skills, to be assertive and to influence their colleagues and superiors and greater willingness to try new approaches to their work.' AusAID, *Fiji and Tuvalu Tracer Study,* 2008.

[106] Pacific-institution education and training is often said to be more relevant to Pacific workplaces as it is typically based on resources, technologies and work practices that can be used when the alumni return home.

attract the brightest students away from local institutions, and thus deplete their capacity.[107]

4.13   In PNG, the scale of the support provided has been insufficient to obtain measurable results. Over a 10-year period, AusAID has invested around $32 million in capital developments and distance education projects in the tertiary sector, and a further $30 million in supporting improved post-secondary technical and vocational training. While beneficiaries have valued aspects of the support provided, these investments have not had a discernable impact on the quality of tertiary training outcomes, which have progressively deteriorated (as is outlined in the following case study). In addition, and unlike other Pacific Island countries, PNG does not currently participate in the ARDS scheme. This means that while students from across the region are supported by the aid program to study at PNG universities, PNG students are not similarly supported to study at regional institutions, such as the University of the South Pacific.[108] AusAID has advised the ANAO that under the new PNG scholarship program this option will be available from 2012.

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[107]   Narayan, PK, Kishore R, Kumar R, and P Achary, *Destinations of Pacific Secondary School Students Undertaking Tertiary Study,* 2010. ARDS is organised around the principle that if a course is available regionally, scholarships should be awarded to study at the relevant regional institution, rather than in Australia.

[108]   The recent design for the scholarships program in Papua New Guinea contained no assessment of the potential value of providing in-country or regional scholarships to PNG citizens, noting only that '[t]here is the future possibility that the… [ARDS] program… will be extended to include outward-bound PNG students, who will leave to study in regional universities.' AusAID, *Scholarships PNG Design: 2010-14,* 2009.

Case Study

Education sector aid in Papua New Guinea

The experience of Australian support for the education sector in PNG underlines the limitations of external aid. In the context of a 46 per cent reduction in real per capita government recurrent expenditure since independence, the quality of education outcomes has progressively deteriorated. Recognising the limitations on available resources for supporting education systems in PNG, AusAID has focused the bulk of its available funding on support for primary schooling, including by phasing out a large program of scholarships for secondary students to study in Australia. The consistent focus on primary schooling has obtained some good results. For example, Australia has helped PNG increase primary school enrolment from 54 per cent to 63 per cent over the last three years—enabling an extra 300 000 children to go to school.

In other education sectors, resources have been of insufficient scale to obtain measurable results. AusAID internal analysis has observed of the technical and vocation training investments that:

> [T]he two trade testing projects are examples where new systems have been implemented effectively and valued by stakeholders… Whilst the system development of this intervention has been successful on a number of indicators, the capacity building component at [the Port Moresby Technical College] did not enjoy the same degree of success. For example, the equipment and tools provided under this project have not been maintained.

A recent review of the university sector commissioned by the Prime Ministers of Australia and PNG observed that declining government revenues had affected all education sectors, but that this was particularly evident in the funding of universities. The review observed that reduced funding, operational and structural inefficiencies, and a marked reduction in the quality of university entrants from secondary schools, had resulted in a situation where a high proportion of courses are not taught to an adequate standard, and there is an acute shortage in the skills and expertise required by both public and private sectors.

Source: Professor Ross Garnaut and Sir Rabbie Namaliu, *Papua New Guinea Universities Review: Report to Prime Ministers Somare and Rudd*, 2010. AusAID, *Discussion Paper: A proposed partnership between [the Port Moresby Technical College] and the Australian Government through AusAID*.

4.14   The performance of the PNG education sector is subject to a number of factors including the capacity of PNG institutions and the high population growth, that is increasing the school age cohort. However, the effectiveness of AusAID's support has also been affected by the lack of a consolidated and sustained focus on strengthening the PNG tertiary education system. This situation has in part arisen because of the thin spread of available resources. Noting this, the review of the PNG-Australia Development Cooperation Treaty urged a greater focus on the education sector (defined broadly to include secondary, technical and tertiary education), in order to 'more purposively boost PNG growth prospects.'[109]

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[109] Independent Review Team, *Independent review of the PNG-Australia Development Cooperation Treaty,* 2010. See: <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf> [Accessed 28 February 2011.]

4.15 The proportional allocation of aid to the PNG education sector is currently the subject of Ministerial consideration following the recent reviews of the PNG development cooperation treaty and PNG universities.[110] AusAID advised the ANAO that consistent with the recommendation of the review of PNG universities, the provision of additional assistance would be conditional upon demonstrated commitment to reform by PNG. It is expected that a joint response to the development cooperation treaty and university system reviews by Australia and PNG will be agreed at the next Ministerial Forum meeting.

AusAID's management of support for tertiary training institutions

4.16 In assessing AusAID's management of direct support for tertiary training systems and institutions, the ANAO was cognisant of the fact that the amount of aid devoted to strengthening tertiary training systems and institutions needs to be considered in the context of the aid policies of successive governments, and how these have affected resource allocation priorities.[111]

4.17 The absence of resource commitments or targets attached to these policies, at either the agency level or for specific countries, makes it difficult to gauge whether the scale of AusAID's direct support for aid recipients' tertiary training systems or institutions has been the outcome of a deliberative approach by AusAID.[112] In this context, AusAID advised the ANAO that, to date, investment in tertiary education in-country has not been a priority of the aid program, given Australia's focus on improving primary education. This is certainly true of spending in the last five years. Investments in basic education

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[110] Independent Review Team, *Independent review of the PNG-Australia Development Cooperation Treaty,* 2010. See: <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf> [Accessed 28 February 2011]. Garnaut, R and R Namaliu, *PNG Universities Review: Report to Prime Ministers Somare and Rudd,* 2010.

[111] This includes the aid program's 1996 Education and Training policy, which identified higher education (including in-Australia scholarships) and technical and vocational training as priorities for education assistance. It also includes policies outside of the education sector, such as the establishment of governance as a priority sector by the previous Government, which have affected the availability of resources for education investments, particularly in the Pacific, where governance has been a major focus. See: Media Release, Minister for Foreign Affairs, *New Focus on Governance*, 18 November 1997. <http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=9749_6762_5842_4609_3058> [Accessed 28 February 2011].

[112] While it is but one of many possible views, AusAID's Senior Education adviser observed in 2005 that: '[t]here is widespread recognition within the Agency that the Education Policy of 1996 has not been implemented to any great extent and there seems to be a consensus that a strategy is needed to operationalise this document.' Handover Notes for Principal Education Adviser, by AusAID's Senior Education Adviser: 28 April 2005.

have increased since the 2006 White Paper. However, in the 10 years prior to the White Paper, direct support for education (including primary schools) declined in the Pacific and Timor-Leste, the region recently identified by AusAID as having the highest capacity needs.[113]

4.18   Resources are finite. The aid program cannot address all education needs in the region, nor is AusAID the only donor. However, the lack of sustained and consolidated focus on supporting aid recipients' tertiary training systems or institutions has not been solely due to a lack of aid resources, but is also a function of how the resource allocation priorities have been set.

4.19   The dominant approach to addressing low government and private sector capacity, and in some cases, state fragility, has been a sustained increase in the deployment of expert consultants to provide (where it does not exist) or build institutional capacity. Consequently, the allocation of education sector aid to Timor-Leste and the Pacific, in all its forms, is substantially less than spending on governance. In the Pacific and Timor-Leste, spending on governance amounted to $385 million in 2007–08,[114] or 40 per cent of aid to the region, compared to $105 million on direct support for recipient countries' education systems. While recognising some notable achievements, the ANAO observed in its 2009 audit report that the use of technical assistance had failed to gain results consistent with its expense.[115] These findings have since been reaffirmed by reviews of the PNG Development Cooperation Treaty,[116] and reviews undertaken by AusAID, jointly with partner governments, of all adviser positions funded by the aid program. As a result of the latter, one quarter of all adviser positions in the aid program will be phased out, and

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[113] Until the release of the White Paper in 2006, AusAID's education assistance was guided by its 1996 Education and Training policy, which identified five priorities for assistance, including technical and vocational training, and higher education.

[114] AusAID, *Annual Thematic Progress Report: Governance, 2007–08*.

[115] See ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

[116] The review noted that: 'There have been technical assistance success stories, and, despite dissatisfaction with the reliance of the aid program on technical assistance, there is a strong demand for advisers from different parts of the Government of PNG. At the same time, several sources of evidence, from the decline in national governance indicators to a wealth of evaluation materials, and from international analysis as well, suggest that the "capacity building through advisers" model is not working.' Independent Review Team, *Independent review of the PNG-Australia Development Cooperation Treaty*, 2010. See: <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf> [Accessed 28 February 2011.]

savings reassigned into higher-priority investments, including a major focus on the education sector.[117]

4.20 Another important factor has been that AusAID has not been sufficiently selective in allocating aid. While it is only one of many countries AusAID assists, in PNG the thin spread of assistance has made it difficult to provide sustained support on a sufficient scale to have a discernable impact on tertiary training outcomes. However, this problem is not particular to PNG. As was observed in the ANAO's 2009 audit report, AusAID's country programs have often been spread too broadly to obtain the depth and quality of engagement required to achieve large-scale and sustainable development outcomes.[118] This problem was also the focus of AusAID's 2008 Annual Review of Development Effectiveness, which observed that:

> Although Australia enjoys a reputation with partners for its flexibility and responsiveness in development assistance, its experience is that being flexible and responsive can lead to a proliferation of small activities across many sectors, which reduces the overall impact of assistance.[119]

4.21 The ANAO considers that increased strategic consideration of the appropriate amount and types of support for education systems, and within this, the tertiary subsector, would better position AusAID to assist its partners to address weaknesses in their capacity. AusAID advised the ANAO that:

> [A]s countries make further gains in access and quality [to basic education], support for [technical and vocational training] and higher education is expected to increase. In developing the new education strategy, higher order skills and knowledge for further education, employability and wider development outcomes will be a priority area. Schooling beyond basic education, pathways to developing technical and vocational skills, and the role of tertiary education in national development will receive more attention in scaling up the program.

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[117] AusAID, *Joint Adviser Review Report*, 2011, p. 4.

[118] ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

[119] AusAID, *Annual Review of Development Effectiveness 2008*, 2009, p. 41. <http://www.ode.ausaid.gov.au/publications/pdf/arde_report-2008.pdf> [Accessed 1 April 2011].

The Australia–Pacific Technical College

4.22 With high and rapidly increasing populations and limited formal employment opportunities, many countries in the region have little alternative but to train their citizens for employment in global labour markets.[120] In the Pacific, remittances from overseas labour are a substantial component of national income—in each of Kiribati, Samoa, and Tonga, they represent over 15 per cent of gross domestic product.[121] Pacific Island governments have made gaining greater access to the labour markets of Australia and New Zealand an explicit policy goal.[122]

4.23 The potential of the aid program to support labour mobility formed part of the policy considerations in the development of the 2006 White Paper.[123] While it was announced some time before the White Paper was released, the response was to establish an Australian owned and operated technical training institution in the Pacific, the Australia–Pacific Technical College (APTC).

4.24 AusAID established the college in 2007, with campuses in PNG, Fiji, Vanuatu and Samoa offering qualifications in hospitality and tourism, automotive, manufacturing, construction and electrical services, and health and community services. APTC courses are delivered by Australian registered training organisations under Australia's regulatory framework for training provision and, as such, provide qualifications that are not available from institutions elsewhere in the Pacific.[124] In 2008–09, APTC expenditure accounted for 22 per cent of education spending in the Pacific, at over $32 million.

4.25 The ANAO examined the effectiveness of the APTC in supporting improved labour mobility and skills development. AusAID's management of the scheme was also reviewed.

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[120] Asian Development Bank 2007, *Skilling the Pacific (Technical Assistance for Implementation of Pacific Education Strategy: Skills Development)*, Pacific Islands Forum Secretariat. Fiji.

[121] International Monetary Fund 2007, *Working Paper: Remittances in the Pacific Region*. In March 2005, a Pacific Islands Forum Secretariat roundtable identified a number of steps that governments could take to increase remittances, including revising visa criteria to open up international labour markets to Pacific Island workers, particularly the unskilled.

[122] Maclellan, N & P Mares, *Labour mobility in the Pacific: creating seasonal work programs in Australia*. Paper for conference on 'Globalisation, Governance and the Pacific Islands', State, Society and Governance in Melanesia Project, Australian National University, Canberra, 25–27 October 2005.

[123] AusAID, *Core Group Recommendations Report for a White Paper on Australia's aid program,* 2005.

[124] AusAID, *Australia–Pacific Technical College: Mid-term Review,* 2009.

Effectiveness of the APTC in supporting improved labour mobility

4.26   By providing Pacific Islanders with Australian standard qualifications in a range of technical trades, the APTC aimed, in part, to support increased labour mobility between the Pacific and Australia, and other developed economies. This aim was reflected, for example, in the choice of qualifications to be provided by the college, which was in part guided by consideration of Australian eligibility requirements for skilled migration visas.

4.27   The focus on the college on improving labour mobility through the provision of skilled labour has created a degree of mistrust among government counterparts. This was evident in the ANAO's consultations with government stakeholders in PNG and Fiji, and was also identified as a concern by the mid-term review of the APTC, which observed that:

> [T]here is a perception, even amongst those who are highly supportive of it, that the APTC was conceived as a strategy to counter the demands of Pacific countries for Australia to provide their citizens with access to the Australian labour market, and/or a strategy to prepare Pacific Islanders for migration to Australia, thus denuding the region of its skilled workers.[125]

4.28   In spite of these concerns, the scheme has had relatively limited success as a labour mobility initiative, with only 40, or 1.7 per cent of its graduates finding work outside their home countries.[126] While it is too early to tell how effective the APTC will be at increasing labour mobility, its limited early success prompted AusAID in the second phase of the initiative to decouple the APTC course profile from Australian visa requirements. AusAID has also sought to improve the integration of the APTC with local systems for technical training, including by making local labour market demands more central to the focus of training.[127]

Effectiveness of the APTC in supporting skills development

4.29   The APTC has been successful in producing tangible training outcomes, with 2424 graduates receiving Australian standard qualifications in a range of disciplines.[128]

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[125]   AusAID, *Australia–Pacific Technical College: Mid-term Review*, 2009.

[126]   APTC Coordination Office, *Applicants and Students Monthly Report for January 2011*, 28 January 2011.

[127]   AusAID, *Australia–Pacific Technical College, Stage 2: 2011-2015, Program Design Document*, 2010.

[128]   APTC Coordination Office, *Applicants and Students Monthly Report for January 2011*, 28 January 2011.

4.30   Surveys of graduates conducted by the project suggest that the APTC has improved the employment prospects of its graduates. The mid-term review of the initiative observed that as a provider of quality training, the APTC also appears to be having a positive effect on local trainers and training partners.[129] Through the professional development of national technical and vocational training staff the APTC raises the training standards of local and regional institutions.[130]

4.31   Another benefit from this approach is that, being located in the region, the initiative is better placed to develop partnerships with local industries, and forms of training that directly address the needs of these partners. Private sector employers consulted during the audit and by the mid-term review of the initiative reported that they place a high value on the professionalism, knowledge and competencies of APTC graduates, their high skill standards and the workplace relevance of APTC training.[131]

4.32   Rather than focusing on strengthening technical and vocational training institutions or policies, the APTC sits outside national systems, and is purely Australian owned and operated. The APTC endeavours to avoid competing with local providers by assuming a niche role at the upper end of the training market not covered by local suppliers. However, the potential for the APTC to compete with and undermine the capacity of local providers was raised by stakeholders consulted during audit fieldwork, and has affected the level of support for the initiative from many partner government stakeholders, some of whom argue the focus should be on assisting them to improve their own institutions.[132]

4.33   AusAID advised the ANAO that it is assessing options for the long-term integration of APTC with the regional technical and vocational training

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[129] AusAID, *Australia–Pacific Technical College: Mid-term Review,* 2009.

[130] AusAID advised the ANAO, that in order to increase the APTC's contribution to raising local training standards, the second phase of the scheme will establish a school of professional development, which will deliver training, on a fee-for-service basis, to trainers and assessors from local and regional training institutions. The school will award the Certificate IV in Training and Assessment—the benchmark qualification for trainers and assessors under the Australian Quality Training Framework.

[131] AusAID, *Australia–Pacific Technical College: Mid-term Review,* 2009.

[132] This risk was also raised by AusAID's PNG country office in feedback on the design of the second phase of the project, when they observed that '[t]he statement that the APTC should also have some flexibility to train "new entrants" (students who meet the theory requirements for entry to a course, but have limited to no practical work experience)… may contravene the [PNG Government's] understanding that the APTC will not compete with TVET at Certificate 1 and 2 levels.'

systems. This includes: ongoing consideration of the potential for amalgamation with viable regional training institutions; deepening partnerships with industry; widening the funding sources; and greater use of APTC to train trainers and managers.

AusAID's management of the APTC

4.34   AusAID successfully established the APTC following its announcement in 2005. The ANAO visited two of the college's campuses in Fiji and PNG during the audit and consulted employer groups in both countries. On this basis, the ANAO observed that the APTC has established a good reputation among students and employers in a relatively short space of time.[133] AusAID has also progressively strengthened the focus of the scheme on verifiable demand for skills in national, regional or international labour markets.

4.35   However, the ANAO also identified a number of shortcomings in AusAID's management of the college. The first issue relates to the contracting model developed by AusAID to deliver the scheme. This model, which included three separate contracts—one to coordinate management inputs and two others to provide training—has been expensive. Management costs have exceeded 50 per cent of recurrent (non-capital) costs over the first phase. The cost of the training delivered by the project is approximately $34 600 per graduate, which is roughly equivalent to the cost of providing a scholarship to study in an equivalent course in Australia.[134] A submission to the recently established independent review of the aid program has suggested that the cost of a qualification from the Fiji National University costs about one quarter of an equivalent qualification obtained through the APTC.[135]

4.36   The ANAO recognises that delivering Australian standard technical training in developing countries is expensive. However, given the high cost of the initiative, there will be an ongoing need to improve the relative value for money of courses delivered by the APTC, so that it represents a cost-effective approach to supporting technical and vocational training in the region.

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[133]   This observation is also reflected in the findings of the mid-term review of the initiative that: '[t]he APTC had developed a unique and respected niche at the middle to top end of the regional vocational skills supply chain by providing quality-assured Australian training that meets the productivity demands of employers and bridges the gap between national and international standards.'

[134]   AusAID, *Design of Australia–Pacific Technical College, Stage 2: 2011-2015*, Annexes, p. 73.

[135]   See submission from Nair, R., 2011, *Critical Analysis of the APTC*. See <http://www.aidreview.gov.au/publications/> [Accessed 22 February 2011].

AusAID's strategic framework for the scaling up of education assistance recognises that '[o]pportunities exist to expand support for [technical and vocational training] through the APTC but from a value for money perspective support for targeted national [technical and vocational training] institutions may be a better option.'[136] AusAID advised the ANAO that cost savings have been identified for the next phase of APTC, including by:

- reducing capital outlays;

- increasing use of local trainers and adopting more flexible training options; and

- adopting a single contract to manage all APTC operations, streamline administrative arrangements and minimise duplication.

4.37 AusAID has estimated that the resulting indicative 15–20 per cent reduction in administrative costs will enable the allocation of a greater proportion of funding to training delivery. AusAID expects this will increase the number of graduates by approximately 500 under the second stage of the initiative.

4.38 The second issue concerning AusAID's management of the college relates to how it has allocated training places available under the scheme among participating countries. The APTC is a regional initiative, serving 14 countries. This means decisions have needed to be made about the allocation of available places among participating countries.

4.39 Access to the APTC has been facilitated through a large program of scholarships, which have provided financial and tuition fee support to about 58 per cent of trainees, many of whom would not otherwise have been able to afford to participate in the training scheme.[137] The allocation of scholarships has been managed by the contractor appointed to coordinate the APTC, guided by an allocation model, which takes into account participating countries' population sizes and gross domestic products. This approach was designed to positively favour smaller and less economically developed countries that do not have an APTC campus. The allocation of scholarships

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[136] AusAID internal paper, *Education Strategic Choices, Key issues and priorities for AusAID engagement to 2015,* 2010.

[137] AusAID, *Australia–Pacific Technical College: Mid-term Review*, 2009, p. 24.

and other training places has also been influenced by a number of different factors, including the:

- quality and maturity of the links established between the different campuses and their industry partners;

- range of courses offered by the different campuses;[138]

- quality and quantity of applicants from participating countries; and

- need to fill available places quickly in order to meet contractual requirements.

4.40   The current approach has resulted in some significant disparities between target countries in how available training places have been allocated. For example, PNG, a nation of six million people, has been awarded fewer training places (around two thirds) than Fiji, a nation of less than a million, despite submitting a similar number of applications to the college.[139] In addition, while APTC scholarship policies are supposed to favour students from countries without an APTC campus (reflecting the dependence of students from these countries on financial assistance to train at the college), in practice, scholarships have not been preferentially allocated to those countries.[140]

4.41   These disparities suggest there is more work needed to establish a more transparent approach to allocating available training places under the APTC that takes into account the particular needs and interests of the different target countries, and any other factors that bear on allocation decisions. Under the first phase of the initiative, there has been little involvement from AusAID's country offices in determining how training places are allocated. Consistent with the principle of country offices leading consideration of value for money and opportunity costs, the ANAO considers the quantum and type of training provided through the college should be subject to stronger country program involvement. This should include consideration of how the training provided through the project can best be targeted, in terms of number of places or types of qualification, to address the specific needs of countries.

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[138]   Of the 22 courses currently offered, most of which are available in multiple locations, seven are in PNG, 13 are in Samoa, seven are in Vanuatu and 16 are in Fiji. See <http://www.aptc.edu.au/courses/index.html> [Accessed 28 February 2011].

[139]   APTC Coordination Office, *Applicants and Students Monthly Report for January 2011*, 28 January 2011.

[140]   AusAID, *Australia–Pacific Technical College: Mid-term Review*, 2009, p. 24.

4.42 AusAID advised the ANAO that stage two of the project would include efforts to provide more systematic collection and analysis of market intelligence and data to inform course profiling. It would also provide the scheme with more flexibility to add or remove courses to respond to identified skill shortages.

Conclusion

4.43 Over the past decade AusAID's direct support for tertiary training systems and institutions has focused on the Pacific and Timor-Leste, where tertiary training outcomes have generally either stagnated or declined. The cornerstone of AusAID's tertiary training assistance in the Pacific has been AusAID's program of scholarships to study at the University of the South Pacific and other regional institutions (almost $150 million over the last 15 years). This approach has been a cost-effective and valuable way of supporting tertiary training institutions and outcomes in the region. In addition to provision of scholarships, AusAID has also provided direct financial and technical support to the University of the South Pacific in Fiji over many decades. This support has been important in enabling the university to maintain its status as the premier higher education institution in the Pacific.

4.44 AusAID's other direct support for the tertiary training systems in the Pacific and Timor-Leste has been smaller in scale, and less sustained. While beneficiaries have generally valued the assistance provided through these interventions, their impacts have been difficult to discern at a sectoral level. The poor performance of the partners' education sectors is subject to a number of factors, including, in many cases, chronic underfunding and inefficiencies, which are not easily resolved by external assistance. However, in countries where improved tertiary training systems are identified by AusAID as critical to development prospects, the effectiveness of AusAID's support would benefit from a more sustained and concentrated focus on improving tertiary training systems. Given the importance of tertiary training to addressing weaknesses in institutional capacity and supporting education sector development (through for example, the provision of appropriately trained teachers), this could provide an important complement to programs focused on improving the quality of lower levels of education.

4.45 AusAID's establishment of the APTC and its learning outcomes have been very successful. The APTC, which accounts for over 20 per cent of education spending in the Pacific, has trained some 2424 graduates. While the

APTC represents a valued addition to the tertiary training provision in the region, there is scope to improve its sustainability and effectiveness. The high cost of the initiative and lack of integration with existing technical and vocational training systems are challenges that AusAID faces in addressing the sustainability of the APTC.

5. Management of Tertiary Training Assistance

This chapter examines AusAID's approach to managing tertiary training assistance.

Introduction

5.1　Because of the variability of the contexts in which they work, aid agencies are challenged to cater for the unique characteristics of each of the countries they support. To address this challenge, a distinctive feature of AusAID's management approach is its devolved system of governance. While devolution of increased responsibility to overseas offices has been a feature of the aid program for some time, this approach gained momentum with the publication of the White Paper on the aid program in 2006.[141] To implement the White Paper, AusAID gave its country offices 'full responsibility and accountability for all aspects of implementation of AusAID's development strategy in country'.[142] Responsibilities included: program design; implementation and management; in-country policy dialogue; managing local stakeholder relationships; monitoring, and performance assessment.[143]

5.2　This approach provides AusAID's country offices with the flexibility to devise and implement solutions that are appropriate to local needs. However, the approach is not without its risks. As is discussed in the ANAO's 2009 audit of the aid program, increased workloads at posts suggest devolution may have resulted in a loss of economies of scale associated with a more centralised management approach.[144]

5.3　The ANAO examined the effectiveness of AusAID's devolved management approach in supporting the:

- design of tertiary training initiatives; and

- accurate and comprehensive recording of information about tertiary training initiatives and expenses.

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[141]　AusAID, *Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's overseas aid program*, 2006, p. xv.

[142]　AusAID, *AusAID 2010: Director General's Blueprint*, 2007, p. 5.

[143]　ibid.

[144]　ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

Design of tertiary training initiatives

Tailoring assistance to the needs of recipients

5.4   In its 2009–10 audit of the aid program, the ANAO observed that devolution of increased responsibilities to country office staff has supported the development of greater country knowledge and stronger relationships with partner government personnel.[145] In administering tertiary training programs, the authority AusAID has given to overseas offices has been critical to ensuring the training offered is relevant to the needs of aid recipients, and is managed in a way that is appropriate to local contexts. This result is evident in the design of tertiary training initiatives, most of which contain bespoke strategies to address needs that are unique to the particular contexts in which they are deployed. It is also evident in the design of schemes that are unique to the needs of particular countries.[146]

5.5   In terms of AusAID's mainstream scholarship programs, devolved management has allowed closer attention to be given to the allocation of scholarships to country needs and circumstances. It has also enabled better alignment with country program objectives, and tailored arrangements for supporting scholars after they complete their studies (as discussed in Chapter 3). It has also provided a basis for improved coordination with other donors (also covered in Chapter 3).

5.6   Although it is not routinely considered in scholarship program designs, devolved management has enabled country offices to consider the relative costs of in-country versus in-Australia scholarships schemes. In some

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[145]   ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program.* A survey of AusAID staff conducted by the audit found that over 67 per cent of respondents agreed that devolution had improved country program effectiveness, while only 11 per cent disagreed with the same proposition.

[146]   For example, in Afghanistan, AusAID has recently developed a scheme to provide training for Afghani teachers in Malaysia, recognising that cultural and other similarities between the two countries provided a better basis for the provision of contextually relevant training than if the training were provided in Australia. Cardno Acil, *Development Assistance Facility for Afghanistan–Malaysia–Australia Education Project for Afghanistan: Implementation Plan and Curriculum,* 2009.

instances, this has informed discussions with recipient country governments about the optimal balance between regional and in-Australia training.[147]

Impact of proliferation of scholarships schemes

5.7 AusAID's efforts to sensibly target the allocation of scholarships at a country level have been complicated by a proliferation of scholarships schemes. Some of these schemes have emerged out of a conscious desire to address needs that are particular to country contexts. Other initiatives have been developed in response to requests for additional AusAID scholars by domestic institutions, namely the University of Wollongong and the Carnegie Mellon University. Yet others have been developed as partnerships with external institutions, such as the International Monetary Fund, or to support other Commonwealth government departments to pursue their mandates.

5.8 While the product offered by these programs—a tertiary qualification— is the same, there is an array of schemes on offer, each with different eligibility requirements, selection processes, target groups, intake numbers, benefits and management arrangements. This situation led a recent internal review to observe that:

> AusAID currently administers over 25 separate subprograms for 'scholarships' alone. Add to this the numerous fellowship programs and their equivalents, and it is clear that the Agency is exposed to significant inefficiencies in regard to fragmentation of study assistance effort. Most of these subprograms have originated in a spontaneous manner and their development has lacked coordinated planning effort. Hence, the Agency has a large number of study assistance subprograms each trying to do the same or very similar, things using varying management processes.[148]

5.9 Beyond administrative complexity and the associated costs, the proliferation of scholarships programs could confuse potential candidates, as well as affect efforts to coherently target the allocation of scholarships to

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[147] For example, in Fiji, after consultations with the Fijian Government, a decision was made to fund more in-Australia scholarships, at the expense of scholarships to study in Fiji. As the Interim Fiji Government provides around 3 000 scholarships annually to study at local institutions, it indicated a preference for more scholarships for study in specialised courses only available overseas, but could only afford about 30 overseas scholarships. As a result AusAID decided that it would be better to reduce ARDS numbers and double the in-Australia scholarships to address the specialised priority human resource development needs identified by the Interim Government. In other cases (see para 4.13), the value for money of alternative locations for study have not been considered in administering scholarships programs.

[148] AusAID, *Sub-Review of AusAID Scholarships Selection, Reintegration and Monitoring & Evaluation Processes,* 2008.

country or regional priorities, and to offer scholarships to the most suitable candidates. The proliferation of programs has also reduced AusAID's ability to consistently brand and promote the schemes it manages and to explain the program to stakeholders.

5.10   The difficulties posed by this situation are well recognised, and are the focus of ongoing efforts, under the Australia Awards initiative, to consolidate and streamline the administration of scholarships schemes, and increase the visibility and recognition of Australian scholarships (discussed in Chapter 3).[149] AusAID advised the ANAO that, in the immediate term, a single application and selection process, supported by a single set of guidelines, policies and entitlements will be developed for the two largest programs providing scholarships for study in Australia (the Australian Development Scholarships and Australian Leadership Awards Scholarships schemes).

5.11   This is a welcome step. The ANAO considers that the potential for a similar streamlining of guidelines and procedures for other scholarship programs could also be investigated. As a minimum, there would be value in incorporating procedures that support:

- a consolidated record of all the support AusAID provides through its various scholarship initiatives (see paragraph 5.16);

- joint consideration of the appropriate number of scholarships to offer to aid recipients in countries where both DEEWR and AusAID scholarships are offered (see paragraph 3.45); and

- consideration of the value for money of alternative locations for study in designs for tertiary training initiatives (see paragraph 4.13).

Consistency of monitoring and evaluation of tertiary training initiatives

5.12   Under AusAID's devolved management model, routine monitoring and performance assessment of activities is the responsibility of country offices, taking into account guidance issued by AusAID's head office.[150] The

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[149] Media Release, 13 November 2009, *Australia Awards*, <http://pmrudd.archive.dpmc.gov.au/taxonomy/term/9?page=15> [Accessed 28 April 2010]. The announcement stated that '[R]ather than dilute Australia's scholarship effort through a group of uncoordinated programs, the Australia Awards initiative will ensure that Australian scholarships are consolidated, better branded, and delivered to support Australia's long term interests.'

[150] Chiefly, AusAID *Introductory Guidance on Monitoring and Evaluation for AusAID Development Awards Programs*, 2009, and AusAID, *Scholarship Program Quality at Implementation Guidance*, 2009.

management of monitoring and evaluation by country offices enables approaches to be tailored to the specific circumstances of each country, and to the specific requirements of each initiative.

5.13 AusAID's scholarship programs—by far the largest component of its tertiary training assistance—are unusual compared to most other aid activities. This is because their product, a tertiary qualification at an approved institution, does not vary substantially from location to location.

5.14 To date, AusAID's approach to monitoring and evaluation has not taken full advantage of the basic similarities of scholarship initiatives. The devolution of responsibility for monitoring and evaluation to country offices has led to inconsistent approaches being adopted, which has made it difficult to compare the performance of different programs. As discussed in the next chapter, AusAID's country offices have also struggled at times to ensure that evaluations of scholarship programs are methodologically robust. In addition, many country offices have not completed evaluations of the impact of scholarships. This means there is limited empirical evidence about the effectiveness of many of AusAID's scholarship initiatives.

5.15 Greater consistency in monitoring and evaluation across the scholarships programs would help to improve the quality and coverage of monitoring and evaluation, and strengthen the comparability of performance feedback. As is discussed in the next chapter, the consistency and effectiveness of AusAID's monitoring and evaluation of scholarships initiatives would benefit from greater head office engagement in the planning and management of monitoring and evaluation. AusAID advised the ANAO that it is systematically reviewing and reissuing guidance with a view to strengthening methodological consistency.

Information management systems

Recording scholarships support

5.16 Currently, the various scholarships programs supported through the aid program are administered through a number of different information systems. Although scholarships to study in Australia are primarily administered through a purpose-built student management system, OASIS, some of the scholarship sub-programs are administered through different

systems.[151] Further systems have been developed to administer regional scholarship schemes, and there are separate systems in place for the APTC scholarships program, ARDS, and other country-specific programs. DEEWR uses yet another system to administer its Endeavour scholarships program. Consequently, the aid program provides a large number of scholarships about which there is no consolidated record, and the expenditure and progress of which cannot be readily tracked.[152]

5.17 The systems in place all have the same basic objective—that of managing students, and monitoring and accounting for the investments made in them. There would be merit in progressively integrating the administration of AusAID scholarships programs into one system, to provide a more efficient platform for administering the various scholarships programs. It would also provide a basis for consolidated recording and reporting of all tertiary training courses supported through the aid program.

5.18 The global and non-development aspects of DEEWR's Endeavour program, and its distinct financial management obligations, would make full integration of the program with AusAID's systems more difficult. However, apart from data provided by DEEWR on its ODA-eligible expenditure, there has been no consolidated whole-of-government reporting on scholarships program numbers, expenditure or outcomes. AusAID advised the ANAO that:

- the next phase of OASIS, due for completion in 2011, will include the integration of the ARDS information management and build reporting capability for all scholarships programs managed by AusAID; and

- ongoing work under the Australia Awards is examining ways to improve whole-of-government reporting, including, as a first step, a joint report covering 2010 to be released in mid-2011.

5.19 Implementing these proposals will go some way to providing a consolidated record of Australia's total tertiary training ODA, and a basis for assessing its effectiveness.

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[151] This includes, for example, the large AIPRD scholarships program. AusAID, *Scholarships Effectiveness Review: Part 1*, 2008, p. 26.

[152] This includes for example, provision of over 170 scholarships since 2005 to study in various regional institutions (mostly in Indonesia), under the Timor-Leste country program, as well as 70 scholarships provided annually under the Laos country program to study at the National University of Laos.

Recording tertiary training expenses

5.20 Sound information and advice to government and external stakeholders about the geographic and sectoral focus of the aid program depends on consistent and accurate attribution of program expenditure. This information provides the basis for meaningful statistical analysis, internal monitoring and evaluation, policy development, and external reporting, both to the public and to the OECD, which collates information about aid flows globally.

5.21 In AusAID's aid management system, AidWorks, administered expenses are classified using sector codes developed by the OECD, which provide a basis for reporting by all aid donors about the geographic and sector focus of aid. To assess the accuracy of AusAID's attribution of administered expenses, the ANAO examined expenditure data on tertiary education activities over the period 2003–04 to 2008–09, including expenses incurred by other Australian Government departments.

5.22 The ANAO identified systemic errors in the coding of administered expenses in AidWorks. As can be seen in Table 5.1, about 80 per cent of expenses on advanced technical and managerial training were attributed to the incorrect sector. This was largely the result of the attribution of APTC expenses to the sector code that covers technical and vocational training at the secondary (rather than tertiary) school level. Around 20 per cent of expenditure on support for the University of the South Pacific was not recorded as higher education expenses.

Table 5.1

Misclassification of administered expenditure on tertiary training assistance, 2003–04 to 2008–9

Program Category	Proportion of total not correctly classified (%)
Scholarships to study in Australian tertiary institutions	8
Fellowships and short courses in Australia	8
Other regional or in-country scholarships initiatives	34
Advanced technical and managerial training	80
Higher education	20

Source: ANAO analysis of AusAID coding of administered expenses.[153]

5.23   This situation has presented a number of practical difficulties over many years. For example, an internal report on data quality issues in 2006 observed that AusAID needed to spend as much as $20 000 to provide its then Minister with accurate information about the amount of money it had spent on teacher training in PNG. Even after intensive data cleaning activities over nine weeks, AusAID could not be confident that it had calculated this correctly.[154] While this was some time ago, the issue is still relevant. During the audit, the ANAO observed that obtaining accurate expenditure data from AidWorks continues to rely on extensive manual intervention.

5.24   Even with correct coding, the OECD codes do not, in themselves, provide sufficient detail to readily identify all expenditure relevant to AusAID's internal and external reporting requirements. For example, under the OECD guidelines, all general scholarships expenditure should be coded as 'multi-sector education/training', to reflect the fact that scholarships are training that is not specific to any particular sector. However, this approach does not enable AusAID to distinguish between expenditure on short courses in Australia, study in Australian tertiary institutions, other regional scholarships, or other possible forms of multi-sector training support. AusAID has advised the ANAO that, consistent with new OECD reporting guidelines, recent revisions to AidWorks will now enable it to record the costs of activities

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[153]   This analysis understates miscoding, as it relies on positively identifying scholarships expenditure. For example, in 2009, a total of 119 Iraqis commenced scholarships in Australia, but the ANAO was unable to identify Iraq agricultural scholarships expenditure in AusAID's education expenditure database, because it had been incorrectly coded as agricultural support.

[154]   AusAID, *Data Issues Workshop: Summary of Proceedings*, 2006.

to deliver education or training courses located in Australia (or in another donor country) as well as the costs of activities that support education or training undertaken in a developing country.

5.25 As identified in this audit, and discussed in the ANAO's 2009 audit report, data attribution issues have been a significant problem within the aid program for some time. While systems are one part of the problem, the scale of inaccuracies in AusAID's management systems is also reflective of insufficient attention being paid to the quality of data entered into the system. An internal review of data quality in AidWorks noted that the absence of quality assurance mechanisms was exacerbated by the devolution of responsibility for data entry to overseas offices.[155] The findings of this audit reinforce the importance of improving the quality of information management within AusAID, as a basis for retaining corporate memory, and developing strong evidence-based policy advice.

Conclusion

5.26 AusAID's devolved management approach provides country offices with the flexibility to tailor the design of aid interventions to country contexts. In administering tertiary training programs, this includes consideration of: the relative merits and costs of in-country or regional, versus in-Australia scholarships; the way that training is targeted to the needs of countries and to aid objectives; and the amount of pre-departure training required to support scholars to perform well academically. The devolution of increased responsibilities to country office staff has also supported the development of greater country knowledge within AusAID, and stronger relationships with partner government personnel. It has also supported improved coordination with other donors.

5.27 There are a number of areas where AusAID can preserve the fundamental strengths of its devolved management model, while at the same time addressing some of the undesirable outcomes that have resulted from the way it has been implemented. These include:

- the proliferation of different scholarship programs has created a high level of administrative complexity and duplication of effort, and made it difficult for country programs to coherently target tertiary training

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[155] AusAID, *Data Issues Workshop: Summary of Proceedings*, 2006.

assistance. It has also has reduced AusAID's ability to consistently brand and promote the schemes it manages and to explain its program to stakeholders;

- inconsistent approaches to monitoring and evaluation, which have reduced the ability to compare the performance of different programs; and

- deficiencies in information management, which have contributed to a loss of central oversight over the scope and scale of tertiary training initiatives globally.

Recommendation No.2

5.28 Consistent with current efforts to streamline scholarships programs and provide greater visibility to, and recognition of, their contribution to development efforts, the ANAO recommends that AusAID:

(a) progressively integrates the scholarships information management systems so that they support the implementation of, and provide consolidated information about, all AusAID scholarship programs; and

(b) attributes tertiary training expenditure in a manner that is both consistent with OECD guidelines and sufficiently granular to enable ready identification of expenditure on each of its major tertiary training programs.

AusAID response: Agreed.

5.29 Appendix 1 sets out AusAID's complete response to the recommendation.

6. Monitoring, Evaluation and Reporting

This chapter examines AusAID's monitoring and evaluation of tertiary training assistance and the adequacy of external reporting.

Introduction

6.1 Monitoring and evaluating programs enables managers to assess their effectiveness, address accountability concerns and identify opportunities for improvement. It is also the basis for reporting program achievements. The ANAO examined the effectiveness of AusAID's:

- monitoring and evaluation of tertiary training assistance; and

- external reporting on the focus and outcomes of its tertiary training assistance.

Monitoring of tertiary training assistance

6.2 AusAID's performance assessment and evaluation framework provides a sound basis for monitoring tertiary training initiatives and considering program effectiveness.[156] The cornerstone for monitoring aid activities is AusAID's quality reporting system, which requires responsible managers to submit reports on the quality of all monitored aid activities at least once a year.[157] These reports assess the quality of activities against a set of common criteria, with ratings reviewed and moderated by senior managers to ensure they are robust.[158] The ratings form the basis for reporting performance in annual reports, and are also considered as part of AusAID's Annual Review of Development Effectiveness.

6.3 Compliance with the requirement to complete annual activity level performance assessments is strong. All of the 20 largest scholarships programs submitted quality reports in 2010 or recorded an exemption, as did the

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[156] See ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program.*

[157] Activities are monitored if the expected funding over the life of the activity is over $3 million, or the program is of special significance to country strategies or key relationships.

[158] AusAID, *Performance Management and Evaluation Policy,* 2009.

six initiatives supporting tertiary training institutions in East Timor and the Pacific. While the subjective nature of these assessments means there is a tendency for activity managers to be overly optimistic about the impact of initiatives, they provide the opportunity for country program managers to regularly reflect on the strengths and weaknesses of initiatives. They also provide visibility over the performance of initiatives to AusAID's head office and, through external reporting, to external stakeholders.[159] In addition, the assessments are important inputs to Annual Program Performance Reports (APPRs), through which each country or regional program assesses the performance of groups of related activities against strategy-level objectives.

6.4 As would be expected, the extent to which the effectiveness of tertiary training assistance is considered by APPRs reflects the significance of tertiary training spending in the context of the program. In many cases, extensive consideration is given to the contribution of tertiary training efforts towards program objectives. In others, coverage is minimal, even where tertiary training investments represent a significant proportion of country program expenditure. For example, the scholarships program in Vietnam received only peremptory coverage in the country's 2008–09 annual performance report, despite accounting for over 20 per cent of country program expenditure. There is room for AusAID to more consistently cover the contribution of tertiary training activities to country program objectives in program performance reports. AusAID advised the ANAO that the new country strategy architecture will allow programs to more clearly articulate the role of scholarships in contributing to development outcomes in a specific country or region.

Collecting performance information

6.5 For monitoring to be effective, managers must have access to reliable information. The provision of scholarships to individual candidates spans several years, from their initial applications, through in-country preparation for study, study, and finally, return to their home country or movement elsewhere. This means there is a range of information that could be collected about the experiences of students that is relevant to understanding the performance of the scheme and of different student cohorts (see Figure 6.1).

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[159] ANAO Audit Report No.15 2009–10 *AusAID's Management of the Expanding Australian Aid Program*.

Figure 6.1

Information requirements for monitoring and evaluation of scholarship programs
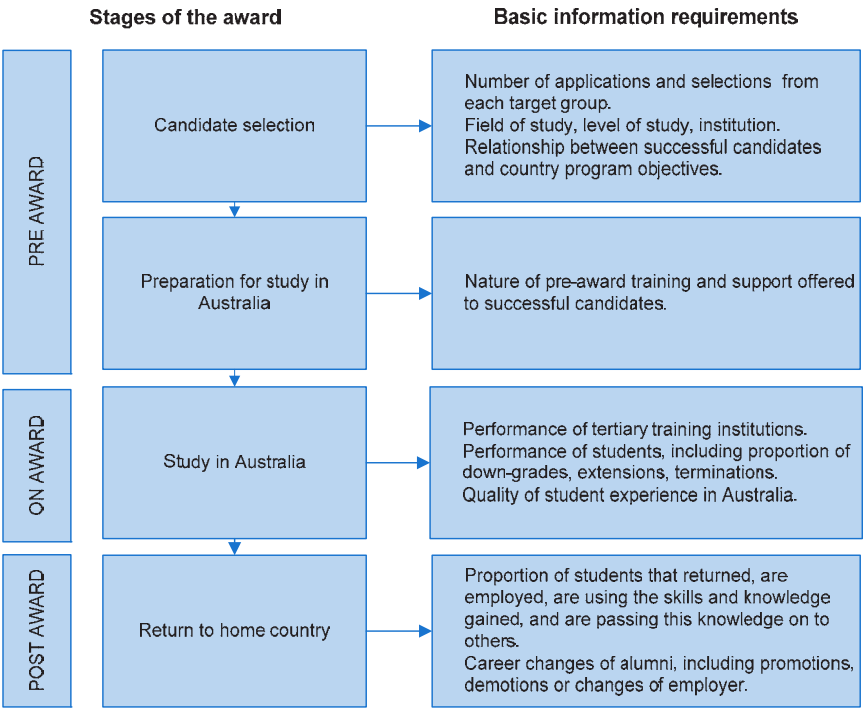
Source: ANAO analysis of AusAID information.

6.6   Data collection practices at the pre-award phase vary considerably from program to program, reflecting the nature of AusAID's management arrangements, and the size of the program. Generally, this information is collected locally, in specific databases set up for that purpose. Data about successful applicants, such as their gender, age, and whether they were recruited through an open, or partner government-led process are entered into AusAID's scholarship management system. While there are sometimes additional elements that are relevant to the interests of specific countries, the data held by AusAID centrally provides a basis for understanding those to which scholarships have been allocated.

6.7   In the on-award phase of the program, AusAID conducts annual surveys of students to gather information on their experiences from when they first heard about AusAID scholarships to their experience as a student in Australia. These provide feedback that supports program managers in identifying measures to improve the quality of the students' experiences prior

to and during study in Australia. The ANAO found that program managers frequently use student data, such as completions and variations, to review the effectiveness of candidate selection, targeting and preparation, and to modify management practices.

6.8   The most challenging phase of the scholarships program to monitor is post-award—that is, the experience of scholars after they complete their studies. This is because it requires maintenance of contact with scholars after they have completed their studies. Half of the 20 Quality at Implementation reports reviewed by the ANAO emphasised the need to strengthen post-award monitoring.

6.9   Given the inherent difficulty of keeping contact with large numbers of scholars after they have completed their studies, maintaining a complete and accurate database of graduate contact details is probably not feasible. To address this problem, the ANAO considers the approach adopted by some programs, to identify up-front a representative sample of alumni as the focus for intensive post-award monitoring efforts, represents the best prospects of having a good evidentiary basis for evaluating the impact of programs. Overall, greater emphasis needs to be given by all programs to maintaining contact with a statistically significant proportion of alumni, selected on a random basis.

6.10   AusAID advised the ANAO that a range of measures have been pursued in recent times to address this deficiency, particularly through strengthening alumni networks, which are an important mechanism for maintaining contact with returned scholars (as discussed in Chapter 3).

Evaluating program performance

6.11   Independent reviews and evaluations are an important source of evidence about the appropriateness of the design and implementation arrangements for initiatives, and their results. The two main types of evaluation undertaken by AusAID are:

- independent reviews, which are conducted at regular intervals; and

- impact evaluations, which are conducted less regularly, but provide a stronger basis for understanding long-term outcomes.

Independent reviews

6.12   AusAID requires that independent reviews are undertaken at least once every four years for all monitored activities. In the past four years, AusAID has completed an independent review of all but three of its 20 largest scholarship programs. AusAID also completed reviews of a range of other tertiary training activities.[160]

6.13   In general, the ANAO found extensive evidence that the findings of independent reviews directly influence initiative designs. Reviews have provided a basis for: adjusting targeting and selection approaches; strengthening eligibility criteria; identifying where specific support might be needed to address equity issues; or strengthening the focus of pre-departure support to students. For example, a review of the Laos program precipitated significant changes in the program, including: expanding pre-departure training; more focused targeting of public sector institutions to achieve a closer alignment with country strategy objectives; and, closer consideration of the number of scholarships offered to applicants outside of the public sector.[161]

6.14   Consistent with commitments to improve coordination among donors AusAID has also made good progress in conducting joint reviews of the Vanuatu, Solomon Islands, and Samoa programs, as well as a high-level review of programs in the Pacific with the New Zealand Government's aid program.[162] Positive work has also been undertaken in Indonesia, where AusAID has led (jointly with the Netherlands aid agency and the Indonesian

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[160]   Other reviews of tertiary training projects conducted since 2006 cover the APTC; Australia's support for the University of the South Pacific; the Chongqing Vocational Education and Training Project; the Philippines-Australia Quality Technical Vocational Education Project Phase II; the Fiji Education Sector Program (which includes strengthening teacher training at the Lautoka Teachers College); the Indonesia Aceh Research Training Institute; the Indonesia Specialised Training Project Phase 3; and the PNG Occupational Skills and Standards Project.

[161]   Including, for example, civil society organisations, individuals living and working at the sub-national (provincial) level, and marginalised groups. AusAID, *Laos Australia Development Cooperation Program: Australian Development Scholarships Review,* 2007. Laos Australia Development Cooperation Program: Australian Scholarships Program Design Document.'

[162]   AusAID & New Zealand Agency for International Development, *Joint Samoa Scholarships Program Evaluation*, 2009. AusAID & New Zealand Agency for International Development, *Joint Solomon Islands/NZAID/AusAID study to improve the management, cost-effectiveness and impact of Tertiary Education and Vocational Training Awards in the Solomon Islands*, 2009. AusAID & New Zealand Agency for International Development, *Review of Australian and New Zealand Funded Scholarships Programs in Vanuatu*, 2008. AusAID & New Zealand Agency for International Development, *Joint Australia/New Zealand Pacific Scholarships Review*, 2010.

Government) an effort to improve visibility over donor and Indonesian Government scholarship programs.[163]

6.15 Given that it is extremely difficult to disentangle the effect on one overseas scholarship program from others that are offered in a given country, these efforts provide a basis for considering the overall effectiveness of donor support through scholarships provided to its different partners and, by implication, Australia's contributions.

Impact evaluations

6.16 While independent reviews provide valuable feedback for program managers, their short duration means they unavoidably lack the methodological rigour required to provide robust evidence about program outcomes. Even with more sophisticated approaches, the measurement of outcomes from scholarship programs is difficult. Among other things, the time lag between students completing their studies and making a contribution to their country's development makes it difficult to correlate outcomes for individuals with long-term economic and development trends.

6.17 To address these challenges, scholarship programs have traditionally used 'tracer studies', which attempt to establish whether alumni have returned home and are contributing to their country's development efforts. More recently, specific case study research has been undertaken of the impact of scholarships on organisations that have been the focus of large numbers of scholarships. While AusAID's head office has provided guidance to country programs to assist with the completion of outcome evaluations, their conduct has largely been left to the discretion of country program areas.

6.18 Since 2000, AusAID has completed 10 tracer study evaluations and three case study evaluations, with the objective of better understanding the impact of its scholarships programs in particular countries.[164] Overall, these studies provide valuable insights into scholarship recipients' experiences of studying in Australia and of their return to their countries. They illustrate

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[163] Government of Indonesia (supported by the Governments of Australia and the Kingdom of the Netherlands), *Mapping of Overseas Scholarship Programs in Indonesia: Survey Results,* 2009.

[164] Including tracer study evaluations in the Philippines (2000 & 2009), PNG (2004), Cambodia (2004 & 2009), Laos (2003), Vietnam (2002 & 2006), Fiji and Tuvalu (2008), and Indonesia (2009). Case study evaluations were conducted in China (2010), Indonesia (2010), and Mongolia (2010).

some of the benefits and pitfalls of education aid in the various contexts in which AusAID operates.

6.19 There are a number of areas where AusAID can improve its management of outcome evaluations. The first relates to the consistency and quality of evaluation efforts. If AusAID is to understand whether development scholarships are working in specific contexts, it is important to develop clear and consistent definitions of success. Some reviews are stronger in this respect than others are. For instance, studies of the Vietnam and Laos programs applied the following definition of success:

> That the ex-student was currently living in their home country, was employed and using the technical/subject matter skills/knowledge gained from their AusAID course in their current job to a great or medium extent and passing on skills/knowledge gained from their AusAID course to others to a great or medium extent through formal or informal training.[165]

6.20 However, most of the other studies that have been conducted have not used similar measures of success, which has meant that their results cannot be compared with those for other countries. In addition, the quality of tracer studies is variable—methodological flaws, including the inability to contact a reasonably representative proportion of alumni, undermined the veracity of the results of four of the tracer studies.[166]

6.21 A second area for improvement relates to the geographic coverage of post-award evaluations. While coverage of East Asian countries is strong, no impact evaluations have been undertaken in South Asia and Africa. In the Pacific, the only impact assessments undertaken have been in PNG, Fiji and Tuvalu.[167] Methodological flaws undermined the results of these assessments. Given that the Pacific is an area of special concern with regards to 'brain drain'—the 1997 Simons Review of the aid program noted that as many as 50 per cent of Australian-trained students from the Pacific emigrated from their

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[165] AusAID, *Laos ADS Impact Assessment*, 2003, pii; AusAID, *Impact of the ADS scheme in Vietnam,* 2002.

[166] For example, in a tracer study of Fijian alumni, only 29 of 178 alumni from the 2005 to 2007 student cohorts could be contacted by the evaluation team. Similarly, conclusions drawn from the 2009 Philippines tracer study were inconclusive because of low response rates from alumni. AusAID, *Fiji and Tuvalu Tracer Study,* 2008. AusAID, *PAHRDF Australian Alumni Tracer Study*, 2009.

[167] AusAID, *PNG-Australia Targeted Training Facility Tracer Study,* 2004. AusAID, *Fiji & Tuvalu Tracer Study,* 2008.

countries in the early 1990s—this is a serious weakness.[168] The recent 2008 tracer study of in-Australia and regional scholarships in Fiji noted that 'of the Fiji survey respondents, 27.5 per cent stated that they were not likely to remain in Fiji for the next five years,' which suggests that emigration of scholarship alumni is of continuing relevance.[169]

6.22   The ANAO considers that the impact of emigration rates on the effectiveness of scholarships programs in the Pacific deserves closer consideration, as does the effectiveness of programs outside of Asia and the Pacific. To address these weaknesses, there would be value in increasing the involvement of AusAID's head office in scholarships program evaluations. Greater head office engagement in the planning and management of a forward program of outcome evaluations would help to improve the geographic balance and consistency in outcomes from evaluation efforts. It would also increase the accountability of country offices for ensuring a representative sample of alumni can be contacted (through alumni programs or other possible approaches), as a basis for this long-term research.

6.23   In considering the impact of scholarships programs, the ANAO considers a broad definition of impact is appropriate. That is, evaluations would beneficially take into account the:

- role scholarships play in Australia's foreign policy agenda, including their role in improving people-to-people links between Australia and its partners;

- proportion of alumni who return home and are making positive contributions to their countries' development efforts;

- impact from alumni who have emigrated (through for example, remittances to their home country, or contributions to other countries in the region); and

- unintended consequences of scholarships, such the potentially negative impact of scholarships on institutions from losing qualified staff leaving on donor-funded scholarships.

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[168]   Commonwealth of Australia, *One Clear Objective: Poverty reduction through sustainable development*, Report of the Committee of Review, prepared by H Simons (Chair), G Hart, & C Walsh., 1997, p. 133.

[169]   AusAID, *Fiji and Tuvalu Tracer Study*, 2008.

Recommendation No.3

6.24 To strengthen evaluation of the short and long-term impacts of scholarship programs, the ANAO recommends that AusAID:

(a) develops a consistent approach to post-award monitoring so that a representative proportion of scholarship alumni can be contacted to assess scholarships program outcomes;

(b) establishes a consistent methodological approach to evaluating scholarship programs; and

(c) develops a forward program of evaluations that provides a balanced coverage of the regions and countries where scholarship programs are implemented.

AusAID response: Agreed.

6.25 Appendix 1 sets out AusAID's complete response to the recommendation.

Evaluating other forms of tertiary training assistance

6.26 As is discussed in Chapter 2, AusAID's tertiary training assistance is largely based on a traditional approach, in which a donor funds a student from a developing country to study full-time at a higher education institution in the donor's country. AusAID also manages a large program of regional and in-country scholarships, and initiatives to facilitate the involvement of the Australian tertiary sector in the aid program, as well as exploring alternative modes of supporting tertiary training.

6.27 One such alternative has been the provision of support for studies by distance education. The potential for distance education programs to contribute to development efforts received widespread consideration as a mode of tertiary training assistance in the late 1990s.[170] As a result, it was a prominent component of the previous Government's $230 million Virtual Colombo Plan. This plan aimed to address the digital divide between rich and developing nations and promote opportunities for people in developing countries to access education, information and knowledge. This funding was absorbed into around 200 development activities funded from 2001 to 2006.

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[170] Distance education was listed as a 'priority area' in AusAID's 1996 education and training policy.

The evaluation of individual initiatives did address aspects of the Virtual Colombo Plan,[171] but there was no evaluation of the program.[172]

6.28   Another program innovation that has received relatively little systematic evaluative attention has been the contribution of regional and in-country scholarships programs to development objectives. While these schemes have relatively small budgets, they often provide training for far more people within their region or country of operation than is provided by scholarships to study in Australia.[173] While a number of country-specific reviews have been completed[174], only one attempt has been made to evaluate long-term outcomes[175], and no review has been conducted of the operation of the scheme in its entirety. As a result, there is little visibility of the ARDS scheme and other regional scholarships schemes, and their impacts.

6.29   While investments in evaluation need to be proportionate to the scale of programs, it is also important that sufficient attention be given to innovative approaches. Their costs and impacts can then be understood as a basis for considering their applicability to contexts where they are not currently supported. AusAID advised that evaluations of regional scholarships program outcomes are currently planned for Nauru, Micronesia and Solomon Islands.

External reporting of program outcomes

Publication of reviews and evaluations

6.30   There is a strong public interest in the aid program—external stakeholders want to know what is being spent, and what this money is

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[171] Other sectoral reviews included observations on distance education funded under the Virtual Colombo Plan at the Tarawa Technical Institute in Kiribati, as part of teacher training in Papua New Guinea, in Mongolia and the African Virtual University. A focus of these reviews was the high cost of telecommunications and the institutional capacity required to manage effective delivery in local conditions.

[172] Although distance education is not currently a major part of support provided by AusAID, it remains topical. For example, scholarships for distance education are currently offered in Tonga and Samoa, while the 2008 design for the scholarships program in Indonesia proposed a pilot for flexible education, including distance education. The 2008 review of support to the University of the South Pacific recommended scholarship funding for postgraduate study, with distance education as an option. House of Representatives, Questions in Writing, *Virtual Colombo Plan (Question 5775)*, 9 August 2007.

[173] In 2010 in the Pacific region, excluding PNG, the intake of ARDS was 182 and the intake for scholarships to study in Australia was 88. In 2010, in Laos, 64 students commenced scholarships at the National University of Laos, while 29 commenced scholarships in Australia.

[174] Namely reviews of the scheme in Vanuatu, Samoa, Tonga, and Kiribati.

[175] AusAID, *Fiji and Tuvalu Tracer Study,* 2008.

achieving. In considering the release of internal reviews and evaluations, AusAID's default policy position is to make reports publicly available—as is stated in its performance management and evaluation policy:

> Performance of the aid program should be open and transparent to partners, beneficiaries and the public, both in Australia and in partner countries. Transparency can be achieved in a number of ways. The default position is making reports publicly available, while protecting the confidentiality of individual informants.[176]

6.31 AusAID produces a large body of evaluative work, but very little of this work is made available to the public. For example, since 2005, AusAID has completed, but not published:

- 17 independent reviews of in-Australia and regional scholarships programs;

- eight post-award impact or case study evaluations;

- several reviews of other programs supporting tertiary training; and

- three comprehensive reviews of the Australian scholarship programs.

6.32 Taken together, these reviews provide significant insights into AusAID's tertiary training assistance, including what is working, what is not, and the reasons why. The ANAO considers that increased dissemination of the results of reviews and evaluations would provide greater public confidence in the value of AusAID's programs. Making this research available would also support academics and others to advance the knowledge on the impacts of scholarships and tertiary training assistance on development outcomes.

6.33 AusAID advised the ANAO that it remains committed to implementing its policy that the default position should be to make all its evaluation reports publically available. It has established an intensive publishing schedule of independent reviews, which will add to the program and thematic performance reports that are already available on the internet.

Adequacy of regular external reporting

6.34 The ANAO examined the adequacy of AusAID reporting on the focus and performance of its programs, including:

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[176] AusAID, *Performance Management and Evaluation Policy*, 2009, p. 3.

- on expenditure through the Commonwealth budget statement, Australia's International Development Assistance Program, portfolio budget statements, annual reports, and a report containing statistical information about aid expenditure and trends produced annually (the Green Book); and

- on performance through annual program performance reports for country and thematic programs, and its Annual Review of Development Effectiveness, which was intended to 'be integrated into the Government's budget cycle and provide a practical link between expanding allocations and increased aid effectiveness.'[177]

Expenditure reporting

6.35 AusAID reports on the composition of education sector expenditure through a number of avenues, including the annual budget statement (Australia's International Development Assistance Program), annual reports, and annual education sector performance reports. These provide information about estimated and actual education subsector expenditure, including tertiary training assistance. As is illustrated in Figure 6.2, the method of reporting on the sectoral focus of education expenditure is not consistent. This means that it is very difficult to get an accurate picture of the focus of AusAID's education sector efforts.

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[177] AusAID, *Australian Aid: Promoting Growth and Prosperity: A White Paper on the Australian Government's aid program*, 2006, p. 60.

Figure 6.2

Examples of inconsistent reporting on the composition of education expenditure 2009–10

Portfolio Budget Statement   Education annual performance report   Annual Report

Portfolio Budget Statement legend:
- Higher education
- Basic and secondary education
- Technical / vocational education
- Education governance and sector-wide activities

Education annual performance report legend:
- Multi-sectoral education & training
- Education policy & planning
- Basic & secondary
- Higher education
- Vocational

Annual Report legend:
- Scholarships
- Basic education
- Technical and vocational training
- Secondary and higher education
- Other education

Source: Commonwealth budget statement 2009–10; AusAID Education Thematic Performance Report, 2009; and AusAID Annual Report 2009–10.

6.36 Another limitation in the current approach to reporting is the failure to consistently differentiate between different forms of tertiary training assistance. For example, scholarships to study in Australia are often not separately identified as a component of the aid program's education expenditure, but rather are reported as aid for higher education.[178] As a consequence, aid program spending in the higher education sub-sector looks disproportionate to spending in other education sectors.

6.37 More detailed statistical information is produced in the Green Book. AusAID's reintroduction of the Green Book, after a three-year hiatus, is a welcome additional source of information. The Green Book provides a detailed breakdown of expenditure, including prior year expenditure by country, region, and sector, as well as limited time series data. One limitation of the Green Book is that, consistent with the OECD reporting guidelines, scholarships expenditure is reported as 'multi-sector education/training', which also includes a range of other expenditure. It is therefore not possible to distinguish between expenditure on scholarships study in Australian tertiary institutions, regional or in-country scholarships, or other possible forms of multi-sector training assistance.

Program reporting and the Annual Review of Development Effectiveness

6.38 In addition to reporting through the budget process, AusAID produces and publishes, for each country and regional program, an annual program performance report as well as annual assessments of specific sectors, including education sector support.[179] While their coverage of tertiary training assistance could be improved (as is discussed in paragraph 6.4), annual program performance reports provide some insight into the performance of many tertiary training initiatives.

6.39 Specific reporting on AusAID's in-Australia scholarships program has been limited. As a global program, it was required to produce an annual sector

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[178] See for example, the statements on Australia's international development assistance program, which are issued annually as part of the budget process. <http://www.budget.gov.au/2009-10/content/ministerial_statements/ausaid/html/index_ausaid.htm> [Accessed 26 November 2010].

[179] Published thematic reports on education have not covered scholarships or higher education, and only the most recent report has covered technical and vocational training. During the audit, AusAID published its first report covering the scholarships program. See <http://www.ausaid.gov.au/scholar/pdf/update-2010.pdf> [Accessed 3 May 2011].

performance report in 2007–08. However, this was not published, and no subsequent attempt has been made to cover scholarships programs in the annual performance reporting process. Coverage of the performance of tertiary training programs in other sectoral assessments is limited. While a performance report has been completed annually for the education sector, it has not covered the performance of scholarships programs, and only recently, has included support for technical and vocational training. In addition, the previous Government's Australian Scholarships initiative, announced in 2006, was to bring together all development scholarships programs 'under the one umbrella', including the commencement of joint annual reporting on the effectiveness of DEEWR and AusAID scholarships programs. This also did not eventuate.[180]

6.40   Country and sectoral performance reports provide input into AusAID's *Annual Review of Development Effectiveness*, which was intended to be integrated into the Government's budget cycle and provide a practical link between expanding allocations and increased aid effectiveness.[181] However, the scheduled report on performance for the 2009 calendar year was not published until December 2010, a full year after budget submissions were made. The delayed release of the latest *Annual Review of Development Effectiveness* sits uncomfortably with the agency's commitment to transparency and accountability. It also reduces the Review's ability to inform public debate about the aid program.

Conclusion

6.41   Monitoring and evaluation is taken very seriously by AusAID. The performance of tertiary training initiatives and their contribution to country program objectives is closely monitored. Regular independent reviews and evaluations have an important influence over the design of tertiary training initiatives. Taken together, they provide a rich source of insight into their performance, and the benefits and pitfalls of education aid in the various contexts in which AusAID operates. In addition, the commencement of joint reviews of Pacific scholarship programs with the Ministry of Foreign Affairs

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[180] AusAID has advised the ANAO it intends to produce a specific report on its scholarships programs in 2011, which will also cover the Endeavour program, which is administered by the DEEWR.

[181] AusAID, *Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's overseas aid program*, 2006, p. 60.

and Trade is providing a stronger basis for considering the overall effectiveness of donor scholarships, and by implication, Australia's contributions.

6.42 This body of research provides AusAID with a strong foundation to draw from in addressing gaps in the quality and coverage of its evaluative work. While coverage of programs in East Asia has been strong, no impact evaluations have been undertaken in South Asia and Africa. The results of the few evaluations AusAID has undertaken in the Pacific have been inconclusive because of methodological shortcomings. This means there is limited empirical evidence about the performance of scholarships in many countries or regions where substantial investments are being made. At a time when in-Australia scholarships assistance is expanding to a larger number of countries, it will be important that AusAID strengthens the evaluation of the long-term impacts of scholarships investments, and advises the Government accordingly.

6.43 While external reporting has been a prominent weakness, AusAID has made some progress in improving the quality and quantity of information that is available about the aid program, including information about tertiary training expenditure. This includes the reintroduction, after a three-year hiatus, of a detailed statistical summary of aid expenditure, and increased public release of reviews and evaluation reports. To build on this progress, AusAID could pay greater attention to the clarity and consistency of external reporting and to disseminating the results of reviews and evaluations of tertiary training initiatives, most of which remain unpublished.

Ian McPhee

Auditor-General

Canberra ACT

26 May 2011

Appendices

Appendix 1: Agencies' responses

AusAID

Australian Government

AusAID

Director General

Dr Tom Clarke
Group Executive Director
Performance Audit Services Group
19 National Circuit
BARTON ACT 2061

Dear Dr Clarke *Tom*

Please find AusAID's formal comments on the proposed audit report *AusAID's Management of Tertiary Training Assistance* at Attachment A.   A brief summary of these comments is included at Attachment B.

I thank the audit team for their hard work and professionalism in producing a thorough and balanced report.

The audit report comes at a useful time for AusAID and has provided an opportunity to reflect on AusAID's support for tertiary education.

The Government's response to the Independent Review of Aid Effectiveness, commissioned in November 2010 and delivered to the Government in April 2011, will help determine how the recommendations of this are implemented.

Yours sincerely

Peter Baxter

6 May 2011

Attachment A

AusAID welcomes the ANAO's report AusAID's Management of Tertiary Training Assistance, in particular, its recognition that AusAID's management of tertiary training assistance has been broadly effective, targeting the needs of recipients and implementing activities in ways that are appropriate to local contexts.

The report usefully highlights that AusAID is in the process of implementing a series of reforms to ensure the effective management of aid. These include efforts to strengthen country strategy development (including publishing and dissemination of country strategies on the internet); mechanisms to reduce the use and cost of technical advisers, and improvements to the quantity and quality of information about the aid program. These reforms will improve effectiveness across the program, and the report will provide helpful guidance for ensuring that support to the tertiary training sector is well programmed and delivered.

The Government commissioned an Independent Review of Aid Effectiveness in November 2010. Subject to the Government's response, the findings of the Review should help strengthen the effectiveness and efficiency of the aid program as it scales up to 0.5 per cent of Gross National Income by 2015–16. In particular, the Government's response to the Independent Review will help determine how AusAID implements the recommendations of this present audit.

The report recognises that Australia's scholarships program has provided people from developing countries with access to tertiary education through scholarships for study in Australia since the late 1950s. Each year, AusAID deploys around 2000 scholars from around 60 countries to study in Australia, with over 95 per cent of scholars successfully completing their studies. AusAID welcomes the ANAO's finding that scholarships are well-regarded by aid recipients, are making a measurable contribution to reform efforts, and that their positive impacts include increasing the capacity of individuals and improving both ease of access to, and communication with, partner government officials.

The report highlights a number of areas specific to the education sector, and in particular scholarships, where AusAID is already implementing reforms. These include:

- developing an education strategy to guide investments in education over the next five years, including a framework for engagement in post-secondary education;

- increasing the flexibility and efficiency of our tertiary assistance, including through short-course awards, in-region and third country training, and joint degrees using a mixture of study in Australia and study in home countries;

- developing a stronger monitoring and evaluation approach to scholarships (including regional scholarships) to produce a more robust evidence base;

- improving the way scholarships are managed, including through more efficient approaches to financial management and consolidating AusAID's scholarships programs.

AusAID welcomes the ANAO's positive endorsement of AusAID's efforts in monitoring, evaluating and reporting scholarships assistance. The report's finding that monitoring and evaluation is taken seriously by AusAID, and that regular independent reviews and evaluations influence the design of tertiary training initiatives, is evidence of AusAID's commitment in this area. Recommendation three is welcome and will enable AusAID to build on its strategy and strong performance in this regard.

AusAID agrees with the ANAO view of the decline of the tertiary sector in Papua New Guinea. Since 2000, total recurrent funding allocated by the PNG Government for technical training and tertiary education in PNG has dropped in real terms, while enrolments have more than doubled. The outcomes of AusAID investments were dictated by the broader deterioration of the sector; while acknowledged as a risk, in the end this was beyond AusAID's control. Investments of a greater scale may have had a more discernable impact but, as the ANAO recognises, AusAID has to date chosen not to focus on the tertiary sector and has concentrated its efforts on basic education. This decision has been informed by the judgement that: the quality of basic education outcomes is a constraint to the performance of the rest of the sector; there is PNG Government support for improving basic education outcomes, contrasted to its limited support to the tertiary sector; and by concentrating on one part of the sector AusAID has been able to achieve considerable results.

Decisions on future AusAID support for the PNG tertiary education sector will be made in close consultation with the PNG Government. These decisions will

be informed by two major reviews concluded in 2010—the Review of the PNG –Australia Development Cooperation Treaty and the University Systems Review by Professor Ross Garnaut and Sir Rabbie Namaliu. The reviews were jointly commissioned by the Governments of Australia and PNG, and the ANAO draws on their findings, acknowledging that they will influence the future nature and scope of Australian support to the PNG tertiary education sector.

The report recognises the positive impact of the Australia–Pacific Technical College, including its role in lifting the standard of technical and vocational training in the Pacific. The Australia–Pacific Technical College avoids competing with local institutions by delivering training at certificate III and IV levels, which is not available elsewhere in the Pacific. The College provides recognised skills necessary for Pacific graduates to be competitive in local, regional or international labour markets—essential to drive economic growth in the Pacific and provide the remittances that sustain the livelihoods of many families.

The ANAO analysis on the application of Development Assistance Committee sector codes could better reflect that the codes can legitimately be applied in several ways. AusAID believes that this allows OECD DAC donors to apply the codes flexibly to reflect the circumstances of individual aid activities.

AusAID's response to specific recommendations is set out below.

Recommendation 1

To support the provision of more balanced and predictable aid for tertiary training, and in a way that appropriately reflects Australia's foreign policy priorities, the ANAO recommends that, as part of its strategic planning process, AusAID:

(a)   Develops indicative multi-year resource commitments for its education program by region, country and sector; and

(b)   Provides options to its Minister for publicly reporting these resource commitments.

AusAID response: Agreed with qualification.

Comment: The Government has announced a number of multi-year education commitments including, in November 2010, a commitment of $500 million over five years for the Australia-Indonesia education partnership and in the

2010-11 Budget, a new $303 million multi-year measure for education including an increase in development scholarships.

In planning for an expanded aid program AusAID has been evaluating the budgetary implications at the country, regional, global and sectoral level. The Government's response to the findings of the Independent Review of Aid Effectiveness will also help to inform future aid allocations, and how these will be reported on in future.

While indicative multi-year resource commitments do provide greater budget certainty, some flexibility in the aid budget will always be necessary to respond to emerging needs and priorities. Any future multi-year resource commitments, including for education, would also be subject to the annual budget process.

Recommendation 2

Consistent with current efforts to streamline scholarship programs and provide greater visibility to, and recognition of, their contribution to development efforts, the ANAO recommends that AusAID:

(a)   Progressively integrates scholarship information management systems so that they support the implementation of, and provide consolidated information about all AusAID scholarship programs; and

(b)   Attributes tertiary training expenditure in a manner that is both consistent with OECD guidelines and sufficiently granular to enable ready identification of expenditure on each of its major tertiary training programs.

AusAID response: Agreed, underway.

Comments: AusAID's new Online Australian Scholarship Information System (OASIS) became operational in May 2010. OASIS is a centralised management system designed to maintain up-to-date data on all scholarship recipients over the life of their award. In its first phase OASIS covers Australian Development Scholarships and Australian Leadership Award Scholarships, with regional scholarship programs and short course awards to be incorporated in future phases. OASIS has improved scholarship reporting by enabling AusAID to produce detailed reports, including on individual scholar progress, to help AusAID monitor performance and provide support if needed. The system also enables increased financial reporting with sufficient granularity to monitor expenditure at country and aid sector level.

OECD countries have recognised the need to report all aid expenditure by how it is delivered (type of aid) as well as by sector. They have agreed to introduce new "type-of-aid" reporting measures. These OECD "type-of-aid" measures were incorporated into AusAID's financial management system in November 2010. Specifically, the system can identify AusAID activities that deliver training in Australia and also those that deliver training in third countries. The addition of these "type-of-aid" measures allows greater flexibility to analyse expenditure across sectors and track main types of training expenditure, leading to more nuanced reporting. Further planned improvements will allow for differentiation of long and short-term training in Australia and in third countries.

Recommendation 3

To strengthen evaluation of the short and long-term impacts of scholarship programs, the ANAO recommends that AusAID:

(a) Develops a consistent approach to post-award monitoring so that a representative proportion of scholarship alumni can be contacted to assess scholarship program outcomes;

(b) Establishes a consistent methodological approach to evaluating the impacts of scholarship programs; and

(c) Develops a forward program of evaluations that provides a balanced coverage of the regions and countries where scholarship programs are implemented.

AusAID response: Agreed

Comment: AusAID is implementing an enhanced monitoring and evaluation process for scholarships over the first half of 2011. AusAID's extensive program of post-award monitoring is being standardised across all programs. Post-award monitoring will use a consistent methodology that allows results to be collated to support analysis of scholarships across the whole aid program. A consistent methodology for reaching a representative sample of alumni has also been developed; interviews, rather than paper or web based surveys will be used to ensure that statistically significant numbers of alumni are reached. These methodological improvements will be complemented with a research schedule that ensures that over a three-year cycle all geographic regions are included in post-award monitoring. In addition to post-award monitoring, AusAID will develop a program of research-based evaluations to examine the higher level impacts of scholarships. These evaluations will look

beyond the impact of scholarships on individuals and examine the impact of scholarships on institutions and at sector, country and regional levels.

Department of Education, Employment and Workplace Relations

The draft report is a useful and informative analysis of AusAID's Management of Tertiary Training Assistance and the audit has identified a number of areas where DEEWR's function could be enhanced, particularly in respect of the collaborative arrangements with AusAID and the Department of Foreign Affairs and Trade on the implementation of the Australia Awards initiative.

DEEWR notes that there are no recommendations in this report relating to our department.

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