Review of Australia's Support to the University of the South Pacific

14 November 2008

EXECUTIVE SUMMARY

Background

The Australian Government has been supporting the University of the South Pacific (USP) throughout its 40 years of operation. USP is a key institution in the Pacific, which has and which must continue to contribute in many ways to the development of South Pacific nations – through education and training, research and consultancy in relevant areas, and providing expertise to many activities and projects of the other Pacific Regional Organisations (PROs).

Over the past 40 years Australia has made a considerable investment in USP by contributing to its core funding, through program funding, scholarships and capital funding. The latter three modes of funding are visible and tangible, and successful projects, sponsored staff, students and graduates, and an impressive array of buildings and facilities are a constant reminder of Australia's commitment to USP and the southern Pacific.

The current Memorandum of Understanding (MOU) covers the period 2006-2008 and provides for an annual contribution of A$2 million to the core or recurrent budget of USP and A$1.3 million per annum in project/program funds, augmented by an additional A$845,000 during the triennium agreed to in Exchanges of Letters. In addition, AusAID funded other projects at USP not covered by the MOU.

Recognising the important role USP plays in the South Pacific, and the Australian Government's interest in strengthening the quality of tertiary education in the region, AusAID commissioned this Review of Australia's support to USP. This follows the Australia New Zealand joint Review of Approaches to Supporting Pacific Regional Organisations. This Review of Australia's Support to USP will serve to meet AusAID quality reporting requirements.

Scope

The Goals of this Review are to:

(a) assess the effectiveness and impact of Australia's support to USP under the 2006-2008 MOU;
(b) inform the development of a new partnership with USP post December 2008; and
(c) feed into a broader review of the tertiary education sub-sector in the Pacific, scheduled for later this year.

The Prime Minister of Australia, the Hon Kevin Rudd, in his 'Port Moresby Declaration' of 6 March 2008 committed Australia "to working with the Pacific island nations on the basis of partnership, mutual respect and mutual responsibility" (17.). He proposed Pacific Partnerships for Development as a new "framework for Australia and the Pacific island nations to commit jointly to achieving shared goals." (7). And he foreshadowed increased development assistance over time to Pacific island nations

which committed to achieving better outcomes, *inter alia*, in education. (8). Australia would enhance regional education institutions and provide a significant program of scholarships to study at Australian institutions (12). The Prime Minister also committed Australia to collaborating closely with other partners, in particular New Zealand. These commitments have influenced our recommendations for Australia's partnership with USP post-2008.

In formulating recommendations we are aware that our report precedes several developments at USP which will have bearing on the negotiations between AusAID and USP:

- The USP Council's Taskforce on Governance will have met at the end of September for further deliberations and formulation of recommendations to the Council's October meeting. (This is pertinent to recommendations in the Quality Audit Report.)
- The present Strategic Plan 2006-2010 will be revised shortly.
- USP's submission to the University Grants Committee for new levels of funding for 2010-2012 will be developed in early 2009.
- NZAID's commitment to USP is as yet unknown.

In addition, AusAID's Pacific Education Framework 2008-2011 is only in draft form.

Findings

The current triennium saw leadership instability at USP at the level of Vice-Chancellor and other senior management positions, and a deterioration in the University's financial position.

In this context, Australia's contribution to core funding was a welcome stable source of finances. The programs/projects funded under the MOU and the Exchanges of Letters address priority areas of USP's Strategic Plan and they are meritorious as programs. However, most of the programs did not deliver the expected outcomes in full and/or in a timely fashion. This was due, in part, to inadequate human and financial resources at USP – i.e. recruitment of staff, retaining staff, and vacancies in crucial positions, as well as insecurity and lack of financial resources at times leading to recruitment freezes and curtailment of activities.

Nevertheless, in view of the importance of some of the programs for the region, we recommend continuation of funding for the Pacific Islands Legal Information Institute (PacLII). And we believer that for future project funding a commitment by the University to continued funding, where appropriate, is advisable, as it is for the continuation of a number of currently funded projects.

Under new leadership, the University has committed itself to addressing the financial position and strengthening management and administrative functions so that the University's core business – education and training, research relevant to the region and beyond, and service to the region can be better met.

We believe that an MOU over four years between the Government of Australia and the University with increased core funding, annual incentive funding attached to the achievement of agreed outcomes in any one years, some program funding, and capital funding for larger infrastructure projects would help to strengthen the University.

There is increased interaction between AusAID thematic areas (Environment, Public Sector Capacity, Land etc) and USP as a result of new budget measures, and it is increasingly challenging to have an overview of the extent of engagement by AusAID and other Australian Government instrumentalities with USP. There is a need to balance these various and unco-ordinated engagements with existing USP capacity. There is also an urgent need for a consistent engagement strategy by AusAID and Whole of Government Partners with USP that is aligned to AusAID's regional engagement strategy, and indeed to regional priorities.

Recommendations

The recommendations below are not prioritised. They are in the order in which they appear in the text. The text is structured around the terms of reference.

Timeframe

Recommendation 1
That the timeframe of the next MOU between the Government of Australia and USP be four years, covering the period 1 January, 2009 to 31 December, 2012. [pp. 25-26]

Basis for funding

Recommendation 2
That core funding be substantially increased over the life of the MOU 2009-2012 with progressive increases to core funding each year, from the present 56 % to at least 80%. [p. 26]

Recommendation 3
That AusAID and USP negotiate which existing programs be supported by the increased core funding; and that project funding for new projects be continued with USP and AusAID negotiating priorities, outcomes and modes of committing the University to the outcomes. [p. 27]

Recommendation 4
That PacLII be funded as a continuing program and on a more secure basis. Support for PacLII should be seen as mainly being for the achievement of objectives in addition to institutional support for USP, and so sourced from the total funds available to AusAID for the South Pacific. [pp. 18-20,27]

Recommendation 5
That capital funding be re-established. [p. 28]

Recommendation 6
That scholarship funding through the Institutional/capacity project be increased for postgraduate study at an Australian university, as full-time student on campus or as part-time student by distance education/flexible learning; for study at USP, and for staff at USP to undergo professional development in Australia. [p. 28]

Links to Australian and USP strategic priorities and Mutual commitments/agreed priorities or outcomes

Recommendation 7
That the broad initial priority areas be (1) Implementation of the Quality Audit Recommendations; (2) Graduate Studies and Research; (3) Distance and Flexible Learning (DFL); and (4) Regional Campus Support. [pp. 29-30]

Recommendation 8
That for 2009 the following outcomes be considered under a new partnership:

8.1   Review and strengthening in 2008 or early 2009 of the human resources and planning and development functions so that they are able to deliver prompt and effective service by mid-2009

8.2   In area (1) Implementation of Quality Audit Recommendations:
- *Review and restructure of Senate*
- *Implementation of effective management structure and competent senior management team in place*
- *A revised Strategic Plan with key priorities and objectives, time frames and realistic targets and KPIs to monitor progress towards objectives*
- *Development of University-level Teaching and Learning Plan*
- *Review and consolidation of academic programmes*
- *Re-introduction of regular, periodic external reviews of academic programmes*

8.3   In area (2) Graduate Studies and Research:
- *Development of postgraduate courses in response to market needs*
- *Development of University level research plan*
- *University policies for intellectual property and ethics*
- *Development of policies around postgraduate research*
- *Provision of a handbook, orientation programmes and transition processes for postgraduate students*

8.4   In area (3)DFL:
- *USPNet broadband strengthened*
- *Campus-based facilities upgraded*
- *Additional courses developed in DFL mode for delivery on all campuses through the new Japan-Pacific Centre for ICT*

8.5   In area (4) Regional Campus Support

- *Increased support to existing regional campuses and centres to provide for equitable student experiences across all campuses, including broadband, first year student support, and adequate equipment for teaching. [pp. 30-31]*

Recommendation 9
That outcomes for 2010, 2011 and 2012 be agreed to during 2009 after the adoption of the Revised Strategic Plan by Council. [p. 32]

Benchmarks for incentive funding

Recommendation 10
That Incentive Funding be provided to USP, subject annually to the achievement of previously negotiated KPIs, commencing at a level of 10% of total funding and building to at least 20%; with the KPIs becoming progressively more 'stretch targets' while still having been agreed between USP and AusAID as achievable. [pp. 32-33]

Capital funding

Recommendation 11
That AusAID consider capital funding to build up the infrastructure and DFL capacity on regional campuses, including *connectivity with USPNet. [p. 33]*

Recommendation 12
That AusAID request USP to develop a capital management plan and discuss sources of funding with a view to AusAID funding several capital projects on regional campuses over the term of the next MOU. [p. 33]

Management arrangements

Recommendation 13
That AusAID monitor USP's financial viability and financial management through its representatives on Council and UGC and alert USP to any concerns. [p. 34]

Harmonising with other donors

Recommendation 14
That AusAID, in discussion with USP and New Zealand, complement the NZAID funded project 'Governance and Management Strengthening and Enhancement Project' to ensure that all outcomes proposed by USP in its submission are achieved. [pp. 34-35]

Opportunities to better target and/or provide additional Australian support

Recommendation 15
That engagement with USP be balanced and co-ordinated and AusAID develop a consistent AusAID and Whole of Government Partners engagement strategy with USP that is aligned to AusAID's regional engagement strategy. [p. 35]

I   AUSTRALIA'S PAST SUPPORT TO USP (2006-2008 MOU)

The following responds to the areas listed for consideration by the Review Team in the Project Brief.

Relevance

USP's Role in the Region

The University of the South Pacific was established 40 years ago by Royal Charter. It now has twelve member countries – Cook Islands, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.

There are three main campuses – Laucala Campus in Suva, Fiji Islands is the largest and houses the Administration and most Schools and Faculties; Alafua Campus in Apia, Samoa houses the School of Agriculture and Food Technology and provides support to distance education students; and Emalus Campus in Port Vila, Vanuatu hosts the School of Law and also supports distance and flexible learners. Other campuses are in Rarotonga, Cook Islands; Labasa, Fiji; Lautoka, Fiji; Tarawa, Kiribati; Majuro, Marshall Islands; Nauru; Alofi, Niue; Honiara, Solomon Islands; Tokelau, Apia, Samoa; Nuku'alofa, Tonga; and Funafuti, Tuvalu.

There are currently 19,607 students enrolled, including 5,232 in pre-degree courses. This represents a decline to 97% of the 2007 student enrolment. As many students are part-time this translates into an Equivalent Full Time Student load of 10,514. The decline in student numbers has happened over a number of years, the headcount in 2005 having been 20,851 students and 11,117 EFTS (USP Strategic Plan 2006-2010). USP is, at least by Australian standards, quite a small university. However, the challenges it faces in teaching students dispersed over 30 million square kilometres of the Pacific Ocean are formidable. Air transport and living costs for students studying away from their home country are high, especially relative to national income per capita and, in some cases, exchange rates within the region are also unfavourable. ICT technologies are only beginning to deliver on their potential to make remote delivery comparable with face-to-face classroom provision. Neither modern transport nor modern technology have so far been able to reach all students equally.

Of the Faculties, Business and Economics (B&E) is the largest and Islands and Oceans the smallest, just over a third of the size of B&E. The great majority of the student load is in Bachelor degrees. Of the student load, 61% is taught face-to-face, and 39% by distance education (still mainly print based). The Laucala Campus in Suva carries by far the largest load – 70% - followed by the Solomon Islands Campus with just about 7 %.

The University's Charter broadly defines its objectives as:

> "...the maintenance, advancement and dissemination of knowledge by teaching, consultancy and research and otherwise and for the provision of appropriate levels of education and training responsive to the well-being and needs of the communities in the South Pacific...."

This has been translated into the Mission Statement of the University, with the Vision of USP "to be a university of excellence, highly regarded locally, regionally, and internationally".

> "Essential to fulfilling this vision, USP will
>
> - be a Pacific centre of excellence in the pursuit of knowledge and wisdom in the service of Pacific communities
> - enhance Pacific peoples' capability to lead free and worthwhile lives
> - provide the foundation for Pacific Peoples to be proud of their heritage and take pride in creating their future, the heritage for the next generation
> - be an active partner in the social, economic and political development of Member countries."

The Strategic Plan lists the following Values, based on the Final Report of the USP Review Sub-Committee of Council to Guide the Future of the University of the South Pacific, *A Regional University of Excellence. Weaving Past and Present for the Future. A Vision to the Year 2020.*

- "The University of the South Pacific is strongly committed to the highest ethical, academic, and professional standards while providing a quality and relevant education for each of our students.
- As the university of choice in the region, we will position ourselves as a centre of excellence for all things "Pacific" while contributing to the sustainable development needs of our member countries and building local capacity in order for the peoples of the Pacific to live free and worthwhile lives.
- We recognize and value our potential for worldwide distinction in the areas of Pacific Studies, Islands and Ocean research, and Information and Communications Technology – areas where we must excel in order to discharge our mission.
- With an extensive network of resources and partnerships, USP will actively support efforts of regional integration and of finding regional solutions to common issues.
- We respect and value the great diversity of our student and faculty population, and we are dedicated to ensuring positive and welcoming campus communities for all.
- As one of the largest organizations in the Pacific, we acknowledge and accept the concomitant responsibility to model good governance, engaged leadership, integrity, and transparency through ethical processes at all levels.
- Our approach is one of engagement, and we will continue to foster collaborative relationships with our member countries and community partners on creative initiatives that positively contribute to knowledge economy, and which will enable us to expand our research and entrepreneurial efforts in key areas."

Vision, Mission and Values are clearly consonant with Australia's ambitions and hopes for the South Pacific.

Links to Pacific Plan, USP Strategic Plan, MOU Objectives

USP is well aligned with the Pacific Plan and shares with the Pacific Plan goals like enhancement and stimulation of economic growth; sustainable development; good governance and security for Pacific countries through regionalism – through its graduates and the contributions they make, through research and consultancies, and also through its involvement in projects of a variety of PROs.

In USP's Progress Report (June 2007-June 2008) to the Pacific Islands Forum Secretariat (PIFS), various initiatives are listed against priorities for 2006-2008 in the Pacific Plan:

Under **Economic Growth**, the following are mentioned:

- The development and implementation of the Trade Portal in the Pacific in collaboration with the PIFS;
- Pacific Centre for Trade and Entrepreneurship as joint venture with PIFS;
- JICA Fisheries Expert for Capacity Building requested from Government of Japan to conduct research and provide technical transfer of knowledge to support USP's efforts in contributing to the human resource capacity development of the Region's Fisheries sector;
- Japan-Pacific Regional ICT Centre to provide enhanced communication facilities and better learning outcomes for USP students;
- Application for funding from the Government of Japan for ICT capacity building;
- Advancement and Sustainable Management of Partners in the Advancement of Children Education (ASPACE) – a pilot project to develop and provide education and training in basic IT skills within the communities in the west of Fiji;
- With PIFS USP's Graduate School of Business provide training in the region on enhancing the business performance of the SMEs in the region and Public Administration Management Development.

Under **Sustainable Development** the following initiatives are listed:

- (USP) Locally Managed Marine Area Network – the Institute of Advanced Studies assists communities to sustainably manage and monitor their marine resources, and is contributing to an international study in assessing the economic value of marine managed areas in the region;
- Research into solid waste management in partnership with French Territory institutes;
- Sustainable waste treatment systems for coastal Fijian villages for health and environmental safety (USP NZ Waste project);
- AusAID funded climate change adaptation project – i.e. to implement and manage a project on climate change adaptation in Fiji through the Pacific Centre for Environment and Sustainable Development (PACE-SD);
- Taiwan ROC funded project on 'Developing a Modern and Accurate Tropical Cyclone Database for the South Pacific Region';
- PRIDE Project activities – completion of four state education strategic plans for the Federated States of Micronesia; and support in the implementation of country strategic plans through subproject funding – total of 145. Trialling of PRIDE Monitoring & Evaluation Handbook; Implementation of M&E Handbook; Collaboration with PIFS, PREL, UNICEF, UNESCO, SPBEA and the Fiji Ministry of Education on Inclusive Education; two annual capacity building workshops for the National Project Coordinators; support of development of new USP degree programmes in inclusive education and early childhood education; enhanced communication with countries; development

and improvement of Pacific Archive of Digital Data for Learning & Education (PADDLE) – PRIDE on-line resource centre; supervision of doctoral research study on the education planning in five Pacific countries; preparation and publication and launch of two books in the Pacific Education Series (teacher education, literacy & numeracy);

- Rethinking Pacific Education Initiative by Pacific Peoples for Pacific Peoples (RPEIPP) funded by the New Zealand Government;
- Education for Sustainable Development Project capacity building project in collaboration with CROP agencies, NGOs and other educational institutions;
- Education and Poverty Research in Tonga;
- Augmented Foundation Program in request to regional requests;
- Teacher and Education in the Pacific Project - to improve teacher performance in Pacific Schools;
- Gender project funded by NZAID;
- Specific studies on good governance, regionalism, peace and conflict, and leadership;
- Sports Programme;
- All-Rounder Sports Scholarships.

Under **Good Governance** the following current initiatives are listed:

- Pacific Legal Information Institute (PacLII Project), funded variously by NZAID, AusAID and USP to support and make more effective, Pacific judiciaries and law reform in the Pacific for improved Pacific governance;
- Pacific Governance Network and the Pacific Governance portal;
- Collaboration with UNDP and PIFS on peace-building and conflict prevention activities;
- Newsletters and workshops for the Pacific Leadership Network;
- Activities of the Global Development Learning Network (Pacific Leaders Virtual Forum Series);
- Support to Pacific Leadership Program (AusAID/PIFS);
- Local Government Leadership workshop – Cook Islands;
- Electoral Studies Project (AusAID funded);
- USP Governance Enhancement and Strengthening Project;
- Governance Network (in collaboration with PIFS);
- Development of Electoral Administration capacity;
- Future Diplomacy and International Relations Courses.

In view of this large array of activities, USP might well be accused of 'mission creep' or 'mandate creep' as has happened with other PROs; but the activities and courses are, in fact, an expression of its mission and values, strategic plan and programmes. USP is known in the region as keen to be involved in all relevant activities and projects. But this does undoubtedly stretch its resources and, therefore, of greater concern might be USP's capacity to deliver on so many fronts.

The Memorandum of Understanding between the Government of Australia and the University of the South Pacific covers the period 1 January 2006 to 31 December 2008.

The Principles guiding the MOU are:

> "The relationship between AusAID and USP will be characterised by a partnership approach based on open and professional interactions and will be guided by the following principles:
> a.   a focus on sustainable and equitable development
> b.   a focus on contributing to the development needs of the Pacific region
> c.   the strategic orientation and alignment of policies and strategies
> d.   a partnership approach based on fairness, transparency, openness, accountability and mutual trust
> e.   the effective and efficient use of funding and resources.
> f.   programmes and activities focused on effective development outcomes and accountability
> g.   quality, relevance and excellence in service delivery, a commitment to good governance and continuous improvement towards quality outcomes."

Principles a. and b. are aligned to the Pacific Plan and are also reflected in the University's Strategic Plan. Comments on Principles c. to g. are to be found below.

<u>Links to Australia's Country/Regional Strategy Objectives</u>

Bilateral support to Pacific Island Countries should/does reflect National Development Strategic Plans and Human Resource Development (HRD) plans (although the relevance/effectiveness of these plans varies widely) which should be articulated on a regional level under the Pacific Plan. Support to USP is consistent with the Pacific Plan.

However, there is increased interaction between AusAID thematic areas (Environment, Public Sector Capacity, Land etc) and USP as a result of new budget measures, and it is increasingly challenging to have an overview of the extent of engagement by AusAID and other Australian Government instrumentalities with USP.

Recent examples are:

(a) Minister Penny Wong announced on 01/09 $14.8m under the climate change adaptation initiative to help vulnerable countries in the region adapt to climate change. Within this announcement, $3 million has been committed to the Pacific Future Climate Leaders program to train future Pacific climate change leaders through scholarships, exchange programs and community education. It would be anticipated that discussions will take place with USP on how best to work with them on the development of the 'Pacific Climate Leaders Component' as this was covered in the consultation teams' discussions.

(b) The Government of Australia currently funds the Vulnerability to Adaptation to Climate Change in Fiji project of which USP is the implementing partner (on behalf of the Government of Fiji).

(c) The Advancement and Sustainable Management of Partners in the Advancement of Children Education (ASPACE) project was funded through ACSSP and started 17/7/07 with a life span of three years and worth $F40, 000. The project involves basic computer learning for primary school children and adult education for parents and community in the Western Division of Viti Levu. Various organisations (both Government and NGO) work together with USP to deliver different topics, e.g. Reproductive & Family Health

Organisations cover HIV/AIDS, teenage pregnancies substance abuse while the Ministry of Youth covers Positive Mental Attitude.

There is a need to balance these various and unco-ordinated engagements with existing USP capacity. There is also an urgent need for a consistent engagement strategy by AusAID and Whole of Government Partners with USP that is aligned to AusAID's regional engagement strategy.

Efficiency and Effectiveness

<u>Australia's approach to management of the relationship and strategic dialogue</u>

The MOU between the Government of Australia (GOA) and USP outlines Principles as detailed above, Responsibilities of the University of the South Pacific, Responsibilities of the GOA, Financial Records, Reporting and Monitoring, Review and Evaluation, Communication and Co-ordination of Activities.

Relationships between USP and AusAID are cordial and AusAID was praised for its flexibility – eg when a program did not deliver on time or had under spent, AusAID was open to negotiation.

USP and AusAID both displayed a 'strategic orientation and alignment of policies and strategies' (Principle c), although AusAID tended to react to proposals made by USP. But while some of these proposals avowedly were linked to USP's Strategic Plan, not all were so explicitly. The Electoral Studies Project, for example, was a continuation of a project funded for three years by a European Union grant titled 'Transforming Our Communities through Good Governance'. AusAID wrote to the Executive Director of PIAS-DG who proposed that AusAID fund the continuation of the project, "indicating interest in the proposal, highlighting a number of potential overlaps with existing and planned projects, and requesting further information. AusAID subsequently wrote to Professor Duncan on 13 March 2007 indicating support for the Project, highlighting the need for increased coordination with other actors in the sector and supporting USP's commitment to do so." (Exchange of Letters).

It is unclear to the Review Team whether the good intentions were translated into action and that co-ordination was indeed increased.

The Exchange of Letters (EoL) also notes that AusAID may commission, at its discretion, the services of a Technical Advisory Group (TAG) to assess technical progress against Project aims. If this occurred we are unaware of it.

According to the MOU AusAID expected USP to undertake program reviews and evaluations as necessary, and as outlined in USP's Quality Strategy. In fact, the University had suspended all program reviews, and to our knowledge, this had not been followed up by AusAID.

The EoLs and the MOU itself provided AusAID with the opportunity to obtain very much more information about the programs than AusAID seems to have availed itself of.

The MOU also provides for six monthly progress reports for all Australian funded programs. This reporting occurred, albeit not always in a timely manner. One of the Program Directors noted with concern that reporting delays by one Program could result in payment of the next tranche being delayed leading to severe difficulties with staffing. (AusAID's funding for PacLII in 2008 was only paid in May instead of in January.) We understand that AusAID's approach under the funding MOU is holistic. It correctly expects that all programs will adhere to the funding requirements.

The reports are lengthy, detailed and discursive, providing information on internal processes which can hardly be of interest to a donor, including position descriptions, tender documents etc. With AusAID's recent introduction of Quality at Implementation (QaI) Report Schedules there is now a most welcome template for a succinct summary of implementation progress, rating, explanation and actions to improve, if any.

Suva Post would evaluate the progress reports, send a brief report to USP and also discuss it with the appropriate people. These were not the Program Directors but staff from the Development and Planning Office or Senior Executives.

While the MOU provides for clear and detailed accountabilities by USP and for the possibility of separate evaluations of USP's performance, the relationship between USP and AusAID seems to be marked by AusAID responding to USP. There is provision for consultation on a variety of matters, and some consultations have certainly taken place. But on the whole, AusAID in its interaction with USP seems to have been more understanding than demanding, more trusting than rigorous, more ad hoc than strategic.

The flexibility and a certain ad hoc nature in funding is also evident in that AusAID funds a number of projects outside the MOU and its associated EoLs.

As the relationships between AusAID and USP staff are cordial and trusting, under the next funding agreement more rigour could be introduced without damaging the relationship.

USP's approach to management of Australia's support

USP manages Australia's support through its Planning and Development Office (P&DO) which is part of the Vice-Chancellor's Office. Generally, proposals for funding come to AusAID via this Office - although sometimes individual academics approach AusAID, eg for the Electoral Studies Program. The six monthly reports to AusAID are not only co-ordinated by this Office but the summary is developed in the Office and not checked with the Program Directors. Project Directors also do not receive any feedback on AusAID's reaction to the reports. This may be due to the understaffing in the P&DO. The position of Director is vacant as is one of Institutional Researcher.

The financial statements are prepared in the Finance Directorate.

Additional staff recruited for programs have the same conditions as USP staff. Recruitment is carried out by the Human Resources Section. According to the USP website there are 13 staff in this section, including a Director and Deputy Director. Whether this level of staffing is sufficient for USP's needs is beyond the scope of this review. But the HR Section was commonly felt not to meet the demands program funding made on internal resources. This may be due to cumbersome policies and practices.

USP has not managed all programs well, neither those exclusively awarded to USP, nor those in collaboration with other PROs. There were many complaints about very long delays in advertising positions and in advertising positions at the appropriate level or for staff from the appropriate background. These delays led to much frustration and, naturally, to delays in the starting time of programs. Feedback we received indicated that it was not only the HR function which did not deliver. The structure of University management and the oversight of programs within the University were not conducive to efficiency in the delivery of program outcomes.

There is, in our view, no issue of probity, only of efficiency and effectiveness. As such the Principles in the MOU, eg e. 'the effective and efficient use of funding and resources'; and g. 'quality, relevance and excellence in service delivery…' were not always met.

USP, like other PROs, has difficulties attracting well qualified and motivated staff, including senior staff, to its campuses. The staffing issue at USP is exacerbated by USP's policy of offering staff three-year renewable contracts. Three-year contracts are not an attractive option for people in mid-career and with family responsibilities; and in particular not for people from outside the Pacific island nations. Programs with the additional insecurity of continuing funding have often even more difficulties in attracting and retaining suitably qualified staff.

The Vice-Chancellor is aware of this issue.

Structure of funding

The MOU 2006 to 2008, signed 13 December 2005 provided for the following funding for the triennium:

- A Core Budget Contribution of A$2 million for each calendar year of the triennium
- Program Funding Contribution of A$1.3 million each calendar year of the triennium consisting of funding for the following programs:

Programs	2006	2007	2008
Governance	300,000	300,000	300,000
PacLII	300,000	300,000	300,000
Improve Student Achievement	150,000	300,000	350,000
Applied Research	250,000	150,000	150,000
Institutional Strengthening	300,000	250,000	200,000

Subsequently, two other Programs were funded, Electoral Studies and IOE: The Teacher and Education in the Pacific, by Exchange of Letters 14 May 2007 and 9 July 2007 respectively.

Electoral Studies	-	300,400	349,250
IOE: The Teacher and Education in the Pacific	-	195,444	-
Totals over 3 years	**A$1,300,000**	**A$1,795,844**	**A$1,649,250**

Programs may consist of a number of activities and projects.

Funds are paid in two tranches, in January and in July. Payment is subject to, *inter alia*, '(c) AusAID's assessment of USP performance against outcomes identified in the 2006-2010 Strategic Plan and USP's ongoing management capacity'.

We were not given any indication that assessments of management capacity actually regularly occurred. The six-monthly reports note program activities and outcomes, but usually not outcomes identified in the 2006-2010 Strategic Plan, this Plan not providing for detailed outcomes.

While the MOU and the EoLs allocate specific funds to programs, and budgets were part of program proposals to AusAID, the reality was very different. USP continually needed to negotiate with AusAID transfer of funds from one program/project to another, as, on the whole, the programs did not proceed according to proposed timeline and budgets. Most often this was due to staffing issues. Negotiations for transfer of funds and carry-over of funds were usually successful, though lately AusAID has been more reluctant to allocate funds to programs that had under spent.

Co-ordination with USP priorities as outlined in their Strategic Plan and other planning mechanisms

Lately, program proposals or project proposals within programs have referred in their rationale to the relevant goals and strategies in the Strategic Plan 2006-2010. As programs and projects generally are proposed by USP and the proposals are generally put forward through the Planning and Development Office and the Senior Executive, their strategic links are clear.

What is less clear, however, is whether the program proposals are opportunistic or have high priority. The Strategic Plan 2006-2010 does not specify priorities or timelines over the five years.

Coordination/harmonisation with other donors, including transaction costs accrued to USP in administering donor funds

USP welcomes co-ordination and harmonisation between all donors and in its applications for funding avoids duplication. Staff at all levels were unconcerned about transaction costs, with the Vice-Chancellor pointing out that internal rules and regulations required project directors to report and account at a similar rate as donors required and that he intended to strengthen the internal reporting requirements.

Impact

Achievements against the MOU 2006-2008

The period 2006-2008 saw the Vice-Chancellor, Professor Anthony Tarr, depart in early 2007; an acting Vice-Chancellor in place, Dr Esther Williams, whose substantive position is Deputy Vice-Chancellor; and a new Vice-Chancellor, Professor Rajesh Chandra, recruited and in position in mid 2008. The University had been restructured under Professor Tarr and, again, is being restructured under Professor Chandra – in the latter case mainly as a cost cutting exercise. During the current triennium many senior staff left the University and many positions were, and remain, vacant.

The financial situation, never stable or reassuring, deteriorated when the University awarded substantial general salary increases under the mistaken assumption that the Finance Ministers of the Member Countries would accept the University Grants Committee's recommendation for additional funding. High salary increases for the Senior Management Team, too, contributed to the financial crisis and attracted much adverse comment.

Student numbers declined during the triennium, from 20,851 students in 2005 to 15,803 at the end of 2007, and to 15,514 in September 2008, representing a decrease in 3% of load in the past year alone. In the last year, the decrease occurred among distance education students, possibly due to the level of fees and the availability of other regional tertiary education providers, including in PNG and the Philippines, and the National University of Samoa (NUS).

In the midst of all this, AusAID's core funding to the recurrent budget therefore presented a stable contribution.

During the triennium a number of positive developments took place: The Council under the leadership of the current Pro Chancellor and Chair of Council, The Hon Fiame Naomi Mata'afa reconstituted the Task Force on Governance (of which the Australian representative of Council in 2005 had been a member); the Finance and Investment Committee of Council held management more accountable; and the Quality Audit of the University by the Australian Universities Quality Agency and the New Zealand Universities Quality Unit was scheduled for the end of 2007 - earlier than had been proposed by the then Vice-Chancellor (and at the urging of the then Australian representative of Council).

The Governance Task Force has met four times in 2007 and 2008, with the fifth meeting planned for end of September 2008. [The current Australian representative of the Council is a member but has not attended any meetings.] The Task Force considered the legal framework of the University; the re-constitution of the Executive Committee of Council; Terms of Reference for Council Committees; a review of structure and composition of Senate; employment of a consultant to "develop mechanisms for measuring or reviewing the work of the University and in focusing on

key issues within the University that Council needs to know about" – i.e. a management information system and data analysis for Council.

The Taskforce also considered a project proposal for a Governance Enhancement and Strengthening Project in October 2007 and submitted to NZAID for its consideration in November 2007. In view of this the review of Senate was deferred having been included in the proposal. Similarly, a request by Council's Finance and Investment Committee (FIC) that "the planning and re-sourcing for the University needed to be brought together" would be an element in the Governance Enhancement and Strengthening Project. An expanded proposal 'Governance and Management Enhancement & Strengthening Project 2008-2010' was subsequently submitted to NZAID in 2008.

The budget for 2008 was not ready for approval by Council in October 2007 and was approved as a deficit budget of $2.661m by the revived Executive Committee of Council in February 2008 (a committee on which the Government of Fiji was then not represented which caused some friction).

Meanwhile a Staff Reduction Policy to address the deficit had been approved by Council in May 2008; the University had developed a Budget Deficit & Reduction Project at the instigation of FIC of Council and is working on delivering a balanced budget for 2009, at the request of FIC.

The Regional Ministers of Finance met in June 2008 and agreed to approve an increase of 6% in government funding on the 2006 figure and to hold this amount for 2008 and 2009 on the basis that by the middle of 2009 work would have been completed on the new funding formula for government contributions.

The *Report of an Audit of The University of the South Pacific* was released in April 2008. It contained many recommendations for action as well as affirmations of actions in train. It is important to put on record that the University had initiated a large number of (urgently needed) actions in areas which the Audit Report found wanting, prior to the Audit Report. This augurs well for the future of the University.

While not all observations of the Audit Report are accepted, nor are all recommendations realistic in the political context, the Audit nevertheless provides the first comprehensive external review of the core business of the University. Council has accepted the recommendations in principle, and the Vice-Chancellor is committed to their implementation.

Some of the individual recommendations are already being implemented, including a review of Senate, chaired by the Vice-Chancellor.

Australia's commitment to quality audit and its commitment to the future of USP provides the opportunity to tie the recommendations in the Quality Audit Report to concrete outcomes to be achieved under the next funding agreement.

Apart from the A$2 million p.a. in core funding, seven programs were funded under the MOU and subsequent Exchanges of Letters.

These programs/project address priority areas of USP's Strategic Plan and they are generally meritorious. However, most of the programs did not deliver the expected outcomes, either in full or in a timely fashion. This was due, at least in part, to inadequate human and financial resources – i.e. recruitment of staff, retaining staff, and vacancies in crucial positions, as well as insecurity and lack of financial resources at times leading to recruitment freezes and curtailment of activities.

The following comments concerning the different Programs under the MOU and the EoLs rely on documentation we received, observations made during the consultation stage and interviews with some of the Program/Project Directors – not all were available.

AusAID's requirement for a report against agreed indicators and recently the Quality at Implementation Report facilitated greatly the assessment during the latter period of the MOU.

- *Governance*

The Governance Program was funded for all three years of the triennium. It has the following objectives:

1. "To undertake research of governance and establish databases relating to governance;
2. To undertake research to see how governance may be improved in the countries of the Pacific region and to understand how improved governance will impact on social and economic development, poverty reduction, gender discrimination and the environment;
3. To establish a new academic journal that will be used to disseminate research and promote discussion of governance issues, and ensure that good governance remains topical;
4. To provide services for all levels of society in Pacific countries to assist in the improved understanding of governmental processes and business relations, so that there is heightened expectations of services from the public, private, and not-for-profit sectors;
5. To increase good governance indications and monitor improvements in governance;
6. To train undergraduates and graduate students to undertake political, legal, economic, environmental, administrative, industrial, and social responsibilities in a manner that will help them contribute fully to the social and economic development of their countries;
7. To provide non-degree training to improve the capacity for and effectiveness of public service at all levels of government in Pacific countries; and
8. To provide training aimed at improving the capacity and the institutions for improved governance in the corporate and not-for-profit sectors."

Some of these objectives have qualitative or long-term outcomes and no claim is made in the Quality at Implementation Report to have achieved these. Instead key results in the areas of postgraduate teaching, seminars and training activities are listed; in publications, public outreach and media coverage, and in consultancies. In the Programme Funding Report for the period 1st January – 30th June 2008 the new reporting format is adhered to by reporting against KPIs agreed with the program coordinators and advised to the AusAID Office, Suva. The report also refers to Goals in the Strategic Plan.

Not all Expected Outcomes were achieved, or even commented on; and a number of activities have been deferred to the second half of 2008. This may be due to major consultancies undertaken in collaboration with the United Nations Development Program (UNDP) on the Pacific Institute for Peace and Development, and the Commonwealth Local Government Forum (CLGF) on Urban Governance Indicators

for Sigatoka and Lami "to name but a few", in the words of the Program Director. The Program Director also noted "The Governance program is contributing to capacity building in a range of sectors; and its high public profile has assisted with bringing the needs for and demands for good governance, into public consciousness."

AusAID's feedback report noted that "AusAID had asked for measurable specifics in the KPIs with concrete numbers to be provided. However, AusAID's feedback (…) does not appear to have been acted upon as the report lacks specifics such as how many NGOs are to undertake governance training, how many lectures and presentations have been made and what and how many consultancies have been undertaken. However, some numbers have been provided, for example, for the reports scanned and uploaded to the digital library."

The AusAID report also notes that the program was overspent as at 30th June 2008 by F$214,229 with salary expenses, teaching materials and participation at the Parliamentarians for Global Action (PGA) Workshop on Good Governance.

Sustainability of outcomes

The Program Director noted in his last 'Quality at Implementation Report' that the program "is not sustainable unless the decision is taken to either a) provide core funding to Institutes or b) to relocate to a faculty that has sufficient resources." We agree with this assessment and understand that the Governance Program, and PIAS-DG as a whole which hosts the program are to be relocated to the Faculty of Business and Economics. In addition, however, more resources are needed. A program assistant who resigned has not been replaced with impact on administrative and communicative capacities.

Governance is an area with which, in our view, USP should have an on-going and demonstrably effective engagement. AusAID should have regard to how it can continue to assist achieving this.

- ***Pacific Islands Legal Information Institute (PacLII) Project***

This program was jointly funded over the triennium by AusAID, NZAID (in part) and USP. PacLII supports judiciary and law reform in the Pacific for improved Pacific governance by making available, online, Pacific legal judgments, legislation, reports and rulings and undertaking consultancies and training for the region. It covers 20 Pacific island nations.

The program is located at USP's School of Law in Port Vila, Vanuatu.

Expected Outcomes for 2008 were: an increase in the number of hard copy legislation uploaded and number of electronic legislation published in comparison to 2007; an increase in the number of hard copy judgments and electronic judgments, number of treaties published onsite and updated.

The AusAID 2008 contribution of A$300,000 was only transferred to the PacLII project account in May 2008 which led to financial difficulties as no NZAID contribution was obtained in 2008, the MOU having expired.

The Report by the Deputy Vice-Chancellor notes "the project took a more focused approach in the first half of 2008 strengthening its internal organisation and systems. There are now 37,507 judicial judgments published online as at 30th June 2008. The project has reviewed the PacLII mission, goals and objectives and for the first time developed a Logical Framework Strategic Plan".

While this is so, the comments in Annex 1 - Financial Statements as at 30 June 2008 by the Project Director portray the above internal re-organisation as response to the severe financial situation which is worth repeating here as future funding arrangements must change if PacLII is to survive:

1. **"Executive Summary**

    During the first half of 2008 PacLII growth and activity has been severely restricted by the current funding crisis.

    The effects are in evidence across all areas of PacLII activity. If no further funds are received this year then the PacLII will not be able to meet even its basic salary bill.

    Due to the funding situation therefore, during the first half of 2008 PacLII has operated in a holding pattern and the focus of the Institute has turned inward to cutting back and saving expenditure where possible. In such a climate it is not possible to develop, let alone implement, plans which might involve more than a minimum of spending. Therefore, for example since January no core funding has been spent on travel; staff have not been replaced; new projects have not been commenced and the Sentencing database project which has been in development for the last 1 ½ years has been suspended. It has not been possible to advertise for new staff for established positions; staff who have left have not been replaced and students acting in established positions for periods in excess of a year at casual rates. The IT team is particularly vulnerable with only 2 full time staff, each with different skill sets. If the Manager who is skilled in IT development were to leave, PacLII could cease to function. Equally critical is the position regarding equipment. There is an urgent need to replace and upgrade certain equipment to maintain the integrity and continued secure operation of the site."

While the Project has not always performed as expected due to financial and staffing problems, the feedback obtained was good. This Program is having a positive impact. We make recommendations regarding its future below.

Sustainability of Outcomes

PacLII's work is work in progress, and even when the backlog has been cleared, regular updating of the databases will be required.

The Institute and its work will only be sustainable if continued funding at adequate levels can be guaranteed by donors and/or USP. Present funding levels and funding arrangements are inadequate. The work is of benefit to the whole Pacific region and, indeed, expands beyond the USP membership countries. Yet its co-location with the School of Law in Port Vila is of mutual benefit to the School, the University and the campus, and should in our view continue.

USP estimates that for PacLII to maintain its current level of activity and to achieve full staffing level, A$1 million per year are required. And it would take close to A$2 million per annum to assist Pacific islands jurisdictions in establishing functioning

and sustainable systems to ensure transmission of their legal materials for online publication by PacLII. The Vice-Chancellor is currently looking at the cost structure.

- ***Improve Student Achievement***

A variety of projects were funded under this program, relating to courses and teaching modes.

The Moodle project was funded under the Strategic Goal of improving student achievement. Moodle is an open learning management system which provides a platform for "planning, delivering and managing learning, including online, instructor-led virtual classrooms, and reusable resources".

This project started in February 2007 and ends 31 December 2008. By mid-2008 the project was on target with all actions except installation of the Moodle server. Courses had been migrated to Moodle, professional development undertaken and capacity built; the technical platform was in place and an improvement in the quality of courses, both courseware and delivery was claimed to have been achieved.

The installation of a server has been deferred to be combined with the Banner Upgrade project under the Institutional Strengthening program.

It is expected that this project will have a positive impact once the Moodle server is in place and staff have adopted new teaching strategies to facilitate learning, in particular through distance education.

Sustainability of Outcomes

The Moodle project should be sustainable with adequate and properly trained staff. The Feedback on USP Six-Monthly Program Funding Report notes that the "Centre for Educational Development and Technology (CEDT) which looks after the Moodle Project is currently under internal review to determine the direction and focus. Hence, all overseas professional development and training as part of the work plan for project for reporting period is pushed forward for the second half of the year." Technical staff and staff able to teach students to use computers and induct them into the usage and capabilities of Moodle across all campuses will require appropriate levels of resourcing, to which USP needs to commit.

- ***Applied Research***

There have been allocations for this program for all years of the triennium.

This program aligns with the USP's Strategic Goal for research, which includes a variety of strategies, including "encouraging research relevant to improving the lives of Pacific peoples". Our discussions extended to the funded projects in 2008. The development of an expanded pool of research supervisors to support and guide post-graduate students was one objective and measures had been taken, albeit with delays as the Pro Vice-Chancellor Research had left the University.

Under the leadership of the Dean of Science and Technology who became acting head of the Office of the Pro Vice-Chancellor Research and Graduate Affairs, a number of recommendations relating to IT and Ethics in the Quality Audit Report have also been taken up.

Another expected outcome had been a boost of research activity in the region, and for this purpose seven researchers on five different campuses were funded to complete specific projects by the end of 2008.

It is too early to establish whether the outcomes of the projects justify the funding.

Sustainability of Outcomes

In 2006 the Web of Knowledge was purchased with AusAID funding under this program. It is a searchable database of global scientific research literature and of great value to both staff and research students. It contains in a first part the Web of Science, and covers arts and humanities in a second, and social sciences in a third part. The challenge is to ensure that regional campuses have the capacity to access this database. USP needs to commit to this but may need one-off assistance from AusAID.

Training of supervisors and allocation of internal research funds are core activities of a university. As the Vice-Chancellor plans to move the University more into graduate studies and research, it is most important that USP take responsibility for an adequate pool of trained supervisors with PhDs and active research and publication records, and for funding research projects.

- *Institutional Strengthening*

A variety of projects have been funded under this program, including in 2006 a consultancy by Henning and Associates "to provide advice on data collection and analysis". The Progress report for July-December 2006 noted that all activities set out in the agreement for 2006 had been completed and a final report was expected. We noted that the Governance Task Force referred to this (ongoing?) consultancy in 2007 and 2008. We understand that this later work was funded by USP but wonder at the length of a consultancy on data management and analysis.

The Banner upgrade was funded from this program. It addresses the USP Strategic Goal 5.2 "increase the effectiveness of governance, administrative and management systems" as the Banner upgrade would improve communications and information systems for administrative efficiency and teaching and learning support. This project was scheduled to have been completed by June 2008 but is to be combined with the Moodle Server installation. Installation and testing of equipment is now scheduled for the end of September, and surveys and results on improvement in Banner system performance, in Moodle functionality and in disk performance are due in December.

A successful Banner upgrade and the concomitant staff training will have a positive impact on administrative processes. There is a danger that in times of financial difficulties - and USP is experiencing financial difficulties - staff training costs will be reduced.

Sustainability of Outcomes

Both the Banner upgrade and the installation of Moodle were necessary. Both will need continual technical servicing and staff training. Not all campuses have the broadband capacity to access Banner, eg staff on the Alafua campus. USP will need to commit to appropriate staff development.

- ***Electoral Studies***

This program was funded in 2007 and 2008 as a separate program, though sometimes reported as a project under the Governance Program. The EoL provides for three year funding, 2007-2009, thus there is a forward commitment into the period of the next funding agreement.

The project over the three years "plans to focus on five core activities: Research into Improving Electoral Systems and Electoral Performance, Civic Education Needs Assessment, Professional Training, Election Monitoring, and Pacific Islands' Electoral Systems Information Services." (EoL)

The project addresses Strategic Goal 4.4 "enhance community and civic engagement".

Indeed, the six objectives of the Electoral Studies Program are important to Australia and for the region:

1. "Build and maintain the confidence and trust of governments and electoral management bodies in the Project;
2. Identify appropriate electoral reforms for Pacific countries, where necessary; Identify necessary reforms of voter registration systems;
3. Assist in the development of civics curricula for primary and secondary schools; Assist Pacific countries in establishing electoral education materials and programs for use in educating the public;
4. Introduce/showcase and run BRIDGE Project Training Modules for Pacific electoral administrators, members of Parliament and civil servants to improve their understanding and knowledge of the importance of elections, election systems and polling processes;
5. Deliver BRIDGE methodology short-term training courses to Pacific countries for electoral administrators and other persons involved in elections, as well as the media, and;
6. Monitor and observe parliamentary elections in the Pacific and report to governments."

This program, too, suffered from delays in its activities due, according to its Director, to "slow personnel and senior management processes. Placing advertisements was a prolonged process; positions were not advertised internationally as requested and on receipt of few responses required a second round." Contracts for three years were offered for three positions in March and April of 2008.

Some activities took place in the first half of 2008, but much activity was postponed to later this year.

For the moment much of the anticipated impact of this Program has to be taken on trust. It is worth noting, however, that the Governance Program, including the Electoral Studies Unit claim to pay particular attention to networks and collaboration, and to the promotion of gender equality, the latter in collaboration with UNDP and UNIFEM.

<u>Sustainability of Outcomes</u>

Some of the outcomes for the program require continuing support, eg updating of key websites, updating of civic curricula, workshops and parliamentary election monitoring. USP needs to commit to this.

- ***IOE: Teacher and Education in the Pacific***

Funding commitment for this project was given only for 2007. The project was conceptualised in three phases, with Phase 1 – ' Laying the foundation' taking place in 2007. This Phase involved preliminary studies on teachers and teacher training, review of teacher education programs and projects, canvassing of governments and institutions, and regional scrutiny and feedback.

A desk study report, *Teachers and Education in the Pacific (TEP),* was issued in December 2007. The report devotes chapters to Teachers and Teacher Education in the Cook Islands; in Fiji; in Kiribati; in Nauru; in Niue; in Papua New Guinea; in the Republic of the Marshall Islands; in Samoa; in the Solomon Islands; in Tonga; in Tokelau; in Tuvalu; and in Vanuatu.

<u>Sustainability of Outcomes</u>

No funding application for Phases 2 and 3 have been made to AusAID. AusAID withdrew support for this project after Phase 1 as support for a similar project - 'Teacher Competency in the Pacific' - had already been agreed to with another PRO. It is expected that the Asian Development Bank (ADB) will fund these phases. Even without the continuation of the project the report provides a valuable resource document for those concerned with the quality of teachers, of teacher education and with the conditions and policies surrounding teachers and teacher education.

Other

<u>Issues and recommendations arising from AusAID's Quality at Implementation Review</u>

We had access to the only 'Quality at Implementation Report for MOU with University of the South Pacific' so far, dated 30 January 2008, by Suva Post.

The following observations made at Post reflect our assessment and are detailed above:

- While there are achievements, the programs generally are not required to produce specific output and outcomes [though this is changing]; it is difficult to establish how the activities funded contribute to the goals outlined in the Strategic Plan [and this Plan does not have timelines or priorities], and as Post notes, "how they advance the AusAID strategy for the Pacific region".

While we see value in the programs themselves, and indeed, the activities, the impact of the activities in terms of USP's goals and AusAID's are even harder to measure.

- As noted in this Report, USP has difficulties in implementing its own program proposals fully, in time, and on budget. It has difficulties with
    - adherence to timetables;
    - adherence to budgets;
    - recruiting required personnel for the proposed projects;
    - providing direction and oversight for the programs via the Planning and Development Office.

- Apart from six-monthly reports there is no true monitoring and evaluation framework. The reports are milestones tied to tranches.

- Sustainability of a number of the projects is in jeopardy because of USP's financial and management difficulties, and its reliance on donors.

- There are no specific outputs or outcomes related to anti-corruption or the goal "enhancing efficiency, effectiveness, responsiveness and transparency in the resource allocation and management system of all units", outcomes which could lead to increased transparency.

- There are no specific outputs or outcomes related to partnerships – strategic goal 4.4 "Increasing partnerships with businesses, local and regional organisations, and the wider community".

Post recommends that for the next funding agreement the following processes be implemented:

To assist implementation:
- Formal annual meetings to assist USP in solidifying plans, improving assessment of staffing and budgetary needs, setting realistic timetables and identifying and mitigating potential risks;
- Relevant key performance indicators to be included in a Monitoring and Evaluation (M&E) Framework.

To assist achievement of objectives:
- Clear link between each project and the strategic goals to be reported;
- Development of outputs and outcomes within an M&E framework against which to assess the achievement of strategic goals.

Monitoring & Evaluation:
- An M&E framework with clear objectives, outputs and outcomes using the strategic goals in the USP Strategic Plan 2006-2010 as a foundation;
- Monitor and evaluate the ongoing progress and effectiveness of the program based on key performance indicators within the M&E framework.

Sustainability
- Continue to encourage USP ownership of the program;

- Build key performance indicators addressing sustainability into a comprehensive M&E Framework.

Gender Equality and Cross-Cutting Issues
- As gender equality is not addressed in either the USP Strategic Plan nor in the program activities, Post recommends that the next MOU with USP contain explicit reference to gender equality.

Post lists as current issues:
- Lack of formalised planning process;
- Need for comprehensive M&E framework for performance assessment;
- Leadership in the Planning and Development Office which disburses AusAID funds;
- Proposed significant cuts in budget in areas that are key to the Strategic Plan: Centre for Educational Development and Technology (CEDT), Planning and Development Office, Student-Related Stewartship Fund, Pro Vice-Chancellor Regional;
- A Regional Education Strategy is needed to inform AusAID's engagement with USP.

We have seen a Draft *Pacific Education Framework 2008-2011* dated June 2008. If adopted, the next funding agreement with USP should be informed by its Principles and Recommendations.

II   AUSTRALIA'S PARTNERSHIP WITH USP POST-2008

The continuing and proposed enhanced partnership of Australia with USP is generally welcomed throughout the region and within USP.

Structure of Partnership

Timeframe

We understand that the PRO Draft Review is recommending a timeframe of five years, and we have been advised that AusAID is considering an agreement with USP over four years. We tested the latter in consultation with senior USP staff, and in wider consultation. USP makes Triennial Submissions to the University Grants Committee, but the funding has not always been on a triennial basis, and the triennia have not coincided with GOA-USP MOUs. USP staff would welcome a longer than three year funding timeframe. The new Vice-Chancellor, Professor Rajesh Chandra, started his six year term on 15 July 2008. This will mean that he will be negotiating the next MoU and possibly the Partnership agreement after that.

We recommend a timeframe of four years. We understand that USP would welcome a longer timeframe for planning purposes, either four or five years would be desirable from their perspective as long as there is a real increase in funds to cover the new 4-

year or 5-year funding period. A funding period of five years would bring USP in line with the PRO Draft Review recommendation.

Recommendation 1

That the timeframe of the next MOU between the Government of Australia and USP be four years, covering the period 1 January, 2009 to 31 December, 2012.

Basis of funding

USP operates in an uncertain funding environment. While some member countries pay their agreed contributions on time, others do not, and some have been, or are, years in arrears. The A$2 million p.a. in the past triennial arrangement represented only a small percentage of the USP operating budget. An increase in core funding by the GOA would provide much needed certainty. It would also contribute to institutional strengthening given new management. However, the University has to do much work to improve its governance, management, administrative and support functions before AusAID might have confidence that the institution has been strengthened enough to deliver its core functions at an appropriate standard. And USP might need project funding to achieve this. Therefore the balance between core funding and project funding might not be fixed but shift in favour of core funding over the period of four years on the basis of demonstrated increased institutional capacity by USP to perform its core functions at a satisfactory level of quality and excellence.

Institutional strengthening and internal capacity building should be the foremost aims for AusAID funding. The comments on the achievements under the current MOU 2006-2008 point to a great need for institutional strengthening. USP often overstretches in its willingness to be involved in regional activities and to take on activities which are aligned to its Strategic Plan and Mission. But it often lacks the human resources. Hence capacity building within USP could be a primary goal for AusAID funding so that USP could more effectively build capacity in the Pacific. However, capacity building within an academic environment requires a lot of resources. On a small scale it might be funding for professional development in teaching, learning and assessment, and upgrading of qualifications of staff. On a medium scale it might be funding for attracting experts in their particular field. On a large scale it might be funding for bringing in research groups including doctoral students and providing them with research support. For the latter option, in particular, a different employment contract structure would be needed. A three-year contract is not long enough for supervision of a PhD student. Employment and research conditions would need to be such as to make the Pacific an attractive location for research (and teaching).

Recommendation 2

That core funding be substantially increased over the life of the MOU 2009-2012 with progressive increases to core funding each year, from the present 56 % to at least 80%.

Project funding under the MOU 2006-2008 has been only partially successful. But we found support for continued project funding not only among the USP staff involved where one might expect it, but also in some of the PROs. However, 'projects' might be defined differently. With increase in core funding, funding for projects which are in fact core business, i.e. research support, development of new courses, externalisation of existing courses, basic software acquisition and enhancement should no longer be necessary. Instead, projects would need to address specific additional criteria for funding eligibility – eg outcome focused, relevance to Pacific Plan, strategic importance though not viable as a core activity due to, for example, low student demand (eg governance programs, Pacific Studies programs, peace studies programs). In particular there is a role for program/project funding where the outcomes in themselves are sought by AusAID, and USP is mainly seen as an appropriate agent to achieve them (although there would have to be incidental benefits to USP for it to take on this agency role).

Projects often had to recruit new staff, including the project director. USP needs to find ways to utilise its own staff and to recruit additional staff as needed, including staff with project management skills. This is a question of capacity. Having to recruit staff to run a program or project delays its beginning and increases the likelihood that the project outcomes will not be mainstreamed, integrated or otherwise utilised. It is important to build into the funding arrangement mechanisms which commit USP to the project's future, where appropriate. The University's commitment may be demonstrated by providing seed funding for a project, funding a pilot project, or co-funding a project. Where the primary benefit is not to USP, the University would need to demonstrate on an on-going basis that it is the best vehicle available to achieve these benefits.

Recommendation 3

That AusAID and USP negotiate which existing programs be supported by the increased core funding; and that project funding for new projects be continued with USP and AusAID negotiating priorities, outcomes and modes of committing the University to the outcomes.

We have commented above on PacLII and the precariousness of its funding. The program is seen as having a positive impact and its continuation is recommended.

PacLII is a good example of a project where the outcomes for the region are the principal reason for funding by AusAID (though USP law students and staff are also clearly beneficiaries) and USP, to a large extent, is a vehicle to achieve these. It should, therefore remain with USP only as long as USP can demonstrate that the present way is the best way for delivering the project.

Recommendation 4

That PacLII be funded as a continuing program and on a more secure basis. Support for PacLII should be seen as mainly being for the achievement of objectives in addition to institutional support for USP, and so sourced from the total funds available to AusAID for the South Pacific.

On USP's main campus in Fiji most buildings have been built with donor funding, and AusAID is among the donors. AusAID also funded over the years systems and systems upgrades, the AARNet connection, and libraries, classrooms, and laboratories on the regional campuses. NZAID has also provided support of this kind. We can see a continuing need for this. USP has significant deferred maintenance obligations, and new buildings or extensions of existing ones may not be feasible from core funding for some time to come. Regional campuses visited – Laucala in Fiji, Emalus in Port Vila, Alafua in Samoa and Honiara in the Solomon Islands all expressed needs for new buildings, extension of buildings, and on the latter two campuses an urgent need for enhanced broadband.

Recommendation 5

That capital funding be re-established*.*

The Australian Regional Development Scholarship (ARDS) program is a separate program outside the MOU with USP and is funded through bilateral aid programs with regional countries. Scholarship funds are not allocated to USP for the University to award. Despite this, we were scheduled to meet with the agencies that award scholarships in Vanuatu (Training and Scholarship Coordination Unit in the Ministry of Education which includes a Scholarship Manager, AusAID), and Samoa (Scholarship Office in the Ministry of Foreign Affairs & Trade). We were also scheduled to meet with recipients of Australian scholarships from among the staff of USP, and with employers of USP scholarship holders in various ministries and commissions. The appreciation of the value of scholarships for the recipients' education and professional career, and the request for more, and a greater diversity was overwhelming. Similarly, staff at regional campuses have a great need for professional development in teaching, learning and assessment and other professional areas.

USP has expressed a clear preference for significant funding for scholarships at USP including postgraduate studies to enhance institutional strengthening. USP also argues that USP-trained Pacific students are more likely to remain in the Pacific, thus making a real contribution to capacity building in the Pacific.

The foreshadowed review of the scholarship program may wish to pay particular attention to the effect absences from campus of USP academic and support staff undertaking professional development or postgraduate education in Australia has on the activities of USP and how negative impact can be ameliorated.

Recommendation 6

That scholarship funding through the Institutional/capacity project be increased for postgraduate study at an Australian university as full-time student on campus or as part-time student by distance education/flexible learning; for study at USP, and for staff at USP to undergo professional development in Australia.

Mutual commitments/accountabilities

In the spirit of partnership the Government of Australia and USP will commit themselves to shared goals under the MOU which are aligned to the mission of USP and Australia's regional priorities. These goals, in the first year, may well arise from the Quality Audit Report and the Vice-Chancellor's recent policy statements. For the following years these shared goals will need to be negotiated and address goals under the revised Strategic Plan.

The GOA will commit itself to punctual payment of the core funding. USP will commit itself to use the core funding for strengthening priority areas as negotiated with GOA through AusAID.

USP will commit itself to support previously funded programs and projects, where applicable, with an appropriate level of resources to sustain the originally agreed purpose of programs/projects.

Applications for project funding may (a) be for seed funding with a commitment by USP to continue the project; or (b) require, where appropriate, matched funding by the University; or (c) be for programs of strategic importance to the Pacific, though not viable within the University's funding context.

Funding of capital works requires assurance by USP that appropriate maintenance costs will be budgeted by USP.

The Australian Government is represented on the Council and on the University Grants Committee. These representatives should be briefed by AusAID on the funding arrangements for USP so that they may be able to read and respond to the Council and UGC papers in an informed way.

Links to Australian and USP strategic priorities and Mutual commitments/agreed priorities or outcomes

In early 2007 the then Vice-Chancellor left the University and the Deputy Vice-Chancellor became Acting Vice-Chancellor. A new Vice-Chancellor, Professor Rajesh Chandra was appointed and took up office on 15 July 2008.

The Vice-Chancellor in his early communications with USP staff and the Finance and Investment Committee of Council highlighted the following demands on the University and areas for immediate action:

- Cutting expenditure
- Producing a balanced budget for 2009
- Restoring trust in University Management by Council, Senate and staff and external stakeholders
- Review of internal governance structures
- Review of course and programme offerings.

The Vice-Chancellor immediately took actions to cut expenditure by a variety of means and affecting all areas, i.e. a temporary freeze on appointments.

The Vice-Chancellor highlighted four broad areas for development and attention:

1. Implementation of the Quality Audit Report
2. Graduate Studies and Research
3. Distance and Flexible Learning (DFL)
4. Regional Campus Support

In lieu of the Revised Strategic Plan he set the following priorities for 2009:
- Consolidation of the financial position
- Implementation of the recommendations of the Quality Audit
- Development of a set of institutional and sectional performance indicators "to shift the University towards a more output-oriented, performance conscious and productive institution"
- Restructure of the University to align with revised strategic directions of the University
- Review of academic programmes and inclusion of four core units: language competency; governance and ethics; IT literacy; and Pacific cultures and societies.
- Audit and reviews of some non-academic areas to make them as cost-effective as possible and closer to international benchmarks
- Development of four campuses, as previously agreed with the member countries: Solomon Islands, Kiribati, Cook Islands and Marshall Islands; and improvement to services and performance of all campuses.
- Extension of the Japan-Pacific Centre for ICT capabilities to the other campuses
- Expansion of programmes for DFL (distance and flexible learning) delivery
- Shift towards more graduate studies and focused research "that demonstrably assists public policy and the development of our member countries".
- Agreed performance indicators for all positions.

The Vice-Chancellor signalled that "The University will move towards a strong output orientation in its strategy, thinking, resource allocation and reporting. This is a significant shift that will need a lot of effort."

We recommend that AusAID support this effort. Recommendations 7 and 8 reflect the Vice-Chancellor's priorities for 2009 and actions he has committed to, partly arising from the Quality Audit Report.

Recommendation 7

That the initial priority areas be (1) Implementation of the Quality Audit Recommendations; (2) Graduate Studies and Research; (3) Distance and Flexible Learning (DFL); and (4) Regional Campus Support.

We agree with the Vice-Chancellor that there are significant issues of efficiency and effectiveness in the administrative support areas, in particular in the human resources function and the planning and development function. Without addressing these and the financial issues, the priority areas will not be able to be developed as desired and desirable.

The Quality Audit Report makes recommendations across all four areas, and some of the agreed outcomes in all areas suggested below reflect these.

We would not wish to see the ordering of the four areas as indicating priority or the areas needing equal attention or resources. The Auditors saw as priority areas their recommendations relating to governance and management, and to the area of academic planning and delivery. The under resourcing of regional campuses and the inequitable learning environment and outcomes were noted. These areas need immediate and sustained attention.

More emphasis on, or a shift to graduate studies and research, should be seen as an aspirational and long-term goal. The University will need to establish a few areas in which it can build up research capacity and sustained scholarship. These areas need to be aligned to regional needs and capitalise on the Pacific location, and to enable USP to become a regional and international centre of research excellence in those niche areas.

The following recommendations are indicative and reflect needed outcomes identified in the Quality Audit Report, by Council and its Committee, the Vice-Chancellor and by the Review Team in discussion with various stakeholders. AusAID might not want to go into such detail but we believe it is important that the outcomes below are on the agenda.

We also acknowledge that some of the proposed actions are already in train and outcomes may be achieved in 2008. Yet in view of USP's history of delays in the achievement of agreed outcomes, we include them here.

Recommendation 8

That in 2009 the following outcomes be considered under a new partnership:

8.1 Review and strengthening in 2008 or early 2009 of the human resources and planning and development functions so that they are able to deliver prompt and effective service by mid-2009.

8.2 In area (1) Implementation of Quality Audit Recommendations:
- **Review and restructure of Senate**
- **Implementation of effective management structure and competent senior management in place**
- **A revised Strategic Plan with key priorities and objectives, time frames and realistic targets and KPIs to monitor progress towards objectives**
- **Development of University-level Teaching and Learning Plan**
- **Review and consolidation of academic programmes**
- **Re-introduction of regular, periodic external reviews of academic programmes.**

8.3 In area (2) Graduate Studies and Research:
- **Development of postgraduate courses in response to market needs**
- **Development of University level research plan**
- **University policies for intellectual property and ethics**

- *Development of policies around postgraduate research*
- *Provision of a handbook, orientation programs and transition processes for postgraduate students.*

8.4 In area (3)DFL:
- *USPNet broadband strengthened*
- *Campus-based facilities upgraded*
- *Additional courses developed in DFL mode for delivery on all campuses through the new Japan-Pacific Centre for ICT.*

8.5 In area (4) Regional Campus Support
- *Increased support to existing regional campuses and centres to provide for equitable student experiences across all campuses, including broadband, first year student support, and adequate equipment for teaching.*

The Revised Strategic Plan will be available in 2009. It is appropriate that for 2010, 2011, and 2012 specific outcomes in the above four priority areas be agreed to during 2009.

Recommendation 9

That outcomes for 2010, 2011 and 2012 be agreed to during 2009 after the adoption of the Revised Strategic Plan by Council.

Benchmarks for incentive funding

Benchmarks for incentive funding are related to the agreed outcomes. The University is currently funding a project on gathering, analysing and reporting data to inform Council. Management information, too, is in urgent need of strengthening and two of the Quality Audit Recommendations relate to data, i.e.

> "8. The Audit Panel recommends that USP develop robust mechanisms for comparing the pass, progression, retention and completion rates of its students across all campuses and all modes of study in order to track improvements and performance in teaching and learning."

> "11. The Audit Panel recommends that USP ensure reliability of its data management system and also investigate more efficient ways of using data, information and knowledge to support decision making at all levels of the enterprise."

Council's Task Force on Governance had recognised the problems prior to the Audit and a consultant has been addressing these. Yet in Year 1 of the new funding agreement, there might not be as yet enough hard data to establish whether outcomes have been achieved.

The outcomes for 2009 do not only rely on quantitative KPIs but on particular actions having been taken or on particular achievements. Incentive funding may be attached to achievements in each of the four areas and to the achievement of the two prerequisites, i.e. a balanced budget as requested by Council, and a strengthened HR and Planning and Development function as suggested by the Review Team.

There are several options for Incentive Funding:

1. Incentive Funding is given when all agreed outcomes have been achieved within the year specified.

2. Incentive Funding is allocated to each of the four areas and is awarded for the achievements of all agreed outcomes in each area in the year specified – i.e. the University may get 25%, 50%, 75% or 100% of the potential Incentive Funding.

3. Incentive Funding is awarded when most of the outcomes have been achieved or are in train to be achieved.

4. The Incentive Funding may be tied to the area(s) of achievement or untied.

The Incentive Funding is in effect not only incentive to achieve outcomes, but reward for the actual achievement of those outcomes. In a culture of relative immaturity in relation to financial management, it is important that the Incentive Funding be a substantial amount, which the University, and in particular the Council, would not wish to forego. We acknowledge that in 2008 and 2009 the University needs to re-establish its foundations but in future years may be expected to become more ambitious.

Recommendation 10

That Incentive Funding be provided to USP, subject annually to the achievement of previously negotiated KPIs, commencing at a level of 10% of total funding and building to at least 20%; with the KPIs becoming progressively more 'stretch targets' while still having been agreed between USP and AusAID as achievable.

Capital funding

On the whole, USP has not been able to fund capital works from its recurrent budget. There are a number of priority areas, in particular on existing regional campuses, for capital funding. The Audit Report recommended (Rec. 5): "that USP, as a matter of urgency, review the management needs of the regional campuses and explore ways to support their resource requirements to provide for equitable student experiences across all campuses." On the Alafua campus neither the Web of Knowledge nor Banner can be accessed. In addition, frequent power outages interrupt any work using computers and present a safety hazard to students. On the Emalus campus there is urgent need for a modern library/information centre. In the Solomons and on the Laucala campus more student housing is needed. Other campuses will have similar needs. An AARNET connection for the Alafua Campus is not yet feasible under the current arrangement. Capital infrastructure and DFL connectivity for the regional campuses are essential for a positive learning and teaching environment. Connectivity across USPNet needs to be improved.

While AusAID would not want to encourage reliance on donor funding for capital works in perpetuity, at present the quality of education and students' educational experiences are severely hampered by lack of appropriate infrastructure.

Recommendation 11

That AusAID consider capital funding to build up the infrastructure and DFL capacity on regional campuses, including connectivity with USPNet.

Recommendation 12

That AusAID request USP to develop a capital management plan and discuss sources of funding with a view to AusAID funding several capital projects on regional campuses over the term of the next MOU.

<u>Management arrangements</u>

AusAID is delegating much of the management to Posts. Posts need to be resourced to enable them to interact and engage with the University and its campuses and centres. Suva Post needs to negotiate outcomes and evaluate the achievement of outcomes to provide Incentive Funding. It needs to regularly engage with the University, but without micromanaging it. While GOA is a member of and donor to other PROs, it is not a member of USP. It can influence the direction of the University through its representation on the Council and UGC and through its funding discussions, but in the spirit of partnership it cannot engage at a micro level.

Despite Council's and the Vice-Chancellor's commitment to restore financial viability and responsible financial management, there are still concerns including in the wider regional communities. It is important for AusAID to be aware of and assured of USP's financial viability and competent financial management.

Recommendation 13

That AusAID monitor USP's financial viability and financial management through its representatives on Council and UGC and alert USP to any concerns.

At present payments under the MOU are made in two tranches. If this continues under the next funding agreement, AusAID might want to consider withholding funds only if it can be assured by USP that the programs will not fall further behind with the withholding of funds.

Regular meetings with the Vice-Chancellor by senior AusAID/High Commission staff would assist in enabling AusAID to gauge the likelihood of achievement of agreed outcomes before the formal evaluation.

Objectives of Assistance

<u>Harmonising with other donors</u>

Japan has been funding discrete projects as proposed by USP, while the European Union works through the PIFS. The greatest synergy in funding for USP can be achieved through co-operation between Australia and New Zealand, both countries also being the only donor countries represented on the Council of USP.

The Australian and New Zealand Governments have committed themselves to work more closely together and with their other partners to co-ordinate the assistance to the Pacific. The timing of NZAID and AusAID funding agreements is not aligned, however, and this can lead to difficulties in jointly funded programs.

In November 2007 USP submitted a funding proposal to NZAID 'The USP Governance Enhancement and Strengthening Project January 2008 – June 2009' which was not funded. Subsequently, in early 2008, USP submitted a more comprehensive Programme Proposal to NZAID 2008, 'The USP Governance and Management Enhancement and Strengthening Project 2008-2010' with three strands: (1) Financial Capability & Sustainability; (2) Strengthening University Planning & Decision Support; (3) Governance Enhancement & Review.

An agreement between NZAID and USP was signed on 12 September 2008, with funding provided until the end of the year. USP has been invited to submit an updated proposal.

The areas for strengthening are of crucial concern to Australia, as well, and it is recommended that AusAID discuss with the University and New Zealand, how it might complement the NZAID funded work through project funding or as an area of agreed outcome.

Recommendation 14

That AusAID in discussion with USP and New Zealand complement the NZAID funded project 'Governance and Management Strengthening and Enhancement Project' to ensure that all outcomes proposed by USP in its submission are achieved.

More generally, AusAID needs to have regard to the approach adopted by all donor agencies when deciding on its approach. USP management, too, would value joint donor meetings.

Opportunities to better target and/or provide additional Australian support

Above we have mentioned the need for capital funding and increased scholarship funding. The first provides for general visibility which we believe is important, in particular as Japan, the EU and China have become highly visible donors in the Pacific. But capital funding also addresses a real need, in particular on regional campuses which aligns well with Australia's commitment to equity.

Scholarships create a pool of professional leaders in the Pacific with knowledge and appreciation of Australia and the values it stands for. As noted above, Australia might well consider funding scholarship with additional funds to USP so that replacement staff can be recruited when USP staff are in Australia undergoing professional development or postgraduate education.

We have also mentioned the need for co-ordination of the various regional initiatives involving USP. This includes co-ordination and consultation between Canberra and Suva Post.

Recommendation 15

That engagement with USP be balanced and co-ordinated and AusAID develop a consistent AusAID and Whole of Government Partners engagement strategy with USP that is aligned to AusAID's regional engagement strategy.

Monitoring and Evaluation Framework

<u>Performance indicators</u>

The present USP Strategic Plan 2006-2010 contains five broad strategic goals with 20 sub goals. It does not contain performance indicators but 'Monitoring Variables' for each of the goals and actions which will lead to the achievement of goals. As the relevant benchmark data on these variables is not in the public domain, progress on these variables is hard to measure, to take but one variable from each of the five broad goals: 'Time to first degree'; 'Percentage of research-active academic staff'; 'Program satisfaction'; 'Member Country government feedback'; 'Internal audit reports'.

The new Vice-Chancellor will be revising the Strategic Plan for adoption by Council in May 2009. We agree with Fiji Post that a Monitoring and Evaluation (M&E) framework be agreed to with USP, but we propose that this be done after the adoption of the revised Strategic Plan.

This M&E framework should contain both quantitative performance indicators where possible, and quality performance indicators if quantitative measures are inappropriate.

In the past, activities have been taken as agreed outcomes on the underlying assumption that the activity would lead to the agreed outcome. Impact has not been measured.

Over the past year performance indictors have been negotiated with Program Directors and AusAID via the Planning and Development Office of USP.

While in the next MOU a greater focus on performance indicators is desirable and an attention to impact, it is acknowledged that the achievement of some strategic goals are not easily measured, nor are there as yet instruments available to measure the impact. Impact, too, is not always immediate but may be medium or long-term.

Above we have recommended (Rec. 8) a number of outcomes in the four priority areas which can be translated into performance indicators for Year 1 of the MOU.

The performance indictors for years 2, 3 and 4 should be developed during 2009.

<u>Reporting requirements in line with AusAID's quality processes.</u>

Reporting requirements in line with AusAID's quality processes should be incorporated into the MOU. Requirements should be for succinct reports against agreed performance indicators, on the template used by AusAID; for succinct financial reporting against budget; and for succinct forward plans.

Risk Management and Sustainability

We recommend, as does Post, that annual discussions with the Vice-Chancellor take place to ensure that the strategic goals are achievable during the proposed timeframes; in particular that USP is building capacity to deliver its core activities.

Post suggests that through formal annual meetings with USP risks may be identified and mitigated. Given the shared objectives and co-ordination with New Zealand, these meetings might well be joint meetings with New Zealand. If USP believes that it would be of value to include other donors in these discussions, joint donor meetings with USP might be helpful in identifying common risks. Sustainability and risk are already areas to be addressed in the six-monthly Quality at Implementation Reports.

A proper balance will need to be achieved between AusAID ensuring that Australian funds are spent in a most cost-effective way and USP's need to be flexible and responsive and to be able to re-allocate resources where necessary.

USP has been and is the premier higher education institution in the region; and the Vice-Chancellor is committed to forging closer links with other tertiary education institutions in the region and elsewhere, mainly through articulation and pathways for students from national educational institutions. There is a certain disaffection with the performance of USP in the region and some governments are resourcing or considering resourcing other country-specific tertiary institutions, as well as increasing their sponsorship for students who go to other universities in Australia, New Zealand, PNG and elsewhere. Despite the emerging competition, with good governance, leadership and management USP can sustain and enhance its regional role. Consistent with Australian Government policy, AusAID support should be aimed at ensuring this occurs. Our recommendations are directed to that end.