



The DAC's main findings and recommendations

**Extract from: OECD Development Co-operation Peer Reviews
Australia 2018**

Australia has made progress towards influencing globally and better focusing its development co-operation programme

Australia has a strong voice on the global stage. It actively and consistently advocates for the interests of small island developing states and the Pacific region and on issues such as disaster risk reduction and gender equality. In line with this focus, the government has introduced a clear overarching policy vision and associated strategies and guidance for development co-operation. A robust performance framework reflects Australia's strategic orientations, with value for money at the forefront.

Against the backdrop of the 2013 integration of AusAID into the Department of Foreign Affairs and Trade (DFAT), a policy re-orientation and significant budget cuts, Australia has addressed recommendations from the last peer review. For example:

- The introduction of Aid Investment Plans with multi-year planning at country level has increased the medium-term predictability of Australian aid including in humanitarian settings.
- Australia collects and monitors results beyond headline results and uses this information at the programme, country and sectoral levels.

Australia positions itself to influence global co-operation

Australia actively seeks to shape the regional and international environments and to strengthen global co-operation in ways that advance Australia's interests. These ambitions motivated Australia's successful campaigns for seats on the United Nations Security Council and United Nations Human Rights Council, and for strategic influence in G20 fora.

Australia uses its engagement in international settings to advocate for a set of priority issues. One example was its leading role in negotiations on the Sendai Framework for Disaster Risk Reduction. These priority issues are reinforced further through its own programmes. For instance, Australia has a robust, cross-government disaster resilience and response programme in the Pacific region. It also has an extensive toolbox and a well-deserved reputation for effective delivery in sudden onset crises, especially in the Pacific region (**Section 1.1, 7.3**).

Australia consistently advocates for responses to the unique challenges that small island developing states (SIDS) face, reflecting its role as the largest bilateral donor to SIDS. Australia effectively uses regional and multilateral channels to exert influence, for example by working with the Green Climate Fund to expedite the release of funds to Pacific nations (**Section 1.1, 3.2**).

Australia's seasonal worker programmes with Pacific nations and its focus on regional health security also are expanding and delivering mutual benefits.

The integration of AusAID into DFAT has facilitated the use of selected policy levers beyond aid to advance development objectives. This is particularly true of Australia's efforts towards more ambitious trade liberalisation, including work to reduce barriers to trade and ensure preferential access for least developed countries, in recognition of the mutual benefits accruing to Australia and developing countries from open international trade and investment (**Section 1.2**).

Australia's aid policy and performance framework deliver a consistent focus to the aid programme

The 2013 policy for Australia's aid programme creates a framework for development co-operation that is premised upon the national interest in the prosperity, security and stability of the Indo-Pacific region. This framework rests on the pillars of private sector development and human development and six priority areas for investment. Australia ensures that policy guidance is translated into aid allocations by using specially designed investment criteria. It also has developed, with impressive clarity, programming guidance for staff covering all aspects of the programme cycle (**Section 2.1, 2.3, 4.2**).

Since the introduction of the policy, Australia has developed a suite of thematic strategies and partnership approaches, most notably for the private sector, to deliver its objectives. In line with the Addis Ababa Action Agenda on financing for development, Australia increasingly is using its official development assistance (ODA) to leverage domestic resources and to engage the private sector (**Section 2.1, 3.4**).

Australia takes context as its starting point. In addition to the focus on small island states, Australia is transitioning its approach from traditional development assistance to economic partnerships with emerging economies in Asia. Many of Australia's aid investments also are in fragile contexts, where Australia takes a pragmatic, context-specific, whole-of-government approach to peacebuilding (**Section 2.2**).

Australia's strong commitment to mainstreaming gender is particularly noteworthy on the policy front. Australia continues to champion gender equality internationally, regionally and bilaterally. A dedicated strategy, performance targets, financial resources and political leadership underpin this commitment, enabling Australia to make gender equality a genuinely cross-cutting issue (**Box 2.1**).

Value for money and accountability feature prominently in Australia's approach to managing performance. Australia has set out a clear and comprehensive performance framework to accompany its new aid policy with ten strategic targets aimed at translating policy change into operational realities, such as the concentration of 90% of bilateral aid on the Indo-Pacific region and the rapid scale up of the aid for trade portfolio. Australia's experience with and reflection on these targets — in terms of creating incentives and avoiding trade-offs, for example — could greatly benefit the DAC and should be actively shared. In addition, a four-level reporting architecture measures performance at the whole-of-aid, programme, individual investment and partner performance levels (**Section 2.1, 6.1**).

Australia can build on its achievements

Australia seeks to integrate development deeply in the department's work, but some systems need to catch up

The integration of AusAID into DFAT in November 2013 has had profound implications for the organisation and management of Australia's development co-operation. There have been coherence, efficiency and effectiveness gains as well as challenges.

Australia sought to integrate development into the spine of the original department. This level of integration was reflected in decisions on the structure, governance and capabilities of the newly expanded department. Australia is now taking stock of the impact of these decisions on its ability

to deliver a quality and quality-assured development co-operation programme. For example, DFAT has recently decided to redefine the authority, responsibilities and membership of its two primary governance structures, merging them into one Aid Governance Board, to improve oversight of project and programme risk and performance (**Section 4.1**).

Australia has clear and relevant processes for aid management. DFAT's risk-related tools and processes for different levels of the portfolio, including risk registers and risk assessments for all investments, are set out clearly. Australia makes every effort to ensure its policies and data are transparent at the aggregate level. However, the transparency of individual investments could be improved including through clear directives from management on the need to publish regular and timely information. This would reinforce public accountability and confidence.

DFAT has relied on its pre-integration systems to cope with the knowledge management and information needs of the development co-operation programme. DFAT is modernising its information technology platforms and will need to ensure that these become fit for purpose (**Section 4.2**).

Recommendation:

1. **DFAT should improve its transparency in relation to the timely and accessible publication of activity-level information.**

Taking its lead from the 2030 Agenda and building on its results and innovation focus, Australia can continue to improve internal learning and external communications

Australia influenced the 2030 Agenda but has yet to explicitly align its various frameworks, and particularly its aggregate performance framework, to the Sustainable Development Goals (SDGs). The UN High-level Political Forum in 2018, where Australia will present its first Voluntary National Review, offers it an opportunity to position development co-operation within its overall approach to the 2030 Agenda and to define how the aid programme will align to the SDGs (**Section 1.1**).

Recommendation:

2. **In line with the 2017 Foreign Policy White Paper, DFAT should demonstrate alignment of its policy and performance frameworks with the SDGs.**

In this review period, Australia has strengthened its focus on performance reporting, evaluation, innovation and research. Australia now needs to ensure that these practices and processes work in harmony and support improved learning and effectiveness. Following are some examples.

- The aggregated performance reporting system is well oriented to ensure that performance information is used for overall direction, communications and accountability. However, there is less emphasis on using results for learning. Similarly, while aggregate reporting captures progress and achievement against performance targets, an enhanced focus on challenges and bottlenecks could help to further orient strategic decision making (**Section 6.1**).

- DFAT has a strong, independent evaluation system. Changes to its evaluation policy and planning process aim to further encourage evaluation use, better link centralised and decentralised evaluations, and ensure greater focus on strategic priority issues. DFAT has worked to improve the quality and consistency of decentralised evaluations, introducing useful tools and review processes for improving evaluation quality. Efforts are underway to now ensure that project-level evaluations and management responses are completed and published in accordance with the evaluation policy – an area where performance was lagging – to enhance the use of and learning from findings (**Section 6.2**).
- Senior-level commitment to bring innovation into the development programme is being well served by innovationXchange. The centre is encouraging experimentation and non-traditional partnerships and is building links to DFAT’s thematic and geographical priorities. The emphasis on innovation, given time, will need to translate into demonstrable results at scale and with high degrees of local ownership to ensure sustainability (**Section 4.2**).
- A new knowledge management framework and roadmap have been introduced, and funding for research has expanded. However, Australia has not yet allocated sufficient resources to carry through its knowledge management framework and roadmap. Given the need to capture and share development knowledge and capacity in the setting of an integrated department, additional efforts in this area may be needed (**Section 6.3**).

Recommendation:

3. **DFAT should fully resource its knowledge management framework and roadmap to better capitalise on development knowledge produced in the field and to effectively pool the vast evidence generated from its performance reporting, evaluations, partners and research.**

Opinion surveys suggest the Australian public is open to engagement on global issues and challenges but is less supportive of, and has misperceptions about, aid. Australia now is committed to revive its efforts to communicate effectively on sustainable development, following a period of adjustment after the integration of AusAID into DFAT. Engaging with the public on issues of global citizenship would build on long-standing, people-to-people and educational exchanges between Australia and its neighbours (**Section 1.3**).

Recommendation:

4. **DFAT should better tailor, brand and resource its communications and development education efforts at home to build awareness of development issues and the 2030 Agenda.**

Australia should continue down the path of principled and transparent partnering

Australia has a broad range of partnerships that are well tailored to work in specific contexts. As part of its economic diplomacy agenda, Australia is increasing its emphasis on partnering with the private sector. Australia is a strategic partner to the multilateral system, providing core,

long-term and predictable funding. DFAT also has long-standing relationships with Australian non-governmental organisations (NGOs) that also feature predictable funding. A smaller proportion of funding is allocated to or through local civil society organisations.

Australia funds a number of global and regional initiatives, but it could improve its approach by better linking these initiatives with its bilateral aid programmes. This would help create synergies and enhance country ownership (**Section 5.1**).

Recommendation:

5. **DFAT should define and articulate tools and mechanisms that will strengthen coherence and complementarity between global, regional and bilateral programmes affecting individual countries.**

Clear principles and frameworks for mutual accountability guide Australia's engagement in partner countries. The proportion of its bilateral aid channelled as country programmable aid, at 69% in 2015, is well above the average of DAC members. However, government-to-government aid has declined to 3.5%. Australia takes a case-by-case approach to the use of country systems and continues budget support in some contexts, using performance payments and budgetary assistance to incentivise reforms. Despite improvement, however, Australia's use of country systems remains below average, showing potential for further progress (**Section 5.2**).

Recommendation:

6. **DFAT should increase its use of country systems on a case-by-case basis and continue building capacity in contexts where country systems require strengthening.**

Australia has increased emphasis on performance metrics and value for money in its choice of partners. It conducts performance assessments of each partner and, in the case of multilateral organisations, at different levels. As this approach unfolds, Australia will need to review the added value of these assessments on different sets of partners and the extent to which these assessments contribute to strategic dialogue and deeper engagement with partners. It also will need to review the consistency of links between performance assessments and funding decisions including for humanitarian partners (**Section 2.3, 7.3**).

Recommendation:

7. **DFAT should clearly communicate how performance assessments of its various partners are consistently used to inform funding decisions including for humanitarian and multilateral partners.**

Australia needs to address some challenges

Australia should scale up its total support to development through ODA and other means and backed by sufficient development expertise

Australia's net ODA was USD 3.28 billion in 2016. This represented 0.27% of ODA to gross national income (GNI), well below the international benchmark of 0.7% ODA to GNI. In 2016,

Australia was the 13th largest DAC donor in volume terms and the 15th largest in ODA to gross national income terms. Having moved away from a commitment to reach 0.5% by 2015, Australia has consistently cut ODA since 2013 despite experiencing continued economic growth over this period. Since 2013, in cumulative terms, the Australian aid budget has been cut by over 30%. Overall budget cuts have affected the scope of both the development and humanitarian programmes. Furthermore, Australian budget projections suggest that the ratio of ODA to gross national income will continue to decline, reaching a historic low of 0.22% in 2017/18 (**Section 3.1**).

Recommendation:

8. **Australia should re-introduce an ambitious target for increasing ODA against gross national income and set out a path to meet the target.**

Increasing ODA would enhance Australia's international profile and reputation, as would addressing issues of policy coherence across government in line with the SDGs. For example, the Australian government considers that it has met its domestic policy commitment to stem the illegal flow of migrants into Australia through the creation of "regional processing centres", yet this has drawn criticism for the suffering caused. Australia can also maximise its development footprint by addressing issues related to the environment at home and continued improvement in oversight of Australian business activity overseas. Remittance costs from Australia to the Pacific region also remain high, despite a G20 commitment in 2015 to reduce them further; reducing these costs will require joint action with other international actors (**Section 1.1, 1.2**).

Recommendations:

9. **DFAT should identify priority policy coherence for development issues in line with DFAT's corporate plan, in collaboration with other departments and through inter-governmental structures.**
10. **Australia should continue to make progress in reducing the cost of sending remittances from Australia to the Pacific region.**

The effective use of aid and the effective use of policy levers beyond aid rely on development expertise. Australia lost a significant number of experienced aid management staff in the course of integration. DFAT has a limited number of specialists working on the aid programme, preferring to invest in the skills of generalists and to outsource implementation to contractors. This approach exposes DFAT to risks related to development effectiveness, programme efficiency and reputation. For example, the right expertise might be lacking to (**Section 4.3**):

- oversee and quality assure the policy and programme
- ensure the organisational structure is working effectively from a development perspective across its thematic, geographic and country pillars
- internalise knowledge and learning to help guide further strategic decision making.

Australia already has recognised that a concerted effort is needed to ensure it has the skills and capabilities needed to deliver a high-quality aid programme. DFAT will need to enhance the visibility, recognition and investment in development skills, thus creating incentives for staff to obtain development competencies (**Section 4.1**).

Recommendation:

11. **DFAT should ensure it has the capability in place to match the ambition of its development policy, including:**
- **specialist skills in line with thematic, partnership and cross-cutting priorities**
 - **development expertise across the matrix structure**
 - **using and building up of the skills of locally engaged staff.**

Poverty reduction and positive environmental outcomes need further guidance

As Australia sharpens its focus on its national interests and strengthens its alignment with economic diplomacy and security objectives, it should take care to maintain sufficient focus on its high-level poverty reduction objective. Australia's theory of change sets out broad pathways towards poverty reduction, for example through private sector development. Country programmes – operating in contexts with very different income levels and with different vulnerabilities – would benefit from clear diagnostic tools to enable them to anchor a poverty focus. Australia could also set out its interpretation of the 2030 Agenda commitment to leaving no one behind, and its contribution to achieving this commitment (**Section 2.2**).

Recommendation:

12. **DFAT should strengthen current approaches to how it is seeking to reduce poverty – and leave no one behind – across the range of its development interventions through aid investment plans, guidance, monitoring and evaluating.**

As its reporting against policy markers shows, Australia has yet to clearly articulate an approach to mainstreaming the environment and climate in its aid programme beyond a safeguards approach. There does not appear to be a strategic approach to mainstreaming the environment and climate across the programme that is backed by sufficient capacity and resources, despite recognition that these issues are risks for security and prosperity in the Pacific (**Section 2.2, 3.2**).

Recommendation:

13. **Australia should increase the focus and level of ODA allocated to the environment and climate as part of a broad mainstreaming strategy and in line with its 2017 Foreign Policy White Paper. Such a strategy should draw inspiration from Australia's achievements with mainstreaming gender equality.**

Access the full report

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