Peer Review

REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF AUSTRALIA

DAC's MAIN FINDINGS AND RECOMMENDATIONS

(Note by the Secretariat)

4 December 2008

This document was discussed at the Peer Review meeting of AUSTRALIA on 4 December 2008 and at the Editorial session the following day with the Delegation of AUSTRALIA and the Examiners from IRELAND and PORTUGAL. The revisions have subsequently been approved by all delegations and the Main Findings and Recommendations are now issued in their FINAL form.

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REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF AUSTRALIA

DAC’S MAIN FINDINGS AND RECOMMENDATIONS

Summary

Australia’s aid volume was USD 2.67 billion in 2007, representing 0.32% of its gross national income (GNI). It has committed to contributing 0.5% of its GNI to official development assistance (ODA) by 2015/16.

Australia has made substantial, positive changes to its aid programme since 2004, reinforcing its focus on reducing poverty, on promoting the MDGs, and completely untying its aid programme. OECD’s Development Assistance Committee (DAC) welcomes Australia’s concentration on the Asia Pacific region and its continued engagement in states in fragile situations. The DAC recommends that Australia draw up a new policy statement setting out its strategic development assistance framework. Partnerships, like the Pacific Partnerships for Development, are a new key feature of the Australian programme. Australia’s rigorous whole-of-government approach facilitates policy coherence. AusAID, Australia’s anchor agency for development, has implemented comprehensive corporate reform. This includes devolving authority to the field and fostering a results-based and learning culture, assisted by the independent Office of Development Effectiveness.

Despite this progress, Australia still faces a number of challenges. It should work increasingly through developing country government systems. All Australian government stakeholders need to share the same development perspective when implementing the aid programme. While increasing its aid, Australia should stay focused and pursue effective approaches, including working with and through other donors. Australia successfully integrated gender equality into its aid programme and could now use the same approach to integrate environmental concerns.

1. Overall framework for development co-operation

1.1 Legal and political orientations

Renewing the emphasis on development aid and prioritising poverty reduction

1. Being mostly surrounded by developing countries, Australia has special responsibilities and specific challenges. Although poverty levels have fallen, most countries in the region are confronting serious difficulties in achieving the Millennium Development Goals (MDGs). Several are in the midst of major governance upheavals ranging from consolidation of fragile democracies to civil strife and open conflict. Development gains may also be weakened by growing environmental threats. Australia has strengthened its response to these challenges at the policy, institutional and delivery levels since the last peer review in 2004. A White Paper, *Australian Aid: Promoting Growth and Stability*, was developed in 2006 and provided a comprehensive plan for Australia’s aid programme over the medium term. The White Paper – and the consultative process leading up to it – has helped provide momentum for reforming the aid programme, in parallel with significant scaling-up in aid volume.

2. The government elected in November 2007 is giving a higher profile to development co-operation, as illustrated by the newly re-instated position of a Parliamentary Secretary for International Development Assistance, under the leadership of the Minister for Foreign Affairs. It is promoting poverty
reduction as the core objective of Australia’s development co-operation programme. The Prime Minister has also reinforced the government’s commitment to the MDGs. There is already a stronger emphasis on the MDGs in the aid budget and work is underway to provide the analytical and methodological tools needed to embed the MDGs in new country and regional strategies. Other policy orientations include a strengthened emphasis on multilateralism, a reaffirmed commitment to assisting neighbouring countries in the Asia and Pacific regions, and a decision to engage further with Africa. These new orientations mean that the 2006 White Paper no longer reflects Australia’s policy development assistance framework, though it remains an important resource for strategic decision-making. A new overarching statement guiding the aid programme would therefore be welcome.

Adjusting to a unique external context

3. Approximately 50% of Australian aid is delivered to states in fragile situations in Asia and the Pacific. This reflects the moral imperative resulting from Australia’s geographic location as well as its economic and security interests. Australia has strengthened its analytical foundation for engaging in these situations and developed a multifaceted, flexible approach involving stronger investments in nation building, developing leadership capacity, working in partnership with civil society and enhancing emergency management capacity in partner countries. A challenge for Australia’s engagement in fragile contexts is to maintain the focus on ownership and alignment, even when short-term considerations favour more hands-on approaches, especially in conflict situations. In addition, where Australia is the main donor and often has a leadership role, as in the Solomon Islands, it is crucial that it continues to work closely with other donors to engage them in the dialogue with partner country governments. The DAC welcomes Australia’s continuous engagement in states in fragile situations and appreciates Australia sharing its particular experience with other members.

4. Gender equality and women’s empowerment are well integrated into the programme, backed by strong leadership from senior management and appropriate resources. However, despite growing environmental concerns across the region, environment does not seem as well integrated. A renewed emphasis has been put on environment since 2007 and a new environment and development assistance policy has been developed. While signalling a significant increase in Australia’s environment-related support in the Asia and Pacific regions, the policy intends to guide a portfolio of activities that directly targets environmental challenges and to support a stronger commitment to environmental management across all sectors of development. Significant initiatives were recently taken to address several aspects of global environmental challenges. The Australian Agency for International Development (AusAID) should build on these opportunities to more systematically consider environmental threats and opportunities throughout the aid programme.

Communicating and widening public and political support

5. While public and political support for development aid has increased, Australia must sustain its efforts to widen this support, especially as increasing aid volumes will require a strong constituency. Bearing this in mind, AusAID should consider increasing its communication resources when planning its new communication strategy. This would enable it to capitalise on opportunities outside the agency to advance its development education agenda. In particular, working more with NGOs to raise public awareness would be beneficial given the public credibility of NGOs. AusAID should also make the public and politicians more aware of the new aid effectiveness approach to delivering aid.
1.2 Promoting policy coherence for development

Implementing an effective whole-of-government approach

6. Development issues have become increasingly interlinked with broader Australian, regional and international policy priorities. These include regional security, trade, economic integration, the transboundary threats posed by communicable diseases, counter-terrorism, illicit drugs and organised crime. Australia’s rigorous approach to whole-of-government policy-making facilitates policy coherence for development (PCD), with positive results in areas like trade and migration, two crucial issues for Pacific Island countries. It also instils coherence within the aid programme.

7. The Department of Prime Minister and Cabinet leads the whole-of-government approach. AusAID provides advice on development considerations in Australia’s foreign and domestic policies through a range of interdepartmental committees and working groups across government. In addition, a number of mechanisms, including the Development Effectiveness Steering Committee (DESC) and nine strategic partnership agreements between AusAID and other Australian departments, help ensure the coherence of the Australian development co-operation programme at both strategic and operational levels.

Strengthening AusAID’s role in the whole-of-government approach to PCD

8. AusAID’s higher government profile results from the ability of senior management to engage more with the government and the broader Australian community on development issues. This approach, which also involves field offices, is backed by good internal analytical capacity, acquired through hiring experts, developing internal knowledge management and linking further with research institutes and universities. AusAID should pursue its efforts in order to support the Parliamentary Secretary’s positions within government and to ensure that policy coherence is implemented in partner countries. This means that stakeholders from all ministries must internalise Australia’s overarching development objectives and principles.

Recommendations

- The DAC commends Australia for its reinforced strategic focus on poverty reduction and the MDGs and its continuous engagement in states in fragile situations. Australia could benefit from including these commitments in a political statement clarifying its strategic development assistance framework over the medium to long-term.
- The DAC appreciates Australia’s extensive engagement in states in fragile situations and encourages it to continue to share with other members its particular experience in these contexts.
- Australia has made considerable efforts in integrating gender equality into its aid programme. It should continue to share its good practice with other donors. At the same time, Australia is invited to build on its experience in this area to integrate environmental concerns as effectively throughout its programme.
- AusAID needs to strengthen its communication efforts to ensure sustained public and political support for the expanding development programme, and to raise awareness of the implications of applying the aid effectiveness principles, in particular the new modalities for delivering aid.
- Building on its significant progress, Australia is encouraged to continue to develop internal and external capacities to further enhance policy coherence for development as part of its whole-of-government approach.
2. Aid volume, channels and allocations

Increasing aid volumes

9. Australia’s aid volume started to increase significantly in 2004, following years of quasi-stagnation in real terms. Australia’s net ODA amounted to USD 2.67 billion in 2007, representing 0.32% of its gross national income (GNI). The government committed in 2007 to an ODA/GNI ratio of 0.5% by 2015/16 and is taking steps to achieve this objective, with ratios of 0.32% planned in 2008/09, 0.35% in 2009/10, 0.37% in 2010/11 and 0.38% in 2011/12. Achieving the 0.5% ODA/GNI target in 2015 will imply a programme more than double its current size. The DAC would welcome Australia continuing its efforts towards the 0.7% UN target once it has achieved the 0.5% target.

10. Australia will need to manage the rapid increase of its aid volume carefully to avoid undermining its strategic focus and to maintain complementarity while continuing to work constructively with other donors, in a context where capacity of partner countries to absorb aid can be limited. Australia is aware of the latter issue and is planning appropriately to assess prospects for scaling-up in each country programme. In doing so, Australia will need to take care that the new Pacific Partnerships launched in 2008 are clearly defined in the context of collaboration with other donors. Likewise, the DAC welcomes Australia’s announcement that it will channel more aid through multilateral organisations.

Expanding the geographic and sector focus

11. The Australian bilateral programme focuses on the Asia and Pacific regions, which received 76% of its bilateral aid volume in 2006. This focus is consistent with the government’s stronger emphasis on the MDGs, since many countries in the Pacific are performing poorly in this respect. It also fits with the international donor commitment to the division of labour, as few donors have long-term aid programmes in this region. Australia also plans to enhance its bilateral engagement in Africa to help achieve the MDGs in this region. This is a welcome decision since Australian aid to Africa, and specifically to least developed countries (LDCs) has been limited. In engaging bilaterally in such countries, Australia is aware of the risk of adding to the administrative burden of partner countries that already deal with a large number of donors. The DAC therefore supports Australia’s plan to co-operate closely with other donors and whenever possible to rely on delegated co-operation arrangements when engaging in a new country.

12. Australia’s strong commitment to governance programmes is reflected in its aid allocations to this sector. The government also plans to increase funds to sectors directly linked to the MDGs, in line with its policy orientation. Given its emphasis on economic growth for poverty reduction, Australia should also reverse the decline of funds allocated to the economic and productive sectors. While the rapid increase in Australian aid may allow new government priorities to be introduced into the programme, Australia will need to be careful to avoid excessive dispersion within partner countries. The two peer review field visits to Indonesia and Vanuatu revealed that AusAID is a highly dynamic organisation working in an increasing number of sectors and trying to be responsive to the needs of partner governments. The downside of this positive attitude may be an attempt to do too much, leading to a loss of focus and/or dissipation of energy, thereby ultimately weakening impact.

Engaging further with other actors and the multilaterals

13. Since 2004, the percentage of ODA allocated through NGOs has remained stable, at 5%. However, the 2007/08 and 2008/09 budgets both plan to increase the funds allocated to or through NGOs. Considering Australian NGOs’ high credibility within the public, and the scaling-up of the development assistance programme, AusAID should continue increasing the amount of aid channelled through civil society organisations. This could help to strengthen the Australian aid programme in Africa, where many Australian NGOs are actively engaged.
14. The share of ODA channelled through multilateral organisations is relatively low compared to other DAC members (14% in 2007). The main multilateral recipients of Australian ODA are the World Bank and the Asian Development Bank. Australia and New Zealand have committed to work more with both these organisations in the Pacific through a Quadrilateral Co-operation Agenda. Australia is also active in supporting global initiatives in the health sector. The Australian Government plans to increase its multilateral engagement, in particular through a new initiative, the *United Nations Partnership for the MDGs*. This should allow Australia to develop further strategic linkages between its bilateral and its multilateral engagement. It could also use its stronger position within multilateral organisations to maintain attention on the Pacific region.

**Recommendations**

- It is important that Australia maintains its primary focus on Asia and the Pacific region, the latter of which lags behind in achieving the MDGs. At the same time, the DAC welcomes Australia’s increased focus on Africa, and in particular African LDCs. It encourages Australia to reflect on the best way of managing this geographic expansion, keeping in mind that the Accra Agenda for Action calls for reducing costly fragmentation of aid. Australia should take the opportunities to work through delegated co-operation arrangements or multilateral organisations as well as to rely more on NGOs when engaging in a new country.
- The DAC appreciates the particular context of small states in which Australia operates. Bearing this in mind, as the size of its aid programme grows, Australia should maintain a strategic sector focus at country level in order to promote coherence of efforts within the sectors which Australia supports.
- Increasing the share of aid going through multilateral organisations is appropriate given Australia’s growing programme. This should give AusAID the opportunity to develop further strategic linkages between its bilateral programme and its multilateral engagement.

3. **Organisation and management**

*AusAID’s anchoring role within the whole-of-government approach*

15. Australia’s aid strategy aims to include all the departments and agencies involved in delivering the aid programme via a whole-of-government approach, both at headquarters and in the field. While other government agencies are increasingly involved in development policy and programme delivery, 85% of Australia’s ODA is delivered through AusAID, an autonomous agency within the Department for Foreign Affairs and Trade. AusAID’s mandate is to: i) serve the minister and government by formulating development policy and advice, and engaging with Australian stakeholders; ii) achieve lasting development results through the design and delivery of high quality programmes; and iii) maintain policy, technical and corporate capability through investing in people and systems. AusAID’s anchor role is crucial to ensure that the aid programme meets key development and effectiveness principles. This role should be maintained as the volume of aid increases.

*A broad reform agenda*

16. The *AusAID 2010 Director General’s Blueprint* was issued in 2007 to provide a broad institutional picture of how AusAID should function to enable it to deliver increasing amounts of aid effectively by 2010. It has been instrumental in setting the directions and giving the impetus for the organisation to adapt. *AusAID 2010* describes AusAID’s operation as driven by two elements: (i) a *strong centre* that sets strategic direction for the agency; oversees, equips and supports overseas offices for effective programme delivery; and manages risk; and (ii) *strong country and regionally-based teams*
managing implementation of a substantial programme through more diverse and complex delivery mechanisms in partnership with governments, donors and other stakeholders. AusAID has set up an integrated management structure around three main operational functions: programme delivery, programme enabling and corporate enabling, backed by upgraded information technology systems.

A well-advanced devolution process

17. AusAID 2010 gave further impetus to AusAID’s devolution process which is now well-advanced, supported by a clear vision, a detailed transition plan and appropriate resources. The incremental approach adopted by AusAID has enabled it to learn from experience as it deepens the devolution and extends it to new countries. Field offices’ capacity has been considerably strengthened and a clear corporate framework, including governance, operation and knowledge-sharing, has been set up. Close links have been established at country level between corporate and programme functions. The devolution process appears to be successful, with a clear demarcation of roles between Canberra and country posts, clear lines of accountability and decentralised programmes coherent with the overall strategy of AusAID and its corporate framework. However, with two regional hubs in Bangkok and Suva set up at the end of 2007 to support smaller offices, AusAID needs to ensure clear relationships and lines of accountability among Canberra, the regional and country offices.

Strengthened emphasis on results orientation and knowledge management

18. AusAID is committed to becoming a results-based and learning organisation in a devolved environment. It is thus improving its corporate business processes and performance monitoring systems to ensure consistent programme delivery and corporate management across all of its operations. A strategic planning framework has been set up, with divisional and branch business plans stemming from it. Detailed instructions, guidelines and tools are being developed on all aspects of programme delivery, with a dedicated intranet site keeping staff informed of corporate business rules and processes. Performance reporting processes have been brought together into one coherent system. This system ensures that assessments are transparent and can be contested. Overall, it brings a stronger focus on quality of activities and is used as a key management tool both at headquarters and in the field. In putting in place its new reporting system, AusAID still faces challenges in balancing accountability, management and learning requirements. The review of the performance assessment and evaluation policy planned for the end of 2008 will be an opportunity to streamline systems and practices and assess the capacity required.

19. AusAID also puts a specific emphasis on managing knowledge and evaluating effectiveness. In 2007, it set up thematic groups and networks which improve access to information and skills and help new staff become effective rapidly. A first AusAID Development Research Strategy 2008-10 was launched in January 2008, which also illustrates AusAID’s aim to use knowledge to guide the programme for increased impact on poverty reduction. Finally, Australia took the innovative step of setting up the Office of Development Effectiveness (ODE) in April 2006. ODE monitors the quality and evaluates the impact of the Australian aid programme. It seeks to report on the effectiveness of Australian aid and identify areas where effectiveness could be improved. Its position as a free-standing unit reporting directly to AusAID’s Director-General enables it to address critical issues and improve transparency. Its reports, which are available on the Internet, provide frank assessments, including progress made and remaining challenges for the aid programme. The impact of this initiative should be shared widely with other donors.

Addressing human resource challenges

20. AusAID established a new, reinforced human resource branch in 2006. It has been instrumental in setting up a more professional, integrated approach to all aspects of human resources policies and strategies. AusAID staff numbers, positions and profiles have evolved in the last four years to respond to
the challenges of managing an expanding and devolved aid programme. AusAID has approximately 1,100 staff, an increase of nearly 50% in four years. Half of the staff is located overseas, compared to 40% in 2004. AusAID staff comprises 700 Australians and 400 locally-recruited staff. As with other DAC members, finding the right mix of people and creating an appropriate balance between different categories and positions remains a continuous challenge. Roles and positions of locally recruited staff have evolved positively and they are now offered more attractive terms and conditions in terms of flexibility, retention and inter-post mobility. This should better enable Australia to retain qualified local staff and maintain continuity in the devolved programme. Almost all Australian-based staff comprises Australian public servants, but AusAID increasingly contracts a number of people to fulfil its need for expertise and flexibility. AusAID also favours secondments as a way to gain expertise. Retaining younger staff and reducing staff turnover will be crucial for developing expertise and building sustained relationships with partners in Australia and abroad. AusAID should develop a specific policy to attract and retain capable, experienced staff with suitable skills, including for staff working in states in fragile situations. The workforce planning process underway in AusAID since mid-2008 is a positive step in this direction. AusAID also needs to consider the risks accompanying high internal staff mobility, especially when combined with high staff turnover. In Indonesia this was seen by most of AusAID’s partners as a constraint for developing constructive relationships. AusAID might consider offering longer-term postings than its current “2 + 1 optional year” policy, while remaining flexible, particularly offering exceptions for hardship posts.

Working further through NGOs and other partners

21. The development of the White Paper opened up a new process of engagement with NGOs and other partners. This is likely to continue with the Australian government committed to strengthening and widening the range of players engaged with the aid programme, including NGOs, the Australian private sector, Australian state and local government as well as other Australian communities, such as volunteers, universities and professional bodies. The DAC encourages AusAID to set up a new framework to engage in a more collaborative way with key NGOs. This should include: i) developing a strategic approach to allow AusAID to make better use of NGOs; ii) establishing a forum on development policy with high level political engagement; and iii) reinforcing partnership mechanisms by capitalising on the new strategic partnership agreements which AusAID plans to develop with key NGOs by June 2009.

Recommendations

- The DAC encourages Australia to maintain AusAID’s status and role as responsible for the aid programme within the whole-of-government approach. This will help ensure that all stakeholders involved in the aid programme share the same development vision.

- As the regional offices develop, AusAID will need to clarify further their role and responsibilities in relation to the country offices and Canberra in the devolved system.

- AusAID should build on its workforce planning process to develop a policy for attracting and retaining personnel with the needed skills. This will allow it to maintain the right level of staff with the appropriate skills mix to deliver a broader programme in line with the Paris principles on aid effectiveness.

- The DAC appreciates Australia engaging further with NGOs and other partners like the Australian private sector and universities, focusing on complementarity of development efforts. Australia should consider developing a strategic framework for engaging with civil society partners and in particular with NGOs, covering both policy consultations and partnership mechanisms, so as to expand further their contribution to programme delivery, policy dialogue and in building community support for aid.
4. Practices for better impact

4.1. Implementing aid effectively

22. Australia is strongly committed to making its aid programme more effective, as illustrated by the creation of ODE, the decision to untie aid in April 2006 and the Parliamentary Secretary’s participation in the Accra High Level Forum on Aid Effectiveness in September 2008. Efforts to make the aid programme more effective are outlined in AusAID 2010. New policies clearly indicate that key effectiveness principles are being implemented, in particular: i) an increased focus on partnerships, as illustrated by the Pacific Partnerships for Development initiative launched in 2008; ii) strengthened alignment of Australian country strategies with partner government priorities; iii) stronger engagement through partner government systems; iv) active engagement in donor co-ordination and increased collaboration with other donors – particularly in the Asia and Pacific regions; v) stronger results-orientation; and vi) efforts to increase mutual accountability for achieving development results through improving both Australian and partner government’s performance monitoring tools. The new Pacific Partnerships also aim to enhance mutual accountability through a stronger focus on data and statistics and regular, joint evidence-based reviews. Finally, Australia is also committed to assessing progress, using greater transparency to increase credibility, as illustrated by the presentation to parliament of the ODE 2007 Annual Review of Development Effectiveness in March 2008.

23. The 2008 DAC Survey on Monitoring the Paris Declaration paints a mixed picture of Australia’s efforts on aid effectiveness. The country performed well in areas like joint donor approaches and aid untying, but had weaker results in its use of partner country systems, the share of aid flows channelled through partner country budgets and its reliance on parallel project units. Australia emphasises the particular challenges associated with implementing and monitoring the Paris Declaration principles in small island states with poor administrative capacity and states in fragile situation, which are major recipients of its ODA. Taking this into account, AusAID has developed a pragmatic approach combining principles which must be applied systematically and modalities that can be adjusted to the specific partner country context. This allows Australia to adapt the aid programme to each context and responds to the need for accountability to maintain high-level political and public support in Australia. While it is understandable that AusAID needs to adapt the way it engages in the aid effectiveness agenda to its specific context, it is important that the Paris commitments remain a focus of the overall programme. As a way to disseminate further the aid effectiveness principles, AusAID has begun to share extensively the Accra Agenda for Action amongst its staff and across government.

24. Australia is developing whole-of-government country strategies to drive the planning and implementation of its aid. AusAID is aware that it will need to enhance whole-of-government engagement in strategy development, results-orientation and performance reporting in order to achieve real, sustainable development gains. This also requires a shared understanding of the aid effectiveness principles among Australian government stakeholders. Other challenges ahead include ensuring a country-driven approach to the regional programmes in the Pacific; continuing to improve aid predictability by addressing budget mechanism constraints so as to provide timely information on multi-year budget allocations to partner governments; and engaging further in programme-based approaches, as called for in the Accra Agenda for Action. AusAID should annually track progress on the latter and could consider setting intermediate targets for achieving this. Finally, Australia should also build on its experience of partnerships with other donors to provide evidence of their impact on transaction costs and identify good practice. This would not only be useful for the Australian programme, but also for other donors as the importance of an effective division of labour to avoid fragmentation and reduce transaction costs becomes increasingly obvious.
4.2. Learning from experience on priority topics

Mainstreaming capacity development

25. Australia is developing a strategic approach to mainstreaming capacity development into the aid programme, backed with appropriate analytical work and resources. AusAID treats capacity development as both an objective and a process, with implications for the way programmes are designed and delivered. In particular, ensuring ownership and developing leadership capabilities are crucial to capacity development efforts. Understanding local context is also critical since it permits locally owned reform agendas and their champions to be identified. Australia relies on various tools to support capacity development, the most important being technical assistance and scholarships. Australia also develops programmes specifically focused on building capacity.

26. AusAID could take further stock of what it has learned through its analytical work and practice, including assessing the impact of its overall approach to capacity development. As well as being for its own benefit, this might help Australia share further its good practice from country-level capacity development experiences within the donor community. AusAID is increasingly aware that, depending on roles and positions, technical assistance can either undermine or build local capacity. Since 2004, it has tried to define more clearly when in-line positions are needed and how to evolve these towards advisory positions. Australia has also made efforts to strengthen the involvement of partner governments in the design and recruitment of technical assistance. These efforts are welcome and should be pursued to ensure technical assistance is effective in building capacity. For the same purpose, Australia should also consider how to include further scholarship programmes in country programmes to link them more closely to capacity development.

Evolving governance, accountability and anti-corruption approach

27. Governance became a prominent focus of Australian aid in the early 2000s, and the approach has since evolved considerably. Having started with a major focus on law and justice in order to build stability and prosperity, a stronger emphasis emerged on building the capacity of public institutions to foster functioning and effective states. The emphasis is now on: i) building demand for governance to reinforce public accountability; and ii) the conditions for improved delivery of basic social services as a means of attaining the MDGs. Economic governance is another rising element of Australia's approach to governance. Given this significant evolution, Australia is encouraged to develop a policy framework on governance synthesising its different components and delivery modalities into a single policy. Such a framework would guide the aid programme and ensure consistency across stakeholders. It should build on AusAID’s analytical work and the second ODE annual sector performance report on governance.

28. Australia is highly involved in anti-corruption efforts. Its 2007 anti-corruption for development policy sets three main objectives: i) building constituencies for anti-corruption; ii) reducing opportunities for corruption; and iii) changing incentives for corrupt behaviour. AusAID has developed an incremental approach to implementing the policy, starting with a pilot initiative in six countries assessing approaches to anti-corruption and developing guidance for mainstreaming anti-corruption. An interdepartmental Committee on Corruption ensures a consistent approach across government.

Recommendations

- AusAID should extend knowledge across government of the Paris Declaration and the Accra Agenda for Action. It should also build incentives into the whole-of-government approach for applying these commitments. It should continue to increase the share of its aid provided as
programme-based approaches, including working through government systems, and track its progress towards achieving this.

- AusAID is encouraged to learn from its experience delivering its aid programme through joint arrangements and to disseminate good practice as a way to promote a better division of labour among donors.

- The DAC invites Australia to assess the impact of its overall approach to capacity development and continue to reflect on how to build greater, sustainable capacity.

- The DAC encourages Australia to share further with the donor community its analytical work and experience on capacity development and governance in various contexts. Like other donors, Australia could also play a more active role in forging international consensus on key definitions and streamlining multi-partner engagement in capacity development at both global and local levels, especially in the context of the DAC capacity development work.

- Australia is encouraged to draw on its significant experience and broad analytical work to develop a policy framework on governance.

5. Humanitarian action

29. Australia is a key humanitarian donor and has often led international responses in the Asia and the Pacific regions. Countries in these regions are prone to a range of natural disasters and conflict-related humanitarian crises, but other international actors tend to be under-represented here. DAC figures show that Australian bilateral humanitarian aid in 2005/06 amounted to USD 191 million, accounting for 9% of total Australian ODA. Funding for humanitarian action has shown an upward trend over the past five years and is projected to increase further under the new government.

30. Australia has defined its approach through its Humanitarian Action Policy (2005), which commits it to allocating assistance on the basis of humanitarian need. It takes a phased approach to funding decisions, basing initial funding on available estimates which are then refined as more complete assessments can be made of both humanitarian need and available capacity. In addition to funding according to need, Australia uses a number of funding modalities which enhance the predictability, flexibility, and speed of its responses, in line with the good humanitarian donorship (GHD) principles. AusAID is dedicating significant human and financial resources to embed disaster risk reduction within its development programming. However, senior level leadership will continue to be needed to champion this issue across AusAID.

31. AusAID is the lead agency within government for humanitarian action. AusAID’s Humanitarian and Emergencies Section, comprising 20 Canberra-based officers, is being reorganised to allow it to engage more systematically on policy without staff resources being diverted towards operational requirements of major crises. It is taking important steps to strengthen its ability to engage in global policy debates, sharing key regional lessons at the global level. One humanitarian advisor position within the emergency section should be dedicated to support country programmes, take the lead on issues of quality and link into international good practice, and enhance learning across programmes through a thematic network. Humanitarian action involves a range of Government actors using established whole-of-Government mechanisms. The Emergency Response Standard Operating Procedures lay out the roles of and relationships among different parts of government. The working relationship with the Australian Defence Forces in particular is practical and effective.

32. Australia is committed to learning both internally and among its external partners. Much of the current reorganisation of the emergency section reflects lessons learned from previous evaluations, in particular the external evaluation of Australia’s response to the 2004 Indian Ocean tsunami.
Recommendations

- AusAID’s planned review of the Humanitarian Action Policy is timely, and it will be critical to incorporate emerging themes, including the impacts of climate change. To reap the benefits of the policy, Australia should set out a clear plan of action alongside the review on how it will continue to put the policy into practice.

- The process of developing a disaster risk reduction policy is an important opportunity for AusAID to make the case for investing in risk reduction as part of all development programming, as well as to leverage greater engagement in transitional programming after natural disasters or conflict. This policy should be underpinned by an implementation plan with specific targets.

- A dedicated humanitarian advisor position within AusAID’s Humanitarian and Emergencies Section would be valuable to provide technical support on humanitarian issues and convene technical discussions across AusAID and internationally. AusAID should also review whether it has sufficient capacity in Canberra and overseas through its representation in New York, Geneva and Rome to engage effectively on humanitarian policy debates.