

The Deputy Director  
DEVELOPMENT CO-OPERATION DIRECTORATE  
Director's Office

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TO: DAC Delegates and Observers

**Australia Mid-term Review, 14-16 September 2021, Canberra – Paris**

Dear Colleagues

On behalf of the Development Assistance Committee's (DAC) secretariat, I conducted the mid-term review of Australia virtually, together with DCD Director Jorge Moreira da Silva and John Egan. We would like to thank Deputy Secretary Kathy Klugman, First Assistant Secretaries Rod Hilton and Beth Delaney, Chief Economist Jenny Gordon, Ambassadors Jamie Isbister and Julie-Ann Guivarra and all staff of the Department of Foreign Affairs and Trade (DFAT) for the very constructive meetings and close co-operation in the lead up to the review. We had rich discussions with senior officials from DFAT and federal government agencies, as well as representatives of civil society organisations (CSOs), contractors, academics and researchers.

The mid-term review focused on implementation of the recommendations of the OECD DAC 2018 peer review in the context of developments that have taken place since. Australia has substantially changed its development co-operation to respond to the impacts of COVID-19 in the Indo-Pacific region by:

- issuing in May 2020 a new whole-of-government development framework, *Partnerships for Recovery: Australia's COVID-19 Development Response*, which is focused on health security, stability and economic recovery in the Pacific, Timor Leste and Southeast Asia and is underpinned by protecting the most vulnerable, including women and girls, people with a disability and people living in poverty;
- supporting its immediate neighbours by pivoting 400 development programme investments totalling AUD 840 million (USD 616 million) in FY 2019-20, and working with partner governments to adjust ongoing investments to meet their evolving needs;
- committing an additional AUD 1.054 billion (USD 730 million) in extraordinary, temporary initiatives to the COVID response;
- extending its impact through non-ODA measures.

In its response to COVID, Australia has placed high value on close co-ordination with other donors and partners. A partner-driven approach has been critical to vaccine roll-out in the Pacific given countries' limited absorptive capacity and the lack of country presence in Pacific countries of the responsible multilateral institutions. This has helped to avoid vaccine wastage and meant that health systems have been able to cope with the supply of vaccines. It has also reinforced the importance of maintaining long-term relationships and having a real presence on the ground. Australia has been in close contact with India, Japan, New Zealand and the United States at the level of heads of Foreign Affairs to understand respective domestic priorities and development co-operation approaches. Vaccine co-ordination calls with these countries have also included WHO, UNICEF and GAVI-COVAX.

***Temporary COVID-19 measures are supplementing Australia's capped ODA budget***

Australia has set its ongoing ODA budget envelope at AUD 4 billion (USD 2.93 billion) and intends to apply an indexation rate estimated at 2.5% per annum to this commencing FY 2022-23. ODA volume is expected to increase slightly on an annual basis from FY 2022-23, while the ODA/GNI ratio would remain at 0.19%. An additional AUD 1.054 billion (USD 743 million) in temporary, targeted, supplementary finance are committed for the COVID-19 response from 2020-21 to 2023-24. These additional resources are a welcome, positive initiative and will raise the ODA/GNI ratio slightly until FY 2022-23, when it will return to 0.19%. Significant non-ODA investments such as the AUD 2 billion (USD 1.47 billion) Pacific Maritime Security Program reinforce and enhance the impact of Australia's development programme. In addition, as occurs with Australia's in-donor refugee costs, while in-kind provision of vaccine doses manufactured in Australia to partner countries in the region is not reported as ODA they, nevertheless, represent a significant financial contribution. With its economy rebounding following negative growth in 2020, Australia will clearly need to do more than index its ODA envelope to arrest the ongoing decline in its ODA/GNI levels since 2012. Comprehensive reporting of ODA expenditure might be considered as a first step.

***Partnerships for Recovery is underpinned by, but not explicitly aligned to, the SDGs***

Australia's 2018 Voluntary National Report on SDG implementation referenced its commitment in the 2017 *Foreign Policy White Paper* to reduce poverty, alleviate suffering and promote sustainable development, and Australia's intention to use ODA to catalyse sustained and



inclusive economic growth to reduce poverty. *Partnerships for Recovery* acknowledges COVID-19's negative impact on progress towards the SDGs. Australia's performance system comprises three elements:

- A three-tier performance framework aims to capture lessons and communicate the results and impact of Australia's development programme in responding to COVID-19 and supporting progress to the SDGs.
- Whole-of-government COVID-19 Development Response Plans tailor Australia's approach to individual country and regional contexts and identify the SDGs to which Australian efforts contribute.
- Performance indicators for global programmes and strategic partnership agreements with multilaterals.

Representatives from civil society consider that the SDGs do not feature strongly in Australian government documentation or messaging about development co-operation. They would like to see more explicit focus put on the importance of sustainable development to the countries and communities with whom Australia partners and, indeed, to Australia itself. In applying the new performance system, DFAT has an opportunity to explicitly demonstrate alignment of its new policy and performance framework with the SDGs, as recommended in the peer review.

### ***Greater focus on environment could complement poverty reduction and sustainable growth***

Poverty reduction is a critical dimension of *Partnerships for Recovery*. The health security pillar addresses immediate threats of the pandemic on the most vulnerable, especially women and girls, and people living with disabilities. The economic recovery pillar focuses on managing COVID-19's economic impact on long-term poverty reduction and sustainable growth, and the stability pillar recognises the important contribution that reducing poverty can make to strengthening stability. DFAT has enhanced training in poverty and social analysis that the Diplomatic Academy offers to officials and requires all investment proposals to articulate their contribution to reducing poverty. In determining those left behind, Australia places importance on gender equality, disability and indigenous peoples. However, while Australia is known for its commitment to gender equality, the proportion of its screened bilateral allocable aid to gender equality and women's empowerment is below 40% and is not amongst the top donors. We encouraged DFAT to increase the proportion of aid with gender as a principal objective, building on two recent gender-focused initiatives – Pacific Women Lead and Indo-Pacific Sexual and Reproductive Health and Rights COVID-19 Response. Participation in the Community of Practice on Poverty and Inequalities would enable Australia to share its experience and learn from other DAC members' experience tackling inequality.

The publication of a *Climate Change Action Strategy* in 2019, appointment of an Ambassador for the Environment and Climate Change, and creation of the Climate Change and Sustainability Division and the Climate and Development Integration Unit provide new impetus to Australia's efforts in relation to mainstreaming climate change across its portfolio. We encouraged Australia to contribute to OECD work on climate finance, adaptation, off-grid solutions in SIDS and the blue economy. However, less apparent are efforts to ensure integration of broader environmental measures. Given the urgency of challenges facing the climate and the environment more broadly, DFAT might consider exploring opportunities to apply nature-positive approaches. In doing so it might draw on its gender mainstreaming experience, as recommended in the 2018 peer review.

### ***Efforts on policy coherence for sustainable development might be extended beyond the Pacific***

The government's *Pacific Step-up* has raised the importance of development considerations in discussions within government and provides DFAT with an entry-point for engagement with departments and agencies. Ministers are strong advocates for the Pacific and this political leadership facilitates consideration being given to transboundary impacts on Pacific countries of domestic policies and regulatory settings. Establishment of a whole-of-government Office for the Pacific enables DFAT to advance a number of critical issues of relevance to Pacific partner countries including labour mobility, access to financial services, trade and remittances. The whole of government approach to *Partnerships for Recovery* offers opportunities for greater ongoing focus on priority issues related to policy coherence for sustainable development in the Pacific which could, in turn, be extended to the broader Indo-Pacific region. While reducing the cost of sending remittances to the Pacific remains challenging, work with the Tongan Development Bank on a remittance voucher system may be able to be replicated more broadly across the region.

### ***The COVID-19 response offers lessons for coherence, development effectiveness and performance***

The coherent approach across bilateral and regional programmes embedded in *Partnerships for Recovery* is proving critical to Australia's response to COVID-19, as shown in roll-out of vaccines across the Pacific and Southeast Asia. Australia's global programme engagements complement these. Following the global financial crisis Australia, the World Bank, the Asian Development Bank, New Zealand and in some cases the European Union invested in a network of budget support programmes across the Pacific, leveraging joint, long-term investments in capacity development in public financial management and revenue administration. These prior investments proved critical in supporting responses to fiscal crises generated by the pandemic. Australia stepped up its use of budget and sectoral support, aligned to partner countries' priorities. It remains to be seen whether capacity development for and the use of country systems will be mainstreamed more broadly across DFAT's portfolio, enhancing Australia's adherence to development effectiveness principles.



The new performance system outlined in *Partnerships for Recovery* was applied to investments for the first time in FY 2020-21. Investment performance reporting draws on annual investment monitoring reports and partner performance assessments. For completed projects, investment managers use final investment monitoring reports to discuss progress in achieving outcomes rather than outputs. Meta-analysis of these reports seeks to determine sectoral or thematic lessons emerging across bilateral, regional and global programme investments. In rolling out its performance system, DFAT might consider how to achieve greater coherence between its bilateral and regional programmes, and its global programmes, as recommended in the 2018 review. Investment monitoring reports and partner assessments shed light on individual projects and on the overall performance of implementing partners, including NGOs, and inform discussions about future investments. Lessons from applying the new performance system will generate information about how to improve its application. A planned evaluation of the Australian NGO Cooperation Program provides an opportunity to explore the benefits of strategic, multi-year programme funding and consider whether DFAT might invest further in this approach with Australian development NGOs.

### ***Transparent information and learning from lessons can benefit awareness and support***

We congratulated DFAT on its commitment to improving CRS reporting. With a new statistical team and recent changes to systems, DFAT proactively reached out in the past months to DCD's Data Collections Unit to better understand the reporting process. DFAT currently provides detailed information on investments of AUD 10 million or more, covering 43% of ODA investments and 94% of ODA volume. The way information is presented on DFAT's website make it difficult to obtain an overall view of Australia's development co-operation investments. Budget estimates and forward projections are easy to find, however information on investment activities is not available in one place – such as an aid statistics portal – but is distributed across country and regional programme pages. As it considers publication of activity level information to cover investments of AUD 3 million and above – the threshold for performance measurement in *AidWorks*, DFAT's aid management system – DFAT is encouraged to also reflect on how to present information in a more intuitive way.

The integration of key functions of the former Office of Development for Effectiveness (ODE) into the Office of the Chief Economist (OCE) arose in part from a concern that large strategic evaluations were no longer the best approach for capturing real-time lessons for the Australian development programme. DFAT now focuses on two key independent review and evaluation programmes: Final Investment Monitoring Reports (FIMRs) which aim to draw lessons from individual investments; and mid-term and final evaluation of investments. OCE provides advice on the quality of evaluations and produces meta-analysis of learning from the FIMRs and evaluations. The Australian National Audit Office undertakes strategic audits. The Australian government is placing importance on good data management in all federal agencies and using data to inform decisions. While *AidWorks* holds a large depository of knowledge from investment activities which can be mined for reporting and oversight purposes, it is nevertheless also important that evidence and knowledge from evaluations is available to inform project/programme design and strategy formulation. Some implementing partners perceive a tendency in recent years for DFAT to focus on short-term results. While this serves immediate accountability and communications objectives, it is perceived as being to the detriment of learning and building evidence about what works in development co-operation.

A dedicated development communications team was established in 2019 and is feeding knowledge and performance data into speeches of the Ministers of Foreign Affairs and International Development and the Pacific. The team shapes and co-ordinates communications to raise awareness of development issues across Australia and the Indo-Pacific region. Perception surveys and opinion polls indicate a lack of strong domestic support for the development programme and the SDGs, pointing to the need to complement communications with greater investment in development education and global awareness efforts. Since the pandemic the public appears to have understood the need for intervention, particularly in the Pacific, and is more accepting of aid and development. While the majority do not support ODA increases, fewer oppose this. Messaging that no one is safe until all are safe continues to be well accepted. Australia might benefit from participating in the OECD Development Communication Network.

### ***Efforts are underway to grow capability across the development co-operation system***

Following integration of AusAID into DFAT, a range of thematic expertise was devolved to geographic divisions, facilitating Australia's ability to respond to partner-driven priorities. In 2021 DFAT's Human Development and Governance Division established a thematic support unit to further strengthen co-ordination and lesson sharing of centralised, core thematic advice, complementing the design and operational experience in the Contracting and Aid Management Division. DFAT expects that this will enhance inclusion of thematic advice in the design of investments and contribute to moderation, peer review and appraisal processes.

DFAT is implementing a three-year human resources modernisation agenda. A dedicated task group's recommendations on strengthening development capability have been incorporated into the newly developed capability framework, reflecting current and future needs. The international development faculty – one of a number in the Diplomatic Academy – offers courses on topics including child and adult safeguards; design, monitoring and evaluation of aid investments; and fraud control. It provides training in development essentials to graduate trainees and during pre-deployment to Heads of Mission and Deputy-Heads. In addition, DFAT developed, piloted and evaluated an International Development Officer Program in 2019-21. Recognising that integration involves positions covering a mix of development, foreign policy and trade, the Academy intends to integrate international development into courses offered to staff across the department, including staff not



currently working on international development issues, to build a broader understanding of international development across DFAT. While COVID-19 has impacted roll-out of reform, it has also created new opportunities. DFAT pivoted to providing training online, which has proved beneficial to staff at posts, including locally engaged staff who are better able to access training and grow their capability. The use of massive open online courses provides the opportunity for each course to reach up to 250 people. The Academy is exploring building one such course on international development, complementing its existing online foreign policy course. Self-paced learning enables staff to work through a range of toolkits and the Academy intends to include more international development resources into these. We noted similar work by Global Affairs Canada to develop a dedicated rotational international assistance stream within the foreign service and update the Canadian Foreign Service Institute's professional learning programme. We encouraged Australia to share its experience with other DAC members facing challenges attracting, retaining and developing the capability of international development staff throughout their career and creating pathways into management positions.

### **Conclusion**

We are encouraged by Australia's efforts to address the DAC's 2018 recommendations, which have already led to tangible progress. Australia has a lot to share with other Committee members including its focus on responding to COVID-19 in the Indo-Pacific region, using a partner-driven approach in close co-ordination with other donors and partners, and its efforts to integrate development capability alongside that of foreign policy and trade. The next peer review will be an opportunity to explore what Australia has learnt from its explicit focus on responding to and recovering from COVID-19 in the Indo-Pacific region and how this is informing the direction of its development co-operation. It will also offer the opportunity to look at the extent to which Australia has increased its ODA; aligned its policy and performance framework to the SDGs; broadened its policy coherence for sustainable development beyond the Pacific region; grown its capability; and improved its systems. We encourage Australia to discuss these findings with its partners.

Yours sincerely

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cc:

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