



OECD Development Co-operation  
Peer Review

# Australia 2013





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Peer Review**

**AUSTRALIA 2013**

# Organisation for Economic Co-operation and Development

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# Conducting the peer review

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The OECD's Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first hand insight into current issues surrounding the development co operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Canada and the European Union for the Peer Review of Australia on 16 April 2013.

# Abbreviations and signs

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<b>ACFID</b>	Australian Council for International Development
<b>ACIAR</b>	Australian Centre for International Agricultural Research
<b>ARMM</b>	Autonomous Region of Muslim Mindanao
<b>AusAID</b>	Australian Agency for International Development
<b>BEAM</b>	Basic education assistance for Mindanao
<b>BRAC</b>	Formerly, Bangladesh Rural Advancement Committee, better known as BRAC
<b>CDI</b>	Commitment to Development Index
<b>CERF</b>	Central Emergency Response Fund
<b>DAC</b>	Development Assistance Committee
<b>DFAT</b>	Department of Foreign Affairs and Trade
<b>DIAC</b>	Department of Immigration and Citizenship
<b>GFDRR</b>	Global Facility for Disaster Reduction and Recovery
<b>GDP</b>	Gross domestic product
<b>GNI</b>	Gross national income
<b>ICRC</b>	International Committee of the Red Cross
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>LDCs</b>	Least developed countries
<b>LMIC</b>	Lower middle income country
<b>MDGs</b>	Millennium Development Goals
<b>MILF</b>	Moro Islamic Liberation Front
<b>MOPAN</b>	Multilateral Organisation Performance Assessment Network
<b>NEDA</b>	National Economic Development Authority of the Philippines
<b>NGO</b>	Non-governmental organisation
<b>ODA</b>	Official development assistance
<b>ODE</b>	Office of Development Effectiveness
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PEPD</b>	Programme Effectiveness and Performance Division
<b>PFM</b>	Public financial management
<b>PPP</b>	Purchasing power parity

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<b>UN</b>	United Nations
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNHCR</b>	The United Nations' Refugee Agency
<b>UNICEF</b>	United Nations Children's Fund
<b>UNISDR</b>	International Office for Disaster Risk Reduction
<b>UNOCHA</b>	United Nation's Office for the Coordination of Humanitarian Affairs
<b>UNPFA</b>	United Nations Population Fund
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization

### Signs used:

<b>AUD</b>	Australian Dollar
<b>USD</b>	United-States dollars
<b>()</b>	Secretariat estimate in whole or part (Nil)
<b>0.0</b>	Negligible
<b>..</b>	Not available
<b>...</b>	Not available separately, but included in total
<b>n.a.</b>	Not applicable
<b>/</b>	Indicates fiscal year
<b>-</b>	Indicates period of two years or more

Slight discrepancies in totals are due to rounding.

### Annual average exchange rate:

1USD = AUD

2007	2008	2009	2010	2011
<b>1.1952</b>	<b>1.2129</b>	<b>1.2800</b>	<b>1.0902</b>	<b>0.9692</b>

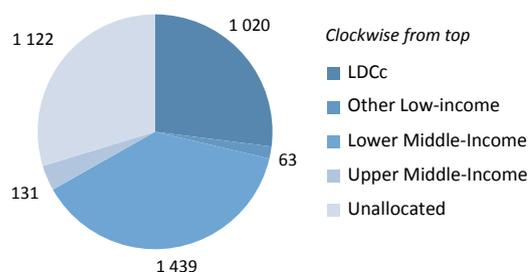
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# Australia - aid at a glance

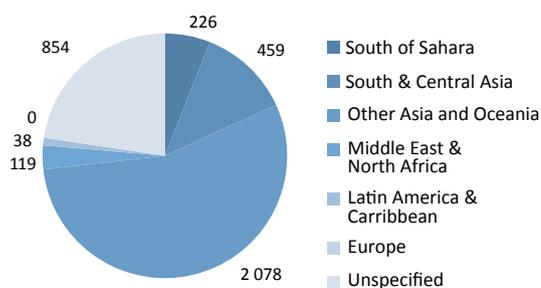
Net ODA	2010	2011	Change 2010/11
Current (USD m)	3826	4983	30.2%
Constant (2010 USD m)	3826	4200	9.8%
In Australian Dollars (million) (USD m)	4171	4829	15.8%
ODA/GNI	0.32%	0.34%	
Current (USD m)	85%	86%	

Gross Bilateral ODA, 2010-11 average, unless otherwise shown

## By Income Group (USD m)



## By Region (USD m)

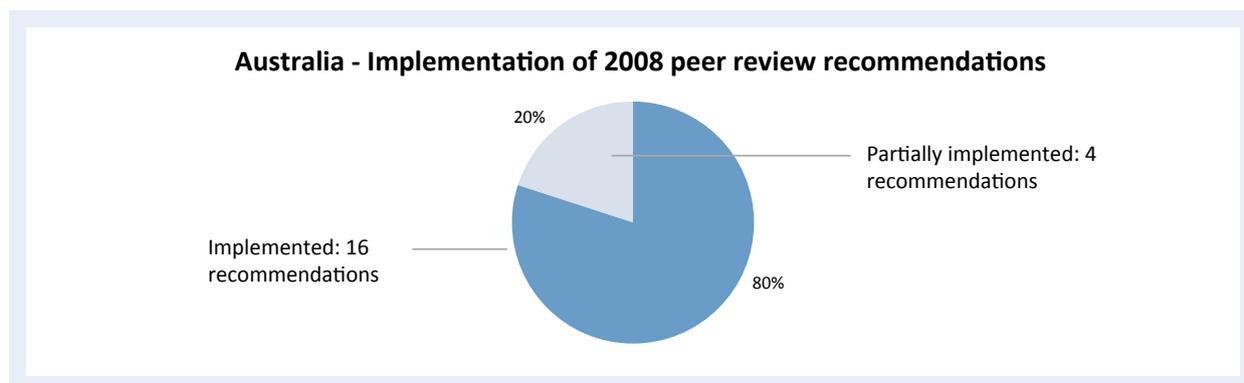
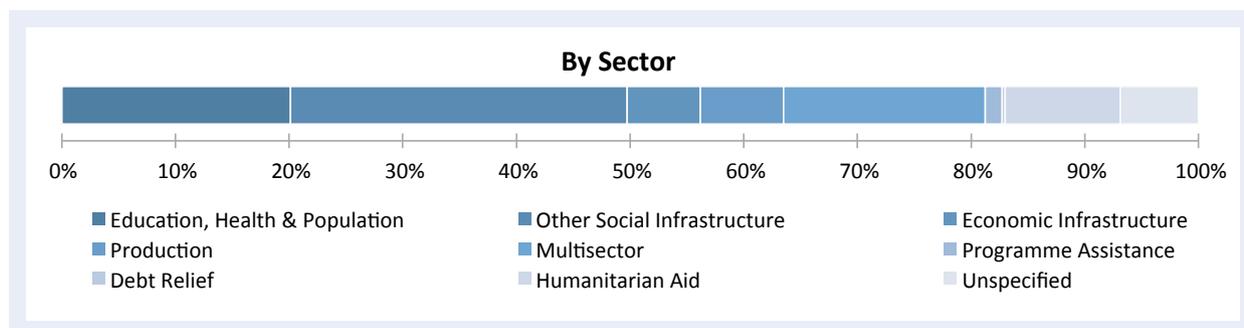


### Top Ten Recipients of Gross ODA (USD million)

1 Papua New Guinea	449
2 Indonesia	402
3 Solomon islands	253
4 Afghanistan	129
5 Vietnam	129
6 Timor-Leste	114
7 Philippines	110
8 Pakistan	94
9 Bangladesh	65
10 Cambodia	63

Share of gross bilateral ODA

Top 5 recipients	36%
Top 10 recipients	48%
Top 20 recipients	59%



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# Context

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## **Economic and political context**

The Commonwealth of Australia, a federal democracy with a population of 22.6 million in 2011, stands out among OECD countries for having experienced 21 years of uninterrupted growth up to 2012 (OECD, 2012). Annual growth in gross domestic product (GDP) was 2.2% on average in 2010 and 2011. The *OECD Economic Survey* concludes that Australia has been able to weather the global economic crisis thanks to sound macroeconomic policies and its proximity to a dynamic China, which imports large quantities of Australian resources – particularly iron ore and coal. The economic survey sees a positive medium-term outlook for the Australian economy (OECD, 2012).

The OECD also found that Australia's public finances are in good shape: the general government deficit, at around 4% of GDP in 2011, is less than half the level in the United States, Japan or the United Kingdom. Above all, net public debt, at around 5% of GDP in 2011, was 50 to 100 percentage points below the level in these countries and in the euro zone.

The Labor Party is currently in power, backed by three independents and one member of the Green Party. The next general election will take place on 14 September 2013.

## **An unprecedented reform of Australian aid**

Since the 2008 DAC Peer Review of Australia (OECD, 2009), AusAID has gone through the biggest change in its history (Figure 1 and Annex 4 in AusAID's Memorandum to the DAC; AusAID, 2012). As outlined in Australia's aid policy, this unprecedented reform of Australian development co-operation is driven by the bipartisan political commitment in 2007 to achieving an aid target of 0.5% of gross national income. The Government has committed to achieve this target by 2016/17 (GoA, 2012). Reaching this target will require a significant scaling up of aid by billions of Australian dollars, a scaling up which has already started (AusAID, 2011; Chapter 3).

Mindful of the need to ensure that the growing aid budget is well spent and reduces poverty, in 2010 the Australian Government commissioned the first independent review of Australia's aid effectiveness in 15 years (GoA, 2011). It also made AusAID an Executive Agency in 2010 to secure it as Australia's leading authority on international development. This has resulted in significant restructuring of the agency (Chapter 4). The independent review found that Australia has a good aid programme and made 39 recommendations for improving it further (GoA, 2011). The Government responded to the review with a new aid policy in 2011, and a four-year strategy in 2012 (AusAID, 2012b) to implement the recommendations with measurable objectives. This peer review takes place as Australia starts to consolidate its re-organisation and to achieve the results set out in the four-year strategy.

Figure 0.1. Key developments in Australia's development co-operation system: 2008-2012



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## The DAC's main findings and recommendations

# 1

## Towards a comprehensive development effort



**Indicator:** The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

### Main Findings

Australia promotes development through several avenues other than the aid programme. Its contribution to the development landscape focuses on building a successful global system that benefits all countries, including Australia. Political leaders and government officials champion global policy issues including climate change, peace and stability, and the Millennium Development Goals. The DAC welcomes Australia's dynamic approach to being a good international citizen, punching at or above its weight.

Using official development assistance (ODA) as a catalyst for raising private investment to support development in partner countries is growing in relevance for Australia. Through the Group of 20, AusAID's private sector development strategy and the mining for development initiative, Australia already supports several initiatives which could have a catalytic effect. To make the most of this catalytic effect, Australia could, along with other donors, invest in research and analysis to clarify how ODA can best attract other forms of development-friendly investment to developing countries.

The Government's 2011 development co-operation policy – *An Effective Aid Program for Australia* – stresses that Australian policy makers should ensure that global economic policies such as trade, agriculture, investment and remittances all help to reduce poverty. Development considerations are taken into account in Australia's efficient, systematic whole-of-government policy-making processes making them conducive to generating more development-friendly policies. Nevertheless, as with all policy arbitration processes, development will not always take precedence over other policy priorities.

Given this reality, Australia could strengthen its efforts in making policies supportive of development by specifying how it is going to ensure these policies are consistent with development and what the potential impacts would be on development. By doing this, it would also:

1. increase cross-government understanding of why it is important for development to be considered in policy areas other than development co-operation;

2. continue to ensure that whole-of-government policy making produces policies that are development-friendly; and
3. provide a clear basis for analysing and monitoring the development implications of Australia's policy positions on trade, agriculture and investment.

AusAID is in a strong position to analyse the benefits of coherence in key policy areas for development and to identify areas of incoherence. However, while information on how domestic and international policies are consistent or inconsistent with development may be available within AusAID, it is not readily accessible to the public.

Good progress has been made at the partner country level in getting whole-of-Australian-government input and buy-in for its strategic objectives for development co-operation. While resulting country development strategies address AusAID's aid contributions and implementation role, the priorities and actions of other government agencies in relation to development are included in their own international engagement strategies, which also undergo broad consultation. Headquarter and field-level inter-governmental co-ordination mechanisms for specific priority countries (e.g. Solomon Islands, Papua New Guinea) also help ensure co-ordinated and coherent engagement. Australia could improve its whole-of-government strategic co-ordination even more by setting out clear overall strategies for partner countries. These could state joint objectives for priority issues (e.g. diplomacy, development, counter-terrorism, trade and investment) and how synergies are exploited among different government agencies.

### Recommendation

- 1.1 Australia is encouraged to share publicly its achievements and challenges of making national and foreign policies coherent with development aspirations.

# 2

## Australia's vision and policies for development co-operation



**Indicator:** Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

### Main Findings

Australia's development co-operation has clear political directives, policies and strategies which are in line with DAC guidelines and international commitments. Its statement of purpose "to help people overcome poverty" is driven by the moral imperative of "giving everyone a fair go" as well as by Australia's national interest in the stability and prosperity of its neighbouring region and beyond. As recommended by the DAC in 2008, poverty reduction, achieving the Millennium Development Goals and peace and stability are now clear pillars of the Government's 2011 development co-operation policy, *Effective Aid*.

The *Comprehensive Aid Policy Framework* is a Cabinet-approved whole-of-government strategy to guide increases in the aid budget up to 2015/16. It is the first of its kind for Australia and is considered a major achievement because it outlines objectives, goals and results to be achieved by all government agencies by 2015/16. Together, the aid policy and this four year strategic framework provide an unambiguous rationale and a sound basis for allocating Australia's bilateral and multilateral aid.

The criteria guiding aid allocations reflect the overarching purpose of Australia's aid: decisions on allocations need to consider: 1) poverty; 2) national interests; 3) Australia's capacity to make a difference; and 4) scale and effectiveness of its current programme. At present Australia applies the criteria pragmatically with no explicit hierarchy among them. It should continue in this way ensuring that: aid contributes to achieving the priorities set out in the aid policy as well as those identified by partners; and that decisions are consistent with the longer-term objective of reducing poverty and promoting sustainable development.

Australia continues to prioritise Asia and Pacific countries where it is in its national interest to encourage stability, security and prosperity. Its explicit focus on targeting poor people rather than poor countries reflects, to some extent, Australia's geographic proximity of populous, middle-income countries. Although the two top recipients of Australia's bilateral aid are lower middle-income

countries (Indonesia and Papua New Guinea), they have a large number of poor people living under USD 2 a day (110 million in Indonesia alone).

While Australia has not defined an 'optimal' number of partner countries with which to engage, its geographic scope has expanded to Latin America, the Caribbean and sub-Saharan Africa since the last peer review. As for all donors, Australia should continue to keep the aid programme focused on where it can have greatest impact on development and avoid a fragmented portfolio.

Australia's strategy for Africa, *Looking West 2011-2015*, is being updated to fit with its new development policy framework, drawing on its comparative advantage such as, for example, mining for development. The new strategy should set out how Australia's growing aid allocations to Africa will continue to add value, especially through partnerships with other development actors.

The planned scaling-up of aid to multilateral organisations is based on the findings of Australia's multilateral assessment. Its new civil society engagement strategy provides an excellent framework for increasing aid to and through NGOs – a commitment in *Effective Aid*.

Australia's solid integration of gender equality, capacity development and disability in projects and programmes is a good example of its holistic approach to development. Its exceptional emphasis on disability makes it a leader in this area internationally.

AusAID has made some progress with integrating environment and climate change into the aid programme. Reducing the negative impacts of climate change and other environmental factors is now one of the ten specific objectives of Australia's development policy. AusAID can build on this progress by outlining clearly its strategic priorities for mainstreaming the environment at all levels, from strategic management and programme design right down to implementation.

# 3

## Allocating Australia's official development assistance



**Indicator:** The member's international and national commitments drive aid volume and allocations

### Main Findings

Australia's international and national commitments drive its aid volume and allocations. In 2012, Australia was the eighth largest DAC donor, delivering USD 5.44 billion in official development assistance. This represented 0.36% of gross national income (GNI) in 2012 - the total DAC average was 0.29%.

Australia is committed to reaching its goal of giving 0.5% of its GNI as ODA by 2016/17. A growth path towards this goal, with annual milestones, was published in the 2012/13 national budget. Reaching the target is feasible. Australia has a good track record thanks to a real and very positive 29% increase in its aid volume between 2007 and 2011. Nevertheless, in 2012 Australia pushed back the date for reaching its aid target by one year to 2016/17. The medium-term outlook for the economy is good and, according to the OECD's 2012 *Economic Survey*, Australia's public finances are in good shape compared to those of other OECD countries.

The predictability of Australia's aid risks being undermined, however, when newly incurred ODA-eligible costs are met within allocated budgetary envelopes rather than with new resources. In December 2012, the Government decided to cover AUD 375 million in in-country refugee costs from the already committed aid budget for 2012/13. This resulted in a shift of spending within the overall ODA budget which led to a decrease of AUD 255 million for AusAID's programming. The decision also represents a significant change in Australia's approach to counting these costs - Australia reported zero in-country refugee costs to the DAC in 2011 and USD 5.5 million in 2010. The Government aims to minimise the impact of this reprioritisation by ensuring that programmes are delayed rather than cut but significant in-year budget re-allocations put at risk Australia's commitments to its partners as well as achieving the expected results of its development co-operation programmes.

The share of aid to least developed countries has increased steadily since 2007 - from 30% of bilateral aid in 2007 to 39% in 2011. Moreover, Australia spent 40% (USD 1.2 billion) of its bilateral assistance in fragile states in 2011. AusAID reports that this share increased to 55% in 2012. These flows are clearly in line with the stated goal of helping people to overcome poverty and priority should continue to be given to these countries.

Other geographic and sector allocations in 2011 reflect Australia's strategic priorities:

- > Over 80% of bilateral ODA allocated went to Asia and the Pacific.
- > Aid to sub-Saharan Africa rose to 9% in 2011 from 3% in 2007.
- > 50% went to social infrastructure and services; 22% supported government and civil society.

A significant part (66%) of Australia's aid is considered to be "country programmable". Australia was a significant donor in 41 of 97 partner countries in 2011 and allocated 60% of its bilateral aid to its top 20 aid recipients. This compares favourably to a DAC average of 51%.

In an effort to consolidate its development co-operation into fewer and larger projects and programmes, Australia increased the average size of its projects to AUD 2.4 million in 2010/11. It has also committed in the *Comprehensive Aid Policy Framework* to reduce the number of initiatives it supports by more than 25% by 2015/16. Since July 2012 the number of initiatives decreased by 13%.

Australia's strategic approach to multilateral co-operation, supported by performance assessments, provides a strong rationale for its planned increases to core and thematic multilateral funding.

### Recommendations

- 3.1 Australia is in a very strong position to deliver a growing aid budget effectively and efficiently. In line with its commitment to punch at or above its weight in international development, Australia should achieve its stated aid goal of 0.5% ODA/GNI by 2016/17.
- 3.2 In line with its Transparency Charter and the Government's decision in 2012 to change its approach to counting in-country refugee costs, Australia should state clearly what refugee costs will be counted as ODA over the coming years and explain how the costs are calculated

# 4

## Managing Australia's development co-operation



**Indicator:** The member's approach to how it organises and manages its development co-operation is fit for purpose

### Main Findings

Australia's aid system is set up to deliver the current and a growing aid programme effectively. The organisation of Australia's development co-operation system is a good reflection of its determination to strengthen the quality, effectiveness and efficiency of aid management. Reform of Australia's aid system since 2010 makes it fit for purpose. AusAID is the unambiguous anchor agency for development in Australia with a clear and appropriate mandate. The impressive and complex restructuring of AusAID has reinforced its capacity in terms of strategy, policy, performance management and results.

Since AusAID became an Executive Agency in 2010, its Director-General reports directly to the Minister for Foreign Affairs and Trade on all development policy matters, the administration of AusAID, and its programme, while being fully autonomous within the foreign affairs portfolio. Inter-government co-ordination works well thanks to clear roles and responsibilities as well as the important oversight and approval role played by the Development Effectiveness Steering Committee, which is chaired by AusAID's Director General.

AusAID's business model and corporate vision are outlined in a number of key policy documents, all of which are coherent with one another. In addition, Australia's decentralised aid management, with about 40% of staff based in country offices, gives AusAID the resources and flexibility to respond to evolving country needs.

Australia managed its complex and rapid reform process strategically. It used change management models for reform and outlined clear goals and steps while being flexible and consulting with staff. The major building blocks of corporate reform have been approved and put in place. To ensure that the reform bears its fruit fully and to avoid reform fatigue, AusAID needs to give time for it to filter through the organisation. AusAID's business systems, which are a central tool for organisational efficiency, are also being upgraded to match the scale and professionalism of the aid portfolio.

AusAID's strategic planning of its human resource needs and implementation of its workforce plans set it apart from other DAC members. Increasing staffing

numbers and stabilising internal movement of staff were high priorities for AusAID given the growing aid programme and the relatively high level of unfilled posts in the agency. It was also clear that the skills mix would need to adapt to new ways of delivering aid. After conducting a sound assessment of its staffing needs and upgrading terms and conditions of employment to match other public service agencies, AusAID recruited the bulk of its new staff in 2011, in recognition of the need to ensure the agency has the staff, skills and capacity to deliver the growing programme.

AusAID's workforce plan up to 2015 gives appropriate priority to developing further specialist expertise and establishing three career streams: policy and programming; sector and discipline; and corporate and operations. Specialist expertise in development is crucial for ensuring a high quality aid programme capable of supporting partner country efforts to achieve their development objectives.

### Recommendations

- 4.1 Australia should consolidate its impressive organisational reform by ensuring that staff understand and implement the new corporate culture; by making, as planned, information management and accounting systems fit for purpose; and continuing to tweak ways of working.
- 4.2 Australia should continue to implement the second phase of its workforce plan to ensure that staffs are capable of delivering the objectives set out in the aid policy and that it has the skills to manage a range of partnerships and aid modalities, including programme-based approaches.

# 5 Australia delivering, and partnering in, development co-operation



**Indicator:** The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan

## Main Findings

Australia has made good progress with delivering aid as defined in the *Busan Partnership for Effective Development*. Mutually accountable, flexible, long-term and results-focused partnerships with priority countries align with national development priorities. Australia's aid portfolio is being consolidated into larger programmes managed by AusAID with clear targets to reduce the number of small initiatives it supports. In addition, Australia's aid is fully untied making it a frontrunner among DAC members.

Contextual analysis, a flexible approach, appropriate tools and programme design all enable Australia to deliver innovative and realistic programmes in fragile states and situations; it should continue to build on this good practice.

Australia has long-running, multi-faceted co-operation with and knowledge of its partner countries in Asia and the Pacific, which gives it legitimacy to promote better donor co-ordination and harmonisation. Development partners in the Philippines indicated they would welcome Australia playing a convening role among donors for better co-ordination and harmonisation. Australia's support for and leadership of donor co-ordination through, for example, the Cairns Compact in the Pacific and establishing a joint donor office in Myanmar demonstrates this role well. The Committee was informed that Australia recently signed an agreement with China on development co-operation. Areas of collaboration include: drug resistant malaria, starting in Papua New Guinea, HIV/AIDS in China's southern neighbours, and water management in the Mekong catchment area. The Committee invited Australia to share its experiences under this partnership.

Development partners also value AusAID's dynamic efforts to evolve from contracting-type relationships to partnerships that promote ownership. The DAC commends this and urges Australia to keep going in this direction, learning from its own and others' experiences.

Partnerships with multilateral organisations and civil society are more strategic and results oriented and are welcomed by these actors. AusAID can add even more value to its various partnerships by institutionalising its engagement strategies across the agency, reviewing progress with new frameworks and adapting them as appropriate.

Australia tells some partners the volumes of aid they can expect to receive over several years, however, this information is not provided to all partners. As for several DAC members, Australia now needs to improve the medium-term predictability of its aid for all partner countries.

Australia has committed to increase by 30% the share of aid using partner systems by end of 2014. It is working towards achieving this objective in a gradual and pragmatic way. For example, 15 assessments of national systems will be completed by end of 2013. Nevertheless, Australia has made limited progress in increasing the share of aid using programme-based approaches since the last peer review: in 2011, 4.6% of bilateral aid was delivered as sector budget support, 6.4% as basket/pooled funding, 15.4% of bilateral aid was delivered through government systems while 22% was delivered by private contractors.

## Recommendations

- 5.1 Australia should increase the medium-term predictability of aid for all its partner countries by providing public, regular and timely rolling three-to-five year indicative forward expenditures as it does for some partners.
- 5.2 Australia needs to increase the share of aid delivered through programme-based approaches, and make use of partner country systems for programme design, management, expenditure, monitoring and reporting, as recommended in the 2008 peer review. In particular, it should:
  - (i) meet its target for 2014 of increasing the share of aid using partner systems by 30% and once achieved identify and agree more ambitious milestones with partners.
  - (ii) in countries where Australia considers the use of partner systems to be too risky, it should continue to support partners' efforts to strengthen their financial management systems and build up capacity to manage programme-based approaches.

# 6

## Results and accountability of Australia's development co-operation



**Indicator:** The member plans and manages for results, learning, transparency and accountability

### Main Findings

Managing for results is a shared challenge for DAC members. It is particularly difficult to ensure that results monitoring and reporting serve accountability purposes as well as providing lessons on the forms of support that have the greatest impact on development. Many DAC members are working on striking the right balance between accountability and learning.

Currently, there is a major drive in AusAID to build a stronger culture of managing for results, which is work-in-progress. Two new features of Australia's performance management system are: 1) performance assessment frameworks which are being introduced for all county programmes to strengthen results reporting; and 2) headline results targets against which it will report against annually in its *Annual Review of Aid Effectiveness* - mainly for domestic accountability. The first Annual Review was released in January 2013; experience gained from this first review will allow Australia to improve future annual reviews, notably by providing a stronger reflection of achievements and areas for improvement.

Australia has made especially good progress in setting and reporting on overall aggregate headline results to which its development co-operation contributes but these results provide only a snapshot of what is being achieved. Overall results reporting to government, parliament and the public focuses, at present, more on successes than challenges and lessons.

Australia states clearly that its headline results are proxies for the results it is achieving to serve domestic accountability. It is aware that these results should be complemented with evidence from individual programmes. In particular, overall reporting could do more to reflect the wealth of performance information from specific countries being monitored by performance assessment frameworks and which are reported in Annual Programme Performance Reports.

Communicating results is challenging for Australia, as it is for other donors. To remain credible, Australia needs to manage carefully how it communicates results to the Government, parliament and the public. This requires telling a more complex story of how aid contributes to development.

AusAID's evaluation function meets DAC quality standards and principles for sound development evaluation. Since the last peer review Australia has made good headway in building a stronger, more independent culture of evaluation, notably by creating an Independent Evaluation Committee for the Office of Development Effectiveness. Strategic, thematic evaluations and operational evaluations appear to be used as management tools in AusAID. Strategic evaluations are disseminated within AusAID and to the public and require management responses. AusAID is now working on increasing the quality, usefulness and transparency of its operational evaluations.

Australia has taken exemplary steps to increase the transparency of its development co-operation and is one of the forerunners in implementing the Busan commitment on transparency.

### Recommendations

- 6.1 Australia should build on its achievements with reporting headline results by ensuring that it captures and reports results that are being tracked in more detail within individual programmes and reported in independent and operational evaluations.
- 6.2 Australia should strengthen, as planned, the focus on learning from successes and challenges in its overall reporting on results.

# 7 Australia's humanitarian assistance



**Indicator:** The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

## Main Findings

Australia now has clear policy directives for a holistic and strategic humanitarian and recovery programme. Reducing exposure to disaster risk is a clear priority; other donors could learn from Australia's innovative work in this important area.

Australia's humanitarian tools and partnerships support quality programme delivery – Australia is widely appreciated as a flexible and predictable donor to protracted crises, and can respond proactively, rapidly and flexibly to new and escalating emergencies. Links between early warning and funding decisions, could, however, be made more robust. As a partner, Australia is supportive and consultative, while clearly focused on obtaining results.

Many donors find it difficult to ensure that beneficiaries participate in the design, delivery and monitoring of humanitarian responses and Australia is no exception. This area is a priority for upcoming policy work.

Australia's humanitarian systems, structures, processes and people work together efficiently and effectively, both within AusAID and across government, including with the military. Australia has made commitments to monitoring its own performance as a humanitarian donor, and has made a solid commitment to transparency, commitments that it is encouraged to keep. Partner performance is also regularly reviewed, in a process viewed as helpful and respectful. Standardising reporting requirements between the Department of Immigration and Citizenship and AusAID, and between grants made in Canberra and grants made from embassy funds, would make it easier to compile and compare humanitarian partner results.

Australia could build on this solid progress in the following areas: disaster risk reduction, and criteria for who, what and where to fund.

Australia is a leading donor in disaster risk reduction, and has the strategic approach and tools that will allow for a successful expansion of risk reduction programming. Doing so will protect both hard-won development investments and at-risk communities. Australia could also play a key role in supporting other donors to improve their risk reduction programming.

Humanitarian donors must demonstrate that their funding decisions are based on humanitarian principles and are free from political or other influences. At present it may be unclear to some outsiders how Australia makes its funding allocations, leaving Australia open to the risk of misperceptions over the principled nature of its funding.

## Recommendations

- 7.1 Australia should expand its disaster risk reduction programmes to all partner countries; and share its tools and good practices with other donors.
- 7.2 Australia should demonstrate how its criteria for who, what and where to fund have been applied to actual grant decisions each year.

# Secretariat's report

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# Chapter 1: Towards a comprehensive development effort

## Global development issues

**Australia is making great efforts to promote development through avenues other than its aid programme: it is engaging more strategically on global issues internationally, and contributes through high-level political leadership to implementing global public policies such as climate change and peace and stability. Australia's ambition to match its growing weight in the global economy with shouldering a fair share of the burden in addressing global development challenges is commendable.**

### A strategic and growing contribution to the global development landscape

Australia works on international development strategically, especially on issues where it has a specific national interest, a comparative advantage and where it sees opportunities for a successful, global system to benefit all countries, including Australia (AusAID, 2011). In line with its status as “a middle power with both global and regional interests”, Australia is committed to being a good international citizen that punches according to or above its weight (*ibid.*). Accordingly, the Australian government champions a good range of development issues globally. For example, Australia:

- > took up its non-permanent seat on the UN Security Council in 2013/14;
- > participates actively in the Group of 20 (G20) in efforts to increase global economic growth and enable developing countries to benefit from increased involvement in the world economy. Australia will have the G20 Presidency in 2014;
- > co-chairs the UN Secretary General's MDG Advocacy Group with Rwanda and holds a seat on the Sustainable Development Goals Open Working Group through a representative constituency with the United Kingdom and the Netherlands;
- > co-chairs the International Dialogue Working Group on New Deal Implementation with Afghanistan as part of the International Dialogue on Peacebuilding and Statebuilding,<sup>2</sup> and co-chairs with the World Bank the OECD-DAC International Network of Conflict and Fragility task team on Implementation and Reform; and
- > is shaping international environment and climate change assistance through its participation in the governing bodies of the Global Environment Facility, as co-chair of the Green Climate Fund<sup>3</sup> and the Climate Investment Fund<sup>4</sup> (AusAID, 2012a).

At the same time, Australia is in a unique and powerful position in its own region: 22 of its 24 nearest neighbours are developing countries, and some of them are particularly fragile and vulnerable (Figure 1.1; AusAID, 2011). Australia thus has a special responsibility and interest in supporting development in Asia and the Pacific (AusAID, 2011).

Figure 1.1. Australia and its neighbours



As shown in the new White Paper *Australia in the Asian Century*, it is in Australia's national interest to trade freely and to invest responsibly in this region, to address concerns over climate change and to promote peace and stability (GoA, 2012).<sup>5</sup> The White Paper identifies five key areas in which Australia needs to focus "to succeed in the Asian century", including building sustainable security in the region, for example through strengthening human security by supporting the development of resilient markets for basic human needs – especially food, water and energy – and by tackling climate change (GoA, 2012). AusAID participated in the inter-agency reference group for producing the White Paper, helping ensure that development co-operation was recognised as an important contributor to basic human needs. However, the White Paper has been criticised for its limited focus on development co-operation overall, given the high share of Australian development assistance which is channelled to the region (Howes and Davies, 2013).<sup>6</sup>

The four other priority areas in the White Paper are: a productive and resilient Australian economy; job skills and education capabilities; innovative and competitive commercial sector connected to Asian markets; and deeper and broader relationships in the region.

## Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

**Australia does not have a published, explicit strategy for considering the impact of domestic policies on developing countries. However, Australia's efficient, systematic whole-of-government processes for policy-making are conducive to generating more development-friendly policies. Although these processes do not necessarily ensure that development considerations always take precedence, development is taken into account. Australia can capitalise on the holistic approach to policy making by monitoring, analysing and reporting on the impact of more development-friendly policies in a systematic way. Australia has implemented the DAC's 2008 recommendation to develop internal and external capacities to further enhance coherence for development, notably in AusAID.**

### Integrating political commitment to coherence for development into the aid policy

Australia's overall commitment to development-friendly and coherent foreign, security and international economic and environmental policies, is outlined in its whole-of-government development policy (AusAID, 2011: 7, 13-14). The development policy must be fully mindful of the role played by official development assistance, but equally of incorporating global economic policies that reduce poverty (AusAID, 2011: 7).<sup>7</sup>

Australia states that the ten individual development objectives that give effect to the aid policy's strategic goals for development co-operation are broadly aligned with the policy areas mentioned in the OECD Ministerial Declaration on Policy Coherence for Development (Figure 2.1).<sup>8</sup> This is true for the objectives to improve food security, climate change and environment and the overall goals of sustainable economic development and effective governance. However, these objectives apply to the aid programme and aid-financed activities by all government agencies. It is not clear how these objectives are taken into account in other domestic or international policy areas that are mentioned in the OECD Declaration such as science and technology, for example.

In light of its commitment to ensure that global economic policies help reduce poverty and given the fact that even if development considerations are taken into account in policy arbitration processes they will not always win, Australia might consider setting out publicly the development implications of its domestic and international policies in the areas prioritised in *Effective Aid* (trade, agriculture, investment and remittances). By doing this, Australia can help policy makers, who may not be directly involved in development co-operation, understand why it is important to take the development perspective into account in their policies while also continuing to ensure that the effective whole-of-government system for policy-making produces policies that are development-friendly.

**Priority issues have been identified**

In *Effective Aid*, the Government stresses that Australian policy makers should work to ensure that global economic policies – such as trade, agriculture, investment and remittances – all help to reduce poverty. Australia is renowned for its strong commitment to trade liberalisation. It is committed to reforming agricultural trade including the elimination of all forms of agricultural subsidies and works actively to achieve this through the Cairns Group coalition of agricultural exporting countries, which it chairs as well as in the World Trade Organisation. Development considerations are also taken into account in other policy areas such as ocean's management, security in the Asia-Pacific region, in the ASEAN-Australia-New Zealand Free Trade Agreement, immigration and environment (Box 1.2.).

**A good range of methods raise public awareness and build support**

Since the last peer review, Australia has made significant efforts backed up by more resources to strengthen its communication. AusAID's more strategic approach to building public awareness of development includes taking a proactive approach to managing media exposure; training teachers on global issues;<sup>9</sup> holding parliamentary breakfasts and continuing the long-running and popular town hall meetings; financing NGO activities to increase public awareness of development issues;<sup>10</sup> and involving the Australian community in the aid programme. This latter occurs notably through the volunteering programme, which in 2011/12 supported the largest cohort ever, totalling 1 585 Australian volunteers across 36 developing countries (Box 1.1). The Australian Government also holds discussions with business, trade and agriculture lobbies on relevant issues. For example, the Department of Foreign Affairs and Trade recently consulted the peak national body representing Australian farmers on the implications of the renegotiated Food Assistance Convention: the global agreement that governs food aid provision.

### Box 1.1. What's positive about AusAID's approach to communication and public awareness?

- > **Evidence-based**, informed by public opinion research.
- > **Clear overall objective:** to deepen understanding of development issues and what Australia is trying to achieve with its development co-operation programme.
- > **Targets three types of audiences:** (1) the general public; (2) the informed public and parliamentarians; and (3) professionals in development.
- > **Social media:** AusAID has a well developed social media strategy.
- > **Prioritises specific messages and associated actions** about development to reinforce its long-term nature, and to build understanding of the more complex story of national interest.
- > **Three pillars** – domestic, overseas and internal (within AusAID) communication – each implemented through separate two-year strategies and annual work plans.
- > **A monitoring and evaluation plan** and six monthly reporting to the Executive Committee.

AusAID's communication unit is staffed by communication professionals and its Branch Manager is a member of the senior management team. Other AusAID units and country offices are also recruiting communication specialists. An annual workshop and a 'community/network of practitioners' keep staff informed of the communication policy and strategic priorities. The operational budget for communication in 2011/2012 and 2012.2013 combined was AUD 4.6 million annually, of which 1.2 million was allocated to website development.

Source: authors' analysis based on AusAID (2012b), *AusAID's Draft Communication Framework 2012-2014*, AusAID, Canberra.

### Policy co-ordination mechanisms are conducive to coherence with development objectives

OECD guidance states that domestic policies can be more supportive of development when mechanisms for inter-ministerial co-ordination and policy arbitration involving all ministries address domestic policies harmful or supportive towards developing countries (OECD, 2010). Australia's whole-of-government approach to policy making is well-established and systematic with the Cabinet being the highest level decision-making committee. Development issues are discussed in a range of consultative mechanisms and interdepartmental committees, such as the Development Effectiveness Steering Committee, the G20 Policy Sub-Committee and the Post-2015 Development Agenda Interdepartmental Committee, chaired by AusAID. Australia states that these mechanisms and processes are in place to ensure that development considerations form part of the decision making process and are weighed against other interests and priorities.

As well as these formal inter-departmental co-ordination mechanisms, there is good strategic co-operation between AusAID and other government agencies in Canberra. For example, as co-chair of the Green Climate Fund, AusAID holds regular meetings with deputies from other government agencies.

AusAID has a clear mandate to lead government discussions about development in inter-ministerial co-ordination meetings (Chapter 4). Through its participation in various whole-of-government committees and task forces, AusAID has a say in broader government policies that affect developing countries. It also responds to requests for policy input from other government agencies.

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**Capacity and awareness are increasing in other government agencies**

DAC peer reviews show that the concept of policy coherence for development is hard to grasp for policy makers across members' governments (OECD, 2009). While officials with little exposure to international development do not necessarily see why the development perspective is relevant to their domestic policy areas, officials involved in managing and delivering aid tend to think about coherence in relation to the aid policy and activities. OECD guidance on policy coherence for development highlights the importance of raising awareness and capacity to analyse issues related to the impact of domestic policies on developing countries among relevant ministries. Such awareness and capacity is built in several ways in Australia. For example:

- > the Minister for Foreign Affairs, a senior Cabinet Minister who is also responsible for international development, brings awareness of development issues to the highest level of policy making in Australia;
- > the whole-of-government Development Effectiveness Steering Committee, chaired by AusAID's Director General, raises awareness among senior policy makers of the development aspects of broader government policies (members comprise AusAID, the Department of the Prime Minister and Cabinet, Treasury, the Department of Finance and Deregulation, and the Department of Foreign Affairs and Trade);
- > the whole-of-government aid policy *Effective Aid* seems to have stimulated a greater understanding across government of how other policy areas affect development and, in the reverse, how development affects other policy areas; and
- > AusAID seconds its experts to other government agencies, thereby influencing more directly how development is considered in broader government policies and increasing departments' capacity.

**Monitoring, analysing and reporting on policy coherence needs to be more systematic**

Australia has good mechanisms for ensuring that policies take into account development considerations, and these are balanced against other interests and priorities.

Since the last peer review AusAID has strengthened its authority and internal capacity to provide policy advice from a development perspective. Capacity has been strengthened by, for example, recruiting more specialists in different policy areas and creating a new Policy and Sector Division (Annex D). AusAID's new Development Policy Committee also provides an in-house forum for policy contestability and useful advice on a range of issues relevant for development which feed into policy making: this committee is chaired by a Deputy Director General and brings together a cross-section of senior managers.

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AusAID is therefore in a strong position to analyse the benefits of coherence in key policy areas as well as areas of incoherence. However, information on how policies are consistent or inconsistent with development, which is often held at thematic or country level, is not readily accessible to all. If it did more to monitor and analyse policies for their incoherence and to report its achievements and experiences, the Australian Government could gain more credit domestically and internationally. Analysis would also help identify lessons that could be shared with other OECD members on making policies coherent with development. A starting point could be to include a section on this issue in the new annual review of aid effectiveness (from 2012/13) or in AusAID's annual report on development co-operation.

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**Integrating the development perspective in specific policy areas**

The development perspective is one of many perspectives taken into account in policy-making in Australia and will not always win out in policy arbitration. Nevertheless, Australia's policy positions on, for example, trade and agriculture appear to be coherent with international development priorities. Development is also considered in immigration and environment and climate change policy (Box 1.2).

**Box 1.2. Making Australia's environment, climate change and immigration policies coherent with global development**

**Example 1: Immigration**

Australia is a country open to immigration: the share of foreign-born residents accounted for 26% of the total population in 2010, making it second in the OECD for this indicator. Australia has led the charge with Italy to secure G20 commitment to work towards reducing the global average cost of transferring remittances to five per cent by 2014, with the aim of releasing around USD15 billion to poor people in developing countries.

In July 2012 Australia made its Pacific Seasonal Worker Pilot Scheme permanent. The permanent Seasonal Worker Programme allows workers from eight Pacific island countries (and Timor-Leste) to fill seasonal labour shortages in the horticulture industry. A small scale trial is also being conducted in the aquaculture, accommodation, cane and cotton sectors. Take-up of the scheme has been very low and was under 500 people in 2010 (OECD, 2012a). Though this is increasing and by the end of the Pilot, over 1,600 of the 2,500 available visas had been used. It is positive that the Department of Education, Employment and Workplace Relations, which leads this programme, is evaluating and learning from its experience in collaboration with the International Labour Organization (ILO) and the World Bank, with support from AusAID. In late 2011, Australia announced an ongoing seasonal labour mobility program—the Seasonal Worker Programme, which commenced on 1 July 2012, following the cessation of the Pilot on 30 June.

**Example 2: Environment and climate change**

Australia's economy is particularly carbon-intensive: the intensity of greenhouse gas emissions per unit of gross domestic product is higher in Australia than in any other OECD country due to widespread coal use, energy intensive mining and heavy road transport. Aware of this, Australia is taking actions including improving environmental outcomes with its 2011 Clean Energy Act, and specifically the Clean Energy Future Package, adopted in November 2011 (OECD, 2012b). The package, which is not without political controversy, fixes the price of carbon between 2012 and 2015. From 2015 Australia will introduce a flexible price based on an emissions trading system linked to international markets.

Other points to note:

- > Climate issues are a core whole-of-government concern which cascade down from the cabinet to individual performance plans in government agencies.
- > Where a project is proposed to be implemented through Australia's aid program and that project has, will have or is likely to have a significant impact on the environment, advice must be sought from the Environment Minister and considered with respect to that project.
- > Australia has committed AUD 599 million in "fast start" finance over the period 2010-2012 (around 2% of the global total) with a rough balance between adaptation and mitigation. It is committed to providing funding that is new and additional (Jotzo and Pickering, 2012).
- > As co-chair of the Green Climate Fund, Australia is at the forefront of the global community's efforts to reduce carbon emissions and promote climate-resilient development.

Sources: OECD key indicators by country, available online at [www.oecd.org/migration/integrationindicators/keyindicatorsbycountry/name,217269,en.htm](http://www.oecd.org/migration/integrationindicators/keyindicatorsbycountry/name,217269,en.htm), accessed 4 February 2013; OECD (2012a); OECD (2012b); Jotzo and Pickering, 2012, accessed 4 February 2013.

## Engaging in partner countries: co-ordinated government approach at country level

Indicator: Strategic framework, institutional structures and mechanisms facilitate coherent action

**Australia has a sound strategic framework for ensuring co-ordinated and cohesive development co-operation, backed up by useful tools such as strategic partnership agreements. However, there is scope to build on this strategic co-ordination at the operational level in partner countries.**

### Strongly owned whole-of-government development co-operation strategy

All government agencies involved in development co-operation are now accountable for implementing the aid policy *Effective Aid*. Australia has a clear, whole-of-government strategic framework and objectives for development co-operation, which include stronger and more accountable partnerships with developing countries. The Comprehensive Aid Policy Framework is a Cabinet-agreed time bound plan for achieving the objectives outlined in the aid policy. In addition, work on setting uniform cross-government standards for development co-operation and formal strategic partnership agreements (SPAs)<sup>11</sup> between AusAID and 13 Australian government agencies ensure coherence and effective co-ordination of joint initiatives.

At the partner country level, Australia has also made good progress in having whole-of-government buy-in for the country strategy for development co-operation. All Australian government agencies operating in a given country are involved in the development of country strategies, notably in the country situation analysis and priority setting for development co-operation (Chapter 5). The resulting country development strategy addresses AusAID's contribution and implementation role. Other Government agencies incorporate their implementation roles in their own international engagement strategies, which themselves have undergone broad government consultation, including with AusAID.

### A range of mechanisms are used to co-ordinate development, security and foreign policy priorities for specific countries

Australia works to ensure that the government approach at partner country level is well co-ordinated and coherent. Country specific inter-governmental co-ordination mechanisms have been established and operate both in Canberra and in-country. Mechanisms can be temporary to deal with a conflict situation, for example the Afghanistan-Pakistan Steering Committee<sup>12</sup> or permanent for priority partner countries such as Timor-Leste, Indonesia or Papua New Guinea.<sup>13</sup>

The Regional Assistance Mission to Solomon Islands (RAMSI) provides an example of Australian government agencies working at the strategic and operational levels to co-ordinate development co-operation. RAMSI has enabled agencies to work across their areas of specialisation and provide an integrated government response with a coherence that can otherwise lack in responses to fragile states.<sup>14</sup>

As seen in the Philippines, several Australian government agencies have officials based in Manila reflecting the range of shared strategic interests between the two countries.<sup>15</sup> A broad range of intra-Embassy co-ordination meetings take place at various intervals to identify strategic and tactical synergies and ensuring a unified, coherent and co-ordinated approach to a particular issue or set of issues. So while AusAID has the autonomy to make decisions about its country strategy, it consults regularly with the Ambassador and other government agencies on strategic matters. There is scope to build on this good way of working, notably by showing clearly the overall joint objectives for priority issues (e.g. diplomacy, development, counter-terrorism, trade and investment) pursued overseas and how synergies are exploited between different agencies. An inquiry of the Joint Standing Committee on Foreign Affairs, Defence and Trade into Australia's Overseas Representation recommended in 2012 that the Government produce a White Paper to set the agenda for Australia's whole-of-government overseas representation (Parliamentary Joint Committee on Foreign Affairs, Defence and Trade, 2012).<sup>16</sup>

## Financing for development

Indicator: The member engages in development finance in addition to ODA

**Australia is starting to engage in development finance that is additional to ODA. It is also promoting ODA as a catalyst to bring private investment to support development efforts in partner countries. Using aid in this way is growing in relevance for Australia given that several priority partner countries have middle-income status. Development assistance accounts for a small share of the public finance budget in these countries but it can play an important role in bringing in other financial resources. Identifying clearly how ODA catalyses other finance, and measuring that catalytic effect, is a challenge for all DAC members. Through research and analysis on the catalytic effect of aid, Australia could show leadership internationally in clarifying how sources of finance other than ODA contribute to development.**

**There is potential for using ODA to catalyse other development finance**

*Effective Aid* recognises that official development assistance makes only a small contribution to development, especially in middle-income countries, but that it can help bring in other investments. If Australia wants to make the most of this catalytic effect of aid, it will – like other donors – need to conduct solid research into how ODA can best attract other forms of development-friendly investment to developing countries.

Australia already supports several initiatives which could have catalytic effects:

- > An objective of AusAID's private sector development strategy is to create an enabling environment for business investment. AusAID is trying to involve the Australian business community more in development co-operation. This could increase investment for development by these businesses (Chapter 5). In addition, Australia, along with the US, the UK, Canada, the Bill and Melinda Gates Foundation and the World Bank, is a founding member of AgResults. AgResults is a G20 initiative, which aims to stimulate private sector investment to develop and apply new technologies at an affordable price for farmers in developing countries.
- > Mining: Australia has a comparative advantage in mining as the country is a global player with vast expertise. Moreover, Australian mining companies have a good reputation for integrity, good mining practice, environmental sustainability and sensitivity to the needs of local communities. Around 250 Australian companies have about 700 projects underway in exploration, extraction, processing and mining services. These are spread across 40 countries and account for some AUD 20 billion of current investment, as well as prospective growth of AUD 45 billion (AusAID, 2012e). They can therefore be key players in demonstrating how natural resources can be extracted responsibly in developing countries.

In addition to playing an active role in the Extractive Industries Transparency Initiative (EITI) and urging partner countries to join, the Australian Government launched its Mining for Development Initiative in 2011 to help developing countries to use natural resources for economic and sustainable development. In 2011/12, AusAID spent approximately AUD 17.5 million on mining-related assistance to 46 African countries. According to AusAID's 2011 annual report, its support has positioned Australia among the top two or three bilateral donors to the continent's resources sector. Australia's reputation is growing for building the capacity of governments to manage their resource endowments to benefit current and future generations.

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**Private flows to developing countries are greater than ODA**

In 2011 ODA accounted for 95% of Australia's official development finance. This term - official development finance - refers to the inflow of the following resources to recipient countries: 1) bilateral ODA; 2) grants and concessional and non-concessional development lending by multilateral agencies; and 3) other official flows which are considered developmental (including refinancing loans) but which have too low a grant element to qualify as ODA (OECD, 2012d). However, that same year private flows at market prices from Australia to developing countries reached USD 9.6 billion. The largest annual net private flows recorded for Australia – and nearly double the official development finance flows. It is noteworthy that Australian NGOs raise AUD 1 billion in donations annually for development finance.

## Notes

1. See [www.un.org/millenniumgoals/advocates/events.shtml](http://www.un.org/millenniumgoals/advocates/events.shtml), accessed 4 February 2013.
2. See [www.oecd.org/international%20dialogue/](http://www.oecd.org/international%20dialogue/) accessed 4 February 2013.
3. See [http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/green\\_climate\\_fund/items/5869.php](http://unfccc.int/cooperation_and_support/financial_mechanism/green_climate_fund/items/5869.php), accessed 4 February 2013.
4. See <https://www.climateinvestmentfunds.org/cif/>, accessed 4 February 2013.
5. The Australian Government states that “it is not in our interest for our neighbours to have a high proportion of poor people with few opportunities to improve their lives. Not only will the region like this have less economic growth and less trade, it will also be unstable, prone to radicalisation, and susceptible to the influence of countries and ideas at odds with Australia’s interests. Australia exports AUD\$90 billion of goods and services annually to countries where Australia’s bilateral and regional aid is delivered” (AusAID, 2011).
6. According to Howes and Davies, “aid hardly rates a mention in the entire report (White Paper). It is covered off in just a couple of pages, and the only aid-related recommendation is that perennial favourite, scholarships. Given that the Government spends more of its aid budget on Asia than any other region, the lack of a narrative around aid in relation to Asia is a major gap” (Howes and Davies, 2013).
7. In 2012, Australia ranked 15th out of 27 developed countries in the Centre for Global Development’s Commitment to Development Index. Australia scores well for its low trade barriers, its leading role in peacekeeping and its policies that promote productive investment in poor countries. However, its scores on environment, migration and aid lower its overall international ranking. See [www.cgdev.org/section/initiatives/\\_active/cdi](http://www.cgdev.org/section/initiatives/_active/cdi), accessed 4 February 2013.
8. Australia signed up to the OECD Ministerial Declaration on Policy Coherence for Development. In this Declaration Ministers resolved “to ensure that development concerns are taken into account across relevant policies *inter alia* through improved impact analyses and better policy co-ordination both at country level and within the OECD, taking into account the impact on international development objectives of policies such as environment, agriculture, fisheries, economic and finance, trade, migration, security, energy, science and technology” (OECD, 2008).
9. Australia has set a target to train 100 000 teachers in the Global Education Program Curriculum by 2015/16 (AusAID, 2012b: 23). The baseline number is 22 000 teachers and student teachers in 2009/10.
10. Up to ten per cent of Australia’s core financing to Australian NGOs supported by the AusAID-NGO Co-operation Program (ANCP) can be used for awareness-raising activities. AusAID screens the activities for quality and objectivity and to ensure they meet the Development Awareness Raising Guidelines .
11. These high-level documents outline the strategic principles of engagement between agencies, and set out how AusAID and the partner agency will co-operate to achieve development goals.

12. The agency headquarter-level Afghanistan-Pakistan Steering Committee is a Canberra-based co-ordination mechanism which goes beyond development co-operation. The Afghanistan-Pakistan Steering Committee meets fortnightly for agency heads and focuses on Afghanistan and Pakistan policy issues. Information sharing and policy discussions are also facilitated by fortnightly inter-departmental committee meetings (at the working level) and fortnightly Afghanistan-Pakistan Task Force meetings (at the Senior Executive Service Band 1 level). Formal documents on Afghanistan are approved through whole-of-government processes, up to the National Security Council and Cabinet.
13. For example, there is inter-agency collaboration on climate change and foreign and security agencies in the Philippines (Mindanao) and co-ordinated whole-of-government approaches to the Autonomous Region of Bougainville in PNG with Canberra-based Bougainville working group and whole of post co-ordination.
14. For example, the Department of Foreign Affairs and Trade, through the RAMSI Special Coordinator, provides policy oversight and guidance for the entire mission. The Australian Federal Police leads a regional Participating Police Force focused on building the skills of, and trust in, the local police force. AusAID manages the three development pillars of RAMSI and draws on contributions from different Australian government agencies for program design and implementation. The Australian Treasury, Department of Finance and Deregulation, Attorney-General's Department, Australian Electoral Commission, Australian Customs Service, Australian Office for Financial Management and Public Service Commission have been engaged to assist in economic management, strengthening law and order, public institutions and building local capacity.
15. Several Commonwealth Government agencies post staff abroad, e.g. Austrade, AusAID, ACIAR, Australian Customs and Border Protection Service; Australian Federal Police; Department of Agriculture, Fisheries and Forestry; Department of Defence; and the Department of Immigration and Citizenship. They are often hosted by the diplomatic mission (either the high commission or embassy).
16. The parliamentary inquiry considered that there needs "to be a clear strategy for Australia in a more complex world of emerging influential nations and groupings and their changing relations/alliances with existing world powers to maximise the potential benefits to Australia [...]. The Committee believes there is value in the Government stating its long-term goals for its whole of government representation overseas. An appropriate vehicle would be the preparation of a White Paper" (Parliamentary Joint Committee on Foreign Affairs, Defence and Trade, 2012: 14).

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# Chapter 2: Australia’s vision and policies for development co-operation

## Policies, strategies and commitments

Indicator: Clear policy vision and solid strategies guide the programme

Clear political directives, policies and strategies shape Australia’s development co-operation and are in line with international commitments and guidance. The 2008 peer review applauded Australia’s strategic focus on poverty reduction and the Millennium Development Goals (MDGs) and its continuous engagement in fragile and conflict-affected states. Since then, Australia has made considerable progress in “institutionalising” its policy in *An Effective Aid Program for Australia*. This is supported by a four-year strategy to guide future increases in the aid budget - the *Comprehensive Aid Policy Framework*, which lasts until 2016.

### Australia’s policies and strategies are in line with DAC guidelines and commitments

Australia’s aid policy (*An Effective Aid Program for Australia: Making a real difference—Delivering real results*) focuses clearly on poverty reduction and meeting the MDGs, and has effectiveness at its core (AusAID, 2011a).<sup>1</sup> The policy identifies five approaches to deliver aid effectively and efficiently: a clear strategy; value for money and consolidation; risk management and performance oversight; transparency and results; and involving the Australian community.

Figure 2.1. Framework for the Australian aid programme



Source: AusAID (2012a)

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### Australia's development co-operation is strategic and has a clear statement of purpose

In *Effective Aid*, Australia asserts that its fundamental purpose in providing aid is to help people overcome poverty. Australia will continue to provide aid according to four criteria: 1) poverty; 2) national interests; 3) Australia's capacity to make a difference; and 4) scale and effectiveness of its current program. The whole-of-government ownership of the current aid policy began with Cabinet's endorsement of the *Effective Aid* policy. Cross-government buy-in of the aid programme is being assured by the whole-of-ODA four year budget strategy – *The Comprehensive Aid Policy Framework to 2015-2016 (AusAID, 2012a)*, developing consistent approaches to performance reporting and evaluation across government agencies, and strengthened co-ordination by the Development Effectiveness Steering Committee.<sup>2</sup> The *Comprehensive Aid Policy Framework* was welcomed by other government agencies for its clarity and predictability. In these ways, Australia has met the 2008 DAC Peer Review recommendations for a clear policy statement and strategic development assistance framework.

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### Objectives of development co-operation policies and programmes are clear

Australia's development co-operation policies and programmes focus on outputs and outcomes. The *Comprehensive Aid Policy Framework* sets out how progress will be measured against internationally-agreed goals, the MDGs, and Australia's five strategic goals, which constitute the "menu of priorities" of the Australian aid programme (Figure 2.1). Ten specific development objectives are listed under the five strategic goals and some indicators on what Australia is aiming to achieve under each strategic goal are provided in the *Comprehensive Aid Policy Framework* (Chapter 6). As programming shifts more to the partner country-level, selected focus areas and priorities are agreed with partner country governments.

AusAID has issued a number of sectoral or thematic strategies and policies in the past two years that largely correspond to the five strategic goals and ten development objectives referred to in Figure 2.1.<sup>3</sup> These strategies outline best practice in specific sectors, but are flexible enough to adapt to different country or regional contexts. Together with its sectoral focus in global programmes, Australia's approach aims to reduce poverty and accelerate progress towards the MDGs.

Compared to 2008, the goals and objectives set out in the policy framework make explicit mention of food security, reducing the impacts of climate change and other environmental factors, and preparing and responding to disaster and crises – this is positive and timely. Country, regional, global and thematic strategies reinforce the overarching objectives of development co-operation policies and programmes, but also allow for a broader, more flexible approach.

## Decision-making

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

**Australia uses four criteria to guide how it allocates its aid. All government agencies must show how their new programming proposals apply these funding criteria. The criteria are pragmatic and guide overall budget decisions. While Asia and the Pacific remains the priority region for Australia's bilateral aid, it is also expanding into Africa. The planned scaling-up of aid to multilateral organisations is based on the findings of Australia's multilateral assessment and engagement is guided by the new multilateral engagement strategy. Australia will need to stay focused on poverty reduction and priority partner countries as the aid budget grows and the country takes on a more active development role on the global stage.**

### Four criteria guide resource allocation decisions

Australia uses four criteria to guide how it allocates its aid: poverty, national interest, Australia's capacity to make a difference, and scale and effectiveness of current programs (AusAID, 2012a); new policy proposals must clearly explain how they contribute to these four criteria, which closely reflect Australia's statement of purpose and objectives in *Effective Aid*.

The *Comprehensive Aid Policy Framework* provides growth projections for scaling up aid by region and programme; these are also guided by the four criteria. Regional and global programme budgets will be scaled up according to the growth band identified by the *Comprehensive Aid Policy Framework*. The ability to adjust and reallocate resources within each regional or global programme, together with the decentralised nature of country programmes, allow Australia to be a flexible and responsive partner.

Country and regional programmes are defined by "program strategies" (or the Pacific Partnerships for Development with Pacific states), which are agreements between the partner government and AusAID. In regional program contexts, where a program works with more than one partner government, a program strategy still presents Australia's aid commitments and key partnerships.<sup>4</sup> Integral to program strategies, specific delivery strategies define how Australia will respond to critical challenges and priorities in a targeted sector or outcome area and identify the array of instruments and modalities to be used. Australia's *Civil Society Engagement Framework* (AusAID, 2012d; and Chapter 5) sets out how Australia will work with civil society organisations to define development priorities, respond to humanitarian crises, deliver services to communities and build capacity in local systems.

### Sound evidence steers Australia's multilateral aid

The *Comprehensive Aid Policy Framework* states that Australia's global programmes budget will increase. This budget includes core funding to multilateral organisations and non-governmental partners. The *Australian Multilateral Assessment* (AusAID, 2012b)<sup>5</sup> was prompted by an independent review (Govt. of Australia, 2011) and completed in early 2012. It guides funding decisions so as to make greater use of the multilateral system. In 2010/11, Australia provided core funding to 30 of the 42 multilateral organisations assessed. Future funding to the multilaterals will depend on this guidance, as well as other factors, such as an organisation's need for additional funding; sectoral, thematic or geographic priorities; and the prospects for reform.

Australia published its *Multilateral Engagement Strategy* in 2012 to explain why multilaterals are good partners for the aid programme (AusAID, 2012c). The strategy identifies Australia's priorities for multilaterals, which include improving multilateral organisation performance and results; ensuring value for money, due diligence and safeguards; donor and multilateral organisation co-ordination; and increasing focus on Asia and the Pacific. Priorities for engagement are explicitly linked to the *Comprehensive Aid Policy Framework* and the five strategic goals.<sup>6</sup> Multilateral scorecards published annually will update the 2012 assessment of funds and organisations (linking to the framework reporting cycles). Collectively, the overall and individual organisation engagement strategies and the evidence supplied by the new post of Minister-Counsellors in cities where the headquarters of multilateral organisations are located will ensure that Australia allocates its multilateral aid increases to the most relevant organisations and funds.

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### Asia-Pacific focus and expansion to Africa

The 2008 peer review noted that it was important for Australia to maintain its primary focus on Asia and the Pacific region, while increasing its focus on the poorest African countries through delegated co-operation arrangements, multilateral organisations and/or NGOs (OECD, 2009). Australia continues to concentrate on the Asia-Pacific region, where it is in its national interest to encourage stability, security and prosperity. Here it has large, multi-sector bilateral programmes, especially in Indonesia, Papua New Guinea and the Pacific Islands. At the same time, Australia is expected to increase its aid to South Asia, Africa and Afghanistan, and to continue its efforts in Pakistan (AusAID, 2012a). Australia has not defined an "optimal" number of partner countries in which to engage. It has expanded its geographical scope, namely to Latin America and the Caribbean and sub-Saharan Africa, and it has no plans to reduce the number of country programmes in these regions.

As the poorest region in the world and the most unlikely to achieve the MDGs by 2015, sub-Saharan Africa is to receive more Australian aid.<sup>7</sup> AusAID is present on the ground in five sub-Saharan African countries (Ethiopia, Ghana, Kenya, South Africa and Zimbabwe). It provides aid to another 39 sub-Saharan African countries through a number of other channels: via African institutions; multilateral donors and global programmes; bilateral donors through joint programming<sup>8</sup>; NGOs

and community-based organisations; and Australian institutions.<sup>9</sup> It also uses scholarships (Australia Awards) and the Australia-Africa Partnerships Facility (Box 2.2). Australia's strategy for Africa, *Looking West 2011-2015* (AusAID, 2010), provides a broad outline of Australia's development co-operation in Africa. However, it was drafted before *Effective Aid* and the *Comprehensive Aid Policy Framework* were in place. The forthcoming Strategy for Africa should consider how these smaller investments fit in with Australia's wider strategy in Africa and set out how Australia will continue to add value, especially through partnerships with other development actors.

### **Box 2.1. The Australia-Africa Partnerships Facility**

Established in 2009, the Australia-Africa Partnerships Facility (AAPF) aims to strengthen African capacity, particularly in areas where Australia has recognised strengths and expertise, namely in food security and agriculture, mining governance and public policy. The Facility is a responsive, flexible mechanism that promotes an exchange of skills and knowledge in over 50 African countries with the aim of building effective partnerships that contribute to sustainable achievement. The AAPF's primary tools for implementing activities are: training and study tours; professional development assignments; applied research; short-term advisory support; and grant funding. In 2011, Australia funded activities to the value of USD 24 million through the AAPF.

Source: AusAID (2010) and interviews with AusAID

## Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states is prioritised

**Australia's priorities to combat poverty and focus on fragile states are reflected in its frameworks and strategies and are in line with DAC guidance. Australia's solid integration of gender equality, capacity development and disability are a good example of its holistic approach to development. The emphasis given to disability in Australia's aid programme is exceptional, making it a leader in this area internationally. AusAID has made some progress with integrating environment and climate change, and should continue to elevate the importance of the cross-cutting nature of environment in its aid programme.**

### Targeting poor people rather than poor countries affects Australia's programmes

The purpose of Australian aid is to help people overcome poverty. Together with the geographic proximity of populous, middle-income countries and vulnerable small island states, this explains Australia's concentration on lower middle-income countries. Although the two top recipients of Australia's bilateral aid are lower middle-income countries (Indonesia and Papua New Guinea), they have a large number of poor people living under USD2 a day (110 million in Indonesia alone). Australia's targeting poor people, rather than poor countries, may mean it uses a different mix of support and funding arrangements than other donors that operate in predominantly low-income countries. At the same time, investment in basic and technical education is a flagship sector for Australian aid, including in poorer pockets of middle-income countries. An example is the support Australia gives to the Department of Education in the Philippines and Mindanao through its partnership with the non-governmental development organisation BRAC and multilateral partners (Annex C). Similarly, saving lives through a focus on health, water and sanitation is still a key priority. In the Philippines, for example, although Australia has officially withdrawn from the health sector it still supports conditional cash transfers for nutrition through the Department of Social Welfare and Development by linking health to education.

### Supporting fragile states: in Australia's national interest

A number of Australia's neighbours are fragile states. Unless Australia lifts people in these countries out of poverty, instability will grow and people will continue to seek refuge in Australia from violence and economic hardship – see Chapter 1 (AusAID, 2011a). Progress towards the MDGs is weakest in fragile states. No low-income, fragile state has achieved a single MDG and few are expected to meet targets by 2015. This helps explain why Australia spent 40% of its bilateral development assistance in fragile states in 2011.<sup>10</sup> Globally, Australia is also a leader in supporting and thinking about issues related to fragile states. It also initiated the Friends of G7+ mechanism to support fragile states, and it now co-chairs, with Afghanistan, the International Dialogue on Peacebuilding and Statebuilding Working Group to Implement the New Deal for Fragile States.<sup>11</sup> As recommended by the 2008 DAC Peer Review, Australia continues to share its good practices with other donors.

**Being holistic about development and humanitarian aid**

A number of factors help Australia take a holistic approach to its development and humanitarian work. The absence of clear divisions between the different allocations available for crisis and post-crisis response and the flexibility of grant conditions allow partners to adapt programmes to evolving fragile and emergency situations. Reducing the risk of disaster is now a clear priority for Australia, and is funded from both its development and humanitarian allocations. There is a solid strategic framework for disaster risk reduction (Chapter 7), accompanied by practical guidelines, useful training modules and a sizeable budget. Australia also deploys civilian experts to support recovery and stabilisation efforts through the Australian Civilian Corps, which maintains a register of civilian experts from a range of sectoral areas who can be deployed to assist countries experiencing or emerging from natural disaster or conflict (Chapter 7).<sup>12</sup> The contestability (critical assessment) of country strategies also provides the space to identify opportunities for programmatic linkages.

**A solid framework for supporting peace and stability in fragile states**

Australia has the framework, analytical capacity, tools, flexibility and organisational structure to deliver innovative programmes and achieve realistic results in fragile states. Its fragile states framework focuses on building more responsive states and resilient communities to support peace and stability and create opportunities for development (AusAID, 2011b). This will be supplemented by practical guidance on thematic areas. Australia is also a signatory to the *New Deal*. In related areas, Australia follows the OECD guidance on conflict minerals (OECD, 2011b), which is important given the role of its private sector in mineral extraction. Since 2003 it has been a member of the Kimberley Process, which aims to halt the trade in conflict diamonds.

**Sound policy framework for cross-cutting issues**

Australia has specific strategies for ensuring that cross-cutting issues are considered in its development programmes. These include a gender equality strategy, revised environment management guidelines and a disability-inclusive development strategy. Focal points and networks exist for gender, environment, disability and capacity development and bring together programme officers from Canberra and country offices.

**Gender equality and women's empowerment**

Gender equality and women's empowerment remain overarching objectives of the aid programme and are promoted at the very highest political level, including through Prime Minister Gillard's role as co-chair of the UN Secretary General's MDG Advocacy Group.<sup>13</sup> Three of the ten development objectives of *Effective Aid* address gender equality and the empowerment of women. Australia is one of the top supporters of UN Women and is a leading funder of the data collection initiative to improve the availability and use of statistics that capture gender gaps in economic activity<sup>14</sup>; Australia is also the co-chair of the DAC Gendernet. The role of gender focal points has been strengthened so they can ensure that gender equality is considered across AusAID's programmes. The Australian aid programme is therefore well-positioned to promote gender equality in the difficult and varying contexts in which it operates, from the Pacific islands and the Philippines to Afghanistan.

### **Environment**

The 2008 DAC Peer Review recommended that Australia make sure that the environment is considered in all aspects of its aid programme. In doing so, it encouraged Australia to build on its successful approach to integrating gender (OECD, 2009). Australia has since established an environmental focal point network and updated its environment management guidelines for screening aid investments and activities to ensure compliance with Australia's Environment Protection and Biodiversity Conservation (EPBC) Act 1999.<sup>15</sup> Australia plans to integrate environmental, climate change and disaster risk reduction issues into the aid programme in order to reduce the negative impacts of climate change and other environmental factors and natural hazards on poor people (AusAID, 2011a). In order to fully address the 2008 Peer Review recommendation, Australia should ensure that environmental concerns are integrated at all levels, from the top-level strategic management and programme design right down to implementation. This could entail systematically considering the environmental opportunities and risks of key investment decisions taken by the Strategic Programming Committee. A strategy would have the added benefit of bringing together environment, climate change and disaster risk reduction considerations, which is already the case in the Philippines.

### **Capacity development**

The 2008 peer review invited Australia to assess the impact of its overall approach to capacity development and to reflect on how to do more to build lasting capacity (Annex A; OECD, 2009). Australia's recent reforms to the use and remuneration of technical assistance advisers (Chapter 5), its work with partner governments on technical assistance matrices, and AusAID's "Making a Difference" initiatives all underline Australia's commitment to put capacity building at the core of its programming and to share lessons. For example, in Solomon Islands, "Making a Difference" trains advisers on how to develop their capacity-building tools, techniques and approaches to improve their relationships and communication skills through the Solomon Islands Government Regional Assistance Missions Solomon Islands (SIG-RAMSI) Support Facility.

Building institutional and human resource capacity is central to Australia's bilateral aid programmes and was even described by staff as its "way of doing business" in the Philippines. According to the 2011 Paris Declaration Survey, 59% of Australia's technical assistance was co-ordinated with partner country institutions (OECD, 2011a). In February 2011, Australia released a Joint Adviser Review (AusAID, 2011c), which recommended phasing out 257 of the 952 long-term adviser positions across 20 country programmes. As of February 2013 all but fifteen of the 257 positions have been phased out. Australia should continue to ensure it is achieving sustainable results in its response to demands for technical assistance so that this external assistance is gradually replaced by partners' own efforts, a point underscored in Busan (OECD, 2012).

### Disability

Australia's strategy *Development for All: Towards a disability-inclusive Australian aid programme 2009-14* (AusAID, 2009) was developed through a participatory process and is the most detailed of any donor (Lord et al., 2010). The strategy guides the effective integration of disability across the aid programme. It focuses on three outcomes: (1) improved quality of life for people with disability across all facets of social, economic, political participation; (2) fewer preventable impairments, initially focusing on avoidable blindness and road safety; and (3) effective leadership on disability and development (AusAID, 2009). AusAID regularly convenes the Disability-Inclusive Development Reference Group of experts to provide high-level insights and advice on implementing its strategy. A recent independent mid-term review of the strategy found that Australia had made considerable and impressive steps in making significant improvements in the lives of people with disability, and that AusAID was a leader in disability-inclusive aid programmes<sup>16</sup> (Kelly and Wapling, 2012). It recommended that in accordance with *Development for All*, AusAID should commit sufficient financial and human resources to ensure that disability-inclusive development is consistently and systematically progressed across the agency.

## Notes

1. International recommendations include the DAC Recommendation on the Terms and Conditions of Aid (OECD, 1978), which Australia fully meets by providing its development assistance in grant form. In 2010 and 2011, Australia extended ODA-loans (on average USD 42 million per year) to Indonesia for the Eastern Indonesia National Roads Improvement Project (EINRIP). These were the only non-grant ODA flows. Finally, Australia meets the DAC Recommendation on Untying Aid (OECD, 2008), see Chapter 5.
2. This committee includes deputy secretaries from the Treasury, and the Department of the Prime Minister and Cabinet, Finance and Deregulation, and Foreign Affairs and Trade, and is chaired by the Director General of AusAID.
3. Recent strategies include: Education, Food Security, Gender Equality, Governance, Health, Humanitarian, Infrastructure, Private Sector, Rural Development, and Water and Sanitation. In addition, Australia has comprehensive Humanitarian Aid and Disaster Risk Reduction Policies, a Framework for working in fragile and conflict-affected states and a Civil Society Engagement Framework.
4. In some limited cases where current political circumstances preclude a bilateral agreement on aid with a partner government (for instance Fiji and previously Myanmar), a program strategy is still produced reflecting Australia's assistance.
5. Individual multilateral engagement strategies will be developed by mid-2013 for those multilateral partners that either receive a large volume of Australian funding; are of particular relevance to the five Strategic Goals; or perceived as particularly risky.
6. Examples include (1) Saving lives – Australia's contribution to GAVI and the Global Fund

- to Fight AIDS, Tuberculosis and Malaria; (2) Promoting opportunities for all – support to the Global Partnership for Education; (3) Investing in food security – funding of the Consultative Group on International Agricultural Research (CGIAR); (4) Supporting security, improving the quality of governance and strengthening civil society – funding to the Afghanistan Reconstruction Trust Fund; and (5) Preparing for and responding to disaster and humanitarian crises – support to the World Food Programme.
7. As an example of Australia's increased support in sub-Saharan Africa, the Australian Minister for Foreign Affairs signed a memorandum of understanding (MoU) with the African Union Commission in 2010. The MoU envisages greater cooperation in relation to trade and investment; peace and security; achievement of the Millennium Development Goals; agriculture and food security; democracy, governance and human rights; and climate change.
  8. For example, in Zimbabwe, the Australian and German governments (through GIZ) have a joint programming arrangement for an urban water supply and sanitation programme. Both governments signed a general memorandum of understanding in February 2007 outlining the partnership principles for co-operation of development assistance. A Partnership Agreement was also signed with the UK's Department for International Development in May 2008. Copies of all of AusAID's formal partnership agreements and memorandums of understanding with other OECD/DAC donor counterparts are available at: [www.aisaid.gov.au/makediff/ode/bilateral-partnerships/Pages/bilateral-partnerships-with-other-countries.aspx](http://www.aisaid.gov.au/makediff/ode/bilateral-partnerships/Pages/bilateral-partnerships-with-other-countries.aspx).
  9. These channels include the Australia Africa Community Grants Scheme accessed by local NGOs; small grants schemes managed by the Department of Foreign Affairs and Trade (DFAT); multilateral organisations; the Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Australian Centre for International Agricultural Research (ACIAR); delegated co-operation agreements with other donors.
  10. According to OECD/DAC data. According to Australia, it spent 55% of its bilateral and regional development assistance in fragile states in 2012/13, compared to 53% for financial year 2011/12.
  11. Australia endorsed the New Deal for Engagement in Fragile States at the High Level Forum in Busan in 2011 (see [www.newdeal4peace.org](http://www.newdeal4peace.org)).
  12. Finally, the contestability (critical assessment) of programming, especially of country strategies, provides the space to identify opportunities for programmatic linkages and to ensure that priority risks are addressed.
  13. The UN Secretary General's MDG Advocacy Group focuses on promoting the achievement of the eight MDGs. At a meeting of the MDG Advocacy Group in September 2012, Australian Prime Minister Gillard announced that her personal priorities for advocacy would be promoting access to quality education and achieving gender equality. In her September 2012 address to the UN General Assembly, the Prime Minister stated that empowering women and girls is a principle underpinning every Australian aid intervention and initiative. She also spoke about the AusAID-funded Pacific Women Shaping Pacific Development program, which will provide AUD 320 million over 10 years to promote gender equality and make a practical difference in the lives of Pacific women, their families and their communities (Government of Australia, 2012).

14. Australia also recently pledged AUD 6.7 million over three years to the UN Trust Fund to End Violence Against Women. It is also one of the leading funders of the Busan initiative EDGE (Evidence and Data for Gender Equality) – a data-collection initiative managed by UN Women and the UN Statistics Division and designed to improve the availability and use of statistics that identify gender gaps in economic activity.
15. The Environment Protection and Biodiversity Conservation Act requires AusAID as a Commonwealth agency to ensure its aid investments do not have a significant negative impact on the environment anywhere in the world. If a significant impact is likely, AusAID is required to obtain advice from the Australian Government Environment Minister.
16. It recommended that in accordance with Development for All, AusAID should commit sufficient financial and human resources to ensure that disability-inclusive development is consistently and systematically progressed across the agency.

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# Chapter 3: Allocating Australia's official development assistance

## Overall ODA volume

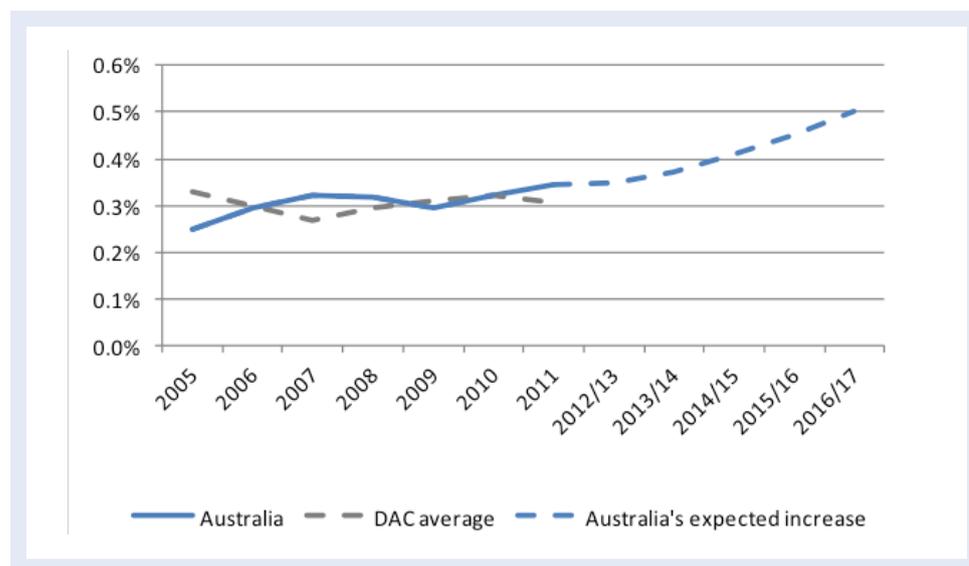
Indicator: The member makes every effort to meet ODA domestic and international targets

The Australian Government is committed to the goal of giving 0.5% of its gross national income as ODA and continues to scale up its aid to meet this goal. In 2011, Australia was the ninth largest DAC donor, delivering USD 4.98 billion in official development assistance. In real terms, this represents a very positive 29% increase in ODA since 2007. Regrettably, and despite the economy's positive medium-term outlook, Australia has pushed back the target date for reaching this goal from 2015/16 to 2016/17. Its decision to use AUD 375 million of the aid budget for in-country refugee costs has also resulted in a significant reallocation of AusAID's regular programming. It is important that Australia is transparent about what refugee costs will be counted as ODA over the coming years and how they are calculated, while avoiding future in-year reprogramming of the aid programme to ensure predictability.

### A clear commitment to increase ODA as a percentage of gross national income

The Australian Government remains committed to increasing its ODA to reach 0.5% of its gross national income (GNI) by 2016/17, despite postponing the deadline from 2015/16 in 2012. The 2012/13 budget corresponded to 0.35% of GNI, or AUD 5.2 billion, representing an AUD 300 million annual increase in volume (Government of Australia, 2012a). This budget, along with the *Comprehensive Aid Policy Framework*, will guide how Australia's ODA grows up until 2015/16, by which point Australia is expected to reach an ODA/GNI ratio of 0.45%<sup>1</sup> (Government of Australia 2012b). Australia still aspires to raise its aid to 0.7% of GNI: a long-standing policy adopted by Australian governments since 1970 (AusAID, 2011a).

Figure 3.1. Australia's net ODA as a percentage of GNI, 2005-2015



Sources: Data from 2005-2011 are from the OECD DAC aggregate data, 2012. Projections are based on Australia's own expected increases as stated in Government of Australia, 2012a and Government of Australia, 2012b.

### Reaching the aid target by 2016/17 is feasible

In 2012, Australia was the eighth largest DAC donor, delivering USD 5.44 billion in official development assistance, representing 0.36% of GNI and a 9.1% net increase on 2011 levels. Reaching the 0.5% ODA/GNI target, even with the new target date, will require large and sustained increases: AUD 3.1 billion between 2012/13 and 2016/17, based on the 3% annual growth forecast in *Australia's Mid-Year Economic and Fiscal Outlook 2012-13* (Figure 3.1; Government of Australia 2012c: 4). Continued bipartisan support will be necessary to ensure it is not delayed again – a delay which should be avoided especially if the Australian economy fulfils its positive medium-term outlook.

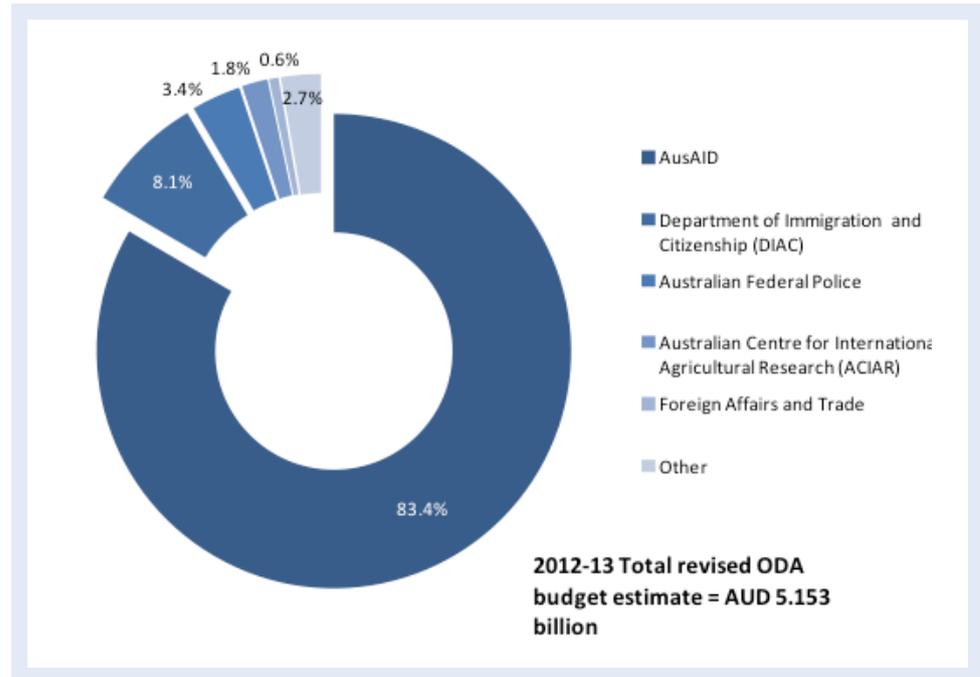
The predictability of Australia's aid commitments is undermined, however, when the Government starts meeting newly prioritised ODA-eligible costs within allocated budgetary envelopes rather than with new resources.<sup>2</sup> For example, in December 2012 Australia's Minister for Foreign Affairs announced that the AUD 375 million needed for basic subsistence for refugees who are waiting to have their claims heard in Australia would now be met from within the aid programme. This tranche – which represents 7.2% of Australia's aid budget in fiscal year 2012/13 – was shaved from existing ODA commitments, putting at risk Australia's commitments to its partners and achieving the expected results of its programmes and projects. The Government has indicated that it will minimise the impact of the reprioritisation by ensuring that, wherever possible, programmes are delayed rather than cut. The Government's Portfolio Additional Estimates Statements (Government of Australia, 2013) provide tables showing how ODA was reallocated from country, regional and global programmes to account for the AUD 375 million.<sup>3</sup>

The announcement that a large amount of in-country refugee costs will be counted as ODA represents a significant change in Australia's approach. In 2009, for example, Australia reported USD 1.5 million as in-donor refugee costs, USD 5.5 million in 2010 and zero in 2011. In line with its *Transparency Charter*, Australia should be transparent about what costs will be counted as ODA over the coming years and how they are calculated. Australia has followed DAC guidance on counting refugee costs as other donors do; however, there are wide discrepancies in DAC members' interpretations of the rules for reporting on in-donor refugee costs. DAC members could work together to bring more clarity to these rules.

### AusAID manages the bulk of ODA

Compared to most DAC members, Australia's system for managing aid is highly concentrated. In 2011/12, 83% of Australia's ODA was managed by AusAID (Figure 3.2). The Department for Immigration and Citizenship administered 8.1%, while around 20 other authorities accounted for the remaining 9%. As the volume of aid that will be managed by other government agencies will increase to match the volume increases planned by 2016/17, it will be even more important for AusAID to provide advice to other agencies to ensure aid is delivered effectively (Chapter 1).

**Figure 3.2. Australian ODA by government department, 2012/13 revised budget estimates**



Sources: Government of Australia (2012b), *Budget: Australia's International Development Assistance Program, 2012-13*, Government of Australia, Canberra and Government of Australia (2013), *Portfolio Additional Estimates 2012-13*, Government of Australia, Canberra.

**Australia has an opportunity to be even more transparent in its ODA reporting**

In order to increase the transparency and predictability of its aid, Australia provides information on future aid disbursements through the DAC Survey on Forward Spending (OECD, 2012). For example, in 2012 Australia provided information to the DAC about volumes of future aid to 31 priority partner countries to 2014. However, like some other donors, it does not publicly communicate its medium-term spending plans to all its partner countries even though country envelopes have been discussed in Canberra (Chapter 5).

AusAID has worked hard to develop an awareness of the ODA definition to ensure it is adhered to in other government agencies, which is especially important given the increasing ODA budget. It should continue to build this capacity across government and within AusAID. Australia has indicated that it plans to improve the timeliness of its aggregate data submissions to the OECD, and where possible it could include more detailed information, such as identifying implementation agencies.

## ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

**Over the next few years Australia plans to expand its development co-operation in new countries. It has also scaled up its funding to sub-Saharan Africa - largely through partners, in line with the 2008 Peer Review recommendation. Australia may want to assess how the provision of small amounts of ODA to a large number of sub-Saharan African and Caribbean countries fits within its wider strategy for engagement in these regions. Australia is using its bilateral channel more effectively, using strategic engagement strategies. Aid for NGOs is expected to increase as it scales up its aid more generally.**

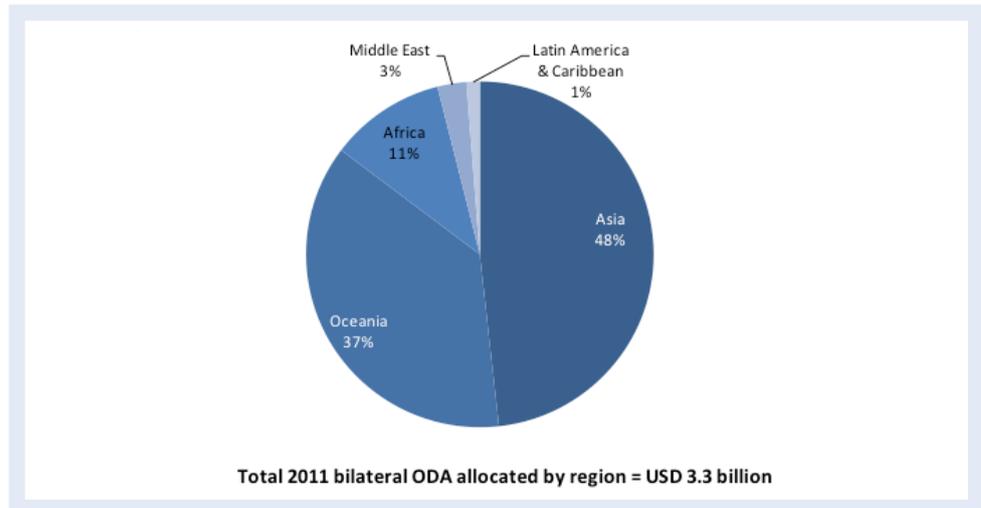
### **An increasing share of aid to the poorest countries**

The majority of Australia's bilateral aid – 53% or USD 1.6 billion in 2011 – is invested in lower middle-income countries. In line with its overall goal of helping people to overcome poverty, Australia has steadily increased the share of its bilateral aid to the least developed countries (LDCs) since 2006. Australia should sustain this trend. The share reached 39% in 2011, or USD 1 144 million. This translated into 0.08% of GNI in 2011, compared to the UN target for ODA to LDCs to reach 0.15% of GNI by 2015 (United Nations, 2011). Another 2% of aid went to other low-income countries. The remaining 6% went to upper middle-income countries: mainly Libya, China, Thailand, Nauru and Tuvalu. Australia is phasing out bilateral aid to China and India, to which it allocated USD 59 million in 2011.

### **Geographic flows reflect strategic priorities**

Australia provides over 80% of its bilateral ODA allocated by region to Asia and Oceania, which remain the primary focus for bilateral support (Figure 3.4). Within the Asia region 55%, or USD 864 million, went to the Far East Asia (e.g. Philippines, Cambodia) in 2011 whereas over USD 1 billion went to Oceania. While the share of bilateral aid to East Asia has declined notably in recent years, aid volume has continued to increase in real terms. This reduced share to Far East Asia is in large part due to an overall increase in aid to South and Central (West) Asia (Afghanistan alone received USD 153 million in 2011) and to sub-Saharan Africa, where 9% of Australia's bilateral ODA was invested in 2011 compared to 3% in 2006.

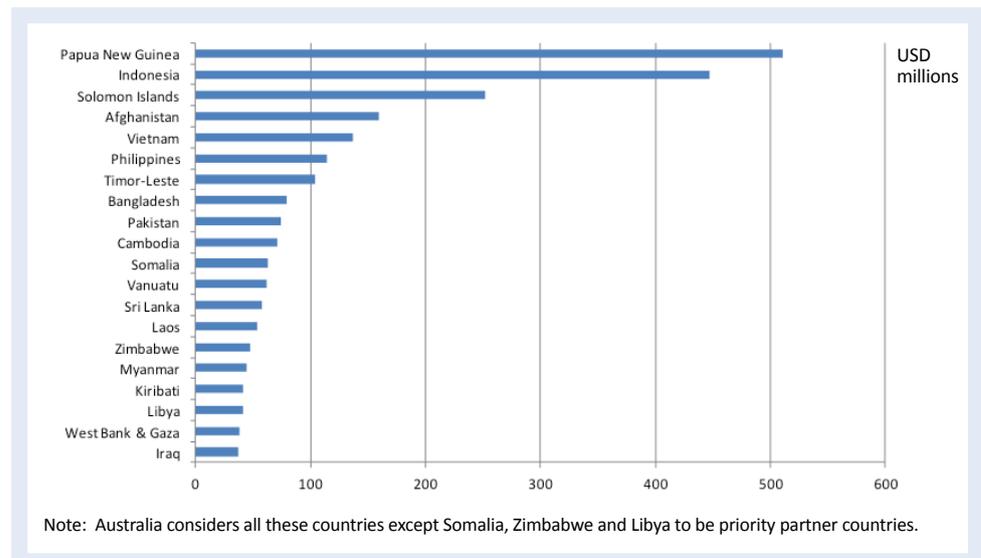
**Figure 3.3. Australia’s bilateral gross ODA by region, 2011**



Source: OECD CRS and DAC aggregate data, 2012.

The Government’s strong emphasis on poor people is mirrored by its allocations to large, populous countries in South Asia and East Asia. Australia’s focus on Asia-Pacific and – more recently – South and Central (West) Asia reflects its strong support to fragile and conflict-affected states. In 2011, Australia provided 40% (USD 1.2 billion) of its bilateral ODA to fragile and conflict-affected states: Solomon Islands, Afghanistan, Timor-Leste, Pakistan and Bangladesh were among the largest beneficiaries.<sup>4</sup> Figure 3.5 illustrates the top 20 recipients of Australia’s bilateral development assistance, which accounted for 57% of Australia’s bilateral ODA in 2011.

**Figure 3.4. Top 20 recipients of Australia’s bilateral aid, 2011**

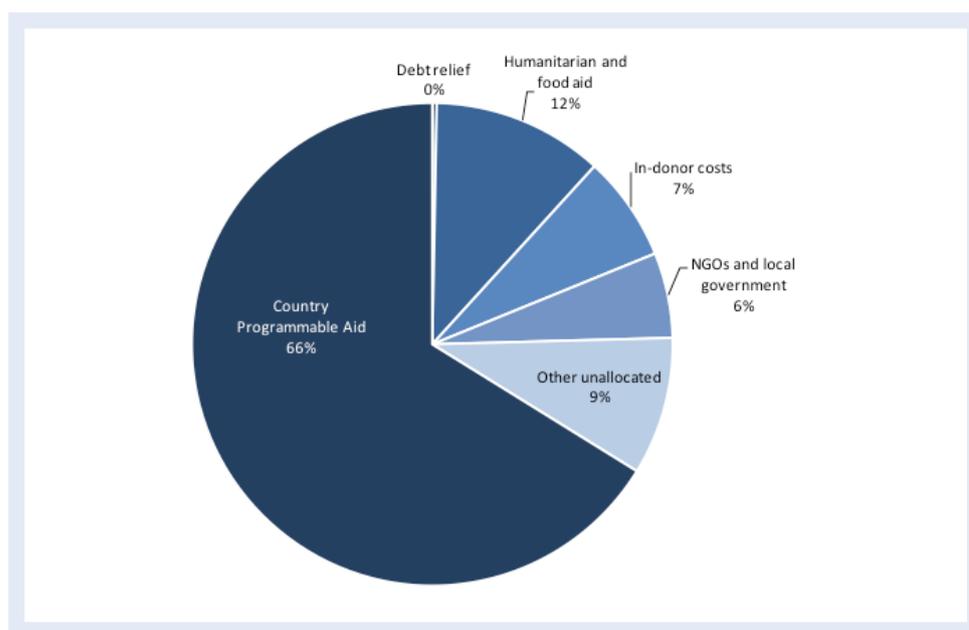


Source: OECD DAC aggregate data, 2012.

### High but dispersed country programmable aid

A significant proportion of Australia's bilateral ODA is "country programmable": 66%, or USD 2.4 billion, in 2011 (Figure 3.3).<sup>5</sup> Country programmable aid (CPA) is a measure of a donor's contribution to "core" development programmes; such aid gives partner countries scope to decide how to use it to meet their priorities. Australia's high share of country programmable aid is mainly due to its low level of in-donor refugee costs, imputed student costs, and debt relief. However, the share of in-donor refugee costs will increase for 2012/13 following Australia's decision to count them as ODA, implying a decrease in the share of country programmable aid.

**Figure 3.5. Composition of Australia's gross bilateral ODA, 2011**



Source: OECD CRS and DAC aggregate data, 2012.

Australia has nearly doubled the number of partner countries to which it provides country programmable aid<sup>6</sup>, from 54 in 2008 to 97 in 2011, reflecting a more recent expansion into the Caribbean and Africa. Australia is one of the least-concentrated DAC members in terms of the distribution of its country programmable aid: it was a significant donor in 41 of 97 partner countries. In addition to countries it identifies as its 29 priority partners (in which it is a significant donor in all but four), Australia is a significant donor in Zimbabwe. Australia's relatively low level of aid concentration is explained by its provision of scholarships, small grants and partnerships in a large number of countries where it does not have a large bilateral programme. Australia should regularly assess the development impact and sustainability of these investments. At the same time, the top 20 recipients of Australia's ODA received 60% of its bilateral aid in 2011. This compares favourably to a DAC average of 51% (annex B, table B.4).

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**Working increasingly through non-governmental channels**

Australia provides bilateral ODA through non-governmental channels, both in Canberra and through its bilateral country programmes (Chapter 5). It has continuously increased its core<sup>7</sup> and non-core support to non-governmental organisations (NGOs) in the past decade. In 2010 and 2011, Australia's average annual contributions to international and national NGOs amounted to USD 445 million, or 15% of bilateral ODA.<sup>8</sup> Australia plans to allocate AUD 700-800 million to NGOs by 2015/16 in line with the overall ODA scale up (AusAID, 2012c).

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**Working through strategic partnerships to increase aid to Africa**

In 2011, Australia increased its aid to sub-Saharan Africa for the fourth consecutive year, directing 9% (USD 302 million) of its bilateral ODA to the sub-continent. Australia is delivering on the 2008 Peer Review recommendation to work through existing arrangements, multilateral organisations and civil society as it increases its aid to Africa (Chapter 2). Today, 23% of Australia's bilateral assistance to sub-Saharan Africa is channelled through national and international NGOs, 42% through multilateral organisations, and another 15% is implemented directly by Australia (an additional 7% is implemented by recipient government, research or education institutions and 13% is unspecified). In those sub-Saharan countries where AusAID does not have a physical presence, the amounts of ODA provided are often relatively small.<sup>9</sup> Australia contributes to African Development Bank projects (Africa Water Fund and the Zimbabwe Fund), and it expects to become a shareholder in the African Development Bank in the next couple of years.

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**Sector allocations reflect policy**

The 2008 DAC Peer Review (Annex A) urged Australia to be strategic and coherent in the sectors it focuses on in partner countries. Australia has consequently started to consolidate its aid programme into fewer, larger programmes in a smaller number of sectors in an effort to make its aid more effective as seen in the Philippines (Annex C). In addition, by 2010/11, the average size of initiatives had increased to AUD 2.4 million and the number of initiatives dropped to 1500 (compared to AUD 1.8 million and 1900 initiatives in 2006/07) (AusAID, 2011a). Since July 2012 the number of initiatives decreased by 13%.

On average in 2010-11, 22% of Australia's aid supported government and civil society sectors, including capacity development for economic and development policy, planning, legal and judicial development. This sector focus makes sense given Australia's high concentration of aid to lower-middle-income countries (Chapter 2). Education (9%), health (8%) and water and sanitation (5%) account for the next largest sectoral investments (Annex B) and reflect Australia's strong emphasis on education and health. Increasing access to safe water and sanitation is more of a priority in Africa and at a regional level in South and Central (West) Asia. In 2011 Australia maintained steady shares of aid to the productive sectors (7%) and economic infrastructure and services (7%). At the same time, data suggest that cross-cutting issues such as gender and environment are central to its aid investments. In 2011, 56% of Australia's bilateral commitments had gender equality and women's empowerment as a principal or significant objective (Figure 3.6). Figure 3.7 shows the commitments which included contributing to the Rio conventions on climate change, desertification and biodiversity as a principal or significant objective.

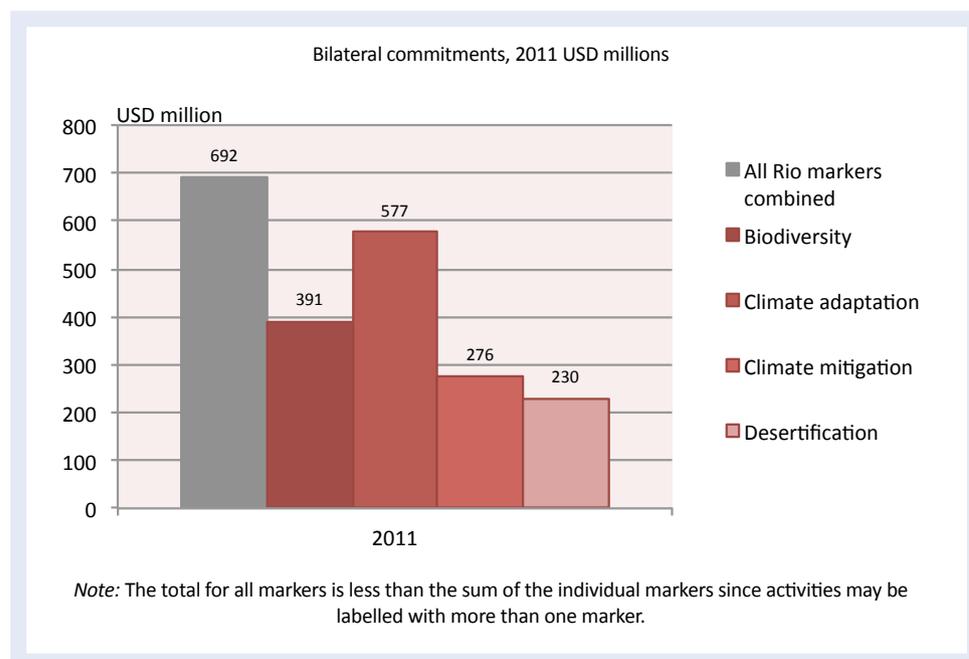
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**Figure 3.6. Australia’s ODA for gender equality and women’s empowerment, 2008-2011**



Source: OECD Creditor Reporting System, 2012.

**Figure 3.7. Australia’s ODA to support the objectives of the Rio Conventions, 2011**



Source: OECD Creditor Reporting System, 2012.

### Scholarships account for 6% of total ODA

Support to tertiary education by providing scholarships and training to people from developing countries to study primarily in Australia (Australia Awards) accounted for 6% of Australia's gross ODA, or USD 294 million, in 2011 (OECD CRS data). Close to one-third (29%) of all scholarships were awarded to students from just three countries – Indonesia, Papua New Guinea and Vietnam – while 16% of scholarships went to sub-Saharan Africa and Latin America combined. Scholarship investments are an integral component of Australia's capacity development activities and are awarded for study in a variety of sectors including health, public sector policy and agriculture. Since 2008, Australia has embedded the provision of scholarships in its education strategy, *Promoting Opportunities for All*, as part of its third pillar – driving development through better governance and service delivery (AusAID 2011b). Australia sees building leadership through scholarships as a way to align to development partners' needs. As Australia's aid programme expands, it should continue to review its scholarship programme in relation to value for money for partner countries and relevance for participating scholars.

## ODA channels

Indicator: Member uses bilateral and multilateral channels effectively

**Australia is using its multilateral channels with increasing effectiveness, thanks to a more strategic approach and the use of performance assessments. At the same time there is scope for doing more to make the most of the synergies among different channels. Australia is working closely to improve the performance of multilateral partners. Its multilateral assessment – together with the multilateral engagement strategy and annual scorecards – provide a strong rationale for providing multilateral aid, especially core or thematic funding.**

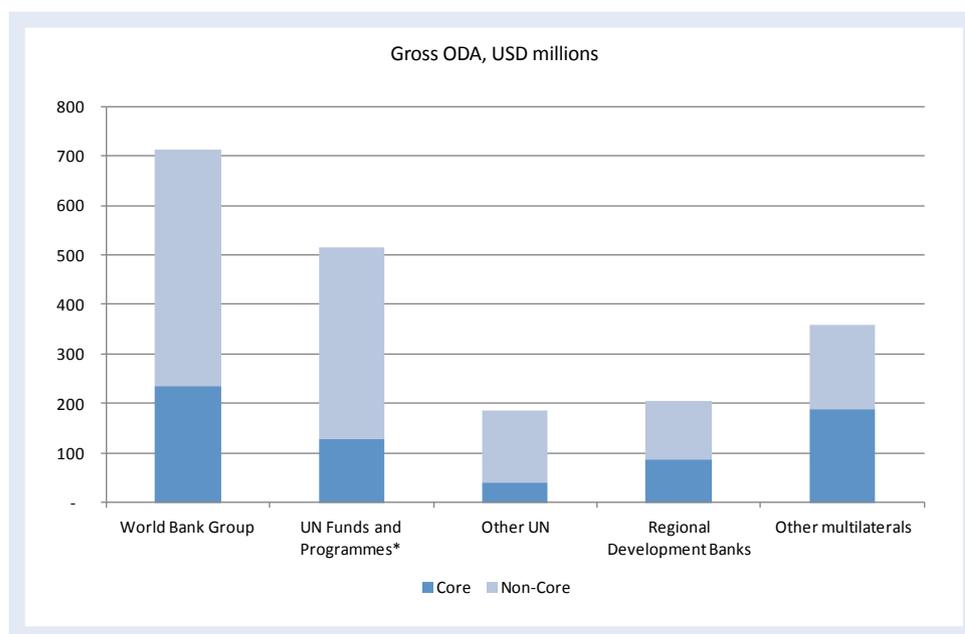
### Build on multilateral assessments to increase funding

The 2008 DAC Peer Review recommended that Australia continue to increase the share of aid going through multilateral organisations (OECD, 2009; Annex A). In 2011, Australia's multilateral ODA<sup>10</sup> increased in volume compared to 2009, but was 14% of gross ODA (USD 674 million), well below the DAC average of 27%. Australia has not increased its core contributions to multilateral agencies as much as it has increased its overall ODA.<sup>11</sup> On the other hand, its non-core contributions to multilateral organisations and global funds have increased significantly, to reach USD 1.3 billion in 2011, a 64% increase from 2009<sup>12</sup> (Figure 3.8). Australia's reliance on the multilateral system has thus greatly increased since the last peer review and this reflects the value it assigns to working in partnership with these organisations (Chapter 5).

Non-core funding to multilateral organisations is expected to continue to increase; Australia sees non-core funding as especially important to target small island developing states of the Pacific, which it feels are neglected by the wider international community. In step with its recent multilateral assessment and engagement strategy and scaling up of aid, Australia should also increase its core contributions to those multilateral organisations that perform well, in line with the overall increase in the aid budget; this will require stronger emphasis on communicating the results and impact of multilateral aid to national stakeholders.

The multilateral organisations interviewed for this peer review<sup>13</sup> welcomed the built-in flexibility to redirect Australian funds when the need arises. In line with the commitment to increase funding to global programmes in the *Comprehensive Aid Policy Framework*, multilateral partners can expect to see a notable increase in multilateral ODA in the years leading up to 2015/16. In 2012, Australia committed to increasing its contribution to the replenishment of the Asian Development Fund (ADF XI 2013-2016), and also plans to increase its funding to the World Bank, and some priority UN development agencies. In addition, Australia has announced it will join the African Development Bank and is continuing to explore options to re-engage with the International Fund for Agricultural Development (IFAD).

**Figure 3.8. Australia’s core and non-core contributions to multilateral development agencies, 2011**



Source: OECD CRS and DAC aggregate data, 2012.

The peer review also recommended that Australia increase strategic linkages between its bilateral programme and its multilateral engagement (OECD, 2009). Australia has an opportunity to improve information flows and co-ordination among its different aid channels in partner countries. Some country-level funding through NGOs and multilateral organisations comes direct from Canberra and is not easily identifiable as “Australian aid” in the partner country. Partners and staff in country offices indicated that a more comprehensive picture of Australia’s development co-operation would be appreciated (beyond that already contained in AusAID’s country strategies) to enhance synergies and co-ordinated approaches, while also allowing them the opportunity to make Australia’s aid more visible among government and other development partners.

#### Efforts to make the multilateral system more effective

Australia is intent on improving the co-ordination of its development assistance. For example, it is working with DAC members to align different assessments of multilateral organisations. It is also committed to improving the performance and results of multilateral organisations through stronger engagement. For example, it is chairing the Multilateral Organisation Performance Assessment Network (MOPAN) in 2013.

## Notes

1. The 2012/13 budget forecasts that Australian aid will increase to around 0.37% of GNI in 2013/14, 0.41% in 2014/15 and 0.45% in 2015/16 (Government of Australia, 2012c).
2. See the OECD methodological note “ODA Reporting of in-Donor Country Refugee Costs: Members’ methodologies for calculating costs” available at <http://www.oecd.org/dac/stats/RefugeeCostsMethodologicalNote.pdf>
3. Country, regional and global programme budget estimates were revised downwards in order to fund refugee costs. This represented in-year cuts to country programmes in Solomon Islands, Vanuatu, Samoa, Tonga, Kiribati, Tuvalu, Niue, Indonesia, Vietnam, the Philippines, Timor-Leste, Cambodia, Myanmar, Laos, Mongolia, Afghanistan, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives, Iraq, and the Palestinian Territories. This also represented a decrease in ODA to regional programmes, including the Pacific, East Asia, South and West Asia, sub-Saharan Africa, Latin America, and the Caribbean. ODA was also cut from the global programme budget lines for humanitarian and emergency response; the United Nations and other development agencies; and NGOs and community engagement (Government of Australia, 2013).
4. Source is OECD DAC data. Australia states that it provided over 55% of its bilateral and regional ODA to fragile and conflict-affected states in 2012/13.
5. The DAC average is 56%.

6. Country programmable aid (CPA) is bilateral aid, excluding humanitarian aid, administrative costs, imputed student costs, costs related to research and refugees in donor countries, core funding to NGOs, ODA equity investments, and aid not allocable by country or region. CPA is derived from DAC statistics, and may also include bilateral aid channelled through other partners.
7. Core funding is provided to 43 accredited NGOs.
8. Source is OECD DAC data. According to Australia, average annual contributions to international and national NGOs amounted to AUD 566 million in 2011/12, or 11% of total ODA.
9. In 2010 Australia provided less than USD 250 000 to 15 of the 39 sub-Saharan partners where AusAID was not present on the ground. These investments were primarily through Australia Awards, AusAID-NGO Cooperation Program (ANCP) partnership agreements, small grants to attend seminars, Australian volunteers and DFAT's Direct Aid Program.
10. Multilateral ODA refers only to un-earmarked contributions to multilateral organisations. Contributions to multilateral organisations earmarked for a specific purpose, sector, region or country is bilateral ODA and may be referred to as non-core or multi-bi aid.
11. In 2011, according to OECD DAC statistics, multilateral ODA had increased by 2% in real terms since 2009, whereas gross ODA had increased by 23%. Adding Australia's non-core contributions to the World Food Program (considered as bilateral ODA in DAC statistics since they are earmarked) to Australia's multilateral ODA in 2009 and 2011 would increase the multilateral ODA growth rate to 10% (less than half the overall ODA scale-up). Including earmarked contributions to WFP would increase the share of Australia's multilateral aid to 16%.
12. In 2011, Australia's largest non-core or multi-bi contributions according to OECD DAC statistics were to the Global Programme for Education (USD 44 million), the World Bank's Afghanistan Reconstruction Trust Fund (USD 37.1 million), the Global Agriculture and Food Security Programme (USD 31 million), and the World Bank's conditional cash transfer pilots of the National Program for Community Empowerment (PNPM) in Indonesia (USD 28.9 million). Eighteen per cent of Australia's non-core contributions were humanitarian aid and 52% were provided to fragile states.
13. These include IFAD, UNDP, UNFPA and UNICEF.

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# Chapter 4: Managing Australia's development co-operation

## Institutional system

Indicator: The institutional structure is conducive to consistent, quality development co-operation

**Australia has focused strategically on reforming the institutional system to make it more capable of delivering an effective aid programme. Consolidating this impressive organisational reform and making information management and accounting systems fit for purpose need to be prioritised to ensure effective implementation. Australia has implemented the DAC 2008 recommendations on organisation and management.**

### Reform of Australia's aid system since 2010 keeps it fit for purpose

AusAID, which managed 83% of total ODA in 2011/12, has focused strategically on developing its capabilities to deliver a growing programme by strengthening corporate governance, increasing staffing, and updating its business model. AusAID is now in a good position to deliver an expanded aid programme through to 2015/16. AusAID's purpose, mission and values are clear and ambitious. It aspires to:

- > be acknowledged as a best-practice public sector agency that is agile, capable and effective;
- > be known as a leading international development agency; and
- > be driven by the Government's commitment to deliver results with the public funds that are under its control (AusAID, 2011: 7).

AusAID is directly accountable to the Minister for Foreign Affairs and takes the lead in co-ordinating the Australian Government's delivery of official development assistance.<sup>1</sup> Since becoming an Executive Agency in 2010,<sup>2</sup> AusAID is the unambiguous anchor agency for development. It is formally responsible for providing development policy advice, planning and managing poverty reduction activities, leading responses to humanitarian and disaster crises and representing Australia on development internationally (AusAID, 2012c).

AusAID's business model and corporate vision are outlined in a number of key policy documents, all of which are coherent and aligned with one another.<sup>3</sup> To ensure ownership and relevance, the organisation consulted with its staff when updating the business model. The revised accountability and governance arrangements (AusAID, 2012a) give a clear overview of the roles, responsibilities, functions and lines of and other committees.<sup>4</sup>

### System co-ordination works well thanks to clear roles and responsibilities

AusAID now has greater capacity to engage with other government agencies involved in development, foreign policy and national security. As shown in Chapter 1, co-ordination functions across government and within AusAID work well, giving good policy space to development concerns and coherent policies. In addition, AusAID plays a crucial role in screening aid proposals by all government agencies from a development perspective.

The inter-governmental Development Effectiveness Steering Committee<sup>5</sup> (DESC), which is chaired by AusAID's Director General, plays an increasingly important oversight role for all of Australia's ODA. The Committee provides strategic direction for the aid programme, including through providing advice to the Government on aid budget priorities put forward as part of the whole-of-ODA budget submission, considering and endorsing programme strategies and overseeing the Annual Review of Aid Effectiveness and the Independent Evaluation Committee.

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**AusAID's  
new structure  
reinforces its focus  
on policy, quality  
and effectiveness**

AusAID's new organisational structure is a good reflection of the expanded ambition of Australia's development co-operation and its determination to strengthen the quality, effectiveness and efficiency of aid management (Figure 2.1). Key objectives of the restructuring were to make AusAID fit for purpose, better able to manage risk and to provide strategic policy advice to the Minister. AusAID is now built on three pillars: the country programming group; the humanitarian and international group; and the corporate group. Each is headed by a Deputy Director General – a new executive level of senior management. The agency has ten divisions sitting under these three groups (see Annex D for a chart of the new structure).<sup>6</sup>

Australia's decentralised aid management, with approximately 40% of staff based in country offices, reflects the good practice outlined in the *Busan Partnership for Development* (HLF4, 2011). It gives AusAID the resources and flexibility to respond to evolving country needs (Box 4.1). Since the last peer review, financial authority for country offices has increased along with the seniority of heads of county offices.<sup>7</sup> AusAID is mindful, however, that headquarters need to be involved in programming to keep headquarter staff informed of development issues and to expose new staff to development programming before being posted overseas. The agency deals with this challenge through integrated programming teams (headquarter and field) and business processes. Peer review processes also play an important role in contesting programme and project designs as well as performance reporting.

Australia has the right tools, flexibility and organisational structure to deliver realistic results in fragile states. Its long experience in fragile states has translated into a good understanding of the challenges and risks involved. Principles such as “do no harm”<sup>8</sup> and the need to properly assess and manage contextual, programmatic and institutional risks<sup>9</sup> are well understood. Tools used in fragile states are flexible, and innovative approaches are encouraged (Chapter 5). Other major players in fragile states include the Australian Federal Police (contributing 4.5% of ODA) who, together with the Attorney General's Department, is involved in executive policing, public order management and capacity building to strengthen the rule of law – a key area in fragile and post-conflict settings. Police are provided with extensive training before being posted to fragile states.

**Box 4.1. Lessons from Australia's experience with decentralisation**

AusAID started to decentralise its development co-operation in 2000 and has learnt the following:

- > It is more effective to tailor the level and type of devolution to the specific operations in a country.
- > Keep the job interesting for staff in headquarters and keep up their skills on aid management in preparation for rotation to the field.
- > The impact of the aid programmes increases when decentralisation enables more strategic relationships and policy dialogue with partner governments.
- > Partner governments are sensitive to the level of seniority and influence of heads of country offices. This has contributed to AusAID's decision to deploy more senior staff as country directors in strategic partner countries such as Papua New Guinea and Indonesia, as well as at the World Bank and United Nations.
- > Programme management and oversight is easier for the agency because it is closer to the action.
- > Being decentralised facilitates the shift to programme-based approaches.
- > Local sector specialists in posts bring additional expertise to programmes.
- > The cost of posting more staff overseas is reduced by recruiting local staff with strong expertise and knowledge.

Source: Interviews held in Canberra during the peer review mission, October 2012.

**Strategic and administrative tasks are balanced**

AusAID has balanced the administrative system in favour of strategy, policy and a focus on quality and results. Between 2010 and 2012 AusAID focused first on getting policy and strategic capacity in place and then turned its attention to processes and structures. Divisional Business Plans, for example, are an important tool for setting priorities, financial planning and determining resource allocations (AusAID, 2012a). The major building blocks of corporate reform have been approved and put in place; the next step is to work on business improvement while refining and tweaking ways of working. AusAID is now planning to streamline and upgrade business systems (Chapter 6).<sup>10</sup>

## Innovation and behaviour change

Indicator: The system supports innovation while managing risks

**Australia has managed its organisational change strategically. The integration of development objectives and corporate systems provides incentives to implement the reform and achieve development objectives. Other donors can learn from AusAID's experience.**

### **A well-managed process of change, with lessons for other donors**

Australia has managed its complex and rapid reform process well. Lessons for other donors include the value of using change management models for reform; of focusing on staff communication, especially in country offices; and of outlining clear goals and steps while being flexible and consulting with staff. In particular, the Strategic Reform Committee played a pivotal role in managing the pace of change. It continues to provide leadership for business improvement and change management which is good for keeping up momentum in consolidating the reform. Opening participation in the Strategic Reform Committee to middle management and regular staff surveys helped keep staff engaged and senior executive aware of their concerns. Sequencing and synchronising reform is always a challenge; AusAID found that once the aid policy framework was in place it was easier for staff to see where the agency wanted to head.

### **A range of incentives promote innovative approaches**

The emphasis on partnerships, transparency and results and on new aid modalities in *Effective Aid* and the *Comprehensive Aid Policy Framework* open the way for AusAID to be more flexible and innovative. Australia embeds development objectives in corporate processes from division plans to individual performance objectives and reporting.<sup>11</sup> In addition to formal incentives, staff across AusAID can join networks and communities of practice to test new ideas, learn about new policies and guidance, and share experience on how new approaches are being applied.

## Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

**Australia has made impressive progress in managing human resources effectively to respond to field imperatives and new ways of working. It has also implemented the 2008 DAC recommendation to develop a policy for maintaining the right level of staff with the appropriate skills mix. AusAID plans to improve on this progress by building-up, as planned, staff capabilities, including development expertise.**

### Workforce planning is strategic and focused on getting the right mix of skills

AusAID's workforce planning is strategic, comprehensive and operational with concrete deliverables and regular reporting on progress to senior management.

AusAID has succeeded in increasing staffing levels and addressing challenges related to high internal staff mobility and high staff turnover.<sup>12</sup> AusAID's workforce has grown by 66 per cent since 2008 to reach a total of 2124 Australian public service (APS) and locally-recruited staff (referred to as Overseas Based, or O-based, staff). The bulk of new staff were recruited in 2011-12, reflecting a strategic move to frontload staffing in time for the real increase in the aid budget in 2011 and planned increases up to 2016.

AusAID places a high value on locally-recruited staff, who account for approximately 28% of the total workforce. They are crucial for providing the contextual and sector expertise in its country programmes. In line with this, a methodology for determining more transparent work level standards, remuneration review processes, and official terms and conditions for O-based staff are being introduced by AusAID. The aim is to align career levels with those of staff in the Australian public service, and to provide greater clarity on pay scales and conditions of service. Staff in the Philippines country office welcomed AusAID's work in this area and were eager to see the terms and conditions approved.

The workforce is structured around three core occupational groups: program delivery; policy development; and corporate – with the majority of AusAID staff within the program and policy occupational group (roles primarily involved in aid program delivery, international development policy and partnerships). Job profiles are changing at AusAID as the agency evolves from more traditional ways of delivering aid: staff now spend less time managing specific projects and more time leading on programme design, managing programme performance and working with partners to encourage and support policy reform. The Workforce Plan – Phase One committed AusAID to increase its specialist capabilities, to meet future operational requirements and appropriately manage risks with the increased size and complexity of the aid program. This commitment is being implemented through the Workforce Plan – Phase Two with the establishment of streams within occupational groups to deepen capabilities in priority areas, such as economics,

health, education, infrastructure, governance, results monitoring and evaluation. These will all be vital for AusAID to support partner country efforts to achieve their development objectives.<sup>13</sup>

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**Good staff incentives to work in fragile contexts**

Postings to, and good performance in, fragile contexts are seen as career enhancing within AusAID, encouraging Australian staff to deploy to these challenging environments and to deliver results. Locally-employed staff are also given a key role in these contexts, ensuring that their knowledge and experience are properly used to support the effective design and implementation of programmes. AusAID and police staff are trained in effective programming in conflict and fragile contexts before being sent to such countries. For example, in 2011/12 more than 330 AusAID and whole of government officials and staff of AusAID implementing partners were trained in how to work in situations of conflict and fragility. Training included looking at case studies on the role of women in negotiating and building peace (AusAID, 2012c).

The fragile states team in Canberra, which was understaffed at the time of the peer review team's visit to AusAID, has almost completed its projected growth, which should allow it to expand the evidence base and disseminate good practices to support desk officers and staff in country offices.

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**New staff require training- in development**

AusAID places a high priority on learning and development, and promotes a 70-20-10 learning approach. It has also increased the training budget by almost 30% between 2011 and 2012 (AusAID, 2011a). All staff – both in Canberra and locally-recruited – have good access to a wide array of formal training courses provided by AusAID and academic institutions. A new learning management system – LearningConnect – was launched in September 2011 to improve the management and reporting of all training across the agency and to host online learning resources. In-house courses have increased, including through AusAID's e-learning programmes on security awareness, work health and safety and workplace diversity (AusAID, 2012e). A People and Leadership Committee has been created to assess and propose priorities and monitor progress on human resource strategies broadly, including for learning and development.

Phase two of the workforce plan gives specific and suitable attention to developing the specialist expertise needed for a higher quality aid programme (AusAID, 2012b).<sup>14</sup> Providing appropriate training on development co-operation to the staff recruited in 2011-12 is also an important priority. AusAID needs to further develop and apply effective mechanisms for on-the-job learning, feedback and mentoring. This should be done in tandem with improvements to the knowledge management system (Chapter 6).

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In Manila, the peer review team found good examples of experience and lesson sharing between the Philippines and Indonesia programmes (Annex C). AusAID's performance management system, evaluations, the research it commissions,<sup>15</sup> and corporate performance and quality reports are rich sources of information, flagging important trends and lessons. Better dissemination of these reports and studies across the agency would make an important contribution to on-the-job learning.

## Notes

1. The Director General reports directly to the Minister for Foreign Affairs and Trade on all development policy matters, the administration of AusAID and its programme while being fully autonomous within the foreign affairs portfolio.
2. In accordance with the Public Service Act 1999, AusAID's status as an Executive Agency was approved on 8 July 2010 by order of the Governor-General, on advice from the Prime Minister.
3. The Governance and Accountability Policy (2012), The Enterprise agreement (2011); Our mission, Our values (2012) and AusAID's Workforce Plans: phase one and two (2011 and 2012).
4. Senior oversight is strengthened at AusAID by a new three tier governance committee structure which includes: Tier 1 - Executive Committee and Executive Group; Tier 2 - four executive sub committees (People and Leadership Committee; Development Policy Committee; Strategic Programming Committee, which approves all high risk, high value investments from design stage; and the Strategic Reform Committee, which focuses on business improvement and change management); and Tier 3 - seven committees reporting to the Executive sub-committees.
5. The DESC meets about six times a year and is composed of deputy secretaries of the Department of the Prime Minister and Cabinet, the Treasury, Department of Foreign Affairs and Trade, and the Department of Finance and Deregulation, and AusAID's Director General (as Chair) and Chief Operating Officer (see AusAID, 2012c).
6. Changes include: the new Programme Effectiveness and Performance Division has a dedicated Quality, Performance and Results Branch as well as a Risk Management and Fraud Control Branch; a new Policy and Sector Division; a new Africa and Community Programs Division, in line with AusAID's expansion to Africa and commitment to involve the Australian community; a new Humanitarian and Stabilisation Division; and a new Whole of Government Branch.
7. A Minister (in place in Jakarta and Port Moresby) can sign-off up to AUD 50 million and a Minister-Counsellor up to AUD 15 million.
8. More information about do no harm available at [www.cdainc.com/cdawww/project\\_profile.php?pid=DNH&pname=Do%20No%20Harm](http://www.cdainc.com/cdawww/project_profile.php?pid=DNH&pname=Do%20No%20Harm)
9. See Managing Risks in Fragile and Transitional Contexts: The Price of Success?, OECD, 2011, available at [www.oecd.org/dac/conflictandfragility/managingrisksinfragileandtransitionalcontextsthepriceofsuccess.htm](http://www.oecd.org/dac/conflictandfragility/managingrisksinfragileandtransitionalcontextsthepriceofsuccess.htm)

10. For example AusAID's Workforce Plan Phase Two identifies the need to increase administrative efficiency in communications, information services, finance and human resources (AusAID, 2012b).
11. Individual Performance Plans (IPP) are the key tool for staff accountability. IPPs should be based on outputs listed in Divisional Business Plans, and work plans for the branch, section and country office. Also, pay is linked to effective performance for all staff through common pay increments presented in the Enterprise Agreement (AusAID, 2011c).
12. According to AusAID's 2011 Annual Report (AusAID, 2012e), the vacancy rate of 2.5% in 2011 is well below the 10% target in AusAID's *Workforce Plan- Phase One* (AusAID, 2011a).
13. AusAID is also creating sector cadres or streams comprising practitioners and specialists led by a principal sector specialist mainly based in the policy and sector division (AusAID, 2012b).
14. AusAID has established three occupational streams: (1) policy and programme; (2) sector or discipline; and (3) corporate and operations.
15. Research funding (AUD 133 million in 2011/12) is available for almost every programme portfolio to improve the quality and effectiveness of Australian aid in developing countries (Annual report 2011-12: 204).

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# Chapter 5: Australia delivering, and partnering in, development co-operation

## Budgeting and programme processes

Indicator: Processes support quality aid as defined in Busan

**Australia has made good progress since the last peer review in improving the overall predictability of its aid, in negotiating mutually-accountable high-level partnerships with its priority countries and aligning the objectives of its co-operation to partners' development priorities. In addition, Australia's aid is fully untied. To increase the quality of its assistance further, in line with commitments made in the *Busan Partnership for Effective Development*, Australia needs to make its country level aid allocations more transparent and predictable over the medium-term. It also needs to achieve the objective it has set for using country systems and increase, more broadly, the share of aid provided through programme-based approaches, while continuing to analyse and manage the risks it needs to take in order to achieve development results.**

### **Making aid to partner countries more predictable over several years**

Along with Australia's annual budget statement, the commitments outlined in the *Comprehensive Aid Policy Framework (CAPF)* set-out the rationale and priorities that will guide Australia's decisions for allocating its growing aid budget up to 2015/16 at the aggregate and regional level. The *Comprehensive Aid Policy Framework* provides a basis for AusAID to plan, develop and design new programmes. For example, forward spending plans for Indonesia and Papua New Guinea are both included in the CAPF, which also indicates that aid to Bangladesh and Myanmar will increase. However, the framework does not increase the medium-term predictability of aid for each priority country (see also Chapter 3).

While aid budgeting must work within the framework of the Government's annual budgeting process, Australia needs to move from regional to country forecasting so that partner countries know how much aid they will receive over the next few years. The current approach of announcing future aid budgets to some partner countries through different channels and mechanisms, demonstrates that Australia can indicate to partners how much they will receive over several years: for example Australia has provided indicative budget allocations from 2011-2015 in its partnership agreement with Papua New Guinea.<sup>1</sup> One way of being more transparent and systematic in giving medium-term predictability to all partners, as suggested in the last peer review, would be to include a multi-annual indicative budget in its bilateral development co-operation agreements with priority countries, which AusAID currently does with some partners. This would also serve to improve mutual accountability.<sup>2</sup> Several DAC members – for example, Denmark, Luxembourg, Ireland and the United Kingdom – attach indicative budgets to their country strategies.

**Making good progress in delivering quality aid**

Australia has updated its programming policy and processes since the last peer review to deliver its aid in line with commitments made internationally to deliver more effective aid. Australia aligns its programmes with partners' development priorities; and is providing sector budget support, notably in education and health, in a number of priority countries. Pacific Partnerships for Development are a good illustration of how partner country ownership is being supported and strengthened (Box 5.1). Australia is also engaging more closely with other development actors, especially in the Pacific region. Nevertheless, Australia's use of programme-based approaches whether through partners' systems or joint arrangements – such as pooled and basket funds – remains limited (Box 5.2).

**Box 5.1. Partnerships for development**

The Pacific Partnerships for Development and the Cairns Compact on Strengthening Development Cooperation<sup>3</sup> evolved from the Port Moresby Declaration, aiming to increase development assistance for better governance, economic infrastructure, health and education in the Pacific. Eleven Pacific Partnerships for Development (Papua New Guinea, Samoa, Solomon Islands, Kiribati, Vanuatu, Nauru, Tuvalu, Tonga, Federated States of Micronesia, Republic of Palau, and Republic of the Marshall Islands) have already been signed between Pacific partners and AusAID. These partnerships are reviewed and updated annually on the basis of progress against jointly-agreed priority outcomes.

Programming is guided by sound principles and a clear oversight and approval framework.<sup>4</sup> The policy on *Strategic Program Development* sets out seven principles that should guide the development of programme strategies. One of the principles is a commitment to working in partnerships, including, where feasible, to align with partner government systems while another refers to 'program strategy consultations with the partner government'. However, the policy does not give as much explicit priority to consulting with and involving partner governments in the development of the program strategy as it does to Australia's whole-of-government partners.

AusAID's programming architecture now comprises three main pillars: a country situation analysis, a country programme strategy and delivery strategies. These provide a good basis for a coherent, context-based and flexible approach (AusAID, 2012a). The programming policy has also been revised to align with *Effective Aid* and *The Comprehensive Aid Policy Framework*. Introduced in 2010, the objective of a country situation analysis is to get a view from across the Australian Government of opportunities and constraints to development in each country, in order to support decisions about the best use of Australian ODA. The country situation analysis is not published, as it represents internal deliberations of the Australian Government, but the resulting country programme strategy is. Policy and guidance acknowledges the importance of consultation with NGO partners and other relevant actors in formulating the situation analysis and resulting programme strategy, which is reinforced by the Civil Society Engagement Framework.

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However, the programming process remains a work-in-progress, requiring fine-tuning. For example, there could be more strategic and systematic consultation with Australian and local CSOs, as well as with other relevant partners in partner countries. Guidance acknowledges the potential to use analysis of other donors or to do it jointly with them, in line with commitments made in Busan. Australia could do this better in practice.

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**Ensuring the branding policy does not undermine partners' ownership**

Government, civil society and multilateral partners interviewed by the peer review team in the Philippines (Annex C) welcomed AusAID's past approach to making its aid visible, which has avoided flag-raising and over-branding. Instead, Australia gets recognition for its contribution to development in the Philippines through its quality programmes and results. However, AusAID's draft communication framework refers to the challenge of making the aid programme more visible to Australians, recipients and other donors. It states that branding should not be seen as an "optional add-on" by country offices (AusAID, 2012h: 8). AusAID appears to be applying the branding policy outlined in *Effective Aid* more aggressively than it has in the past. The peer review team urges AusAID to take a more sophisticated approach and concentrate on "earning" the brand by proving itself to be a quality development partner that achieves results rather than on having its logo printed on school books and portable school tables, for example.

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**Being more ambitious about using country systems**

In line with its concerns about fiduciary and reputational risks, AusAID is taking a pragmatic, gradual approach to increasing its use of partner government systems and programme-based approaches. However, to implement the 2008 peer review recommendation it needs to increase its use of such approaches (Box 5.2 and Annex A).<sup>5</sup>

**Box 5.2. Use of different aid modalities**

The Paris Declaration on aid effectiveness identified the use of programme-based approaches as one way of ensuring that aid is provided in a way that makes increasing use of partner countries' systems for planning, funding and following government activities. It commits donors to provide an increasing proportion of aid in the context of programme-based approaches. A global target of providing 66% of aid through programme-based approaches was set (OECD, 2012).

DAC data for 2011 show that Australia delivered 4.6% of bilateral aid as sector budget support, 6.4% in basket funds or pooled funding and 36.7% in project-type interventions. According to AusAID's 2012 Agency Operations Report, 22% of the value of the aid programme was delivered by commercial suppliers. 15.4% of bilateral aid was delivered using partner country systems in 2011 (AusAID 2012c). In line with its commitment to increase use of partner country systems, Australia will increase the share of aid using partner systems by 30% by the end of 2014.

Sources: OECD 2012; AusAID (2012b), *Agency Operations Report 2012*, AusAID, Canberra; DAC creditor reporting system

Australia recognises that the most sustainable way of strengthening partners' systems is by using them. It has committed to increase its use of programme based approaches. Fifteen assessments of national systems will be completed by the end of 2013 and should help Australia identify with its partners what would be required for moving towards full use of country systems and to agree on milestones. By meeting its objective to increase by 30% the share of aid using partner systems by end 2014, Australia would channel around 20% of its bilateral programmable aid through partner systems.<sup>6</sup> Australia should achieve the target it has set for 2014 and then go further.

According to Australia, the 30% target is appropriate yet challenging given the capacity constraints and performance deficiencies in the public financial management and procurement systems of many of the countries with which Australia engages, for example, small and/or fragile states in the Pacific which have a limited pool of human capital. At the same time, there is scope to use country systems more extensively in other partner countries. For example while 43% of all aid delivered through partner government systems in 2011 was in Indonesia alone, 49.5% of the Indonesia programme was actually delivered by commercial suppliers. As stated in Box 5.2 commercial suppliers delivered 22% of the bilateral aid programme in 2012 (AusAID, 2012b).

Australia is actively supporting partner governments to strengthen their public financial management systems, to improve transparency and accountability and to enable greater use of partner systems in the future. It does this in co-ordination with other development partners where feasible, as seen in the Philippines. It should continue to invest in increasing partner governments' capacity to use and manage effective financial management systems.

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### Analysis of risk informs planning and programming

Assessing and managing risk has become standard practice in AusAID, which has a unit dedicated to risk management (Annex D). There is a good understanding of risk and proportionality across AusAID, and a solid framework for risk assessment and management. AusAID's risk management framework states that "Effective risk management in AusAID incorporates being open to accepting an appropriate level of risk if that is what is necessary to achieve objectives..." and "...the executive models a positive management culture by empowering staff to take appropriate risks" (AusAID, 2012d).

AusAID has a 'zero tolerance' attitude towards fraud. This 'zero tolerance' does not mean, however, that AusAID will not operate in areas where fraud may occur. It means that it will investigate all instances and prosecute where appropriate.

Australia appears to manage risk in its programme in a balanced manner. The peer review team's mission to the Philippines (Annex C) heard that Australia is a flexible and dynamic partner that is not risk averse. It had balanced risks against the opportunities in its programming, targeting risky environments such as Mindanao, and supporting anti-corruption efforts. Risk analysis is standard practice in country

programming as shown by reporting on programmatic and contextual risks in the Annual Programme Performance Reports as well as risk management plans. Although more attention appears to be given to fraud, security, work, health and safety in the risk training than on the risks related to development effectiveness.

To allay the concerns of Australian taxpayers about public sector corruption in partner countries, AusAID needs to communicate better with the public about the development advantages of delivering aid through systems, how it manages fiduciary risk when using systems and by explaining that other aid modalities are also vulnerable to risks which can lead to less value for money (recommended in the last peer review; OECD, 2009, See Annex A).

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**Australia's aid is fully untied**

Australia is a strong supporter of untying aid because it promotes value for money. Australia's aid is fully untied. It has not only met the DAC Recommendation on Untying (OECD, 2008), but also commitments made in Accra and Busan to "untie aid to the maximum extent" (OECD, 2012b). Australia is well ahead of many other donors in that the DAC average untying ratio was at 73% in 2011.

However, despite tenders being open and untied a high share of untied aid covered by the 2008 untying recommendation is still sourced from Australian suppliers. In 2011, 62% of AusAID's untied aid contracts were awarded to Australian companies, accounting for 85% of the monetary value of those contracts. In addition, Australia usually manages the procurement processes; just 22% of procurements under the aid programme managed by AusAID were undertaken by the partner country in 2011, using partner systems. Australia should build on its position at the forefront of untying by working with partners to progressively increase the share of procurement that they manage. This, in turn, should increase partner country benefits from untying.

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**Aid conditions are negotiated with partners and focus on outcomes**

Australia attaches policy conditions to its aid mainly through joint statements of commitment with partner governments, Pacific Partnerships for Development (Box 5.1 and see Chapter 2) and other agreements with multilateral organisations and NGOs. Partners appreciate this approach to conditionality which is results-focused.

Australia is also branching tentatively into performance-linked aid in the Asia-Pacific region (currently Papua New Guinea, Solomon Islands and the Philippines), along with the World Bank and the Asian Development Bank. This involves providing additional aid to recognise progress and achievements made by partner governments in policy or administrative reforms and/or in specific development outcomes. In Papua New Guinea, performance-linked aid involves a two-step process whereby Australia and the partner (1) identify the reform and agree milestones; and (2) assess where and how performance-linked aid payments can be directed if the partner government achieves the agreed milestones. Partners working with this modality in the Philippines appreciated the incentive structure.

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## Partnerships

**Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability**

**Australia's development partners value AusAID's dynamic efforts to evolve from contracting-type relationships to partnerships that promote ownership. They also appreciate its pragmatic and flexible approach which focuses on achieving results. AusAID can add even more value to its partnerships by institutionalising its engagement strategies for partners across the agency, reviewing progress with new frameworks and adapting them as appropriate.**

### Flexible strategic partnerships

The Cairns Compact, Pacific Partnerships for Development (Box 5.1) and Statements of Commitment with partners in Asia reflect commitments to mutual respect, partnership and responsibility. Australia aligns its programmes to partners' development priorities, provides long-term support and makes clear its cross-cutting priorities such as gender equality, governance and anti-corruption. In addition, senior managers now allocate more time to developing strategic, overarching partnerships with several donors, including emerging donors such as Brazil. For example, the Cairns Compact involves several donors.<sup>7</sup> AusAID has also started to deploy more senior staff to head country offices which means they have the authority to engage in more political and strategic dialogue with the partner country and other actors. Moreover, corporate performance reporting requires country offices to report on the work they do jointly with others.<sup>8</sup>

### Supports donor co-ordination in key priority countries

Australia initiates, enables and participates in donor co-ordination in the sectors it is supporting: this role was praised several times in the Philippines where donor co-ordination is not standard practice or necessarily promoted by the Government (Annex C).<sup>9</sup> Australia's long-running co-operation with and knowledge of its partner countries – especially in South East Asia and the Pacific – means it could play an even more active role in bringing donors together for political and strategic discussions. Partners in the Philippines mentioned that there is a legitimate place for Australia at the aid co-ordination table. They would welcome Australia playing a convening role among donors for better co-ordination and harmonisation. Australia published a Donor Engagement Strategy in December 2012 with this in mind.

### Better accountability mechanisms in Pacific partnerships

Australia has made progress in strengthening mutual accountability and transparency through the Pacific Islands Forum and its secretariat (Chapter 6). This involves monitoring progress jointly, and reviewing targets and priorities annually. Australia evaluates its Pacific Partnerships for Development through its Annual Program Performance Reporting process. The reports are available on AusAID's website. For learning purposes, it may be useful to conduct a comparative study of how the various Partnerships are supporting good practice principles such as ownership, harmonisation, mutual accountability and sustainable capacity development in the Pacific Islands, given the specific challenges faced in this region.

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**Strategic engagement with multilateral partners**

Since the last peer review Australia's engagement with its multilateral partners has grown, as has the scope of its engagement.<sup>10</sup> Australia is a strong proponent of UN Delivering as One and the UN Quadrennial Comprehensive Process Review, and through its participation in international forums such as MOPAN, it will seek to advance a common and more aligned agenda among donors, focused on improving multilateral organisation transparency, effectiveness, results and value for money.

Australia's engagement with multilateral partners is firmly anchored in *Effective Aid*, rationalised in its multilateral assessment (AusAID, 2012i). By mid-2013, individual engagement strategies will link to the broader *Multilateral Engagement Strategy* (AusAID, 2012j) and will drive Australia's priorities with each of its major partners. Priorities for engagement with multilateral partners are driven by five strategic goals (Chapter 2) with clear links to the annual indicative budget. Multilateral funding often complements Australia's bilateral programmes. For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria supports programs in Papua New Guinea and the World Bank's Africa Water and Sanitation Program in sub-Saharan Africa. While the various assessments, strategies and scorecards place an extra burden on the various multilateral partners, overall UN partners systematically praised Australia's partnership.

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**Having clear objectives for engaging with Australian businesses on development**

AusAID's private sector development strategy has a sound rationale, focusing primarily on the enabling policy environment and targeted interventions in fragile and conflict-affected states, and in areas of entrenched poverty (AusAID, 2012e). Australia is also planning to engage with the Australian business community on private sector development initiatives (AusAID, 2012k).

According to AusAID, its strategy for engaging with Australian business is driven by the need to partner with an important constituency that can assist in making the Australian aid programme more effective. To assist in this process, AusAID has established a Business Engagement Steering Committee with representatives from Australia's peak business bodies, civil society and government. It has also established a Business Engagement Unit to provide business with a point of access to engage on the Australian aid programme and support a whole-of-agency approach to engaging with the private sector.

AusAID has stated that engagement with the business community will not subsidise corporate social responsibility and that its aid will remain fully untied. This is good. AusAID should ensure that it remains the driver of this agenda, and is clear about the added value of increased engagement.<sup>11</sup> AusAID must also be clear that these partnerships contribute to sustainable development in partner countries.

**Strong actions to control fraud and improve governance**

Australia prioritises building institutions and processes that are accountable, responsive and transparent, allowing the participation of citizens and civil society in the processes of government (AusAID, 2011b). This commitment to improving the quality of governance in partner countries is reflected in its aid allocations: in 2011 21% of bilateral aid includes investments in governance and civil society, including in fragile states. This is higher than the DAC average of around 15%. In the Philippines, the peer review team saw that governance-related initiatives cut across the whole programme. For example, AusAID supports the Philippine Government's public financial reform and its support for scrutiny of the Government by civil society through its Coalitions for Change programmes. These aim at policy reform and change through alliances among civil society, the private sector, government and other stakeholders (Annex C).

In line with OECD anti-corruption principles (*ibid*), Australia has a clear fraud policy statement, country offices prepare and update risk and fraud management plans annually, fraud awareness training is compulsory and AusAID tracks and reports on cases of suspected and investigated fraud (AusAID, 2012f). As mentioned above, Australia is assessing public financial management systems in its partner countries, using a range of sources of evidence; it also conducts rigorous due diligence investigations with partners. However, AusAID could conduct more joint analysis with other donors as recommended by the DAC policy on anti-corruption.<sup>12</sup>

**AusAID's approach to partnerships with civil society reflects good practice**

The new *Civil Society Engagement Framework* (AusAID, 2012g) implements the 2008 DAC recommendation to be more strategic and provides a good, shared strategic framework for co-operation between AusAID and civil society organisations. Members of the Australian Council for International Development (ACFID)<sup>13</sup> – the national NGO platform – have commended Australia for its more mature relationship with civil society, a relationship based on partnerships and achieving results.

The framework includes 19 actions to be either commenced or achieved by the end of 2013 (AusAID, 2012g: 9-12). This is commendable, although AusAID and CSOs alike should keep an eye on the feasibility of such a large number of complex actions. For example they should ensure that sufficient time is given to CSO partners to prepare and work through their positions on key issues. The framework, which applies to the whole agency, will also need to be disseminated so that programming staff are capable of implementing it.

CSO partners which the peer review team met in Australia and the Philippines value AusAID as a partner and for its transparent approach to providing funding. AusAID has a range of mechanisms for funding CSOs which fit with its objectives (*ibid*). It plans to refine its approach to due diligence, accreditation, monitoring and evaluation and assessing value for money to reflect the new strategic framework. When doing this, AusAID should apply the principle of proportionality it applies to its own programming and ensure that reporting requirements balance quantity and quality indicators and focus on development results. In particular, ACFID members

are concerned about how AusAID will assess value for money; they have recently published a useful discussion paper that provides ACFID members' views on value for money issues in an Australian NGO context and can inform consultations between NGOs and AusAID (ACFID, 2012). CSO partners also recognise that they need to demonstrate results if they are to receive increased and more predictable funding.

Formal and regular Canberra-based policy dialogue between NGOs and AusAID makes for meaningful and productive consultation.<sup>14</sup> This positive experience should be shared with country offices to strengthen policy dialogue with CSOs in partner countries. AusAID and NGO partners also recognise that knowledge sharing and learning from the AusAID-NGO Co-operation Program (ANCP) is a high priority and launched a new Monitoring, Evaluation and Learning Framework as well as recently completing a thematic review.

## Fragile states

Indicator: Delivery modalities and partnerships help deliver quality aid

**Australia has the framework, analytical capacity, tools, flexibility and organisational structure to deliver innovative and realistic programmes that achieve results in fragile contexts.**

**Thorough contextual analysis leads to strategic and realistic country programmes**

Australia focuses its work in fragile contexts on building states that are more responsive to the needs of civilians, on preventing violent conflict, and on building the resilience of communities (AusAID, 2011c). Thorough contextual analysis helps Australia to target and prioritise strategically challenging areas, and to be realistic about what can be achieved in these complex environments. External experts,<sup>15</sup> other staff in the region, and the Canberra-based Fragility and Conflict Branch all support the contextual analysis and programme design where appropriate. This is good practice. Contestability – in which country strategies are peer reviewed at the design stage – also plays a key role. The peer review visit to the Philippines (Annex C) found that Australia had clearly balanced risks against opportunities in its programming, noting the successful use of incentives in fragile areas, such as Mindanao. Partners agree that Australia targets the most urgent priorities, and that programmes are well designed.

**Australia aligns with government led co-ordination mechanisms**

The peer review mission to the Philippines found strong evidence of Australia's pragmatic engagement with government-led co-ordination mechanisms – both at national and local levels (see Annex C). Australia has also aligned its support with Timor Leste's Strategic Development Plan, as part of the *New Deal* pilot.

**The business model can be adapted to fit individual fragile contexts; risk remains an issue**

Devolution of authority and the flexibility of the AusAID system make it easier for staff to seize opportunities and take risks in programming in fragile environments. This is backed up by senior staff support and the contestability process, which ensures that staff who take programmatic risks are not left hung out to dry. This is also helped by flexible procurement procedures.<sup>16</sup> CSO and multilateral partners also appreciate being allowed the flexibility to respond in the most appropriate way.

## Notes

1. See also the Partnership Schedule for Education between Australia and Papua New Guinea: [www.ausaid.gov.au/countries/Documents/outcome\\_education\\_schedule.pdf](http://www.ausaid.gov.au/countries/Documents/outcome_education_schedule.pdf)
2. For example, while Australia is committed to a minimum level of funding in its Pacific Partnerships for Development (section 5.1.7), individual country strategies do not have a budget. In the Philippines-Australia Statement of Commitment, Australia commits to provide annual updates of levels of assistance over rolling four-year periods but does not give an indicative budget covering the four years.
3. See [www.AusAID.gov.au/countries/pacific/pages/cairmscompact.aspx](http://www.AusAID.gov.au/countries/pacific/pages/cairmscompact.aspx) for more information on the Cairns Compact
4. The principles include being evidence-based; making a contribution to development; focusing on outcomes; enhancing selectivity and consolidation; operating through partnerships and aligning with partner government systems.
5. Australia is building on its track record of progressive engagement in several countries (e.g. in the Pacific, Indonesia, the Philippines) and supporting partner governments to strengthen their public financial managements systems, transparency and accountability (e.g. Philippines and Indonesia).
6. The baseline figure for calculating this increase is 15.4% of bilateral aid that was delivered through partner systems in 2012 (AusAID, 2012).
7. The Cairns Compact was initiated by Pacific leaders at the 2009 Pacific Islands Forum to improve the co-ordination and use of development resources in the region (AusAID, 2012c).
8. AusAID's Guidelines for Planning and Managing Delegated Co-operation Arrangements identify DAC guiding principles.
9. Other examples include, co-hosting meetings with donors to shape the international community's contribution to Afghanistan (e.g. co-hosting with the US in the margins of UNGA 2012); co leading donor co-ordination in Myanmar and establishing a joint office; the heptagon arrangement in the Pacific; Core Economic Working Group in Solomon Islands.
10. Australia has signed partnership frameworks with 12 United Nations (UN) development and international humanitarian organisations – ILO, UNAIDS, UNICEF, UN Women, UNDP, UNOCHA, UNFPA, WFP, WHO, UNISDR, UNRWA, and UNHCR, the International Committee of the Red Cross, the World Bank and the Asian Development Bank.

11. To identify areas where engagement with business can add value, Australia held a Consultative Forum with Business in August 2012. Geographically-focused roundtables with business have also been convened to get a better understanding private sector perspectives on constraints to economic development and to identify practical ways to work together. In parallel, AusAID has also held a number of bilateral discussions with major Australian companies to explore possible partnership opportunities.
12. The 2007 DAC policy on anti-corruption asks donors to take a co-ordinated approach to dealing with corruption cases involving development funds. This would help to increase their leverage and ensure maximum impact. In taking this approach, donors need to be consistent in their messages to government partners, and take a graduated and incremental response to cases where there is disagreement amongst donors and government regarding progress on specific cases.
13. For more information visit: <http://www.acfid.asn.au/>
14. For example, there are separate discussions held on partnerships, funding and thematic areas on the one hand, and on policy dialogue on the other. Partnership NGOs (under the AusAID-NGO Partnership or ANCP) hold twice-yearly talks with AusAID's Director General; ACFID gives formal input to DESC and DEWG and makes a submission on the budget; the Africa strategy was circulated to NGOs via ACFID for comment; and strategic themes for dialogue are included in the annual work plan with ACFID.
15. For example, AusAID has a partnership with ICG that includes the capacity for analysts to support country strategies. This has been useful in contexts where AusAID does not yet have significant experience. To date this has been in MENA and Horn of Africa.
16. In accordance with the Commonwealth Procurement Rules (CPRs) AusAID has a broad exemption to the Mandatory Procurement Procedures (MPPs) for the direct purpose of providing foreign assistance. This exemption, however, is not specific to AusAID or fragile and conflict situations. AusAID, as matter of best practice, has elected to apply the MPPs for all procurements over AUD 500 000.

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# Chapter 6: Results and accountability of Australia's development co-operation

## Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

**There is a major drive in AusAID to build a stronger culture of managing for results. AusAID updated its Performance Management and Evaluation Policy in 2012 building on a well-established and good quality system. The new approach to results-based management is work-in-progress. Country programmes are increasingly using performance assessment frameworks to strengthen results reporting. The headline results targets that Australia has set and will report against annually in its Annual Review of Aid Effectiveness are part of the results framework. AusAID is aware that when it reports on results to Government, Parliament and the public it needs to give a comprehensive picture of its development co-operation, of development results being achieved by and with partners as well as challenges while also learning lessons that can be applied to new programmes and projects. This is a challenge for all DAC members.**

### Major move to results-based management

Managing for results is a shared challenge for DAC members and Australia is investing significant effort in advancing with this agenda. Australia and other donors should continue to share experiences to build up evidence on good practice.

Australia's current results framework is set up to monitor and report development results. It responds to suggestions made in the last peer review to strengthen the links between activity and programme-level performance measurement and reporting and to get its results-based management adopted in whole of government programmes. AusAID's new performance management and evaluation policy, related guidelines and tools focus on turning AusAID into a "results-based agency focused on monitoring and reporting real, measurable results" (AusAID, 2012a: 1). Australia's objectives for its results framework are ambitious: from 2012 a new Annual Review of Aid Effectiveness<sup>1</sup>, will judge the performance of its aid programme against the headline and organisational effectiveness results contained in the Comprehensive Aid Policy Framework (Box 6.1). The Annual Review process will also recommend any changes to the rolling four-year budget strategy as a result of performance and/or changing circumstances (AusAID, 2012b).

Other government agencies support the new results framework presented in the *Comprehensive Aid Policy Framework* (CAPF). AusAID is developing common standards with other government agencies so that they can also report against them. This implies new ways of working across government which will be challenging and require time for officials to become more familiar with managing for results. Nevertheless, representatives from other government agencies welcome the standards and appreciate the constructive support provided by AusAID. This new approach is still in the early stages of implementation and has yet to trickle down to country offices.

**(i) The approach to aggregating and showing results domestically**

The Comprehensive Aid Policy Framework presents a three-tiered results framework with targets for which Australia will be accountable domestically (Box 6.1). Like most donors, the MDGs constitute the overall development outcome that Australia is contributing to. Tier-two results and the 30 headline targets are results that Australia intends to achieve through its development co-operation and are used for demonstrating its performance against its five strategic goals. As stated in the CAPF these headline results, which tend to have output indicators, are intended to give a snapshot of the performance of the aid programme and to provide an indicator of success. They are not intended to guide programming or performance management. Tier 3 focus on efficient and effective delivery of aid to support and enable the achievement of development results. Australia's performance against the 30 headline targets, through the Annual Review of Aid Effectiveness, and country level reporting through the Annual Programme Performance Reports (APPRs), can, together, provide a comprehensive overview of the performance of the aid programme.

**Box 6.1. Three tiers of results for Australia's development co-operation**

**Australia's three-tiered results framework as set out in the *Comprehensive Aid Policy Framework 2015-16*:**

**Tier 1:** Progress against the Millennium Development Goals – high level development outcomes to which Australia contributes.

**Tier 2:** Outcomes in Australia's partner countries. Thirty headline results have been identified by AusAID which should be achieved by 2015/16. The results fall under the five strategic goals of saving lives; promoting opportunities for all; sustainable economic development; effective governance; and humanitarian and disaster preparedness and response (Annex D). Tier 2 indicators include numerical targets, for example, more than 10 million children will be vaccinated, reducing child deaths and illness; or communities will have improved safety with 14 000 law and justice officials trained.

**Tier 3:** Operational and organisational effectiveness. The targets primarily relate to corporate processes and efficiency results that support and enable the achievement of development results. Except where otherwise specified, Tier 3 results are to be achieved by 2015/16.

Source: AusAID (2012b), *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16*, AusAID, Canberra

**(ii) Managing for results in country programmes**

Australia is continuously working on strengthening its performance management system and looks to the experience of other donors in this challenging area. Planning, budgeting and monitoring processes are results-oriented and include output and outcome indicators. Significant effort is being invested at the time of writing this report in strengthening policies, capacity, tools and systems around Performance Assessment Frameworks and Annual Programme Performance Reports, to improve AusAID's ability to measure and report on results, especially at the outcome level and beyond the headline results. APPR's are the cornerstone of AusAID's performance reporting at the country level. This self-reporting has been judged by the Office of Development Effectiveness to be of increasingly good quality (ODE, 2011). Australia should continue its good practice of reviewing the effectiveness of its results-based management system in providing it with the information it needs for accountability and programming. It should also share lessons with other donors.

**(iii) Moving forward**

AusAID is encouraged to continue its efforts to build a culture of results for both domestic accountability and to increase the impact of its programme by learning from what works. The CAPF clearly states that the purpose of the headline results is to provide a snapshot of the results of the aid programme. In order to give a more comprehensive and deeper story about the array of results being achieved with Australian development co-operation, AusAID needs to ensure that it captures and reports results being tracked in more detail within individual programmes and reported in independent and operational evaluations while strengthening the focus on lesson learning.

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**Keeping processes simple**

The performance and results policy framework represents a streamlined approach to planning, budgeting and monitoring. AusAID has tried to ensure that the *Comprehensive Aid Policy Framework* indicators do not result in extra layers of planning and reporting for partners and AusAID staff: headline targets will be included in the new performance assessment frameworks on a country-by-country basis. Where headline results align with objectives set by country programmes, they are incorporated into the performance assessment framework and monitoring and evaluation arrangements. Country offices will report on these and other indicators in Annual Program Performance Reports and Quality at Implementation reports.

In addition, performance and quality officers are posted to the larger country programmes<sup>2</sup> and are responsible for pulling the performance assessment framework together on the basis of country programmes (Chapter 5). As found in the Philippines, back office support from Canberra along with performance and quality officers in-country are crucial for delivering the performance assessment frameworks given the short time-frame for producing them and to avoid overburdening programming staff (Annex C). Given that the performance assessment frameworks are a new tool and the complexity of

indicator setting, programming staff need to understand fully the three central elements of AusAID's Performance Management and Evaluation Policy: learning, management and accountability. AusAID is working on building staff capacity on performance management.

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**Using partners' systems where possible**

AusAID agrees on national-level development targets with partner governments and relies on partners' results monitoring for these targets. This is standard practice for the Pacific Partnerships for Development (Box 5.1) and was evident in the Philippines. While Australia identifies the results targets and indicators for the programmes below the broad national development objectives, where possible it relies on partners' data systems. This was confirmed by non-governmental partners and managing contractors in the Philippines. To respect and support partner ownership, Australia appears to be implementing its policy to minimise the introduction of additional indicators, separate data collection and parallel reporting requirements, while still meeting AusAID's information needs for accountability. This will be particularly important when Australia delivers more of its aid through programme-based approaches and sector budget support in line with the target to increase share of aid using partner systems by 30% (Chapter 5).

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**Results are monitored in fragile contexts**

Australia is very clear about the need for realistic goals and results in fragile contexts, recognising the complexity of these environments. In particular, care is taken not to overstate the assessment of each programme's starting point – to focus on real capacity levels, and to be realistic about what can be achieved in the given timeframe. Since a lot of the challenges surrounding results-based management are magnified in fragile contexts donors need to give special attention to filling learning gaps on what works in these contexts. Australia will conduct further work on this difficult area jointly with other donors under the INCAF reform agenda.

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## Evaluation system

Indicator: The evaluation system is in line with DAC evaluation principles

**The policy framework and organisation of Australia's evaluation system meet DAC quality standards and are based on DAC principles for sound development evaluation. Since the last peer review, Australia has made good headway in building a stronger, more independent culture of evaluation, notably through the creation of an independent evaluation committee. Australia has also identified areas that require more attention such as increasing the quality, usefulness and transparency of its operational evaluations and promoting partner-led evaluations.**

### Evaluation function is independent and appropriate

Strategic and programme and project evaluations are managed separately at AusAID: the Office of Development Effectiveness (ODE) is responsible for strategic and whole of government evaluations while programming areas are responsible for evaluating programmes and initiatives. ODE published a new evaluation policy in 2012 which meets DAC principles and has clear objectives: to (1) objectively assess the effectiveness of the Australian aid programme, identify good practice, innovation and areas for improvements and communicate lessons from experience; and (2) model and promote excellence in evaluation practice to improve the effectiveness of evaluation across the aid programme and beyond (AusAID, 2012c).

ODE's independence has been reinforced with the establishment of a new evaluation committee and a clearer and narrower mandate. These two recommendations were made by an independent review of aid effectiveness (GoA, 2011). The ODE's three-year evaluation plan and annual evaluation programme is submitted by the Chair of the Committee to the Development Effectiveness Steering Committee for approval.

AusAID's performance management and evaluation policy integrates operational evaluations into the performance system, applies DAC evaluation criteria, and requires programme and thematic areas to develop rolling and co-ordinated evaluation work plans to assess performance at the programme, thematic and delivery strategy levels (AusAID, 2012a).

### Quality and use of operational evaluations needs to increase

Through its performance management and evaluation policy and new evaluation guidelines, AusAID is responding to the Independent Review's finding that the quality of independent operational evaluations could be low and less useful for learning and accountability (GoA, 2011: 290- 293). AusAID's Quality, Performance and Results Branch develops and issues guidance on operational evaluations and monitors compliance with this guidance. In 2013, ODE plans to conduct a meta analysis of the quality of operational evaluations and will prepare a synthesis of lessons. ODE could also support efforts to increase the quality of these evaluations by expanding its help-desk role.

**Plans to conduct more partner-led and joint evaluations**

The guideline for managing an evaluation encourages partner-led evaluations to enable sharing of lessons and to avoid overburdening implementation partners and beneficiaries with multiple evaluation processes. In addition, the peer review team found that operational evaluations in the Philippines are planned and implemented in partnership with the national government. Independent consultants chair the panel set up for the evaluation and are recognised as authors. AusAID has circulated guidance on joint and partner led evaluations that require programme staff to discuss the evaluation with partners at the outset. According to the guideline for managing an evaluation, AusAID can make suggestions on the terms of reference of partner-led evaluation while being mindful that it should avoid imposing its own key questions and criteria.

The ODE would like to reinforce partnerships for evaluation but is concerned about the transactional costs as well as relevance of joint evaluations with other donors. The ODE's initial emphasis in this area will be to ensure greater partner country involvement in ODE evaluations. ODE is working toward conducting more joint evaluations with ministries in partner countries, which is recognised as a good way of building evaluation capacity.

## Institutional learning

**Indicator: Evaluations and appropriate knowledge management systems are used as management tools**

**Performance management and evaluation in AusAID serves three purposes – management, learning and accountability. AusAID has more work to do to ensure that lessons from evaluations are fed back into policy and practice. Strategic evaluations managed by the Office of Development Effectiveness are disseminated within AusAID and to the public and require management responses. AusAID is responding to the need for systematic management responses to operational evaluations and to disseminate them better. ODE has much good practice to share within AusAID in disseminating evaluations. It can also play an important supporting role across the agency but incentives will need to be created for staff to learn from evaluations. AusAID is strengthening its knowledge management systems to match the growing scale of the aid programme and its reporting, management and learning requirements.**

**Inconsistent use of feedback mechanisms**

While good feedback mechanisms are in place for strategic evaluations managed by the Office of Development Effectiveness, this is less the case for operational evaluations. Management responses are attached to ODE evaluations and the office monitors their implementation. According to AusAID, management responses are required formally for operational evaluations.

**An innovative approach to disseminating evaluations for learning purposes**

The Office of Development Effectiveness, which has its own Communication Unit, is making significant and innovative efforts to synthesise, publish and disseminate lessons from its evaluations.<sup>3</sup> The publication of operational evaluations could however be more timely.<sup>4</sup>

ODE is an active member of the communities of practice and thematic networks (e.g. the Performance and Quality Network) that AusAID has created to share knowledge and experience about what works and why. The ODE also produces an internal annual assessment of the quality of the performance management system. In 2013, ODE will produce a synthesis report on the key findings and lessons of the evaluations it conducts, to strengthen learning and complement the narrower, accountability-focused Annual Review of Aid Effectiveness.

In response to the recommendation of the Independent Review to enhance its focus on learning (GoA, 2011: 293), AusAID has placed greater emphasis on learning in its new evaluation policy. The policy requires that evaluations enable the incorporation of lessons into the decision-making process of both recipients and donors. This is important for achieving a good balance between the accountability and learning function of evaluation.

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**AusAID's knowledge management system needs to be updated**

AusAID is aware that it needs to streamline and centralise data gathering and sharing and has started to do this through its work on an aid portal to integrate various AusAID applications and systems through a single source entry system. The performance management system, evaluations, and AusAID's research produce a wealth of data and information which could make a greater contribution to the aid programme with a more efficient information management system. In addition, significant resources have been invested in developing thematic networks, led by senior sector specialists, developing sectoral career pathways to enhance thematic knowledge, and a clear commitment to publish information on the website.

## Communication, accountability and development awareness

Indicator: The member communicates development results transparently and honestly

**AusAID has taken exemplary steps to increase the transparency of its development co-operation and is one of the forerunners in implementing the Busan commitment on transparency. The recently redeveloped AusAID website now provides information in relation to all AusAID policies, plans, processes, results and evaluations. Communicating results is challenging for Australia, as it is for other donors. Australia needs to manage this communication carefully, ensuring it is credible by balancing successful stories on outputs with the more complex story about development results.**

### Great progress in being more transparent

Australia has made great progress in implementing its international commitments on transparency in line with the Busan Partnership for Development:<sup>5</sup> it is a founding member of the International Aid Transparency Initiative and in 2012 approved a Transparency Charter (AusAID, 2012d). The charter commits AusAID “to provide clear up-to-date information in a way that helps people understand more about the aid programme, how the money is spent and the results it is achieving. It means being open about failures, why they occur and explaining what will be done to improve any project not delivering the expected results” (AusAID, 2012d). The Development Effectiveness Steering Committee is promoting the charter as a model for other government agencies.

To provide clear, accessible and timely reporting on all its aid activities efficiently, the Agency is working on getting the level of investment right and preparing material that can be published while complying with internal reporting requirements and being useful for partners.<sup>6</sup> A large range of programme performance and management information including project documentation is routinely made public as part of the AusAID Transparency Charter.

AusAID could go further with its approach to transparency by communicating better the complex and risky nature of development co-operation and the need to take calculated risks, especially in using partner government systems, in the interest of long-term sustainable development. The DAC recommended this in 2008 (Annex A).

### Development results: highlighting successes and challenges

AusAID believes that it must highlight the successes of its aid programme to sustain political and public support.<sup>7</sup> However, an overemphasis on good performance can risk undermining AusAID's credibility among audiences who are aware of the complex and risky nature of development co-operation. In addition, since the headline results do not account for the totality of Australian aid, AusAID needs to ensure that its results reporting goes beyond the headline targets to give the full story of Australian development co-operation.

## Notes

1. The 2011-12 Annual Review of Aid Effectiveness was the first year that the Australian aid programme had reported against a standard set of results with consistent definitions and parameters across the whole of the Australian Government delivering ODA. To build on the achievements of the first review, the Australian Government has undertaken to strengthen the Annual Review with an enhanced oversight role by the Development Effectiveness Steering Committee. Over time, it is anticipated that the Annual Review of Aid Effectiveness will provide a stronger reflection of the achievements and areas for improvement of the Australian aid programme.
2. For example, Indonesia, Papua New Guinea and the Philippines.
3. This is done through web-based communications such as podcasts, tweets, blogs and newsletters as well as workshops and seminars; see [www.aisaid.gov.au](http://www.aisaid.gov.au) and [www.ode.aisaid.gov.au](http://www.ode.aisaid.gov.au).
4. For example, the Philippines Programme Health Check found that none of the six evaluations undertaken between June 2011 and August 2012 were published on AusAID's website and only three were uploaded to AidWorks – AusAID's aid activity database. The Programme's sharing of the Health Check report with the review team was indicative of Australia's commitment to identifying such issues in order to address them.
5. In 2012 Australia came 18th out of 72 donors on the Aid Transparency Index ([www.publishwhatyoufund.org/index/2012-index/australia/](http://www.publishwhatyoufund.org/index/2012-index/australia/)). It showed remarkable improvement over the 2011 Pilot Index, improving its score by 31 percentage points and its rank by 16 places – the third largest increase in score of all donors. However, it does relatively poorly at the country level, where it comes 31st, particularly when compared to its top 10 rankings for both the activity and organisation levels.
6. For example, AusAID publishes all freedom of information responses; training courses aim to build skills in 'writing for the public'; and there is significant investment in the website to ensure greater transparency.
7. AusAID's Annual Report (AusAID, 2012e) and the top layers of AusAID's web pages focus, rightly, on progress and achievements. While it is more difficult to find information about negative experiences or action taken to deal with poor performing programmes and projects, the information is available in Annual Programme Performance Reports and evaluations deeper within the website. Independent observers have lauded the considerable improvement in the clarity and accessibility of information on AusAID's website (e.g. <http://devpolicy.org/aisaid-and-transparency-good-progress-and-a-way-to-go-20121217/> and [http://www.acfid.asn.au/resources/docs\\_resources/docs\\_papers/progress-statement-on-aid-effectiveness-august.pdf](http://www.acfid.asn.au/resources/docs_resources/docs_papers/progress-statement-on-aid-effectiveness-august.pdf))

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# Chapter 7: Australia's humanitarian assistance

## Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

**The 2008 peer review asked Australia to incorporate emerging themes into its new humanitarian policy, and to accompany the policy with an implementation plan – this has been done. A disaster risk reduction policy, underpinned by an implementation plan, was also requested and these are now in place. Australia also takes a holistic approach to recovery.**

**Australia could build on this progress by scaling up its success stories in disaster risk reduction, sharing its tools and learning with other donors, and focusing on expanding its risk reduction programmes beyond Indonesia and the Philippines.**

### Clear policy directives for a holistic and strategic humanitarian programme

Australia's new humanitarian policy (AusAID, 2011a) outlines broad strategic commitments in line with the principles and best practices of Good Humanitarian Donorship (GHD, 2003). These broad commitments have subsequently been prioritised into a realistic four year implementation plan (AusAID, 2012a). The policy covers Australia's role in preparedness, in the delivery of appropriate and effective humanitarian action, and in advocacy and support for effective international action – but requires Australia to focus its attentions to areas where it can clearly add value, linking this to Australia's important role in the Asia Pacific region. The policy's increased focus on protection, accountability, and the drive to increase involvement of affected and at-risk nations and regions are welcomed. Australia consulted widely on this new humanitarian policy, including with its major NGO partners. The humanitarian policy falls under Australia's umbrella development policy (AusAID, 2011b), where saving lives and humanitarian and disaster response are two of Australia's five overall aid goals (Chapter 2).

### Flexibility is the key to Australia's holistic approach to recovery

There are no hard lines between the different buckets of funds available for crisis and post-crisis response – and it is this that helps Australia, and its partners, adapt their programming to meet the changing needs of an evolving recovery situation. Partners report that Australia's practice of providing flexible funding – focused on results, not activities – allows them to adapt their responses and shift their focus to recovery. Two examples of good practice cited by partners were Australia's "humanitarian plus" response in Zimbabwe, and the continued Australian engagement in the Washi disaster response in the Philippines – where Australia was one of the few donors contributing to the recovery needs in the revised Flash Appeal (Annex C). The Australian Civilian Corps, which deploys specialists to assist crisis affected countries to restore essential services and rebuild government institutions, is another example of Australia's flexible approach to recovery.<sup>1</sup>

**Reducing exposure to disaster risk is now a clear priority; others could learn from Australia's approach**

Australia has developed a solid strategic framework for disaster risk reduction, accompanied by practical guidelines, useful training modules and a sizeable risk reduction budget. *Investing in a Safer Future* (AusAID, 2009a) sets the scene for Australia's work to reduce disaster risks. This new policy is accompanied by a growing budget – almost doubling to reach AUD 111 million in 2011/12. So far the Philippines and Indonesian programmes are leading the way, with extensive risk reduction programmes under their development portfolios. Much of this work has focused on strengthening applied geo-science capacity and national emergency response mechanisms (AusAID, 2012b), but Australia now plans to help strengthen community resilience through awareness, infrastructure and livelihoods, for example in Greater Metro Manila (Annex C). Simple practical tools such as *Integration in Practice* (AusAID, 2010) help development staff integrate risk reduction concepts into sector programmes, and AusAID also provides technical assistance to partner countries through its national scientific agencies.<sup>2</sup> All of this is backed up by a mandatory e-learning course for AusAID staff, and a dedicated Disaster Management Advisor.<sup>3</sup> Australia also plays a key role in leadership on risk reduction issues on the global stage.<sup>4</sup>

**Aid volumes are sufficient**

Australia spends around 10% of its total ODA on humanitarian assistance, equating to AUD 493 million in 2012/13. The peer review team was assured that this percentage would remain constant as the overall Australian ODA budget increases, and Australia is encouraged to keep to this pledge. The humanitarian budget has so far been sufficient to support Australia's overall strategic humanitarian objectives, and is broadly in line with the ODA percentage allocated by other OECD/DAC members.

## Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

**If Australia is to demonstrate that funding decisions are based on humanitarian principles and are free from political or other influences, it should demonstrate how its funding criteria have been applied to actual grant decisions each year.**

**Many donors find it difficult to ensure that beneficiaries participate in the design, delivery and monitoring of humanitarian responses and Australia is no exception. Australia is encouraged to tackle this difficult but important issue jointly with other donors.**

**Unclear how criteria for who, where and what to fund are applied in practice**

The criteria Australia applies to its funding decisions – *where, what* and *who* to fund – are clearly outlined in the Humanitarian Action Policy, however at present it may be unclear to some partners how Australia applies those criteria to actual humanitarian funding decisions. Most partners believe that the Asia Pacific region is Australia's clear humanitarian priority, particularly for emergency preparedness and response and disaster risk reduction, but that funding is also available for other crises on a case-by-case basis. Indeed, an analysis of contributions for humanitarian crises over recent years indicates that Australia has increased its contributions to crises across the globe, particularly in Africa and the Middle East, and is providing predictable resources to protracted crises.

However, partners say that they are not aware of what criteria actually trigger AusAID's funding decisions – especially those about *where*, and *what* should be funded. This leaves Australia open to the risk of misperceptions over the principled nature of its funding.<sup>5</sup> The scorecard system for multilateral partners (Chapter 2) does however provide some clarity on *who* should be eligible to receive funding.<sup>6</sup>

**It is unclear how early warning links to funding decisions**

Australia has a highly developed system to monitor early warnings – more advanced than most donors – but this information could be used more systematically to guide funding decisions. AusAID collaborates with Emergency Management Australia<sup>7</sup> and other partners across government to monitor emerging crisis situations. It also boasts a 24/7 duty officer system, whereby a specialist staff member is available at all times to support individual desk officers covering crisis-affected countries. However, and as with other OECD/DAC donors, the link between early warning and triggers for early response is not yet clear.

**Beneficiary participation is not systematic**

GHD Principle 7 states that donors will request implementing humanitarian organisations to ensure, to the greatest possible extent, adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian responses. It is usually staff in Australia's country offices who reach out to people affected by crises; however, they do not always systematically feed this information back into programming. All OECD/DAC donors struggle with this GHD commitment, particularly in rapid onset crises and insecure environments. Australian humanitarian staff informed the peer review team that this area will be a priority for upcoming policy work.

## Effective delivery, partnerships and instruments

**Australia's humanitarian tools and partnerships support quality programme delivery. Australia is a flexible and predictable donor to protracted crises, and can respond proactively, rapidly and flexibly to new and escalating emergencies. As a partner, Australia is supportive and consultative, while clearly focused on obtaining results. To ensure that funding is not skewed towards high-profile crises and that humanitarian principles are respected, Australia should look for alternatives to the "dollar for dollar" initiative – perhaps through encouraging joint NGO appeals for crisis response.**

**A flexible and predictable response to protracted crises**

Most partners appreciate the flexibility and predictability of AusAID's funding during drawn-out crises. A number of multilateral agencies working in this field<sup>8</sup> have multi-annual partnership framework agreements with Australia, which are re-negotiated each year. Australia's aid to these agencies is usually only lightly earmarked, and rarely to specific projects. Australia bases its funding agreements on the achievement of results. These mechanisms mean that partners have the flexibility to adjust programme activities to fit an evolving context so long as the original planned results are achieved.

Australia's extensive rapid response toolbox (Box 7.1) allows for a timely and appropriate response to different emergency situations. Development funding can also be used in emerging crises, either by diverting it from other areas of the affected country's development programme, or from elsewhere in the region. A "dollar for dollar" initiative – where the Government matches public donations – was attempted on one occasion, but with mixed results. Most of those involved noted that the effort resulted in fragmented funding, and skewed public giving away from other Australian NGO priorities.

Australia owes a large chunk of its success in rapid response, however, to the clarity of its operational system. AusAID has the mandate to lead whole of government crisis responses in a development context<sup>9</sup>, and staff have been given specific training on how to undertake this co-ordination function. Decentralisation of decision making has also helped Australia respond rapidly – in the Philippines,

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**Widely appreciated as a proactive, rapid and flexible donor to sudden onset and escalating crises**

for example, there are extensive guidelines for how to deal with new crisis situations<sup>10</sup> (AusAID, 2008a), and guidelines on how to protect staff at post in times of disaster (AusAID, 2012c). When disaster strikes, embassy staff take the lead on assessing and planning Australia's role in the emergency response. This makes sense, given that these staff have already developed solid working relationships with key counterparts in government and in the wider response community, understand the context well, can be quickly deployed to the crisis area for assessment and planning purposes. Anything they cannot deal with – additional funding requirements for example – is then referred back to Canberra.

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**A supportive and consultative partner focused on results**

Partners agree that Australia provides quality funding, consults and engages regularly on key issues, and does not impose too onerous an administrative burden. Predictable and flexible funding is assured through multi-annual funding agreements for key NGO and UN partners,<sup>11</sup> provided firstly as core, then supplemented by lightly earmarked funds on a case by case basis. Major partners have an annual high level dialogue with senior AusAID staff every year, and CEOs of Australian NGOs meet biannually with the Director General to discuss lessons and progress, as well as broader humanitarian challenges. Australia is often held up as an example of good donorship to other, less predictable donors. This is not a one-way street, however – Australia expects a return on its investment, particularly in terms of a more effective response system and better results from partners. It would also like partners to focus more on its key area of interest – the Asia Pacific region. This makes for a solid and balanced partnership that is appreciated by all parties.

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**Co-ordination with other humanitarian donors where this is feasible**

Co-ordination among humanitarian donors has always been weak: there is no real forum where donors can sit down together at global level to discuss funding priorities, and no system for donors to avoid gaps or overlaps when supporting new or escalating emergency situations. Only a few donors are physically present in humanitarian crisis areas, further complicating co-ordination. Against this background, Australia does make efforts to co-ordinate where it can, including the long-standing FRANZ agreement between France, Australia and New Zealand to ensure complementary support to disasters in the Pacific. Where donor co-ordination mechanisms exist in specific countries, such as in Somalia and Zimbabwe, Australia is a working member. In the Philippines Australia is an active member of the Humanitarian Country Team.

### Box 7.1. Australia's extensive rapid response toolbox

#### Australia's extensive rapid response toolbox includes:

- > pre-positioned stocks<sup>12</sup> of essential relief items and fast-track procurement procedures;
- > streamlined funding procedures for UN agencies in emergency situations;
- > since 2009, regular contributions to the global CERF rapid response fund and the only donor to commit multi-year funding;
- > bilateral response capacity able to deploy within 48 hours;
- > access to Australian Defence Force logistics and commercial logistics;
- > pre-positioned rapid response funds with six Australian NGO partners and the Australian Red Cross, through a framework partnership agreement, providing partners with predictability and flexibility; and
- > a wide range of experts on stand-by, including UNDAC-trained staff<sup>13</sup> and AusAID staff who can be deployed to crisis zones to assist with planning and executing the response

Source: AusAID (2012d), and discussions with partners, including in the Philippines (Annex C)

## Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

**Australia's humanitarian systems, structures, processes and people work together efficiently and effectively, both within AusAID and across government, including with the military. The 2008 peer review recommended creating a dedicated post of Humanitarian Advisor along with additional staff capacity for engaging in policy debates in Geneva, Rome and New York: these changes have been put in place.**

### Functioning whole-of-government response

As mentioned above, a number of different actors across government are involved in implementing Australia's humanitarian programme – mostly disaster risk reduction, rapid response, and post-crisis recovery, all led by AusAID. This cross-government operational relationship requires maintenance and care, including through regular joint simulation exercises. Responses to major humanitarian crises are also discussed in the National Security Committee to ensure coherence across government.

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**Significant investments in civil-military co-ordination have improved partnership and response**

The Strategic Partnership Agreement with the Australia Defence Force (GoA, 2009) and AusAssistPlan (GoA, 1998) allow AusAID to draw on technical assistance and logistics assets in times of crisis from Defence and from Emergency Management Australia (for urban search and rescue, for example). AusAID, a civilian body, remains in the lead, and decisions to deploy are taken at ministerial level. Working arrangements have been enhanced by the posting of AusAID liaison officers to the ADF's Joint Operations Command and the Australian Civil Military Centre (ACMC), and funding support for an NGO Liaison officer at the ACMC – thereby improving contacts and building relationships and understanding. *Same Space – Different Mandates*<sup>14</sup> (Australian CivMil Centre and ACFID, 2012) is a practical guide that explains to civilian actors how the military works, and vice versa. It could be usefully circulated to other donors. Joint simulation exercises involving NGOs and the Australian Red Cross help cement the relationship – as does AusAID engagement with the ADF staff college.

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**Stronger humanitarian structure and staffing for AusAID**

Since the last peer review, AusAID has split its humanitarian structure in three – with one section focusing on humanitarian preparedness and response, another on fragile and conflicted affected states and the third on Australia's deployable civilian capability. There is now also a whole-of-government Humanitarian Coordinator at senior management level.<sup>15</sup> Following the recommendation from the 2008 review, dedicated humanitarian staff have now been posted to Geneva, Rome and New York to engage in policy debates in these humanitarian centres. Recruitment of a Humanitarian Advisor to give cross-agency policy support is underway and is expected to be completed by March 2013. Humanitarian staff – mostly local – are also employed in at-risk partner countries. This strong organisational structure has been created rapidly; the new staff will need time to acquire the appropriate skills (Chapter 4). Australia is supporting this through staff training and providing incentives for staff to remain in post, including creating a dedicated humanitarian, fragility and conflict career stream.

## Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

**Australia has made commitments to monitoring its own performance as a humanitarian donor. Partner performance is also regularly reviewed, in a process viewed as helpful and respectful. However, reporting on results remains challenging; this could be resolved by standardising partner reporting requirements.**

**Australia has also made a solid commitment to transparency on humanitarian results, which it is encouraged to implement.**

**Australia has committed to monitoring its performance as a donor**

A comprehensive bi-annual monitoring and evaluation framework is being designed to measure the implementation of the new humanitarian policy. Australia has said that it will consult on the framework with key partners and, once the framework is in place, publish the results of the monitoring on its website.

**Good partner monitoring: but harmonising reporting and results would be useful**

Multilateral partners are subject to a scorecard system, which monitors their overall performance and notes areas for improvement. Most partners are happy with this system and find the process helpful and respectful. Partners also report on the results of their individual programmes. Many partners are still coming to terms with the increased focus on reporting results, and are unclear about what indicators and format to use (some noted that formats differ for performance reports to Canberra and reports direct to embassies). However, the overall AusAID administrative burden is viewed as appropriate by partners. The Department of Immigration and Citizenship (DIAC) could align their reporting with the AusAID format, to improve reporting on results and standardise the reporting requirements for partners and this will probably be addressed through AusAID's work on uniform standards (Chapter 6). Australia's humanitarian policy also commits to evaluations of humanitarian responses, jointly where possible, but it is not yet clear how this will happen.

**A commitment to transparent results: partners will have to adapt**

The *Aid Transparency Charter* commits AusAID to publishing results and annual performance reports online (AusAID, 2012e). Humanitarian results and disaster risk reduction reporting are now available on the AusAID website. AusAID has informed the peer review team that these are scheduled for publication by March 2013 as part of the final stages of implementing the Aid Transparency Charter. AusAID's annual budget document includes high-level humanitarian results and it is expected that the Annual Review of Aid Effectiveness (released in February 2013) will contain additional results reporting. Some partners expressed concerns about this increase in transparency, noting that they would have to remove sensitive information from their donor reports, especially in complex protection environments, to ensure that staff and affected communities are not placed at risk. However, this is unlikely to affect the quality of overall reporting, and the benefit of making results and performance information transparently available will outweigh the additional administrative cost.

## Notes

1. The Australian Civilian Corps was created in 2009 to support stabilisation, recovery and development planning. The corps, a whole of government mechanism administered by AusAID, assists crisis-affected countries to restore essential services and strengthen government institutions. Entry to the roster is competitive, and only about one third of candidates are accepted. Candidates can be deployed for missions lasting from 3 weeks to a year, receive pre-deployment training, and are paid a salary for the duration of their field assignment. As at 22 February 2013, there are 419 candidates pre-qualified on the roster, and 52 ACC specialists have been deployed.
2. Geoscience Australia and the Australian Bureau of Meteorology are both involved in the Philippines programme (Annex C), providing technical support and hosting staff exchange missions. Australia also offers scholarships to partner country nationals to study risk reduction related subjects in Australian universities – currently eight Philippines nationals are taking part in this programme, for example, and three have already graduated.
3. The Disaster Management Advisor is currently located in Indonesia, but is available to provide support to both Canberra and other posts on disaster risk reduction issues.
4. Australia served as the co-chair of the World Bank's Global Facility for Disaster Risk Reduction in 2011, continues to be a strong supporter of the UN's Office for Disaster Risk Reduction (UNISDR) and is working to support the development of the post-2015 Hyogo Framework for Action.
5. Humanitarian donors must demonstrate that their funding decisions are based on humanitarian principles and are free from political or other influences. Good Humanitarian Donorship principle 2 states that *humanitarian action should be guided by the humanitarian principles of humanity... impartiality... neutrality...and independence.*

6. AusAID has built a range of strategic partnerships and funding arrangements to underpin Australia's capacity to respond to global crises. AusAID has a multi-year agreement with the Central Emergency Response Fund and its multi-year agreements with WFP, OCHA, UNHCR, UNRWA and the ICRC, including core, unearmarked contributions. AusAID directs humanitarian funds to other multilateral agencies (such as WHO and UNFPA) on the basis of needs and capacity to respond. Six Australian NGOs receive multi-year funding for disaster preparedness and are prequalified to receive emergency response funding on the basis of a joint proposal to AusAID. International NGOs are also eligible to receive funding.
7. Emergency Management Australia is a division of the Attorney-General's Department dealing with emergencies and disasters.
8. At the time of this peer review the World Food Programme (WFP), United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), International Committee of the Red Cross (ICRC), International Office for Disaster Risk Reduction (UNISDR) and the Office of the United Nations High Commissioner for Refugees (UNHCR) each had four year funding commitments from Australia.
9. On 8 July 2010, AusAID was established as an executive agency by order of the Governor General, on the advice of the Prime Minister. The Governor-General's order formalised AusAID's autonomy within the foreign affairs and trade portfolio and as the lead agency responsible for the Government's aid program
10. AusAID Manila Quick Guide for Response to Emergencies in the Philippines (AusAID, 2008) recognises the lead role of the Philippines government in disaster response, provides guidelines to determine the scale of the emergency and how staff at post should react, including how to coordinate inside AusAID, guidance on information flows and relations with Canberra humanitarian staff, and contact details of key counterparts in the Philippines and in Canberra.
11. Refer Note 8.
12. For example, Australia pre-positions stocks with WFP and the Philippines Red Cross for crisis response in the Philippines (refer Annex C). Backup stores of essential relief items are also held in Australia.
13. The United Nations Disaster Assessment and Coordination (UNDAC) is designed to help the United Nations and governments of disaster-affected countries during the first phase of a sudden-onset emergency. UNDAC also assists in the coordination of incoming international relief at national level and/or at the site of the emergency. For more refer **[www.unocha.org/what-we-do/coordination-tools/undac/overview](http://www.unocha.org/what-we-do/coordination-tools/undac/overview)**
14. This practical and easy-to-read guidance provides an overview of the roles of different actors in disasters and complex emergencies. The MCDA and Oslo guidelines are discussed, as is GHD. There is a useful glossary of terms and acronyms to help bridge the language gap, and defence and police ranks and insignia are also detailed. The guidance can be downloaded at **<http://acmc.gov.au/publications/same-space-different-mandates/>**
15. The Humanitarian Coordinator is a First Assistant Director General, answerable directly to the Director General. The post-holder is also responsible for the Humanitarian and Stabilisation Division (Annex F).

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# Annex A: Progress since the 2008 DAC peer review recommendations

## Key Issues: Strategic orientations

Recommendations 2008	Progress in implementation
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Partially implemented</b></p> <p>The integration of environment and climate change into the mainstream aid programme has improved considerably since 2008. More work is needed to ensure that environmental concerns are integrated at all levels, from the top-level strategic management and programme design right down to implementation.</p>
<p>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.</p>	<p><b>Partially implemented</b></p> <p>Australia has strengthened efforts to ensure sustained public and political support for the aid programme. The Independent Review of Aid Effectiveness and new aid policy statement have also contributed to raising awareness and support. Active communication by AusAID responds to the Australian public's appetite for information and stories about how change happens and the processes by which development occurs. However, Australia communicates less about what it means to work in different ways such as through partner systems and programme-based approaches where it may relinquish some control and be less visible in the interest of stronger ownership.</p>

**Key Issues: Development beyond aid**

Recommendations 2008	Progress in implementation
<p>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.</p>	<p>Implemented</p>

**Key Issues: Aid volume, channels and allocations**

Recommendations 2008	Progress in implementation
<p>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</p>	<p>Implemented</p>
<p>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.</p>	<p>Implemented</p>
<p>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.</p>	<p>Implemented</p>

## Key Issues: Organisation and management

Recommendations 2008	Progress in implementation
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Implemented</b></p>

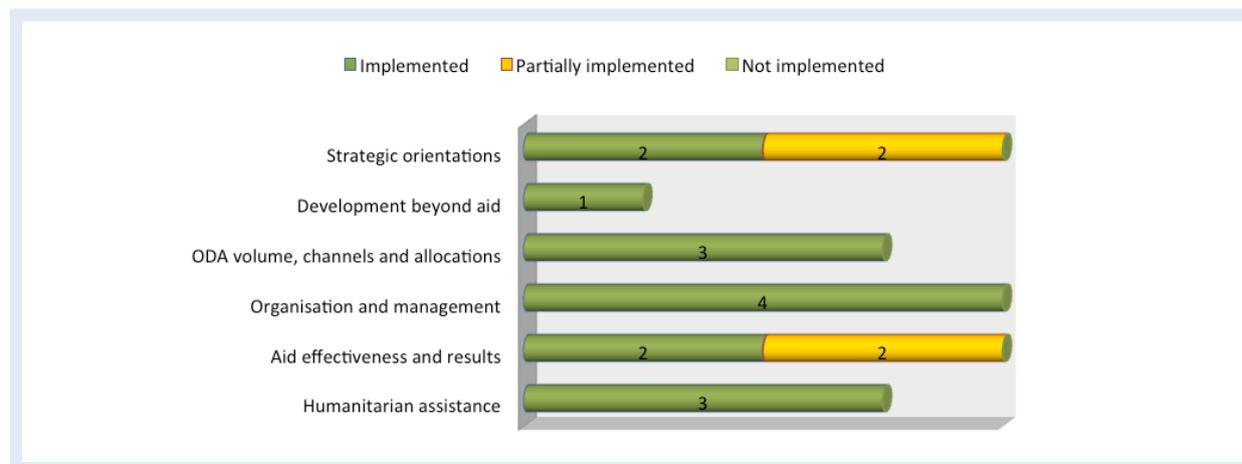
**Key Issues: Aid effectiveness and results**

Recommendations 2008	Progress in implementation
<p>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.</p>	<p><b>Partially implemented</b></p> <p>Australia works through building stronger and better partnerships, its aid is more transparent and results-focused and better co-ordinated with other donors. However, Australia has not made much progress in increasing the share of aid provided through programme-based approaches, sector or general budget support and using partner government systems. Australia uses partner systems to some extent in partner countries such as Papua New Guinea, Solomon Islands, the Philippines, Indonesia, Afghanistan and Timor Leste and is capable of doing more.</p>
<p>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.</p>	<p><b>Partially implemented</b></p> <p>Australia has prepared guidelines on delegated co-operation and published a Donor Engagement Strategy in December 2012. It is not clear how Australia is disseminating good practice to promote a better division of labour among donors.</p>
<p>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.</p>	<p><b>Implemented</b></p>
<p>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.</p>	<p><b>Implemented</b></p>
<p>Australia is encouraged to draw on its significant experience and broad analytical work to develop a policy framework on governance.</p>	<p><b>Implemented</b></p>

**Key Issues: Humanitarian Assistance**

Recommendations 2008	Progress in implementation
<p>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.</p>	Implemented
<p>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.</p>	Implemented
<p>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.</p>	Implemented

**Figure A.1. Australia – Implementation of 2008 peer review recommendations**



# Annex B: OECD statistics on official development assistance

**Table B.1. Total financial flows**

USD million at current prices and exchange rates

	Net disbursements						
Australia	1997-2001	2002-2006	2007	2008	2009	2010	2011
<b>Total official flows</b>	<b>1 223</b>	<b>1 490</b>	<b>2 646</b>	<b>2 845</b>	<b>3 133</b>	<b>4 092</b>	<b>5 245</b>
Official development assistance	973	1 494	2 669	2 954	2 762	3 826	4 983
Bilateral	735	1 237	2 268	2 653	2 312	3 241	4 309
Multilateral	238	257	400	301	450	585	674
Other official flows	250	-4	-22	-109	371	266	262
Bilateral	250	-4	-22	-109	371	266	262
Multilateral	-	-	-	-	-	-	0
<b>Net Private Grants</b>	<b>144</b>	<b>503</b>	<b>655</b>	<b>670</b>	-	<b>928</b>	-
<b>Private flows at market terms</b>	<b>-673</b>	<b>2 057</b>	<b>6 948</b>	<b>314</b>	-	<b>9 511</b>	<b>9 620</b>
Bilateral: of which	-673	2 057	6 948	314	-	9 511	9 620
Direct investment	-800	1 440	2 367	1 673	-	4 444	4 219
Export credits	-	52	202	-136	-	-	-
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>694</b>	<b>4 049</b>	<b>10 249</b>	<b>3 828</b>	<b>3 133</b>	<b>14 531</b>	<b>14 865</b>
<i>for reference:</i>							
ODA (at constant 2010 USD million)	2 136	2 464	3 249	3 430	3 415	3 826	4 200
ODA (as a % of GNI)	0.26	0.26	0.32	0.32	0.29	0.32	0.34
Total flows (as a % of GNI) (a)	0.19	0.70	1.24	0.41	0.33	1.23	1.02
ODA to and channelled through NGOs:							
- In USD million	28	74	175	217	246	395	588
- In percentage of total net ODA	3	5	7	7	9	10	12
- DAC countries' average % of total net ODA	6	9	7	7	7	8	10

a. To countries eligible for ODA.

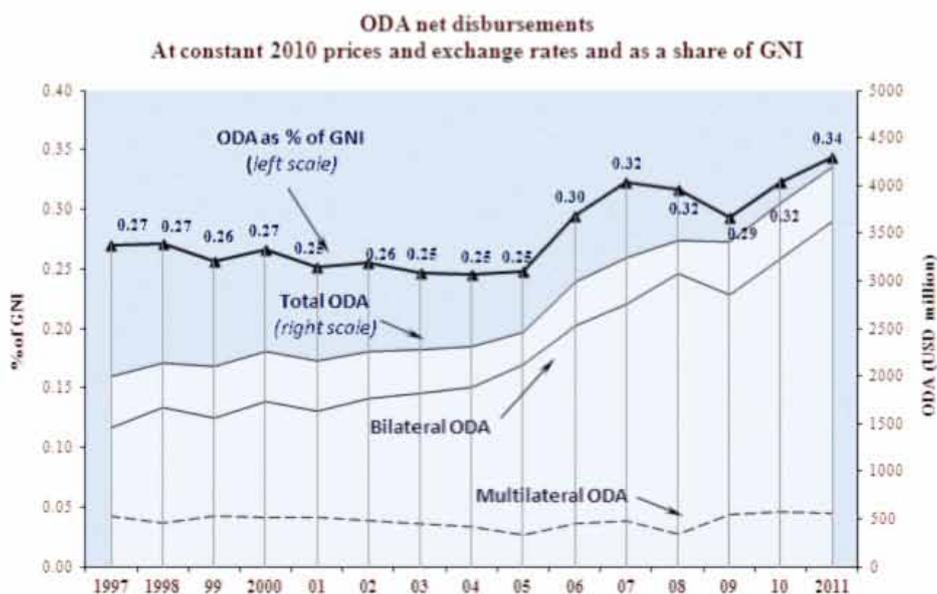


Table B.2. ODA by main categories

Australia	Constant 2010 USD million					Per cent share of gross disbursements					Total DAC 2010%
						Disbursements					
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
<b>Gross Bilateral ODA</b>	<b>2 761</b>	<b>3 080</b>	<b>2 859</b>	<b>3 241</b>	<b>3 632</b>	<b>85</b>	<b>90</b>	<b>84</b>	<b>85</b>	<b>86</b>	<b>73</b>
General budget support	2	29	33	81	-	0	1	1	2	-	2
Core support to national NGOs	3	0	4	92	119	0	0	0	2	3	1
Investment projects	113	205	204	87	1 331	3	6	6	2	32	13
Debt relief grants	355	297	4	8	11	11	9	0	0	0	3
Administrative costs	110	117	135	162	254	3	3	4	4	6	4
Other in-donor expenditures	4	3	8	9	3	0	0	0	0	0	3
<b>Gross Multilateral ODA</b>	<b>488</b>	<b>350</b>	<b>556</b>	<b>585</b>	<b>568</b>	<b>15</b>	<b>10</b>	<b>16</b>	<b>15</b>	<b>14</b>	<b>27</b>
UN agencies	96	70	143	163	139	3	2	4	4	3	5
EU institutions	-	-	-	-	-	-	-	-	-	-	9
World Bank group	184	169	235	202	199	6	5	7	5	5	6
Regional development banks	105	40	55	94	72	3	1	2	2	2	2
Other multilateral	102	71	123	126	158	3	2	4	3	4	4
<b>Total gross ODA</b>	<b>3 249</b>	<b>3 430</b>	<b>3 415</b>	<b>3 826</b>	<b>4 200</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments and debt cancellation	-	-	-	-	-	-	-	-	-	-	-
<b>Total net ODA</b>	<b>3 249</b>	<b>3 430</b>	<b>3 415</b>	<b>3 826</b>	<b>4 200</b>						
<i>For reference:</i>											
<i>Free standing technical co-operation</i>	<i>1 409</i>	<i>1 044</i>	<i>1 398</i>	<i>1 650</i>	<i>1 640</i>						
<i>Net debt relief</i>	-	-	-	-	-						
<i>Imputed student cost</i>	-	-	-	-	-						
<i>Refugees in donor countries</i>	-	-	1	6	0						

**Contributions to UN Agencies (2010-11 Average)**

Agency	Percentage
UNICEF	18%
UNDP	16%
UNHCR	14%
WFP	10%
UNFPA	6%
UNRWA	6%
FAO	3%
Other UN	27%

**Contributions to Regional Development Banks (2010-11 Average)**

Bank Group	Percentage
AsDB Group	97%
AfDB Group	3%

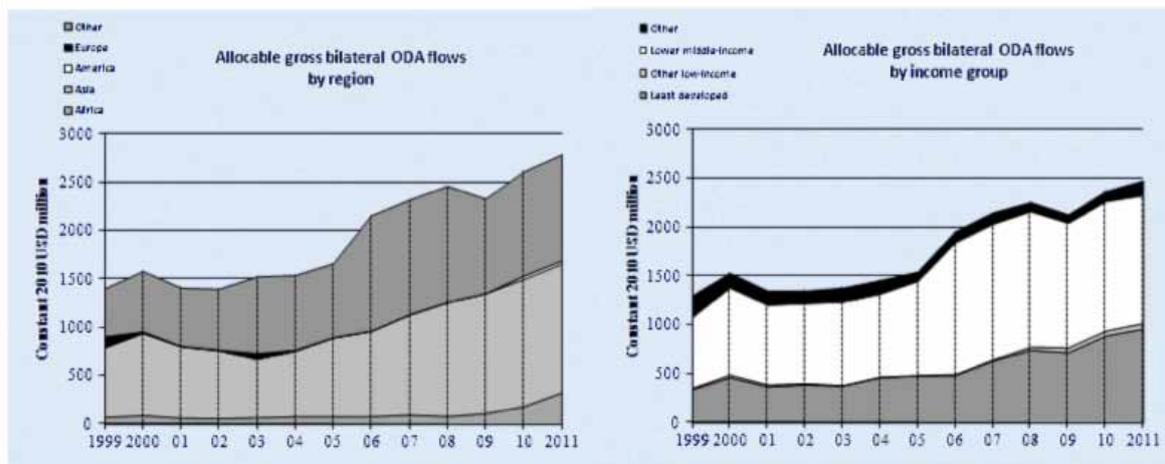
  

**ODA flows to multilateral agencies, 2010**

Agency	Australia (%)	DAC (%)
UN agencies	~4	~5
EU institutions	~1	~10
World Bank group	~5	~7
Regional dev. banks	~2	~3
Other multilateral	~4	~4

Table B.3. Bilateral ODA allocable by region and income group

Australia	Gross disbursements										Total DAC 2010%
	Constant 2010 USD million					Per cent share					
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
Africa	105	89	120	190	331	5	4	5	7	12	40
Sub-Saharan Africa	80	76	109	151	255	3	3	5	6	9	35
North Africa	15	8	4	4	42	1	0	0	0	2	4
Asia	1 031	1 175	1 236	1 313	1 328	44	48	53	50	48	34
South and Central Asia	177	353	332	424	417	8	14	14	16	15	20
Far East	829	803	878	857	864	36	33	38	33	31	14
America	2	1	2	35	34	0	0	0	1	1	13
North and Central America	1	0	1	25	22	0	0	0	1	1	7
South America	1	1	1	9	13	0	0	0	0	0	5
Middle East	390	355	103	95	74	17	14	4	4	3	7
Oceania	791	840	870	977	1 019	34	34	37	37	37	2
Europe	2	1	0	0	0	0	0	0	0	0	4
<b>Total bilateral allocable by region</b>	<b>2 321</b>	<b>2 462</b>	<b>2 331</b>	<b>2 610</b>	<b>2 787</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Least developed	639	748	725	895	965	30	33	34	38	39	40
Other low-income	13	35	52	53	61	1	2	2	2	2	3
Lower middle-income	1 390	1 388	1 274	1 325	1 310	65	61	60	56	53	38
Upper middle-income	110	87	81	96	141	5	4	4	4	6	18
More advanced developing countries	1	0	0	1	-	0	0	0	0	-	1
<b>Total bilateral allocable by income</b>	<b>2 152</b>	<b>2 258</b>	<b>2 132</b>	<b>2 369</b>	<b>2 476</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
Total bilateral	2 761	3 080	2 859	3 241	3 632	100	100	100	100	100	100
of which: Unallocated by region	440	618	528	631	845	16	20	18	19	23	24
of which: Unallocated by income	609	822	727	872	1 155	22	27	25	27	32	30



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Australia	2000-04 average			2005-09 average			2010-11 average			Gross disbursements			
	Current USD million	Constant 2010 USD mln	Per cent share	Current USD million	Constant 2010 USD mln	Per cent share	Current USD million	Constant 2010 USD mln	Per cent share	Current USD million	Constant 2010 USD mln	Per cent share	Memo: DAC countries' average %
Papua New Guinea	198	407	23	285	364	14	449	469	12				
Indonesia	79	161	9	276	345	13	402	367	11				
Solomon Islands	45	83	5	184	233	9	253	233	7				
Timor-Leste	44	95	5	169	217	8	159	117	3				
Vietnam	40	82	5	66	85	3	159	118	3				
<b>Top 5 recipients</b>	<b>405</b>	<b>829</b>	<b>47</b>	<b>981</b>	<b>1 253</b>	<b>47</b>	<b>1 362</b>	<b>1 243</b>	<b>36</b>				<b>29</b>
Philippines	33	69	4	64	79	3	114	106	3				
China	31	63	4	61	78	3	110	101	3				
Cambodia	23	45	2	61	77	2	84	88	2				
Bangladesh	19	40	2	36	46	2	65	69	2				
Iraq	14	25	2	35	42	2	63	57	2				
<b>Top 10 recipients</b>	<b>524</b>	<b>1 071</b>	<b>60</b>	<b>1 238</b>	<b>1 579</b>	<b>59</b>	<b>1 807</b>	<b>1 654</b>	<b>48</b>				<b>41</b>
Vietnam	15	25	1	30	39	1	60	55	2				
Fiji	11	23	1	29	36	1	59	54	2				
Laos	11	23	1	26	33	1	46	42	1				
Thailand	11	23	1	25	32	1	45	42	1				
Afghanistan	10	20	1	20	26	1	44	41	1				
<b>Top 15 recipients</b>	<b>580</b>	<b>1 185</b>	<b>67</b>	<b>1 368</b>	<b>1 746</b>	<b>65</b>	<b>2 061</b>	<b>1 888</b>	<b>55</b>				<b>48</b>
India	10	21	1	20	26	1	43	39	1				
Nauru	10	20	1	19	24	1	38	35	1				
Samoa	9	19	1	18	23	1	36	34	1				
Si Lanka	8	15	1	15	19	1	35	32	1				
South Africa	7	14	1	14	18	1	34	29	1				
<b>Top 20 recipients</b>	<b>623</b>	<b>1 274</b>	<b>72</b>	<b>1 455</b>	<b>1 854</b>	<b>69</b>	<b>2 248</b>	<b>2 058</b>	<b>60</b>				<b>51</b>
<b>Total (107 recipients)</b>	<b>695</b>	<b>1 421</b>	<b>80</b>	<b>1 577</b>	<b>2 011</b>	<b>75</b>	<b>2 654</b>	<b>2 423</b>	<b>70</b>				
Unallocated	177	352	20	518	660	25	1 121	1 014	30				33
<b>Total bilateral gross</b>	<b>871</b>	<b>1 772</b>	<b>100</b>	<b>2 096</b>	<b>2 672</b>	<b>100</b>	<b>3 775</b>	<b>3 436</b>	<b>100</b>				<b>100</b>

1. 2010 only.

Table B.5. Bilateral ODA by major purposes at constant 2010 prices and exchange rates

Australia	Gross disbursements - Two-year averages							
	2000-2004 average		2005-09 average		2010-11 average		2010	
	2010 USD million	Per cent	2010 USD million	Per cent	2010 USD million	Per cent	Total DAC million	per cent
<b>Social infrastructure &amp; services</b>	<b>853</b>	<b>49</b>	<b>1 263</b>	<b>48</b>	<b>1 710</b>	<b>50</b>		<b>38</b>
Education	185	11	249	9	317	9		8
of which: basic education	66	4	65	2	97	3		2
Health	152	9	176	7	262	8		4
of which: basic health	100	6	109	4	104	3		3
Population & reproductive health	49	3	61	2	108	3		6
Water supply & sanitation	47	3	30	1	183	5		4
Government & civil society	318	18	646	24	748	22		12
of which: Conflict, peace & security	-	-	52	2	78	2		3
Other social infrastructure & services	103	6	101	4	92	3		3
<b>Economic infrastructure &amp; services</b>	<b>117</b>	<b>7</b>	<b>140</b>	<b>5</b>	<b>221</b>	<b>6</b>		<b>17</b>
Transport & storage	90	5	95	4	184	5		7
Communications	4	0	8	0	5	0		0
Energy	8	0	13	1	8	0		7
Banking & financial services	12	1	5	0	17	0		2
Business & other services	3	0	19	1	7	0		1
<b>Production sectors</b>	<b>133</b>	<b>8</b>	<b>136</b>	<b>5</b>	<b>253</b>	<b>7</b>		<b>8</b>
Agriculture, forestry & fishing	119	7	118	4	223	7		6
Industry, mining & construction	6	0	10	0	14	0		1
Trade & tourism	8	0	8	0	16	0		1
<b>Multisector</b>	<b>241</b>	<b>14</b>	<b>392</b>	<b>15</b>	<b>610</b>	<b>18</b>		<b>13</b>
Commodity and programme aid	77	4	60	2	52	2		3
Action relating to debt	17	1	215	8	9	0		4
Humanitarian aid	178	10	293	11	347	10		9
Administrative costs of donors	107	6	117	4	212	6		5
Refugees in donor countries	35	2	22	1	3	0		3
<b>Total bilateral allocable</b>	<b>1 758</b>	<b>100</b>	<b>2 639</b>	<b>100</b>	<b>3 417</b>	<b>100</b>		<b>100</b>
<i>For reference:</i>								
Total bilateral	1 772	78	2 672	86	3 436	86		76
of which: Unallocated	15	1	33	1	20	0		1
Total multilateral	456	22	439	14	577	14		24
<b>Total ODA</b>	<b>2 258</b>	<b>100</b>	<b>3 110</b>	<b>100</b>	<b>4 013</b>	<b>100</b>		<b>100</b>

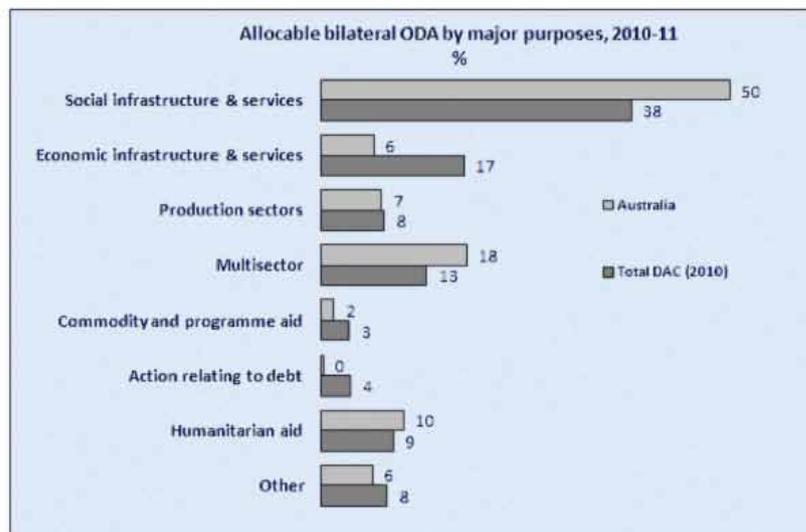


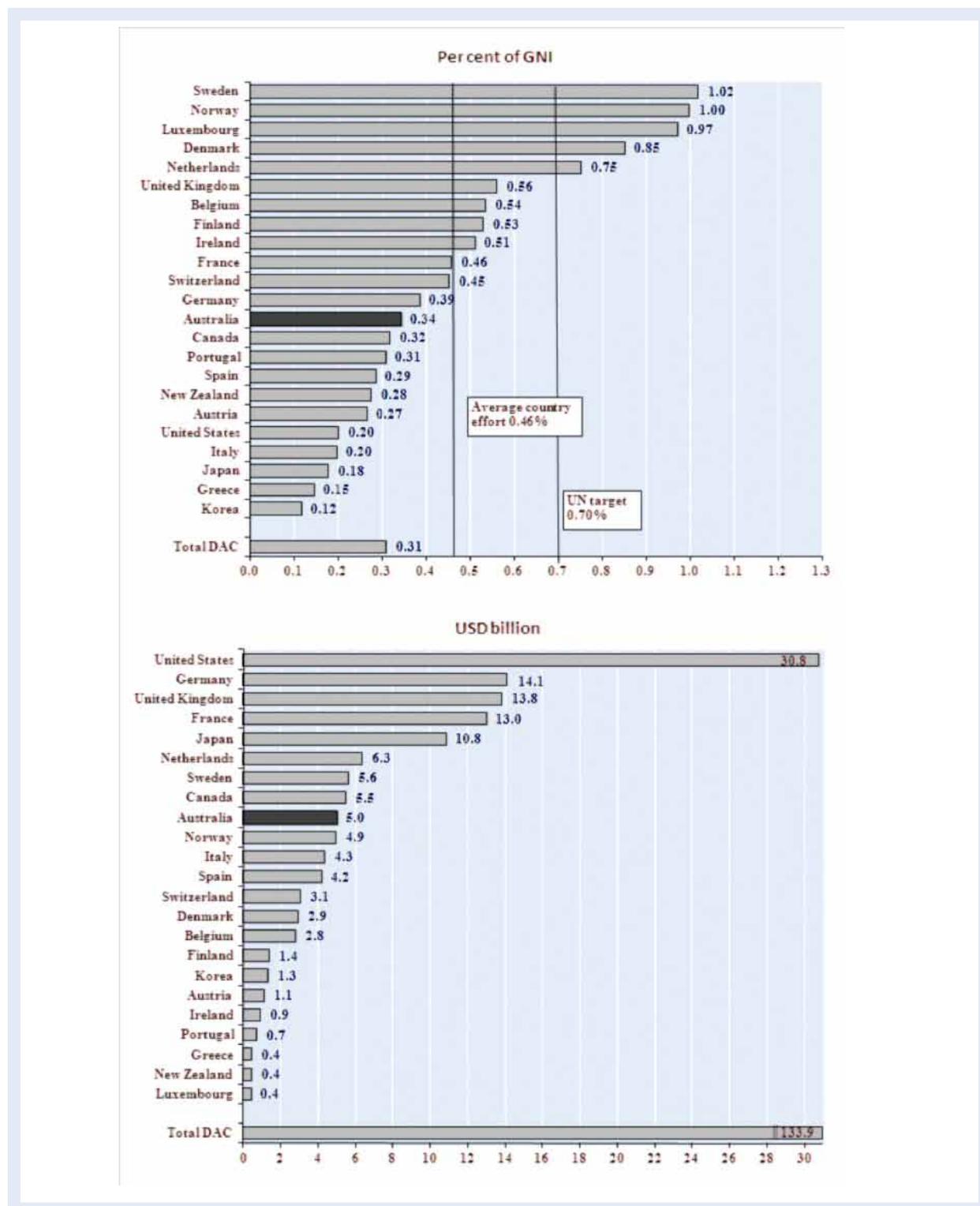
Table B.6. Comparative aid performance

	Official development assistance		2005-06 to 2010-11 Average annual % change in real terms	Grant element of ODA (commitments) 2011 % (a)	Share of multilateral aid				Net disbursements	
	2011				2011				ODA to LDCs Bilateral and through multilateral agencies 2011	
	USD million	% of GNI			% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)	% of ODA	% of GNI
Australia	4 983	0.34	8.0	99.8	13.5	0.05		27.5	0.09	
Austria	1 111	0.27	-8.5	100.0	55.9	27.6	0.15	0.07	29.1	0.08
Belgium	2 807	0.54	4.3	99.9	38.0	19.4	0.20	0.10	39.3	0.21
Canada	5 457	0.32	2.0	100.0	24.7		0.08		34.7	0.11
Denmark	2 931	0.85	1.8	100.0	26.8	17.5	0.23	0.15	36.8	0.31
Finland	1 406	0.53	5.6	100.0	40.3	25.1	0.21	0.13	33.9	0.18
France	12 997	0.46	1.3	86.2	34.6	16.0	0.16	0.07	29.4	0.14
Germany	14 093	0.39	3.0	90.8	38.0	18.8	0.15	0.07	27.6	0.11
Greece	425	0.15	-1.7	100.0	63.8	3.4	0.09	0.01	21.1	0.03
Ireland	914	0.51	0.4	100.0	33.9	17.2	0.17	0.09	53.1	0.27
Italy	4 326	0.20	-6.8	100.0	60.6	16.2	0.12	0.03	39.1	0.08
Japan	10 831	0.18	-6.7	89.2	39.1		0.07		39.2	0.07
Korea	1 328	0.12	15.6	93.9	25.2		0.03		35.8	0.04
Luxembourg	409	0.97	2.8	100.0	31.6	22.8	0.31	0.22	37.9	0.37
Netherlands	6 344	0.75	0.8	100.0	31.6	20.8	0.24	0.16	23.5	0.18
New Zealand	424	0.28	2.2	100.0	22.3		0.06		28.7	0.08
Norway	4 934	1.00	4.0	100.0	24.2		0.24		29.6	0.30
Portugal	708	0.31	8.2	86.5	32.6	7.1	0.10	0.02	50.9	0.16
Spain	4 173	0.29	4.7	99.2	45.3	17.6	0.13	0.05	28.2	0.08
Sweden	5 603	1.02	2.8	100.0	35.0	28.3	0.36	0.29	35.0	0.36
Switzerland	3 076	0.45	2.4	100.0	22.8		0.10		26.0	0.12
United Kingdom	13 832	0.56	3.5	100.0	38.7	25.0	0.22	0.14	38.1	0.21
United States	30 783	0.20	1.4	100.0	12.0		0.02		35.2	0.07
<b>Total DAC</b>	<b>133 897</b>	<b>0.31</b>	<b>1.1</b>	<b>95.9</b>	<b>29.9</b>	<b>0.09</b>			<b>33.3</b>	<b>0.10</b>
Memo: Average country effort		0.46								

## Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.

Figure B.1. Net ODA from DAC countries in 2011



# Annex C: Field visit to the Philippines

The peer review team – comprising two examiners from Canada and the European Union and three staff from the OECD/DAC Secretariat – visited the Philippines in October 2012. The team members met with Australian government officials in Manila, as well as representatives of key external stakeholders and partners in the Philippines. Part of the team also travelled to Mindanao, where it met with partners operating at the provincial level. This annex summarises the team’s observations.

## The development context of the Philippines

### A lower-middle-income country vulnerable to disasters

The Philippines, with a population of 95 million (Table C.1), is a lower middle-income country. It ranked 112 of 182 countries on the human development index in 2012 – described as medium human development. The Philippines is off-track for meeting four MDGs – 1 (poverty), 2 (universal education), 4 (child health) and 5 (maternal health). The Philippines is also the third most vulnerable country in the world to disasters (AusAID, 2012a: 4).

### High poverty despite economic growth

About 10% of the population of the Philippines lives and works overseas, and remittances have consistently accounted for 10% of GDP (USD 20.1 billion in 2011). In comparison, the Philippines received USD 541 million (gross ODA) from all DAC members in 2011. Growth has been led by personal consumption, fuelled by the strong inflow of remittances (Economist Intelligence Unit, 2012). Economic growth has not translated into lower poverty rates in the Philippines, however. Governance challenges – particularly corruption and political instability – plus security concerns, limited infrastructure, high energy costs and other constraints have undermined the investment climate and hampered job creation (AusAID, 2012b).

**Table C.1. Key indicators for the Philippines**

Population (million, 2011) <sup>a</sup>	94.9
Gross domestic product (GDP) (million current USD, 2011) <sup>a</sup>	224,754
GDP growth rate (annual %, 2011) <sup>a</sup>	3.9
GDP per capita, PPP (current international USD, 2011) <sup>a</sup>	4,119
Gross national income (GNI) per capita (current USD, 2011) <sup>a</sup>	2,210
Income group (2010) <sup>a</sup>	LMIC
Poverty (% population living under USD1.25 a day, PPP, 2009) <sup>a</sup>	18.4
Poverty (% population living under USD2 a day, PPP, 2009) <sup>a</sup>	41.5
Income share held by highest 20%, 2009 <sup>a</sup>	49.7
Labour force, female (% total labor force) <sup>a</sup>	38.8
Human development index ranking (2012) <sup>b</sup>	112/182
Aid dependency (net ODA received as % GNI, 2010) <sup>a</sup>	0.27

Note: Purchasing power parity (PPP) is the rate of currency conversion that equalise the purchasing power of different currencies by eliminating the differences in price levels between countries.

Sources: a) World Bank (2012), World Development Indicators, World Bank, Washington DC, available at <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed 9 January 2012; b) UNDP (United Nations Development Programme) (2012), 2011 Human Development Indicators, UNDP, New York, <http://hdrstats.undp.org/en/countries/profiles/PHL.html>, accessed 9 January 2012.

**Reform-minded administration, committed to addressing poverty**

President Aquino came into office in June 2010. His 16-point social contract with the Filipino people and the 2011-16 Philippine Development Plan seek to address the constraints to growth and poverty reduction. The administration is committed to creating an enabling environment for inclusive growth and poverty reduction by promoting transparency and accountability, fiscal responsibility, and public-private partnerships for major infrastructure programmes. Prioritising education and other human capital investments are also central to the Government's agenda, along with building safer and disaster-resilient communities by mainstreaming and integrating disaster risk reduction and climate change adaptation into national, regional and local development processes.

**Mindanao: conflict and poverty**

Large parts of Mindanao, the south-easternmost island of the Philippines, are trapped in a cycle of conflict, poor governance and underdevelopment. The poverty incidence in the Autonomous Region of Muslim Mindanao (ARMM) is the highest in all the Philippines and its human development is comparable to countries in sub-Saharan Africa. On 15 October 2012, President Aquino and the leadership of the Moro Islamic Liberation Front (MILF) signed a framework agreement, an important first step toward the Mindanao Peace Process. The agreement outlines several major issues, including the extent of power, revenues and territory granted for a new Muslim autonomous region to be called Bangsamoro ("Government, MILF seal preliminary peace pact", 2012).

## Donor co-ordination

**NEDA provides overall framework for development assistance in the Philippines**

The Philippines Development Forum is the main co-ordination mechanism for the Government and donors. It facilitates substantive dialogue among stakeholders on the country's development agenda and priorities. The forum, which is co-chaired by the Philippines' Department of Finance and the World Bank, meets approximately every 12 months. According to development partners, however, donor co-ordination is not actively promoted by the Philippines Government; as formal dialogue is intermittent, donor-partner government relations and partnership-focused. Sector working groups are active to varying degrees.

The Philippines National Economic and Development Authority (NEDA) is the country's economic and planning agency and is headed by the President (who is chairman of the NEDA board). The NEDA secretariat, headed by a Director-General, manages the public investment programme informed by the priorities outlined in the Philippine Development Plan and in donors' statements of commitment; high-level development results are agreed with NEDA. Large projects or programmes (above USD 12 million) are vetted by the NEDA board, whereas smaller projects and funds can usually go directly to relevant agencies for discussion and approval.

### Australia could fill the donor co-ordination vacuum

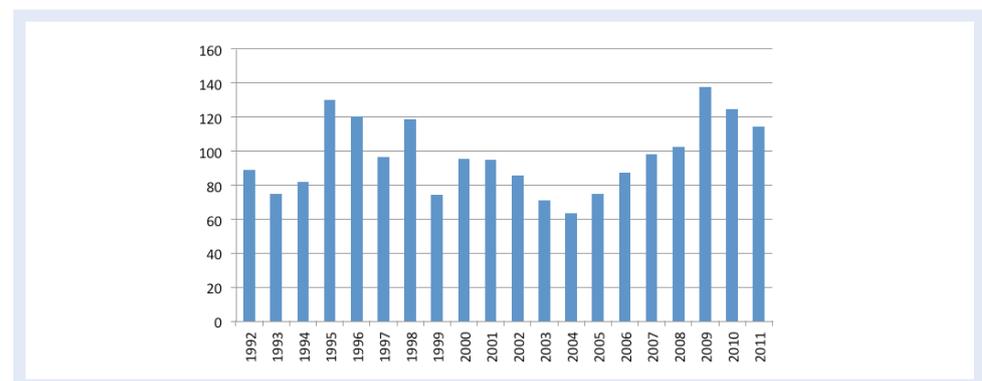
AusAID has taken the lead in the education and public financial management sub-working groups of the Philippines Development Forum; two of the more active co-ordination groups in the Philippines. In general weak demand on the part of the Philippines authorities as well as the limited share of ODA in total public finances means that donor co-ordination is not as strong in the Philippines as it is in other developing countries where ODA accounts for a larger share of GNI. Nevertheless, bilateral and multilateral donors based in the Philippines recognise that benefits can be gained from more co-ordination and harmonised approaches especially at the policy and strategic levels. These development partners indicated that they would welcome Australia playing a convening role among donors to help fill this vacuum.

## Australia's development co-operation in the Philippines

### Trusted development partner

In 2011, the Philippines were the sixth largest recipient of Australian ODA and Australia was the second largest provider of official grants to the Philippines. Total Australian ODA to the Philippines was USD 114 million in 2011 (Figure C.1). Even though Australian aid is only a small fraction of the Philippine economy, the two countries maintain a trusted bilateral partnership built on clear mutual interests and a deep understanding of the political, social, economic and regional context. This was recently exemplified by President Aquino and Prime Minister Gillard's commitment to a deepening and broadening partnership based on shared strategic interests in their joint statement in October 2012 (Government of Australia, 2012). Australia's role in the Philippines is perhaps best characterised by the fact that it is a more neutral and knowledgeable player than other donors given the absence of colonial ties and shared geo-political interests.

**Figure C.1. Australia's bilateral ODA to the Philippines, 1992-2011**  
Gross 2011 USD million



Source: OECD DAC aggregate data.

**A focus on basic services and reducing vulnerabilities**

The Australia-Philippines Aid Programme Strategy 2012-17 (AusAID, 2012a) provides a clear and strategic rationale for Australia's development co-operation in this middle-income country and has the long-term goal of institutional strengthening. It balances this with the need for short-term results, building on lessons learned from the evaluation of the previous bilateral programme. The Strategy reflects the priorities of Australia's overall aid policy, Effective Aid (AusAID, 2011d) and has two strategic objectives: strengthening basic services to the poor and reducing vulnerabilities arising from climate change and conflict.

The Australia-Philippines Statement of Commitment reinforces this message and outlines the commitments of the governments of Australia and the Philippines, including support to conflict-affected parts of Mindanao. The Bangsamoro framework agreement creates a historic opportunity to achieve a lasting and durable peace in Mindanao. Australia has updated its strategy for this fragile region, in co-ordination with donors and other stakeholders, to address the development and economic challenges and to deliver a useful peace dividend.

**Education: Australia's aid flagship**

The Government of the Philippines values Australia's concentration on a few key sectors. These include education and improving government capacity to deliver basic services at national and local levels. Education is the flagship of Australia's aid programme in the Philippines. One-fourth (25%) of Australia's total aid to the Philippines has been invested in the education sector since 2002, and Australia is the lead bilateral donor in basic education, where it invested on average USD 7.2 million annually in 2010 and 2011. It supports education development at the national and regional levels with special attention to the Autonomous Region in Muslim Mindanao (ARMM) (Box C.1).

**Box C.1. Australia's support for basic education assistance in Mindanao**

Australian support to the Autonomous Region in Muslim Mindanao (ARMM) aims to contribute to the alleviation of poverty and the emergence of peace through targeted basic education investments. AusAID created a partnership between BRAC, UNICEF, GIZ (the German government development agency), ARMM Regional Government and the Department of Education in ARMM, to improve education performance in the region, which is the lowest performing in terms of education outcomes—25% of villages in ARMM are without schools. BRAC is the largest Southern NGO in the world, and has already successfully provided education for out-of-school populations and in areas without government schools in Bangladesh. The Basic Education Assistance for Mindanao (BEAM) ARMM program is based on an integrated system of education that is culturally relevant to Muslim children and adapts national core curriculum for pre-school and elementary levels, integration of school health, improvement of school infrastructures, and technical and vocation skills training for the out-of-school youth, including through distance learning. For much of the population of ARMM, this programme is the first time they have access to education and basic services in their area. This is seen as a positive example of the type of programme that can build good will, foster trust and demonstrate results after the signing of the framework agreement.

Sources: AusAID, 2011a; 2011b

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**Learning from AusAID's approach to disaster risk reduction in the Philippines**

The Australia – Philippines Programme Strategy has championed change in other AusAID programme countries and driven agency-wide strategies, for example by integrating disaster risk reduction, climate change and the environmental approaches in order to protect development gains in a high-risk country. Australia is widely appreciated as a proactive, rapid and flexible humanitarian and recovery donor in the Philippines, underlined by its comprehensive response to tropical storm Washi. Pre-positioning stocks and funds with partners has proven useful for responding to smaller-scale emergencies, and the approach could be expanded. Australia supports a disaster risk reduction and climate change adaptation programme (known as BRACE) to build resilience in metropolitan Manila, which is highly vulnerable to flooding, earthquakes, volcanic hazards, tropical cyclones, severe winds and storm surge (AusAID, 2011a).

**A flexible and dynamic partner willing to take risks**

Other donors see Australia as a flexible and dynamic partner that is not risk adverse. For example, Australia is backing the President's focus on the K-12 education agenda to build confidence in the Government's ability to deliver services in some of the poorest regions of the Philippines. Australia has clearly balanced challenges against opportunities in its programming, targeting environments such as Mindanao, and supporting anti-corruption efforts and sexual and reproductive health care. It also designs innovative programmes, such as using incentives for upgrading and maintaining provincial roads. However, there is scope for Australia to take a more balanced approach to fiduciary risk and the Philippines programme is preparing the ground for using country system. Australia's 10-year commitment with the Government of the Philippines to develop capacity in the public financial management system and to reinforce government accountability in a country with weak financial execution rates was praised by several partners.

**Clear workforce plan and local staff are crucial**

Staff are well-versed in the priorities and commitments of AusAID's workforce plan, and were involved in developing it. Staffing has doubled since 2007, which has allowed AusAID to manage the growing aid programme. Local staff are crucial to the success of the programme, from implementation to maintaining institutional memory. A Performance and Quality Officer in the country office creates a crucial link with Canberra in delivering the performance assessment framework.

**Learning across AusAID programmes is evident in the Philippines**

The peer review team observed a positive culture of consultation and learning within the Australia-Philippines aid programme and, when opportunities arise, across AusAID programmes in the region. Learning from other country offices in the region appears to inform programming and overall thematic priorities for Australian development co-operation in the Philippines. Similarly, Australia is appreciated by its partners for its priority of encouraging and commissioning research for informing its programmes and projects. We found that there was a real demand to share and disseminate research more systematically with partners. Encouraging learning among civil society partners by bringing them together more regularly could also enhance important partnerships further.

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**Opportunities for greater synergies among Australian Government programmes in the Philippines**

It is in Australia's national interest to have a stable and prosperous Philippines. Australia also has important trade and investment interests in Mindanao, where it directs half of its Philippines' aid. Aside from AusAID, the Australian Embassy in the Philippines includes, among others, officials from the Department of Foreign Affairs and Trade (DFAT), Austrade, the Australian Federal Police, the Department of Immigration and Citizenship, the Department of Infrastructure and Transport and the Australian Centre for International Agricultural Research (ACIAR). Some officials from these different agencies and departments work together where priorities overlap (e.g. Austrade promotes curriculum development developed in Australian institutions as part of AusAID's support to the education sector). However, there is scope for Australia to develop a more strategic whole-of-government approach that brings together development, diplomacy, counter-terrorism and economic perspectives to exploit synergies more systematically.

**Moving towards increased use of country systems**

Australia continues to rely on contractors to implement its programmes in the Philippines. The 2012 mid-term evaluation of the Australia-Philippines development assistance strategy indicated that approximately 30% of the Philippines programme is delivered through facilities managed by contractors (AusAID, 2012c). There is value in bringing in the necessary technical and specialist skills to consolidate and lead reform (e.g. the Public financial management reform, ARMM implementation, etc.). Ensuring that the government is provided with equal decision-making authority over the selection of contractors will also help ensure that the Government appropriates reform. AusAID has made efforts to implement part of its programme using the Philippines' country systems: it has recently published an assessment of national systems, and has channelled some performance-linked aid to provincial governments through the Provincial Road Management Facility. The aim is to encourage local governments to raise domestic revenue for maintaining, planning and budgeting for secondary roads in the provinces. Australia's support to the education sector is progressively being channelled directly to the Department of Education using government systems instead of going through a World Bank trust fund (e.g. in classroom construction). Australia has indicated that it will increase its use of country systems in the Philippines where it deems that fiduciary risks can be adequately managed; it will be important to follow this in future reviews.



# OECD Development Co-operation Peer Review

## Australia 2013

The OECD's Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five years. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

Australia delivered USD 5.44 billion in official development assistance (ODA) last year, or 0.36% of its gross national income. It is the eighth most generous country in the OECD's Development Assistance Committee (DAC), which groups the world's major donors. Australia's goal is to reach 0.5% of GNI by 2017 – a goal the DAC encourages it to follow through on, given its good track record and relatively strong economy.

The DAC review of Australia's development programme notes the government's dual objectives: helping people overcome poverty; and Australian national interest in the stability, security and prosperity of its neighbouring region. The Committee found that clear political directives, policies and strategies reflect Australia's international commitments and good practice. Together, the Government's *Effective Aid Program for Australia* and the four-year *Comprehensive Aid Policy Framework* provide a sound basis for allocating Australia's bilateral and multilateral development assistance.

*“Australia's aid system is set up to deliver its growing aid programme effectively and efficiently after impressive reform since 2010. Its work to reduce exposure to disasters in the Philippines is innovative; we would like to see this good practice expanded to all partner countries, and invite Australia to share its experience with other donors.”*

–Erik Solheim, DAC Chair