OECD Development Co-operation Peer Reviews

AUSTRALIA

2018

The Development Assistance Committee: Enabling effective development

OECD

OECD Development Co-operation Peer Reviews: Australia 2018

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BETTER POLICIES FOR BETTER LIVES

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Conducting the peer review

The OECD 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, with six members examined annually. The OECD 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 non-governmental organisations' representatives in 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 Committee in association with the examiners.

This review – containing both the main findings and recommendations of the Development Assistance Committee and the analytical report of the Secretariat – was prepared with examiners from Belgium and Japan for the peer review of Australia on 21 February 2018. The review process included a country visit to Solomon Islands. Among other issues, the review looks at how Australia has managed the integration of aid within the Ministry of Foreign Affairs and Trade, reinforcing a focus on performance while continuing work on priority areas such as gender equality, support to small island developing states, and disaster resilience and response.

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Abbreviations and acronyms

ACC	Australian Civilian Corps
ACFID	Australian Council for International Development
AGB	Aid Governance Board
AIC	Aid Investment Committee
AIP	Aid Investment Plan
ANCP	Australia NGO Cooperation Programme
APG	Aid Programming Guide
APPR	Aid Programme Performance Report
AQC	Aid Quality Check
AsDB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ATI	Addis Tax Initiative
AusAID	Australian Agency for International Development
AVID	Australian Volunteers for International Development
CAP	Capability Action Plan
CERF	Central Emergency Response Fund (UN OCHA)
CGD	Center for Global Development
CSO	Civil society organisation
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade (Australia)
DFQF	Duty-free, quota-free
DPC	Development Policy Committee
FATF	Financial Action Task Force
GNI	Gross national income
GoA	Government of Australia
GPEDC	Global Partnership for Effective Development Co-operation
IEC	Independent Evaluation Committee
IQR	Investment quality reporting

iXc	InnovationXchange
KMU	Knowledge management unit
LDC	Least developed country
M&E	Monitoring and evaluation
MDAC	Mental Disability Advocacy Centre
MOPAN	Multilateral Organisation Performance Assessment Network
MOU	Memorandum of Understanding
MPA	Multilateral Performance Assessment
NDS	National Development Strategy
NGO	Non-governmental organisation
ODA	Official development assistance
ODE	Office of Development Effectiveness
PACER Plus	Pacific Agreement on Closer Economic Relations Plus
PAF	Performance assessment framework
PFIP	Pacific Financial Inclusion Programme
PFM	Public financial management
PIDG	Private Infrastructure Development Group
PIF	Pacific Islands Forum
PNG	Papua New Guinea
PPA	Partner Performance Assessment
RAMSI	Regional Assistance Mission to Solomon Islands
SDG	Sustainable Development Goal
SIDS	Small island developing states
SIGP	Solomon Islands Growth Programme
SRB	Stabilisation and Recovery Branch
SWP	Seasonal Worker Programme
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations Refugee Agency
UNHRD	United Nations Humanitarian Response Depot
UNISDR	United Nations International Strategy for Disaster Reduction
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
WFP	World Food Programme

Signs used:

EUR	Euro
AUD	Australian dollar
USD	United States dollar
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: USD 1 = AUD

2011	2012	2013	2014	2015	2016
0.9692	0.9660	1.0367	1.1094	1.3309	1.3453

Australia's aid at a glance

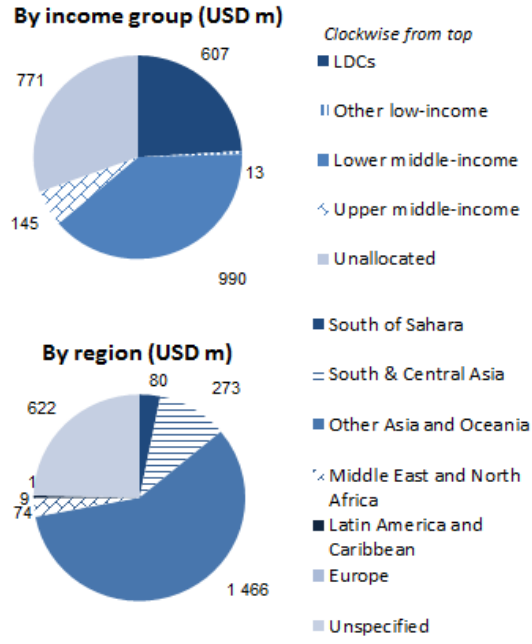
Figure 0.1. Australia's aid at a glance

AUSTRALIA

Gross Bilateral ODA, 2015-16 average, unless otherwise shown

Net ODA	2015	2016	Change 2015/16
Current (USD m)	3 494	3 278	-6.2%
Constant (2015 USD m)	3 494	3 305	-5.4%
In Australian Dollars (million)	4 650	4 409	-5.2%
ODA/GNI	0.29%	0.27%	
Bilateral share	79%	70%	

Top Ten Recipients of Gross ODA (USD million)	
1 Papua New Guinea	377
2 Indonesia	313
3 Solomon Islands	115
4 Viet Nam	79
5 Philippines	73
6 Afghanistan	70
7 Vanuatu	65
8 Timor-Leste	60
9 Cambodia	53
10 Myanmar	51
Memo: Share of gross bilateral ODA	
Top 5 recipients	38%
Top 10 recipients	50%
Top 20 recipients	62%



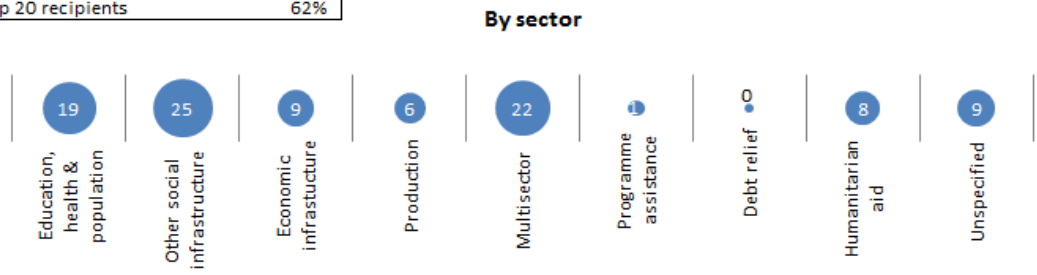
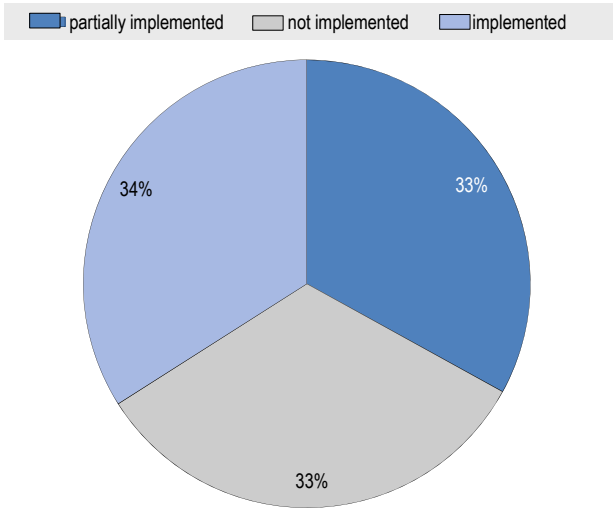


Figure 0.2. Australia's implementation of the 2013 peer review recommendations (see Annex A)



Context of the peer review of Australia

Political and economic context

The current government of Australia is composed of the Liberal-National Coalition, a centre-right party alliance. The current prime minister is Malcom Turnbull of the Liberal Party, who took office in September 2015. Mr Turnbull replaced Tony Abbott, the former leader of the Liberal Party. The Liberal-National Coalition has been in power since 2013, when it replaced the Australian Labor Party led by Kevin Rudd. The next federal election will be held between August 2018 and May 2019.

Australia is a prosperous country with 26 years of uninterrupted economic growth. Projected GDP growth for 2018 is 2.8% (OECD, 2017c), above the OECD average of 2.1%. GDP per capita is also well above the OECD average; average household income per capita and average earnings are among the highest in the OECD (OECD, 2016). Living standards and well-being are also high. However, socio-economic gaps for Australia's indigenous community and gender gaps persist.

Public debt and public spending in Australia remain below the OECD average (OECD, 2017a).[1] Fiscal deficits have been declining in recent years and the current government has a target of reaching a budget surplus of 0.4% of GDP by 2020/21. Government expenditure of 37.2% of GDP is below the OECD average of 40.9% of GDP (OECD, 2017b).

Challenges include high greenhouse gas emissions and an ageing population (OECD, 2017a). Following a long commodity boom, recent fluctuations in commodity prices have slowed recent Australian growth. Price fluctuations have affected the mining sector in particular, long an engine of Australia's economic growth (OECD, 2017a: 2).

The population of Australia is 24.5 million people, of whom 28.5% were born overseas in nearly 200 different countries. Almost half of the people living in Australia today are either migrants or children of migrants.[2]

Development co-operation system

In 2013, a restructure of government departments and agencies led to the integration of the Australian Agency for International Development (AusAID) into the Department of Foreign Affairs and Trade (DFAT) with the aim of more closely aligning "the aid and diplomatic arms of Australia's international policy agenda" (DPMC, 2013). A new policy framework for Australian aid was introduced in 2014.

The last OECD DAC peer review of Australia was conducted in 2013, prior to the integration. Australia's official development assistance (ODA) has steadily decreased since the last review and is now heavily concentrated (93.7% for 2015/16) with DFAT.

The parliamentary Joint Committee on Foreign Affairs, Defence and Trade established a Foreign Affairs and Aid Subcommittee for additional accountability towards Parliament.

The review team was not able to meet with the Subcommittee during the mission to Canberra.

Notes

[1] In 2015, the Australian government's gross debt was 43.6% of GDP, compared to the OECD average of 112% of GDP.

[2] See IOM website at www.iom.int/countries/australia (accessed on 18 November 2017).

Sources:

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The DAC's main findings and recommendations

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

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

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

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

Australia positions itself to influence global co-operation

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

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

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

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

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

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

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

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

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

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

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

Australia can build on its achievements

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

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

Australia sought to integrate development into the spine of the original department. This level of integration was reflected in decisions on the structure, governance and capabilities of the newly expanded department. Australia is now taking stock of the impact of these decisions on its ability to deliver a quality and quality-assured development co-operation programme. For example, DFAT has recently decided to

redefine the authority, responsibilities and membership of its two primary governance structures, merging them into one Aid Governance Board, to improve oversight of project and programme risk and performance.

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

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

Recommendation:

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

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

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

Recommendation:

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

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

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

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

Recommendation:

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

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

Recommendation:

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

Australia should continue down the path of principled and transparent partnering

Australia has a broad range of partnerships that are well tailored to work in specific contexts. As part of its economic diplomacy agenda, Australia is increasing its emphasis on partnering with the private sector. Australia is a strategic partner to the multilateral system, providing core, long-term and predictable funding. DFAT also has long-standing relationships with Australian non-governmental organisations (NGOs) that also feature predictable funding. A smaller proportion of funding is allocated to or through local civil society organisations.

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

Recommendation:

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

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

Recommendation:

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

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

Recommendation:

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

Australia needs to address some challenges

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

Australia's net ODA was USD 3.28 billion in 2016. This represented 0.27% of ODA to gross national income (GNI), well below the international benchmark of 0.7% ODA to GNI. In 2016, Australia was the 13th largest DAC donor in volume terms and the 15th largest in ODA to gross national income terms. Having moved away from a commitment to reach 0.5% by 2015, Australia has consistently cut ODA since 2013 despite experiencing continued economic growth over this period. Since 2013, in cumulative terms, the Australian aid budget has been cut by over 30%. Overall budget cuts have affected the scope of both the development and humanitarian programmes. Furthermore, Australian budget projections suggest that the ratio of ODA to gross national income will continue to decline, reaching a historic low of 0.22% in 2017/18.

Recommendation:

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

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

Recommendations:

9. DFAT should identify priority policy coherence for development issues in line with DFAT's corporate plan, in collaboration with other departments and through inter-governmental structures.

10. Australia should continue to make progress in reducing the cost of sending remittances from Australia to the Pacific region.

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

- oversee and quality assure the policy and programme
- ensure the organisational structure is working effectively from a development perspective across its thematic, geographic and country pillars

- internalise knowledge and learning to help guide further strategic decision making.

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

Recommendation:

11. DFAT should ensure it has the capability in place to match the ambition of its development policy, including:

- **specialist skills in line with thematic, partnership and cross-cutting priorities**
- **development expertise across the matrix structure**
- **using and building up of the skills of locally engaged staff.**

Poverty reduction and positive environmental outcomes need further guidance

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

Recommendation:

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

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

Recommendation:

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

Secretariat's Report

Chapter 1. Australia's global efforts for sustainable development

Efforts to support global sustainable development

Peer review indicator: The member plays an active role in contributing to global norms, frameworks and public goods that benefit developing countries

Australia actively seeks to shape global co-operation on priority issues that meet both the national interest and the interests of its neighbours. It has elevated issues such as disaster risk reduction in international fora, consistently advocates on issues important to small island developing states, and contributed to the consensus behind the 2030 Agenda. Australia has yet to set out its roadmap for the Sustainable Development Goals. .

Australia is an influential global player

Australia has a strong voice on the global stage. It actively and consistently advocates for the interests of small island developing states and the Pacific region, as well as for issues such as disability, gender equality, peace and security, and ocean management.

Australia purposefully sets out to be a part of the global conversation. For example, it campaigned for and attained a seat on the UN Human Rights Council for the period 2018-20,[1] and for a two-year term in 2013-14 as a non-permanent member of the UN Security Council. Australia considers and uses the Group of Twenty (G20) as the premier forum for shaping collective action to support strong, sustainable and balanced growth. During Australia's G20 presidency in 2014, the G20 integrated development issues into its wider concerns over inadequate long-term financing for infrastructure and tax base erosion. Australia also was instrumental in putting the gender digital divide on the agenda at the G20 summit in 2017 in Hamburg, Germany.[2]

On its priority issues, Australia was influential in the negotiations leading up to the 2030 Agenda. However, unlike other countries, Australia does not yet have in place a clear plan for implementing the 2030 Agenda. With the announcement that it will present its first Voluntary National Review at the 2018 High-level Political Forum on Sustainable Development[3] at the UN, Australia has the opportunity to take stock of progress and challenges and to set out a roadmap for integrating the Sustainable Development Goals (SDGs) into domestic and international policy.

Australia targets risks and challenges critical to its interests and its regional environment

A priority task of the Department of Foreign Affairs and Trade (DFAT), noted in its 2015-19 strategic framework, is to "shape the regional and international environment and strengthen global co-operation in ways that advance Australia's interests" (DFAT, 2015a). Australia therefore gives priority to the global and regional public goods and risks that align with its national interests. The newly published Foreign Policy White Paper underscores this approach (DFAT, 2017b). Australia often works through the multilateral system and regional organisations to achieve key objectives. The following are some examples:

- Australia has shown global leadership in fragility and disaster risk by actively working to ensure the adoption of SDG 16; co-chairing the UN Security Council for the adoption of the 2016 resolution on sustaining peace;[4] signing recent, major

global fragility and humanitarian agreements including the Stockholm Declaration[5] and the Grand Bargain;[6] and taking a lead role in the negotiations on the Sendai Framework for Disaster Risk Reduction.[7]

- Australia renewed its commitment to the Paris Agreement on climate change after the United States announced it would withdraw. Australia co-chairs and is a member of the Green Climate Fund Board. Using these positions, it seeks to highlight the vulnerability of Pacific nations and to increase and expedite funding to these nations. In June 2017, the Australian Senate passed a motion for an inquiry into the threats and long-term risks posed by climate change to national and international security. The 2016 Defence White Paper recognises climate change as a major driver that will shape the overall security environment to 2035 (Department of Defence, 2016).[8]
- Australia has announced a significant push on regional health security. With the new AUD 300-million Indo-Pacific Health Security Initiative,[9] DFAT and the Department of Health seek to target existing and emerging infectious diseases in Australia and surrounding countries, with the initial focus on drug-resistant tuberculosis and malaria in the region.

Australia has a long-standing refugee resettlement programme for people accorded refugee status within its borders. However, at the same time, regional – or offshore - processing of asylum seekers in Papua New Guinea (PNG) and Nauru since 2013, permanently denying access to Australia to those who arrive by sea without a valid visa, has drawn criticism. The UN Refugee Agency (UNHCR), for example, has raised concerns that the policy has caused suffering and uncertainty for an estimated 2000 people including children.[10]

While Australia has met its policy objective of stemming illegal migration to its territory, these regional processing arrangements have been subject to international criticism and legal challenges. In September 2017, the Supreme Court of Victoria approved an AUD 70-million settlement, to be paid by the Commonwealth and its service providers, in a group proceeding brought by a representative plaintiff on behalf of group members who resided at the Manus Regional Processing Centre between November 2012 and May 2016.[11]

The Manus Island centre closed on 31 October 2017. In 2016, Australia reached an agreement with the United States (US) to resettle refugees from PNG and Nauru. In February 2017, the US announced an indicative planning number of 1250 refugees to be resettled in the US, subject to US screening and admission processes. US resettlement commenced in September 2017, with 54 refugees resettling in the US. The arrangement is progressing under US direction. According to the Australian authorities, refugees currently located in Nauru and PNG have other resettlement options, outside the US, including PNG and Cambodia, and Australia continues to work in concert with Nauru and PNG to identify durable resettlement options for refugees in those countries.

Policy coherence for sustainable development

Peer review indicator: Domestic policies support or do not harm developing countries

The integration of AusAID into DFAT has facilitated stronger policy coherence for development in relation to international policies such as trade. Australia's seasonal worker programmes are also evolving and delivering mutual benefits. However, coherence between domestic policies and Australia's development objectives is more challenging in other areas. A prioritised plan and stronger use of inter-governmental co-ordination mechanisms would help Australia analyse and address these issues.

Australia has made a commitment to policy coherence for sustainable development, which should be strengthened in light of the 2030 Agenda

One of the priorities set out in the 2016-20 DFAT corporate plan is to "promote strong alignment between Australia's aid programme and the department's other priorities, particularly trade and climate change initiatives, and with domestic policy agenda" (DFAT, 2016a). The current cross-government discussions on the SDGs offer Australia an opportunity to further prioritise policy coherence for sustainable development issues through additional analysis, monitoring and reporting. This in turn would enable Australia to make more progress against the recommendation from the last peer review in 2013, which said Australia should share publicly both its achievements and its challenges in terms of making national and foreign policies coherent with development aspirations (OECD, 2013).

Challenging policy coherence issues weigh against some notable coherence gains

Australia can point to examples of policy coherence, particularly in its international policy settings. Coherence is partly supported by the integration of development, foreign affairs and trade into DFAT in 2013 (Chapter 4). Box 1.1 presents illustrations of coherence in the trade domain.

Australia's long-standing labour mobility programme is co-ordinated across government. It links workers from participating Pacific Island countries and Timor-Leste with Australian employers in the agriculture, accommodation, hospitality and tourism industries. Since 2012, over 17 000 visas have been issued under this Seasonal Worker Programme.

A recent analysis based on two models for expanding access to Australia's labour market finds that permitting 1% of the population of the Pacific to work permanently in Australia would deliver more benefits to the Pacific peoples by 2040 than would Australia's current aid programme (Berkelmans and Pryke, 2016). Therefore, it is encouraging that Australia is now seeking to expand labour mobility with the establishment of a Pacific Labour Scheme set to begin in 2018. The new scheme will initially enable up to 2 000 workers from Kiribati, Nauru and Tuvalu to take up low and semi-skilled work opportunities in rural and regional Australia for up to three years. The scheme will be extended to other Pacific Island countries over the course of 2018 based on need and impact. As witnessed in Solomon Islands and from successful New Zealand programmes, there is a demand and

potential for this – and further - expansion of labour mobility from the Pacific to Australia.

Convergence is less clear between Australia's development objectives and a range of policy positions related to finance, environment and security.

Australia has improved its score on the Financial Secrecy Index by putting in place important measures to fight tax evasion and tax avoidance (Center for Global Development, 2017). Australia also has a good understanding of its money laundering risks, co-ordinates domestically to address these risks and has highly effective mechanisms for international co-operation. According to a recent evaluation by the OECD Working Group on Bribery, Australia has stepped up its enforcement of foreign bribery since 2012, when Australia's implementation of the OECD Anti-Bribery Convention was last evaluated, with seven convictions in two cases and 19 ongoing investigations. However, in view of the level of exports and outward investment by Australian companies in jurisdictions and sectors at high risk for corruption, the evaluation recommends that Australia must continue to increase its level of enforcement (OECD, forthcoming).

The monitoring of Australian businesses overseas has been criticised as being weak. An example is a recent claim regarding non-observance by the Australian National Contact Point of the Procedural Guidance to the OECD's Guidelines for Multinational Enterprises.[12] In June 2017, Australia commissioned an independent review of its National Contact Point including the effectiveness of the current structure.

Despite strong commitment to bring down the cost of sending remittances from Australia, these costs remain high (Chapter 3).

Australia ranks 26th out of 27 countries in the environment component of the Commitment to Development Index. This is due to its very low gasoline taxes. Australia also has relatively high greenhouse gas emissions per capita and is the world's third most important importer of tropical timber (Center for Global Development, 2017). Australia has committed to reduce greenhouse gas emissions by 2030 to between 26% and 28% of 2005 levels. Nevertheless, it continues to provide tax breaks to the coal industry, including for new mines, and Australia is the biggest net exporter of coal.

Australia's Defence Industry Minister has indicated that Australia plans to significantly increase exports of weapons. Such an increase will require that adequate resources be allocated to ensure that neither Australia's strategy of countering violent extremism nor its support to fragile states is undermined. These measures would be in line with Australia's strong contribution to the adoption of the Arms Trade Treaty in 2013.

In light of these challenging coherence issues, opportunities exist for DFAT to make stronger use of a range of consultative mechanisms and inter-departmental working groups. This would increase awareness of the potential impact of policy choices on development and help DFAT use policy levers beyond aid, as it does with cross-government technical support to developing countries (Chapter 4).

Box 1.1. A development-friendly trade liberalisation agenda

Australia is a forceful advocate for greater and more ambitious trade liberalisation, in recognition of the mutual benefits accruing to Australia and developing countries from international trade and investment. The integration of trade and development within the same department, DFAT, has facilitated enhanced coherence. This is illustrated in the following examples.

- Australia ranks in the top 10 on trade in the Commitment to Development Index. Australia has the second lowest agricultural subsidy rate of 27 countries evaluated in the Index, underscoring its leadership in providing equal access for agricultural products from developing countries (Center for Global Development, 2017). It also has low barriers to trade in services.
- Australia was one of 14 countries that concluded negotiations on the Pacific Agreement on Closer Economic Relations (PACER Plus) in April 2017. This agreement will promote the economic development of Pacific Island Forum countries through greater regional trade and economic integration.[13] In addition to locking in duty-free access to the Australian market for PACER Plus parties, Australia will support the parties to build their capacity to trade including by modernising their customs and biosecurity systems.
- Australia provides complete duty-free, quota-free (DFQF) access for imports from least developed countries (LDCs). Exports to Australia from Bangladesh, Cambodia and some other LDCs have increased since the introduction of the DFQF preferences.
- Australia plays a leading role in the diffusion of technology to developing countries. It has the third best score (out of 27 countries) on the intellectual property rights indicator in the 2017 Commitment to Development Index (Center for Global Development, 2017). Through its co-operation with the World Intellectual Property Organization, Australia also is placing scientists from developing countries in the world's leading research organisations to develop better treatment options for neglected tropical diseases, malaria and tuberculosis (OECD/WTO, 2017).
- Australia matches or exceeds best performance in trade facilitation indicators in terms of information availability, appeal procedures, fees and charges, border agency co-operation (internal and external), and governance and impartiality.[1]

Australia also has made aid for trade a bigger priority (Chapter 2). The 2015 *Strategy for Australia's Aid for Trade Investments* seeks to ensure a coherent approach to trade and development and effective investments that meet the needs of developing countries (DFAT, 2015b).[2]

1. See http://compareyourcountry.org/trade-facilitation.
2. Australia's aid for trade priorities include trade and investment policy, trade facilitation, global value chains, private sector development, services, economic empowerment of women, knowledge and skills development, infrastructure and agriculture. A recent evaluation found that DFAT's aid for trade investments have been effective in addressing capacity issues, have the potential to make significant impacts on poverty reduction, and contain many elements of good global practice as well as lessons for Australia going forward. More information is available at *Gearing up for trade: Australia's support for trade facilitation programs*, http://dfat.gov.au/aid/how-we-measure-performance/ode/Documents/gearing-up-for-trade-report.PDF.

Global awareness

Peer review indicator: The member promotes whole of society contributions to sustainable development

Public attitudes in Australia tend to suggest a sympathetic view towards global issues and challenges but less support for aid. Australia now is committed to revive its efforts to communicate effectively on sustainable development, following a period of adjustment after the integration of AusAID into DFAT. Engaging with the public on issues of global citizenship would build on long-standing people-to-people and educational exchanges between Australia and its neighbours.

DFAT is committed to improve its communications in response to a growing evidence base on global awareness

The 2017 Lowy Institute poll[14] provides important insights into the Australian public's views on global issues and citizenship. The following are some of the poll findings.

- Against the backdrop of a surge in nationalism and protectionism in the Western world, 78% of Australians think globalisation is "mostly good" for Australia and a majority of those polled said they saw benefits in free trade for themselves and the country.
- A majority of Australians (54%) say "global warming is a serious and pressing problem [and] we should begin taking steps now even if this involves significant costs". This is consistent with other polls in Australia on this issue and the previous year's Lowy Institute Poll.
- A large majority (81%) say Australia "should intervene to provide military and humanitarian support" if "there is another major crisis in the Pacific, such as happened in Solomon Islands in 2003".

The poll (Lowy Institute, 2017) also suggests that Australians are not troubled by reductions in the aid budget, with 73% saying the current aid budget of approximately AUD 3.8 billion is either "about the right amount" or "too much". The response was nearly the same in 2015 when the aid budget was AUD 5 billion, or 30% higher. Misperceptions as to the amount of money spent on aid also persist.[15]

DFAT has recently conducted its own public attitudes research, after many years. While the findings have not been released yet, this research in combination with other surveys will provide an evidence base for targeting communications, development education and global awareness efforts.

The last peer review in 2013 praised AusAID's efforts on public awareness as strategic, well resourced, evidence-based, targeted and monitored (OECD, 2013). The integration of AusAID into DFAT, with the attendant transfer to new communications platforms and the loss of dedicated communication resources, has slowed some of this momentum. Betteridge (2016) finds that information was not being shared in a way that was user-friendly for an average Australian.

In recognition of the lack of accessible information and with its investment in an evidence base, Australia is now committed to better tailor, brand and resource its communications and development education efforts at home to build awareness of global development

issues. For example, DFAT has already increased its social media presence at home and abroad.

People-to-people exchanges add to Australia's global outlook

Australia's commitment to scholarship and volunteer programmes is building connections between peoples, nations and cultures and contributing to regional and global awareness.

Over the course of more than 60 years, Australia has invested in providing 80 000 individuals from developing countries the opportunity to pursue tertiary education in Australia. The Australia Awards[16] complement the Australian government's New Colombo Plan that enables undergraduates from Australian universities to live, study and gain work experience in the Indo-Pacific region (DFAT, 2016b).

Another long-running initiative is Australian Volunteers for International Development (AVID), whose volunteers "promote a positive perception of Australia in the region, and promote a positive perception of the aid program domestically" (DFAT, 2017c). In 2015/16, AVID deployed 1 345 volunteers across the Indo-Pacific region.[17]

Notes

[1] Australia was elected on 16 October 2017.

[2] For more information on issues related to the gender digital divide, see www.bmwi.de/Redaktion/DE/Downloads/G/g20-digital-economy-ministerial-declaration-english-version.pdf?__blob=publicationFile&v=10.

[3] The statement, issued by the Australian Mission to the United Nations, is at http://statements.unmeetings.org/media2/14686154/australia-r1.pdf.

[4] The UN Security Council adopted Resolution 2282 (2016) on the Review of United Nations Peacebuilding Architecture in April 2016. Australia co-chaired the negotiations with Angola.

[5] The Stockholm Declaration on Addressing Fragility and Building Peace in a Changing World is available at www.pbsbdialogue.org/media/filer_public/1e/23/1e237c73-5518-4a03-9a87-b1aa6d914d20/stockholm_declaration.pdf.

[6] The Grand Bargain is an agreement among more than 30 of the biggest donors and aid providers that "aims to get more means into the hands of people in need". See www.agendaforhumanity.org/initiatives/3861.

[7] The 2015-30 Sendai Framework is a non-binding agreement that aims for the "substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries". See http://www.unisdr.org/files/43291_sendaiframeworkfordrren.pdf.

[8] See https://www.theguardian.com/environment/2017/jun/21/australia-warned-it-has-radically-underestimated-climate-change-security-threat (accessed 20 June 2017).

[9] The Indo-Pacific Centre for Health Security, a new unit within DFAT, leads the Health Security Initiative. Initial investments include AUD 75 million in grant funding for Product Development Partnerships and AUD 20 million for the WHO health emergencies programmes. The Initiative also comprises a new Health Security Corps to encourage Australian health professionals to share expert knowledge with other health professionals in the region.

[10] See, for example, www.unhcr.org/news/press/2017/8/59a558104/australia-coerce-vulnerable-people-return-harm.html and http://www.unhcr.org/afr/news/press/2017/7/597217484/unhcr-chief-filippo-grandi-calls-australia-end-harmful-practice-offshore.html

[11] Kamasaee v Commonwealth of Australia & Ors (Approval of settlement) [2017] VSC 537.

[12] On 24 November 2017, OECD Watch, a network of non-governmental organisations, made a substantiated submission about the Australian National Contact Point (NCP) to the Investment Committee as set out in the Procedural Guidance of the OECD Guidelines for Multinational Enterprises (Part II, Section II, Paragraph 2.b). This provision enables the Investment Committee to consider whether an NCP is fulfilling its responsibilities with regard to its handling of specific instances.

[13] The Agreement was signed in Nuku'alofa in Tonga on 14 June 2017 by Australia, New Zealand and the eight Pacific island countries of Cook Islands, Kiribati, Nauru, Niue, Samoa, Solomon Islands, Tonga and Tuvalu.

[14] The 2017 Lowy Institute Poll reports the results of a nationally representative telephone survey of 1 200 Australian adults conducted on behalf of the Lowy Institute by the Social Research Centre between 1 March 2017 and 21 March 2017. The maximum sampling variance, or error margin, is +/-2.8%. See www.lowyinstitute.org/sites/default/files/documents/lowy-2017-pollreport-web.pdf.

[15] See https://www.theguardian.com/australia-news/2016/apr/29/australians-massively-overestimate-level-of-foreign-aid-in-budget-poll-finds (accessed 14 July 2017).

[16] The Australia Awards are a whole-of-government initiative bringing together scholarships and fellowships offered by DFAT, the Department of Education and Training, and the Australian Centre for International Agricultural Research. The majority (77%) of Australia Awards recipients come from the Indo-Pacific region. In 2015/16, the aid programme offered 2 031 new Australia Awards to students in 56 countries, with over 4 000 awardees present in Australia at any one time. In the same period, the Australia Awards programme spent AUD 328.9 million (USD 244.5 million) and 98%, or more than 1 600, Australia Awards scholarships awardees successfully completed their studies.

[17] In 2015/16, 93% of AVID volunteers were placed in Asia and the Pacific; Indonesia, Cambodia, Fiji, Solomon Islands and Vietnam received the highest number. Volunteers worked to support Australian and partner government country priorities with 95% of new assignments aligned with Aid Investment Plans. In support of the aid programme's thematic priorities 10% of volunteer assignments had a primary focus on gender equality, 15% of assignments focused on disability inclusion, and 25% of assignments engaged with the private sector. For more details, see http://dfat.gov.au/about-us/publications/Documents/performance-of-australian-aid-2015-16.pdf.

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Chapter 2. Policy vision and framework

Framework

Peer review indicator: Clear policy vision aligned with the 2030 Agenda based on member's strengths

Australia overhauled its development policy framework following the integration of AusAID into DFAT. National interests and economic diplomacy are highly visible in the new strategic framework. New policy priorities and geographic concentration have largely been achieved through a set of performance benchmarks. Australia is still in the process of setting out its alignment with the 2030 Agenda.

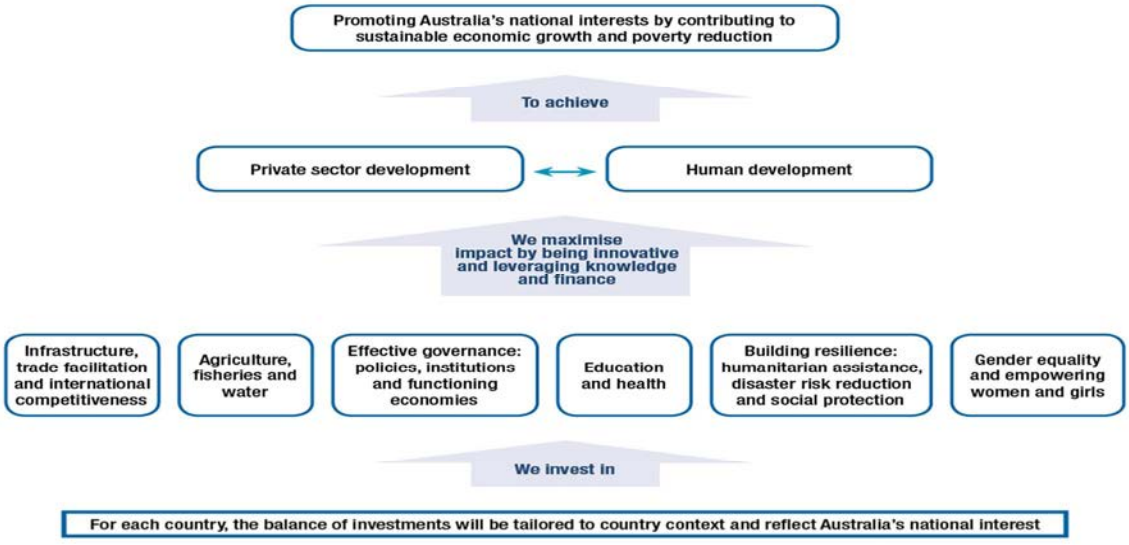
Australia's new strategic framework brings into sharper view the alignment of aid, national interests, and foreign and economic diplomacy

Significant policy changes accompanied the integration of AusAID into DFAT in 2013 (Chapter 4). A new development policy – "promoting prosperity, reducing poverty, enhancing stability" – was introduced in 2014 (DFAT, 2014a). The policy defines "the purpose of Australia's aid programme is to promote Australia's national interest by contributing to sustainable economic growth and poverty reduction" (DFAT 2014a). The aid policy sets out six priority areas for investment. It also provides an updated strategic framework for the aid programme (Figure 2.1). A range of new and updated sector/thematic strategies[1] gives the policy framework operational application; the policy also provides a results focus through a refreshed results framework (Chapter 6).

The most significant shift is the closer alignment between Australia's development objectives and its foreign policy and economic diplomacy objectives, and the focus on promoting Australia's national interests more broadly. These have altered the overall theory of change and partnership approach, as discussed further below.

A new Foreign Policy White Paper (DFAT, 2017a) recognises the backdrop of the 2030 Agenda and the contribution of the aid programme in supporting partners reach the Sustainable Development Goals (SDGs). Australia, however, still has work to do to explicitly align the development co-operation policy framework with the SDGs.

Figure 2.1. Australia's new strategic framework



Source: DFAT (2014a), http://dfat.gov.au/about-us/publications/pages/australian-aid-promoting-prosperity-reducing-poverty-enhancing-stability.aspx.

Strategic targets have driven desired policy shifts

The new development policy was accompanied by a new performance framework, Making Performance Count (DFAT, 2014b). The framework sets out ten high-level targets for ensuring the aid programme is effectively managed and delivers on key government priorities. The policy-related targets were:

- Promoting prosperity: Promote economic development by increasing Australia's aid for trade investments to 20% of the aid budget by 2020
- Engaging the private sector: All new investments were to explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes
- Reducing poverty: By July 2015, all country and regional programmes were to have Aid Investment Plans that describe how Australia's aid would promote economic growth in ways that provide pathways out of poverty
- Empowering women and girls: More than 80% of investments, regardless of their objectives, were to effectively address gender issues in their implementation
- Focusing on the Indo-Pacific region: The proportion of country programme aid that is spent in the Indo-Pacific region was to be increased to at least 90% from 2014-15.

All of the strategic targets have been or will soon be met. Geographical concentration has been achieved through the withdrawal in large part from sub-Saharan Africa (Chapter 3). Other targets on poverty, gender and the private sector are discussed below. It would be useful for Australia to reflect on its experience with a limited number of strategic targets as a means of driving policy change. This reflection could consider the targets in terms of their ambition, incentives, potential trade-offs created, and overall impact on development effectiveness and results. Such a reflection would be of broader value to DAC members reviewing their own policy-making processes.

In a June 2014 speech, Minister of Foreign Affairs Julie Bishop called this overarching policy and performance framework a "new aid paradigm".[2] The framework provides clarity and coherence to the aid programme and various governance structures provide strategic vision and oversight (Chapter 4). The framework was given additional political weight with the appointment of a dedicated Minister for International Development and the Pacific in 2015. It is only the third time such a position has existed in the history of Australian aid. This is to be commended in the context of an overall weakening of bipartisan support in Australia for increasing ODA levels (Chapter 3).

Principles and guidance

Peer review indicator: Policy guidance sets out a clear and comprehensive approach, including to poverty and fragility

Australia is transitioning its approach from traditional development assistance to economic partnerships with emerging economies in Asia. It is also the largest provider to small island developing states, and targets their unique challenges. Guidance is established in a number of areas to place sustainability and equity high on the Australian aid agenda. Australia's approach to gender equality is exemplary. Nonetheless, Australia's commitment to poverty reduction, fragility and positive environmental outcomes would benefit from stronger policy and guidance.

Australia tailors its approach to different contexts and considers sustainability

In line with the policy vision, Australia has transitioned from traditional forms of development assistance to new economic partnerships with fast-growing countries in Asia. Engagement in these contexts is now more clearly focussed on policy advice to further enhance and sustain economic growth. At the same time, Australia was the largest bilateral donor to small island developing states (SIDS) in 2017/18, and the vast majority of this bilateral aid went to the Pacific (Chapter 3). Australia's development partnerships in SIDS are increasingly targeting the unique challenges in building economic resilience that SIDS, as small and isolated markets, face. These challenges include generating local employment opportunities, climate change and cost-effective service delivery in remote environments (DFAT, 2014a). Specifically in the Pacific, and in line with national interests, Australia is also stepping up its security partnerships.

A strong commitment to sustainability underpins the tailored approach. Sustainability is also one of six investment design quality criteria that are regularly assessed through Aid Quality Checks (Chapter 6). The approach also underscores the commitment through policy and guidance to equity, as demonstrated through Australia's continued leadership on issues related to gender (see below), disability[3] and indigenous peoples. A guidance note also seeks to enhance the use of political economy analysis in core aid planning and processes as part of DFAT's broader effective governance strategy (DFAT, 2016a; DFAT, 2015b).

More policy and guidance would help Australia anchor its poverty reduction objective and respond to fragility

Poverty reduction remains a high-level objective of Australian development co-operation (Figure 2.1). The theory of change in the aid policy is that economic growth – through private sector development[4] – is the primary driver of poverty reduction (DFAT, 2014a). Foreign Minister Bishop, in a 2014 speech, noted, "We have aligned the goal of poverty reduction with the pursuit of regional economic growth."[5] Aid is therefore more closely linked with Australia's economic diplomacy approach. DFAT (2017b) defines this approach as "the use of Australia's diplomatic assets, including the aid program, to build Australia's prosperity and global prosperity increasing trade, supporting economic growth, encouraging investment and assisting business".

A 2015 survey found that external stakeholders familiar with the Australian aid programme perceived its poverty focus to have declined between 2013 and 2015 (Wood, Burkot and Howes, 2016). Concerns that the poverty objective would be superseded were also expressed when the aid programme was integrated into DFAT (Bruere and Hill, 2016). As Australia continues to orient its programme towards economic diplomacy, economic growth and security, it will need to anchor the poverty reduction objective within a framework that considers all of its support and how this support contributes to inclusive growth and to a clearly established interpretation of leaving no one behind. Missions would benefit from more guidance and diagnostic tools for analysing, monitoring and evaluating this commitment in the very different contexts and income levels of countries in the region.

Australia's 2011 framework for working in fragile contexts and conflict-affected states has not been updated although global thinking has moved on since that time, notably around the multidimensional nature of fragility (OECD, 2016) and conflict prevention. The absence of an up-to-date, overarching policy leads to the risk that these issues are not being systematically addressed in all fragile contexts, and also inhibits programming that informs global advocacy on policy issues. Australian government representatives told the peer review team that they are still working on a new policy document (DFAT, 2017b). DFAT has issued useful new guidance, however, on countering violent extremism (DFAT, 2017c).

Mainstreaming practices vary in their priority and rigour

Australia continues to champion gender equality internationally, regionally and bilaterally through a dedicated strategy, performance targets, financial resources and political leadership (see Box 2.1).

Australia's ambitions on the environment are set out in the 2014 *Environment Protection Policy for the Aid Program* (DFAT, 2014c). These bring the development co-operation programme into line with the government-wide Environment Protection and Biodiversity Conservation Act 1999.[6] The policy establishes six principles that include "do no harm" and "promote improved environmental outcomes". Underpinning the policy is the safeguards requirement that all aid investments be screened for their potential environmental impacts. The screening process is well established and sets levels of environmental risk and referral thresholds (DFAT, 2014c).

However, as noted in the last two peer reviews, Australia lacks an overarching commitment and strategy for mainstreaming the environment beyond a safeguards approach. This is affecting the resources and incentives directed towards a concerted

approach for improving environmental outcomes. The proportion of bilateral allocable aid focused on the environment is below the DAC average and is declining (Chapter 3).

Encouragingly, a process is underway in DFAT to address some of the shortfalls in terms of priority status, guidance, expertise and resources, specifically on mainstreaming climate change. DFAT will seek to elevate climate change as a priority area and to develop an associated framework and implementation plan for mainstreaming climate in the aid programme.

Box 2.1. Australia's comprehensive approach to gender equality and women's empowerment

Gender equality is a genuinely cross-cutting issue for DFAT, as illustrated below:

Global: Australia consistently advocates for gender equality and women's empowerment in international fora and multilaterally including through the UN and G20. The Ambassador for Women and Girls symbolises Australia's leadership and advocacy.

Strategy: Australia's 2016 gender strategy focuses on enhancing women's voice in decision making, leadership and peacebuilding; promoting women's economic empowerment; and ending violence against women and girls.

Whole-of-government: The priority on violence against women, for example, draws upon whole of government resources and experience. In Solomon Islands, a whole-of-post working group has been established to prioritise gender equality on all fronts.

Twin-track: Australia's strategy is a twin-track approach that defines gender equality and women's empowerment as a discrete strategic priority investment area in track one, and integrates gender equality effectively in all aid investments, regardless of sector or focus, in track two.

Targets: Australia's commitment is cemented in a strategic target, as noted above. In 2015, 54% of Australia's bilateral allocable aid had gender equality as a principal or significant objective, a much higher proportion than the DAC country average of 36.3%.

Dedicated instruments: Australia established an AUD 50 million (USD 37.6 million) Gender Equality Fund in 2015 to strengthen gender equality and women's economic empowerment in the Indo-Pacific region. The Fund includes the innovative Investing in Women Initiative and the Pacific Women Shaping Pacific Development programme.

Mainstreaming guidance: Australia has guidance and good practice notes for integrating gender equality throughout the programme cycle. These are well signposted in the overarching Aid Programming Guide (DFAT, 2017d).

Review: The Aid Quality Check process requires a comprehensive review of progress against gender equality in individual investments. DFAT's annual reports contain detailed and disaggregated investment performance and spending statistics related to gender equality.

Data: Australia is supporting several initiatives to improve the global and regional production and use of gender statistics.

Human resources: The DFAT gender equality branch in Canberra provides high-level oversight and technical support to teams internally. Additional support is provided and knowledge is managed through a network of gender focal points and a panel of external gender experts. Regular gender training is provided.

Institutional: DFAT's Women in Leadership Initiative, announced in 2014, looked into why women's career progression in the department was not equal to that of men. A strategy has been developed in response.

Sources: DFAT (2017b), "OECD DAC Peer Review of Australia's Aid Program: Memorandum of Australia", unpublished; DFAT (2017d), Performance of Australian Aid 2015-16, http://dfat.gov.au/about-us/publications/Pages/performance-of-australian-aid-2015-16.aspx; DFAT (2017e), "Aid Programming Guide", unpublished; DFAT (2017f), Aid Budget Summary 2017-18, http://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2017-18-australian-aid-budget-summary.pdf; DFAT (2017g), Australian Engagement with Developing Countries, http://dfat.gov.au/about-us/publications/Documents/aus-engagement-developing-countries-part1-bilateral-relationships.pdf; DFAT (2016b), Gender Equality and Women's Empowerment Strategy, http://dfat.gov.au/about-us/publications/pages/gender-equality-and-womens-empowerment-strategy.aspx; Pacific Women website, http://pacificwomen.org/.

Basis for decision making

Peer review indicator: Policy provides sufficient guidance for decisions on channels and engagements

Australia applies criteria that are aligned with its stated policies, to test investment decisions. It also is increasing the emphasis on delivering results and value for money in its choice of partners. Rigorous performance assessments are conducted of each partner and at different levels in the case of multilateral organisations. As this approach unfolds, Australia will need to review the effect on different sets of partners and their ability to meet requirements. It will also need to review the consistency of links between performance assessments and funding decisions.

Clear criteria guide Australia's aid investments

The strategy document, "Australian Aid: promoting prosperity, reducing poverty, enhancing stability", sets out four tests to guide Australia's engagement and inform decision-making on specific proposals and individual investments (DFAT, 2014a).

- Pursuing national interest and extending Australia's influence: Is the development assistance in Australia's longer-term strategic and economic interests, taking into account the benefits of a prosperous and secure region to Australia?
- Impact on promoting growth and reducing poverty: Does the development assistance best tackle constraints to growth and poverty reduction, taking into account the poverty situation and other sources of development finance such as domestic resources?
- Australia's value-add and leverage: Does the development assistance leverage existing efforts and complement, not displace, partner countries' responsibilities?
- Making performance count: Is the development assistance likely to achieve value for money and perform in line with *Making Performance Count* (DFAT, 2014b).

A balanced assessment against these four tests is meant to guide aid allocations as part of the annual aid budget process, and at the country and regional programme level through the Aid Investment Plan process. This reflects DFAT's effort to become more selective in what it does and with whom it works.

Australia's partnership approach is evolving, aiming for closer links between performance and funding

In announcing the government's new aid policy in 2014, the Foreign Minister said that Australia is "agnostic about how aid is delivered, other than to ensure it is effective and efficient" and that "we partner with the most effective organisations that have the capability to achieve the best possible results".[7] At the same time, one of the strategic targets calls for all investments to explore private sector engagement opportunities.

The department's eight value for money principles provide a framework for identifying partners who offer the most effective, efficient and innovative option to achieve development objectives in a particular context (Chapter 4). Partner Performance Assessments (PPAs) and Multilateral Performance Assessments (MPAs)[8] are used to regularly review key implementing partners against standard criteria. PPAs are mandatory for commercial suppliers, NGOs and multilateral organisations with agreements valued at AUD 3 million or more. MPAs are meant to enable DFAT to assess, monitor and report on the performance of multilateral organisations.

Australia also has specific strategies for different groups of partners, as discussed in Chapter 5. For instance, Australia's engagement with and support to civil society is based on recognition of civil society's varied roles and comparative advantages.[9] Australia's unearmarked funding to civil society is good practice. Australia engages with the private sector on the basis of core principles and around the concept of creating shared value through partnership (DFAT, 2015d).

Australia is a strategic partner to the multilateral system, providing core, long-term and predictable funding (Chapter 3). It engages successfully to increase the reach and scale of Australia's development assistance and to leverage additional finance and expertise from the multilateral system, not least in Australia's region of focus and on its thematic priorities. Australia continues to work collectively and collaboratively with others to improve multilateral effectiveness though membership of the Multilateral Organisation Performance Assessment Network (MOPAN).

Currently, the multilateral system receives more than 40% of ODA under Australia's partnership approach; private contractors receive approximately 20% (Chapter 4). Government-to-government aid is down to 3.5% compared to 8.2% in 2013, although the Australian government vows to work closely with partner governments in each context (Chapter 5). Funding to NGOs has declined in parallel to budget cuts (Chapter 3).

As is the case for other DAC members, Australia will need to continue to provide clarity to its partners as to how and why decisions are made. This involves striking a balance between the high standards it keeps for screening partners, on the one hand, and the potential contribution of a partner, on the other hand. Australia also will need to continue reviewing whether the process for performance assessment, including for multilaterals at both the institutional and investment levels, is proportionate and is adding value for decision making relative to other sources of performance information.

Notes

[1] In 2015-16, new strategies were released for gender equality and women's empowerment, economic infrastructure, aid for trade, private sector development, education, humanitarian assistance, social protection, and the Australia Awards programme. Strategies are now in place to guide Australian aid investments for all priority investment areas.

[2] The prepared speech is available at https://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140618.aspx.

[3] The objective of Australia's work on disability-inclusive development, as set out in Development for All 2015-2020, is to improve the quality of life of people with disabilities in developing countries. This is to be achieved through enhancing participation and empowerment of people with disabilities as contributors, leaders and decision makers in communities, government and the private sector; reducing poverty among people with disabilities; and improving equality for people with disabilities in all areas of public life including service provision, education and employment.

[4] The DFAT private sector development strategy sets out a logic model. See http://dfat.gov.au/about-us/publications/Pages/strategy-for-australias-aid-investments-in-private-sector-development.aspx.

[5] The prepared speech is available at https://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140618.aspx.

[6] For details on the Act, see http://www.environment.gov.au/epbc/about.

[7] The prepared speech is available at https://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140618.aspx.

[8] MPAs were introduced in 2015 to place greater emphasis on the link between performance and funding. MPAs focus on six categories that reflect current Australian development policy priorities: results and impact; relevance and alignment with Australia's priorities; value for money; partnership behaviour and contribution to wider multilateral system; organisational capacity; and organisational governance. On average, Australia assesses each major multilateral partner every three years, with the assessment timed to inform key funding or governance decisions relating to that partner. Summaries of the multilateral performance assessments are published in the Performance of Australian Aid reports.

[9] Australia has a number of objectives in its engagement with NGOs. These are to enable economic growth through improving economic opportunities and livelihoods; engage communities in development and support public diplomacy; promote gender equality and empowerment of women and girls; foster effective collaboration, partnerships and multi-stakeholder approaches; support humanitarian advocacy and response to build resilience; foster innovation; promote effective governance through building coalitions for reform, accountability and inclusive decision making; and enhance NGO performance and effectiveness. See http://dfat.gov.au/about-us/publications/Pages/dfat-and-ngos-effective-development-partners.aspx.

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Chapter 3. Financing for development

Overall ODA volume

Peer review indicator: The member makes every effort to meet ODA domestic and international targets

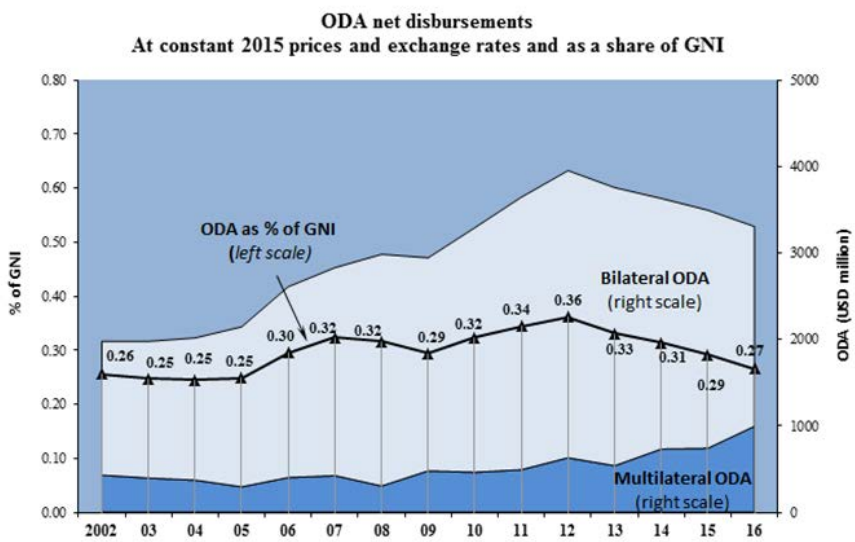
Australia has made substantial cuts to its aid programme since the last peer review, officially abandoning its previous aid target. Australia's aid volume compared to the size of its economy (ODA/GNI) is below the DAC average and on a downward trajectory, despite continued economic growth. Australia does not currently have a statement on the level of development aid it wants to reach.

Australia has cut ODA, abandoning its previous ODA target

In 2016, Australia provided USD 3.278 billion (AUD 4.410 billion) in net official development assistance (ODA), which represented 0.27% of its gross national income (GNI), a 5.4% decrease in real terms from 2015 (Figure 3.1). Since 2013, in cumulative terms, the Australian aid budget has been cut by over 30% (Hill, 2017).

Australia had previously committed to increase its ODA/GNI ratio to 0.5% by 2016/17. It has since abandoned this target, and budget forecasts and GDP growth estimates suggest that Australian aid will hit a historic low of 0.22% ODA/GNI in 2017/18 (DFAT, 2017c). If Australia is to meet the international UN benchmark of 0.7%, it will need to reverse recent ODA trends. The Australian government has stated that it does not currently support a time-bound aid target as a percentage of GNI.[1]

Figure 3.1. ODA disbursements



Source: OECD DAC statistics

Australia is falling behind other DAC members on ODA

The official rationale for cuts to ODA is the need to control the deficit and improve fiscal discipline to achieve a budget surplus.[2] Australia has seen 26 years of uninterrupted economic growth, its debt is below the OECD average and fiscal deficits are declining (OECD, 2017a). While Australia is the 10th largest economy within the OECD, it is the 15th largest donor out of 30 DAC members as a percentage of GNI and the 13th largest donor in DAC by total volume. While Australia's GDP per capita is well above the OECD average, its current ODA volume of 0.27% of ODA/GNI is below the DAC average of 0.32% (Annex B).

At the same time as cuts have been made to ODA, overall government spending has grown by approximately 10% since 2013 (Bruere and Hill, 2016). In particular, Australia's defence spending has increased including for military contributions to international efforts in Iraq and Syria and to stabilisation and counter-terrorism in the Middle East region (World Bank, 2017b).

Australia has improved ODA reporting and predictability and adjusted its approach to refugees

Since the last peer review, Australia has made efforts to improve the medium-term predictability of its aid despite the continued budget cuts. Australia publishes indicative ODA forward estimates for a four-year period in its Budget Strategy and Outlook that include the overall foreign aid[3] projections until 2020.[4] DFAT also publishes two year, forward estimates in the Australian Aid Budget Summary, which contains more detailed global, regional and country-level ODA figures.

Australia has also made improvements in its ODA reporting since 2016, when it was rated as "needs improvement" on its reporting to the OECD DAC statistics and to the OECD survey on Forward Spending Plans (OECD/UNDP, 2016). Australia has improved the timeliness of its reporting to the DAC and since 2016 has been in the process of overhauling its data management system to improve statistical reporting.

As recommended in the last peer review Australia has clarified its approach to in-donor refugee costs and as of the 2014/15 budget year, Australia no longer reports such costs as ODA. Australia directs irregular migrants and asylum seekers to offshore "regional processing centres" in Nauru and in Papua New Guinea (PNG) for processing by their respective governments (Chapter 1). In 2014, Australia also signed a memorandum of understanding (MOU) with Cambodia to voluntarily settle refugees from Nauru to Cambodia (Australian Government and Cambodia Government, 2014). Separate MOUs with both Cambodia and PNG committed DFAT to provide additional ODA. This has resulted in an additional AUD 40 million (USD 36 million) for Cambodia and AUD 50 million (USD 48 million) for PNG with a focus on Manus Island. The MOU with PNG (first signed in September 2012 and updated in August 2013), for example, engages the Australian and PNG governments to "develop a package of assistance and other bilateral co-operation, which will be in addition to the current allocation of Australian development co-operation assistance to PNG" (DFAT, 2013).

Bilateral ODA allocations

Peer review indicator: Aid is allocated according to the statement of intent and international commitments

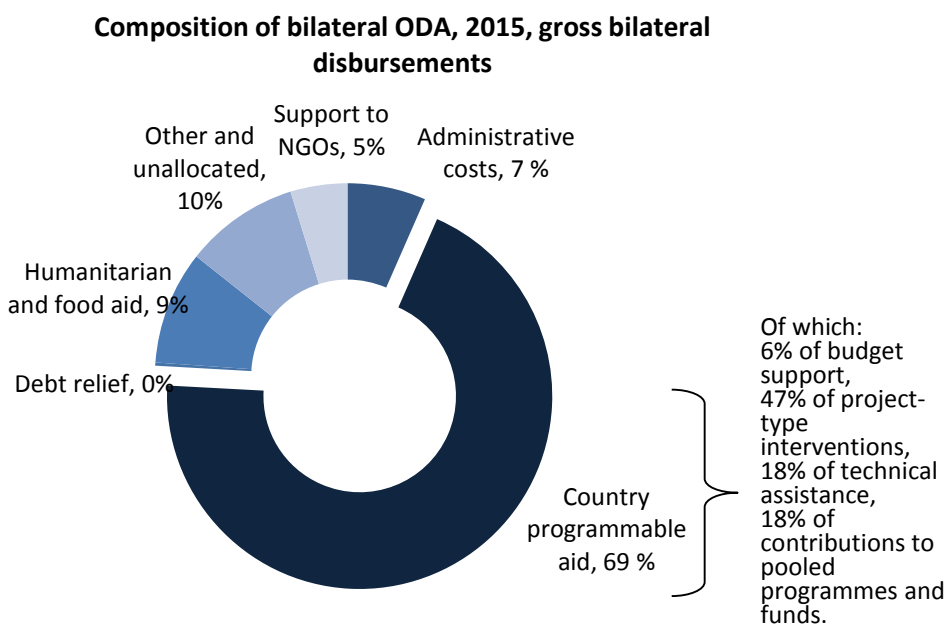
Australia's bilateral ODA allocations reflect its policy priorities. Australia remains a strong partner in the Indo-Pacific region and to small island developing states (SIDS). Support to least developed countries represents approximately one-quarter of Australian ODA, while support to climate and environment is consistently below that of other DAC member countries. Australia is a staunch champion for gender equality, with ODA allocations consistent with this strategic focus.

The total volume of bilateral ODA has declined

Australia's bilateral ODA has been declining along with the cuts in total ODA volume. Total gross bilateral ODA in 2016 was USD 2.29 billion (AUD 3.08 billion), representing 70% of total gross disbursements. Since 2012, when gross bilateral aid peaked at USD 4.65 billion (AUD 4.49 billion), it has been on a steadily downward trajectory.

In 2015, 69% of bilateral ODA was country programmable aid, well above the DAC country average of 47% (Figure 3.2).

Figure 3.2. Composition of Australia's bilateral ODA



Source: OECD Statistics CRS Database

Australia applied ODA cuts across the board and has consolidated the focus on the Indo-Pacific region

Since 2013, cuts to Australian bilateral ODA have taken place across the board. In line with DFAT's revised aid policies, substantial cuts (approximately 70%) were made in aid to sub-Saharan Africa. Aid to Asia saw more moderate cuts (approximately 40%). Spending in the Pacific region was largely maintained. Australia met its target to invest at least 90% of country programme aid in the Indo-Pacific region in 2015/16 (Chapter 2). In the same period, aid to the Middle East region remained relatively constant at 4% (Figure 3.3). Australia also has made efforts to consolidate its ODA portfolio. In the last three years, the average size of its aid investments increased by more than 26% and the number of aid agreements decreased by 33% (DFAT, 2017a).

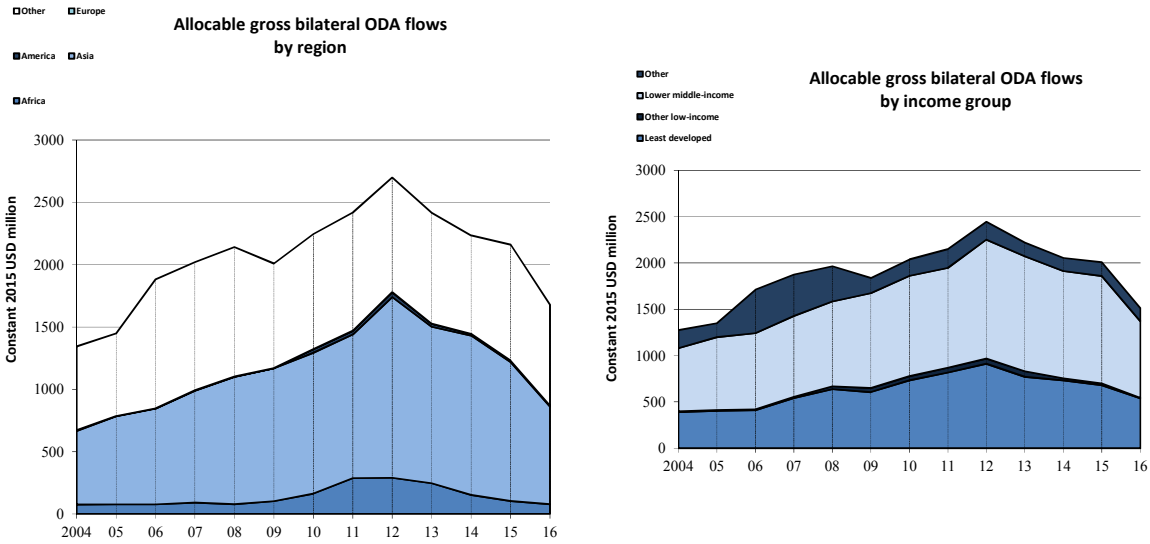
Australian aid to and through civil society organisations decreased between 2012 and 2016 by 30%. In 2016, aid to and through civil society was 9.6% of total net ODA and 13.8% of bilateral ODA (Annex B).

Australia has increased its focus on its main bilateral partners, many of which are small island developing states

The government of Australia is the largest DAC member provider to small island developing states (SIDS), many of which are located in the Indo-Pacific region. Between 2012 and 2015, Australia provided USD 3.94 billion or 26% of its total ODA to SIDS, accounting for 25% of all ODA to SIDS in the Pacific and Caribbean.

Consistent with Australian policy, 19 of Australia's top 20 recipients of bilateral ODA are in the Indo-Pacific region. Concentration on its top five beneficiaries is high, at 38% of gross bilateral ODA. Papua New Guinea and Indonesia are by far the two largest partners for Australian aid, with PNG receiving 15% and Indonesia receiving 12% of Australia's bilateral aid budget in 2015-2016. Concentration on the top 10 beneficiaries is also high at 50%, compared to the DAC average of 33%. Australia has a relatively high number of total partners (133 recipients) but the majority receive less than 1% of total ODA, suggesting that Australia could make further efforts to consolidate (Annex B).

Figure 3.3. Gross bilateral ODA flows by region and income group



Source: OECD DAC statistics

Support to least developed countries is slightly below the DAC average, but should be viewed in light of the focus on the Pacific

In 2016, Australia provided 36% of its bilateral aid to least developed countries (LDCs), slightly less than the DAC average of 40% (Annex B). The volume of aid to LDCs has been decreasing slightly each year between 2012 and 2015. Total ODA to LDCs was 0.08% of gross national income in 2015, well below the UN target of 0.15%. Aid to fragile contexts and conflict-affected states represented 38% of Australian bilateral allocable aid in 2016, above the 2015 DAC average of 34% (Annex B).

Australia's allocations to LDCs, however, should be viewed in the context of its focus on the Pacific region. This region includes many countries that are not LDCs but nevertheless are recognised as vulnerable, are subject to environmental shocks and include many SIDS. Seen in this light, lower middle income countries received 55%, the highest share, of Australia's bilateral ODA in 2016 (Annex B).

Australian sectoral allocations are in line with Australian policy priorities

Australia has committed to increase aid for trade investments by 2020 (Box 1.1). Between 2014 and 2015, Australian aid for trade increased by 21.5%. In line with Australian policy priorities, aid also has increased for the economic infrastructure and transportation sectors. While bilateral health spending has declined over the last five years, DFAT has launched an Indo-Pacific Health Security Initiative (Chapter 1).

Australia's level of ODA spending on gender equality is consistent with its strategic focus on this area and with the government target requiring that at least 80% of investments effectively address gender issues.[5] In 2015-16, 57% of Australia's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, considerably higher than the 2015 DAC country average of 36%. Australia has remained a leader in its support for gender equality (Box 2.1).[6]

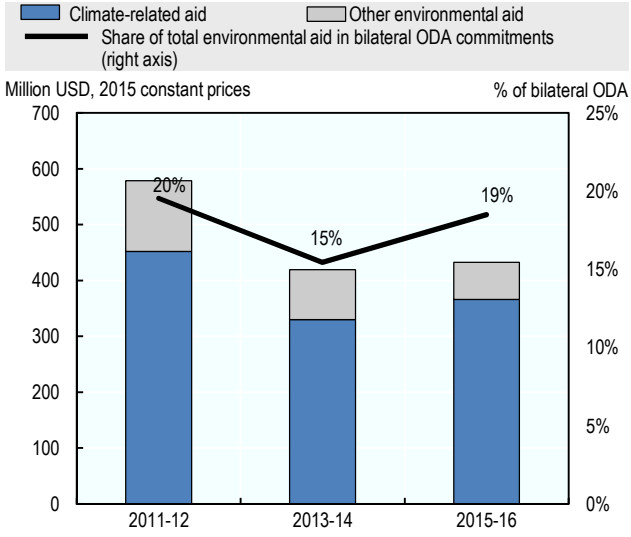
Official development assistance to climate has stabilised, but is below the DAC average

Australia committed in 2015 to invest at least AUD 1 billion (USD 751 million) of ODA to building climate resilience and reducing emissions over five years. While this target has helped protect this area from further budget cuts, Australia spends less ODA on support to climate change than many other DAC members. In 2015, 13% of Australian bilateral allocable aid (USD 334.7 million, equivalent to AUD 445.5 million) focused primarily on climate change, compared with the DAC country average of 26.2%. In 2016, climate-related bilateral allocable aid increased to USD 398 million (AUD 535.4 million).

Official development assistance to environment is low compared to other donors' aid

Australia spends less ODA on support to the environment than other DAC members. In 2015, 14.7% of Australia's bilateral allocable aid focused on the environment, compared with the DAC country average of 33.2%. Overall, the level of Australian ODA focused on the environment has not increased since the last peer review, although the 2015-16 average shows a slight upturn from the 2013-14 low (Figure 3.4).

Figure 3.4. Bilateral allocable ODA in support of global and local environment objectives, two year averages



Source: OECD statistics CRS Database

Multilateral ODA allocations

Peer review indicator: The member uses the multilateral aid channel effectively

Australia has increased its multilateral aid and remains a solid partner for multilateral organisations, providing un-earmarked core contributions. Australia could further consolidate its multilateral funding to decrease fragmentation and enhance multilateral effectiveness.

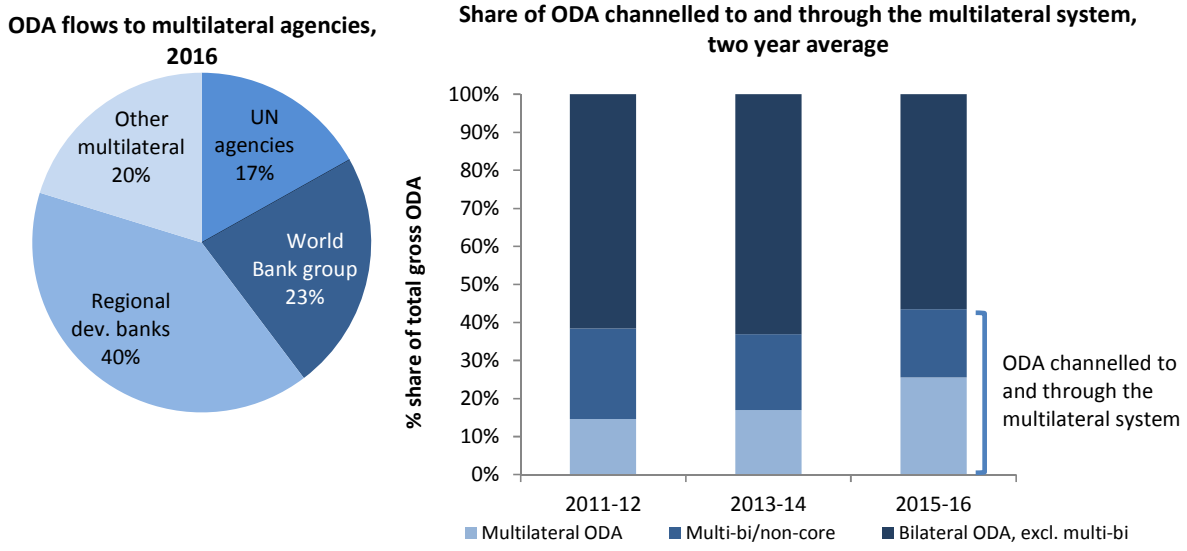
Australia has increased funding to the multilateral system

Australia has been increasing its multilateral aid in both relative and absolute terms. In 2016 Australia allocated 30% of total ODA (USD 987 million equivalent to AUD 1.33 billion) as core contributions to multilateral organisations, up from 21% in 2015. In 2016, Australia channelled 25% of its bilateral ODA for projects implemented by multilateral organisations, a slight increase from 23% in 2015. In sum, this reflects a 57.7% increase in gross multilateral aid from 2012 to 2016.

Multilateral aid to UN agencies increased from around 4% of total ODA per year in 2010 to around 5% in 2016 (USD 168 million equivalent to AUD 226 million).[7] In 2016, Australian aid to the World Bank rose to 7% of total ODA, while ODA to regional development banks rose to 12% (from 3% in 2015), accounting for the overall increase of ODA to multilaterals from 2015 to 2016. Australia is the largest partner for grants to the Asian Development Bank (Asian Development Bank, 2016).

Australia's multilateral allocations are consistent with its policy objectives. DFAT also has made strong commitments to global and regional programmes that are administered by multilateral organisations, in line with its stated priorities.[8] Australia aims to provide indicative multi-year funding to multilateral organisations and has made an effort to ensure the predictability of funds.

Figure 3.5. ODA to and through the multilateral system



Source: OECD Statistics CRS Database

Australia has reduced reliance on non-core funding since its peak in 2011/12

Non-core multilateral contributions allow Australia to fund specific initiatives that are in line with DFAT's geographic and thematic priorities. They also help with spending the budget by providing DFAT flexibility to make end-of-year adjustments among country and regional programmes (ODE, 2015). Multilateral contributions have low overhead and administrative costs and can help ensure greater harmonisation with other donors. While Australia's use of non-core funding has decreased since its peak in 2011/12, DFAT could further consolidate its multilateral funding by providing fewer but larger non-core contributions (ODE, 2015) and more core contributions. This would help to achieve economies of scale and encourage a longer-term strategic focus.

Financing for development

Peer review indicator: The member promotes and catalyses development finance additional to ODA

In line with the Addis Ababa Action Agenda, Australia uses aid to support domestic resource mobilisation in developing countries and leverages additional finance for development from the private sector. Australia measures and tracks the value of private sector investments leveraged through its aid programme and is active in international fora to support finance for development beyond ODA. Despite Australia's efforts to see them reduced, the costs of remittances from Australia to the Pacific region remain high.

Australia has increased focus on attracting finance for development beyond ODA

Australia has a clear and increasing focus on attracting finance for development beyond ODA, in line with the Addis Ababa Action Agenda. Since 2014, Australia has placed a greater emphasis on leveraging finance from the private sector and aims to leverage additional funds in countries that have greater potential for attracting additional finance.

Australia is increasingly using blended finance models including in its work with multilateral banks. For example, Australia is a member of the Private Infrastructure Development Group, which leverages Australian aid for private sector investment. Australia has used ODA to support the development of infrastructure projects designed to attract finance from the private sector, other donors and multilateral organisations. An example is the Tina River hydropower plant in Solomon Islands. Australia spent AUD 9.7 million in ODA to develop the project, which has attracted more than USD 145 million in additional finance (Australian High Commission, Solomon Islands, 2017). DFAT (2017a) reports the value of private sector investment leveraged in Australia's aid programme was AUD 411 million (USD 306 million) in 2015/16, based on its Aggregate Development Results reporting. Australia also reports on other official flows and private flows at market terms to developing countries to the OECD, but needs to resume reporting on private grants.

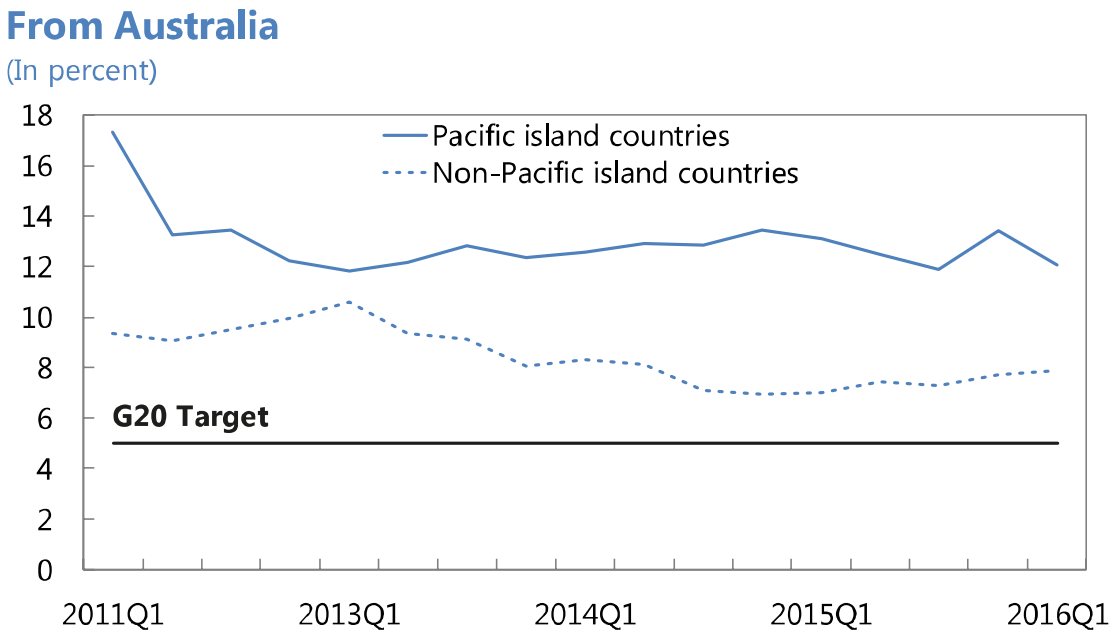
Australia recognises the importance of increasing domestic resource mobilisation for financing the 2030 Agenda. Under the Addis Tax Initiative, Australia is committed to doubling its technical co-operation in the area of taxation and domestic resource mobilisation, to AUD 32 million, by 2020.[9] Importantly, its 2016 framework for supporting tax policy and administration through the aid programme outlines its domestic resource mobilisation policies and approaches. In 2015, USD 7.7 million (AUD 10.2 million) of Australian ODA was committed to the mobilisation of domestic resources in developing countries (OECD, 2017b).[10]

Australia works to reduce the costs of remittances but they remain high to the Pacific

Australia has advocated for reduced remittance costs through global fora.[11] At the 2014 Brisbane G20 Summit, Australia committed to reduce the cost of remittances from Australia to 5% (G20, 2015). This predated the target set in the Sustainable Development Goals of 3%. Australia supports initiatives in the Pacific aimed at helping facilitate

remittance flows between Australia and the Pacific and reducing remittance costs.[12] Despite these initiatives, the cost to send remittances from Australia to the Pacific remains high; a trend of declining remittance costs to the Pacific has levelled off, with no substantial further declines in recent years (Figure 3.6).[13] Remittance costs from Australia are the third highest of the G20 countries sending remittances and are significantly higher than in most OECD countries of similar size (World Bank, 2017a), suggesting that Australia will need to step up its initiatives on reducing its remittance costs if it is to meet its government target.

Figure 3.6. The cost of sending remittances from Australia



Note: Pacific island countries include Fiji, Samoa, Tonga, and Vanuatu; Non-Pacific island countries cover countries in East Asia and Pacific and South Asia excluding Pacific island countries.
Source: World Bank, Remittance Prices Worldwide database.
Source: Alwazir, J. et al. (2017)

Notes

[1] In a 2013 document on foreign policy, the Coalition government said it "remains committed to a target of an overseas development assistance budget equivalent to 0.5 per cent of GNI. However, it is not possible to commit to a date given the current state of the federal budget". See http://lpaweb-static.s3.amazonaws.com/Coalition%202013%20Election%20Policy%20%E2%80%93%20Foreign%20Affairs%20-%20final.pdf.

[2] The Australian government currently has a target of reaching a surplus of 1% of GDP. See *OECD Economic Surveys: Australia* at www.oecd.org/eco/surveys/Australia-2017-OECD-economic-survey-overview.pdf.

[3] The foreign aid figures in the budget report reflect aid spending by DFAT in accrual terms, which is different from the international measure of aid or official development assistance reporting, which is measured in cash terms.

[4] This is in line with the Australian Government Budgeting and Reporting Framework.

[5] This requirement applies to all development, regardless of its main objectives.

[6] In 2016, Australia rated 78% of aid investments as effectively addressing gender equality.

[7] The UN agencies receiving the largest amount of funds include the Department of Peacekeeping Operations (UNDPKO), WFP, WHO, UNDP, UNICEF and UNHCR. Australia supports reform of the UN Security Council and is a strong advocate for peacebuilding and peacekeeping, which is reflected in its significant core contributions to the UNDPKO. In 2015, it was the 11th largest financial contributor to the UN peacekeeping budget with a contribution of USD 146 million (AUD 196 million).

[8] For example, in 2016, Australia committed to providing an additional AUD 220 million (USD 164 million) to the Global Fund to Fight AIDS, Tuberculosis and Malaria. It has committed increased funds to Syria, primarily through the UN system.

[9] See http://dfat.gov.au/aid/topics/development-issues/domestic-resource-mobilisation/Pages/domestic-resource-mobilisation.aspx (accessed 18 November 2017).

[10] Australia is currently reviewing its reported expenditure on domestic resource mobilisation for 2015.

[11] Among these are the World Bank Global Remittances Working Group and the G20 Global Partnership for Financial Inclusion.

[12] For example, Australia supports the Pacific Islands Forum Economic Ministers' Meeting (FEMM) work on improved remittance flows in the Pacific. Australia, along with the European Union and New Zealand, supports the Pacific Financial Inclusion Programme (PFIP), which is jointly administered by the UN Capital Development Fund and UNDP and supports Pacific Island governments to improve financial services for low-income households. See www.g20chn.org/English/Documents/PastPresidency/201512/P020151228305176436731.pdf. Australian aid also has been used to support transparency initiatives such as the Send Money Pacific, a remittance comparison website aimed at helping reduce Australian remittance costs to the Pacific. See www.sendmoneypacific.org (accessed 4 September 2017).

[13] See https://remittanceprices.worldbank.org/sites/default/files/rpw_report_june_2017.pdf. The average cost of sending remittances from Australia has declined by over five percentage points since 2011, but in the last few years there have not been any substantial additional decreases. See www.gpfi.org/sites/default/files/documents/CORRECT%20VERSION%20Final%202017%20Progress%20Reporting%20-%20National%20Remittance%20Plans%20endorsed%281%29.pdf.

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Chapter 4. Australia's structure and systems

Authority, mandate and co-ordination

Peer review indicator: Responsibility for development co-operation is clearly defined, with the capacity to make a positive contribution to sustainable development outcomes

Following the integration of AusAID in to DFAT, Australia opted for a model of deeply integrating development co-operation into the department. This level of integration was reflected in decisions on the structure, governance and capabilities of the newly expanded department. Australia is now taking stock of the impact of these decisions on its ability to deliver a quality and quality-assured aid programme, with a view to tackling ongoing challenges and risks.

Australia followed a deep integration model for development co-operation following AusAID's closure

The integration of AusAID into DFAT in November 2013 has had profound implications for the organisation and management of Australia's development co-operation. There have been efficiency and effectiveness gains. As with any public sector reorganisation of this nature, there have also been challenges, some of which persist to this day.

The intended outcome of integration was to create "a transformed Department with the skills, resources and connections to implement foreign, trade and development policies and programmes in a coherent, effective and efficient way that best serves Australia's national interests" (Senate of Australia, 2014). It was decided to not rename the department to reflect the newly added development co-operation portfolio. However, a number of important steps were taken to support the intended transformation.

First, a fully and deeply integrated model for development co-operation was adopted. Using the existing spine of the department, management of the aid programme was integrated into geographic, multilateral, trade, policy and economic divisions. Importantly, development policy was anchored in the new Development Policy Division and the Contracting and Aid Management Division (Annex D). This preserved some authority, seniority and policy capacity specifically for development. The matrix structure took effect in July 2014.

Second, governance bodies were designed to create specific assurance mechanisms for development. These include the Development Policy Committee (DPC), Aid Investment Committee (AIC) and the Independent Evaluation Committee (IEC). In November 2017, a new Aid Governance Board combined and replaced the DPC and AIC.[1]

The parliamentary Joint Committee on Foreign Affairs, Defence and Trade also established a Foreign Affairs and Aid Subcommittee for additional accountability towards Parliament.

The third area of focus was capability. Plans were put in place to facilitate integration by identifying and building the capabilities required to support the operations of the department across all of its functions including the continued delivery of a high-quality aid programme. This is discussed further below.

Responsibilities, expectations and accountabilities: Taking stock of the integration of development co-operation into DFAT

The steps taken in the change management process described above have clearly supported a strengthened coherence in Australia's international outlook (Chapter 1). Some of the challenges encountered reflect a natural process of organisational adaptation, as DFAT integrated cultures and systems. IT systems, for example, have not always been able to cope with the requirements of the aid programme. The early stages of integration prompted some dissatisfaction among staff moving from AusAID. Partners did not always have a clear understanding of how to engage with the new structure and with whom.

Other structural challenges include the need to secure and retain sufficient development expertise to deliver a quality development programme in light of the staff losses from AusAID. Furthermore, the deep integration model requires the entire department, from the top down, to assume full responsibility for and ownership of development co-operation objectives and outcomes. DFAT now is seeking to reinforce these responsibilities and expectations. As experience from other members shows, deep integration and effective matrixed organisations also require a confidence in the level of synchronisation between the thematic and geographic branches. The necessary development expertise also needs to be present across both branches. DFAT is now assessing these issues.

To its credit and in keeping with public sector change management, DFAT has made concerted efforts to take stock of progress and challenges and to future-proof the organisation. Through its recent aid health check process, for example, Australia is seeking to further reinforce and strengthen the position, skills and tools of development co-operation within the integrated department. Australia's Foreign Policy White Paper was released in November 2017 and an associated strategic workforce plan is being developed. Through these, DFAT will have opportunities to continue the integration process and ensure a confident and visible place for development co-operation in Australia's policy environment.

DFAT delivers nearly all development co-operation and works with other government departments

DFAT holds a clear lead and authority for development co-operation, with responsibility for 93% of the ODA budget (DFAT, 2017b).[2] The departments other than DFAT that account for the largest ODA spending are the Australian Federal Police, the Australian Centre for International Agricultural Research, and the Department of the Treasury.[3] Australia's budget and performance statistics clearly and transparently set out the contribution of other government departments.[4]

Australia portrays its aid programme delivery as a whole-of-government effort (DFAT, 2017b), although there is no overarching co-ordination framework among government departments. Before the integration of AusAID into DFAT, the Development Effectiveness Steering Committee, a cross-agency committee that advised the Australian government on major aid policy and aid budget priorities and concerns, provided whole-of-government oversight of Australia's aid programme.

Nevertheless, there are strong examples of whole-of-government co-ordination, as seen in Solomon Islands (see Box 5.1) and in response to disasters (Chapter 7). Recent reviews of whole-of-government effectiveness, particularly in fragile contexts, offer useful lessons

and recommendations for more clearly delineating roles, responsibilities and accountabilities among agencies (Gordon IV and Campbell, 2016).

Systems

Peer review indicator: The member has clear and relevant processes and mechanisms in place

Australia has clear and relevant processes for aid management. DFAT has placed a high premium on managing risk and supporting innovation. It has tightened its emphasis on value for money. It makes every effort to ensure its policies and data are transparent at the aggregate level. Some systems, however, need to continue to evolve. Among these systems are those related to quality assurance, information technology (IT) and project-level transparency.

Australia has clear procedures and guidance, but not all its systems enable them to be applied efficiently

Australia's aid programme generally has impressively clear policy, programming and contracting guidance that is epitomised by the one-stop shop of the Aid Programming Guide (DFAT, 2017a). The guide sets out policy and programme management responsibilities, legal and financial obligations, and aid quality and accountability requirements. It also outlines mandatory processes and recommended approaches for aid management, and is supplemented by detailed policies, guidelines, tools and templates.

Its governance structures, guidance and training enable Australia to effectively balance several overlapping requirements. These are the need to provide staff with accessible materials; ensure coherence between policy and programming; and provide management with assurances for particularly risky interventions. Australia balances these with the additional need to give autonomy to and delegate to the field. It accomplishes this through a flexible division of aid management responsibilities among missions and geographic divisions that takes into account the scale of aid and level of engagement required.

However, Australia faces some ongoing challenges in relation to overall systems for assurance and oversight.

As noted above, DFAT identified the need to redefine the authority, responsibilities and membership of the Development Policy Committee and Aid Investment Committee to improve oversight of project and programme risk and performance. The current mechanism for peer review and for independent appraisal processes in programme design also are not working optimally in terms of compliance and value added. With the reduction in the numbers of specialist staff (see below), DFAT will need to ensure that it is able to provide sufficient quality assurance over the aid programme.

The integration of AusAID into DFAT placed significant pressure on the department's information and communications technology, according to the department's secretary at the time and successive staff surveys.[5] A redevelopment of DFAT's aid management IT system, AidWorks, is under way in recognition of problems with the system's usability, functionality and reporting capability.

As DFAT contracts out a growing proportion of aid, it has increased its emphasis on value for money and improved procurement practices

A new set of value for money principles is being applied across the aid programme life cycle with the aim of maximising the impact of aid investments.[6] This focus is reinforced through one of the strategic targets (Chapter 2), which is expressed in the directive that at least 85% of aid investments must meet high standards of value for money through investment quality reporting. Where standards are not met and improvements are not achieved within one year, investments will be cancelled. To date, nine investments have been assessed as not meeting standards for two successive assessment cycles with one investment cancelled as a result of this new directive and the other eight investments completed.

Since the last review in 2013, DFAT has implemented a range of procurement initiatives which seek to make procurement more effective and efficient for both suppliers and the department.[7] The proportion of aid funding spent through managing contractors reached 20% in 2015/16 and has averaged 18% over the past 10 years. The vast majority of these contracts are concentrated in the hands of ten companies, which together have received close to AUD 4 billion from the aid budget since 2014.[8]

Australia seeks to actively manage risk and has set up procedures to do so

As set out in Australia's overarching aid policy, DFAT is prepared to actively engage with risk (DFAT, 2014). The hallmarks of what is meant by "engaging with risk" were strongly present in Solomon Islands, where DFAT demonstrated flexibility to adapt programme design and delivery in light of the evolving risk environment. Australia's risk-related tools and processes for different levels of the portfolio, including risk registers and risk assessments for all investments,[9] are set out clearly in an internal Better Practice Guide. The Audit and Risk Committee provides independent assurance and advice to the Secretary and Departmental Executive on DFAT's risk management and fraud control arrangements.

In terms of addressing fraud and corruption, DFAT has a zero tolerance approach to fraud and corruption. DFAT registered 213 cases of alleged, suspected or detected external fraud in 2016/17, of which 208 were ODA-related. As of 30 June 2017, potential losses from such cases in 2016/17 amounted to AUD 2.6 million, or the equivalent of 0.068% of Australia's aid programme budget in that fiscal year. DFAT recovered 93 percent of fraud losses from all cases closed in the 2016/17 financial year.

Australia seeks to be a leader in innovation but faces familiar challenges

Government ministers have challenged DFAT to make innovation integral to its development thinking and its policy development (DFAT, 2015). To meet the challenge, the Foreign Minister launched the innovationXchange (iXc) in March 2015 with a budget of AUD 140 million over four years (1.25% of the aid budget) and a staff of 12. The government's vision is for Australian aid to be a recognised leader in innovation, delivering new and cost-effective solutions to pressing development challenges in order to improve the lives of people in the Indo-Pacific region. A 14-member International Reference Group brings together leading innovators to provide strategic guidance on iXc priorities.

The stated added value of the iXc is to create opportunities to think through and test concepts freely, without sectoral or geographical constraints and to serve as an innovation

catalyst and learning hub (DFAT, 2015). The approach of iXc rests on three pillars – to experiment, partner and learn – in support of its aim to better identify, test and scale high-impact innovations. The Blue Economy Aquaculture Challenge is a good example of how DFAT is working on development innovation through the iXc, establishing challenges, focusing on the transformative potential of innovation in different sectors, and crowding in a range of partners.[10] However, many of the iXc initiatives are still at proof of concept stage and will need time to demonstrate scalability and relevance.[11]

DFAT is experiencing challenges integrating innovation into its organisational culture and processes, challenges that are familiar to other DAC countries. An iXc target is to increase DFAT spending on innovative practices. The head of iXc sat on DFAT's previous Aid Investment Committee and iXc helps encourage creativity in DFAT by running Ideas Challenges. However, DFAT will also need to review the extent to which its procedures and systems are fit for purpose to develop the behaviours it seeks to encourage for greater innovation.[12] It also needs to review how an institutional structure like iXc best contributes to the overall innovation effort.

Transparency in the aid programme is uneven

Australia opted not to keep its Transparency Charter following the integration of AusAID into DFAT. Nonetheless, it provides a strong level of transparency at the aggregate level in terms of policy statements, investment plans and input data reporting. The extensive consultation exercise on the new Foreign Policy White Paper is to be commended. Australia is also a member of the International Aid Transparency Initiative.

DFAT internal guidance promotes the need for transparency and regularly takes stock of progress. However, Australia is not performing as well as some other DAC members on transparency. It is ranked 25th in the 2016 Aid Transparency Index, placing it in the "fair" category. An independent aid transparency audit in 2016 also found that project-level transparency has declined since 2013 (DeCourcy and Burkot, 2016). To meet its transparency commitments, Australia will need to make investment-level information available in a timely and accessible way including by making transparency a priority and setting up the necessary directives, systems and incentives. The redevelopment of AidWorks is perhaps an opportunity to move this forward.

Capabilities throughout the system

Peer review indicator: The member has appropriate skills and knowledge to manage and deliver its development co-operation, and ensures these are located in the right places

Australia lost a cadre of experienced aid management staff in the course of integration and subsequent aid budget reductions. DFAT has few specialists working on the programme, preferring to invest in the skills of generalists. It also outsources a significant proportion of the programme. A concerted and necessary effort is now underway to ensure Australia has the skills and capabilities needed to deliver a high quality aid programme.

Overall numbers of people working on the aid programme have declined since integration

At the time of the last peer review, AusAID's total staffing had reached 2 126. During integration, the DFAT staff dropped by 572, of which 329 of the losses were AusAID staff (223 in development roles and 106 in corporate roles). The losses were the result of efficiencies, a smaller budget and also AusAID staff resignations. The DFAT reductions were part of government-wide public sector cutbacks. According to DFAT, it has retained 69% of Australian-based staff employed with the former AusAID (DFAT, 2017b).

Today, DFAT has 6 200 staff. Fewer than half of these are based in Australia and 39% of the total are locally engaged staff. As of May 2017, the aid programme in DFAT had 1545 staff, of which 909 (or 58%) were based in Australia. This indicates a relatively high level of decentralisation of staff. In addition, approximately a quarter (392) of the staff on the aid programme were locally engaged and approximately 80% of overseas staff were based in the Pacific and South-East Asia, in line with the focus of the programme.

Specialist skills are strained in DFAT, presenting possible risks to the programme

DFAT was unable to provide trend data on staffing on the aid programme in the period between integration and 2017. Likewise, DFAT was unable to provide the number of specialists working on the aid programme and how it may have changed since the last review. DFAT has adopted a model of hiring very few specialists (and then only on a case-by-case basis) and relying instead on the up-skilling of generalists. As noted in the reviews of other DAC members, this model – coupled with the loss of experienced aid management staff in the case of Australia as a result of integration — risks affecting the quality of engagement and levels of effectiveness and oversight. These include engagement and oversight over private contractors and through other private sector engagements.

External aid stakeholders surveyed in 2015 (DeCourcy and Burkot, 2016) noted a drop in staff expertise. A number of respondents said the loss of staff expertise resulted not only from AusAID staff resigning or accepting redundancy after integration, but also because DFAT failed to value development expertise. Rapid staff rotation is also perceived to be a perennial problem and was noted in previous peer reviews.

Australia is actively seeking to identify capability gaps as part of planning a workforce fit for the future

DFAT management is well aware of the challenge, risks and perceptions around its staff specialist skills. DFAT is actively seeking to address these and has a very strong commitment to capability improvement and workforce planning. Some examples of this commitment include:

- A Capability Action Plan, undertaken before integration, was developed following an Australian Public Service Commission Capability Review that commended DFAT for its agility and generalist talent, but also identified problems with workforce planning and strains on specialisation (Australian Public Service Commission, 2013).
- The then-Secretary of DFAT committed to strengthening workforce planning to enable DFAT to recruit and retain development professionals and sector experts, in recognition of the need for expertise to deliver a high-quality aid programme.
- The 2015/17 Strategic Workforce Planning Framework was the first of its kind in DFAT.[13]

There are opportunities to build on this commitment and to respond to capability gaps. DFAT is currently profiling capability across all its functions as part of a new DFAT Capability Delivery Strategy. This should show the real gaps and risks for delivering a high-quality aid programme; meet the expectations of the new DFAT policy framework; and usefully inform the next five-year strategic workforce plan that is being developed in tandem with the new Foreign Policy White Paper. These exercises also should help DFAT create the systems for monitoring and tracking data on staff numbers and skills across the organisation, which it currently lacks.

Further, the aid programme health check identifies concrete actions to anchor and reinforce the value of aid management as a career stream. This is potentially a critical element to ensure that DFAT attracts and retains the best talent available and the skills it most needs. The Australian Public Service Act gives Australia some flexibility, relative to other member countries, to recruit specialists temporarily or permanently.

The aid health check will also address the issue of work-level standards of locally engaged staff. Locally engaged staff and their position in the organisation will need to be an integral part of the analysis of skills needed and available at the decentralised level.

The introduction of an International Development Faculty[14] at the Diplomatic Academy[15] in 2017 also creates opportunities to generally lift the development skills and awareness across DFAT including among new heads of mission and other senior staff. It will be important for locally engaged staff also to have access to these learning and development opportunities. Staff also are offered training in fragility programming before postings to fragile contexts, although this training is optional and often a low priority for staff that are faced with a broad range of compulsory pre-posting courses.

Notes

[1] The establishment of the AGB is intended to support the integration of development, trade and foreign policy objectives, and ensure investment decision-making aligns with strategic direction and risk appetite. The AGB will act as an advisory body to the Secretary and Departmental Executive at a departmental level, and to the relevant delegates at the investment level under the Public Governance, Performance and Accountability Act 2013. The AGB will establish advisory groups to support its functions: a Quality and Risk Assurance Unit and a Development Policy Forum chaired by one of the AGB's Deputy Secretaries

[2] Budget cuts have led to a reduction in the percentage of total ODA being programmed outside of DFAT and, previously, AusAID. The percentage dropped to 7% in 2015/16 from 17% in 2011/12.

[3] In 2015/16, Australian Federal Police programmes maintained their commitment to the capacity development of partner police agencies in the Pacific region. See www.afp.gov.au/what-we-do/our-work-overseas. ACIAR supported economic and public diplomacy through improving agricultural competitiveness and sustainability, increasing value chain efficiency and effectiveness, alleviating regulatory impediments in relation to domestic and international markets and capacity building. http://aciar.gov.au/. Treasury supported international financial institutions including payments of capital increases to the International Bank for Reconstruction and Development and to the Asian Development Bank, as well as contributions to the World Bank's Global Infrastructure Facility and the ADB's Asia Pacific Project Preparation Facility. A range of agencies in the Treasury portfolio assisted in training officials and regulators in partner countries. https://www.treasury.gov.au/.

[4] See, for example, *Performance of Australian Aid 2015-16*, at http://dfat.gov.au/about-us/publications/Pages/performance-of-australian-aid-2015-16.aspx and *Australian Engagement with Developing Countries, Part Two* at http://dfat.gov.au/about-us/publications/Documents/performance-of-australian-aid-2015-16.pdf.

[5] See http://dfat.gov.au/news/speeches/Pages/the-post-integration-agenda.aspx (accessed 16 July 2017).

[6] The principles seek to promote cost consciousness; competition, evidence-based decision making, proportionality, performance and risk management, a results focus, experimentation and innovation, and accountability and transparency.

[7] These include outcome-based contracting, less prescriptive tendering, consolidation of aid investments to focus on fewer larger contracts, simplified procurement procedures for staff, and greater professionalization of the procurement function.

[8] Data gathered in response to a Question on Notice (no. 409) on 17 March 2017 at the Australian Senate.

[9] High-level programme risks are assessed as part of Aid Investment Plans and reported through annual Aid Programme Performance Reports. All investments require a risk and safeguards assessment in design, which includes screening checklists designed to ensure that potential adverse impacts are identified early and adequately addressed. Relevant policy areas review investment concepts assessed as high risk. Risks are reported on through the annual aid quality checks. Major country and regional programmes (those with an annual total ODA allocation of AUD 50 million or more) and high-risk programmes must have fraud control and anti-corruption strategies in place.

[10] The AUD 3 million Blue Economy Aquaculture Challenge called for innovators, entrepreneurs, designers, NGOs and academics to rethink advances in aquaculture to provide solutions that ensure both sustainable development and environmental sustainability. Over 220 innovative ideas from more than 40 countries were received and the top ten winners announced in September 2016. The award winners are to use the prize money to further develop and implement their

solutions and innovations. They participate in a seven-month programme of in-person and online business growth opportunities and customised support. They are exposed to a global network of like-minded market leaders, technical experts, philanthropic, NGO and public sector actors and programme guides, to scale their technical capabilities, increase the impact of their designs and facilitate investment opportunities. See https://ixc.dfat.gov.au/projects/the-blue-economy-challenge/.

[11] To date, iXc is supporting 65 innovations. A partnership with USAID and Korea International Cooperation Agency has delivered the Global Innovation Exchange, an online platform to connect innovators and funding opportunities around the world and share lessons learned.

[12] These behaviours are set out in DFAT's Innovation Strategy. They are to empower staff to innovate; promote collaboration and contestability; consider changing or re-designing established practices; experiment with new approaches; share lessons learned; engage intelligently with risk; and value and reward innovation.

[13] The goal of this framework was "to develop and maintain a diverse workforce of highly skilled and motivated Australian and locally engaged staff as the foundation of a world-class foreign service, having the right people, in the right place, at the right time". The Strategic Workforce Planning Framework is unpublished.

[14] This Faculty focuses on developing staff skills in four learning streams: aid programme management, Australia's development policy, development principles and humanitarian principles and practice.

[15] The Academy was established in May 2016 as a leading edge learning and development hub for all staff working to advance Australia's interests internationally.

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Chapter 5. Australia's delivery modalities and partnerships

Partnering

Peer review indicator: The member has effective partnerships in support of development goals with a range of actors, recognising the different and complementary roles of all actors.

Australia has a broad range of partnerships that are well tailored to work in specific contexts. Australia is a strong supporter of multilateral organisations and funds a number of global and regional initiatives, but it could further enhance its approach by better linking these with its bilateral aid programmes. As part of its economic diplomacy agenda, Australia is increasing its emphasis on partnering with the private sector as well as continuing its work with traditional partners and civil society organisations.

Australia's 2014 aid policy guides DFAT's approach to partnerships

The 2014 Australian aid policy outlines DFAT's approach to partnership and engagement (DFAT, 2014a). It commits Australia to work with the most effective partners who are best positioned to achieve results in a given context and to achieve value for money for Australian taxpayers. In practice, there is often a focus on working with trusted implementing partners including international organisations, regional partners, multilateral development banks and Australian NGOs. The 2014 aid policy places more emphasis on innovative partnerships than the previous policy. It also requires that all new investments consider private sector approaches and partnerships.

Australia provides strong support for multilateral organisations but has an inconsistent approach to managing multilateral partnerships

While Australia no longer has a specific multilateral policy, it has increased funding for multilateral organisations (Chapter 3) and has continued its focus on influencing multilateral partners to increase their presence in the Pacific. Australia uses its leverage to influence multilateral agendas and has championed the reform of some of its multilateral partners. Australia has multi-year strategic partnership agreements with multilateral organisations. These include indications of longer-term funding and mutual expectations, thereby helping to improve predictability. DFAT's partnership agreements, such as its agreement with the Asian Development Bank, include improving donor co-ordination, supporting aid effectiveness and a commitment to assess partnership frameworks prior to their re-establishment. DFAT's inclusion of these issues in its partnership agreements represents good practice.

Core contributions to multilaterals are typically multi-year and managed by DFAT policy divisions. Non-core funding is generally managed by geographic areas, sectors, or country or regional programmes. A 2015 evaluation of DFAT multilateral aid noted that the lack of a fixed model for the division of responsibilities in the management of multilateral partnerships leads to inconsistencies (ODE, 2015a). The inconsistencies also are related to the DFAT staff's uneven level of experience in managing these partnerships (ibid.).

DFAT has increased its focus on the private sector

DFAT's partnerships with the private sector are guided by the 2015 ministerial statement, "Creating shared value through partnerships" (DFAT, 2015b). The statement defines

Australia's concept of shared value, where businesses help to achieve social progress and economic growth in developing countries while also making commercial revenue. In this regard, DFAT aims to provide catalytic investment and use its position as convener, knowledge broker and influencer to attract investments and create enabling conditions for business in partner countries.[1]

DFAT's modalities for its partnerships with the private sector are described in its 2015 strategy for aid investments in private sector development (DFAT, 2015c). These modalities are underpinned by the core principles of complementary priorities, adding value, return on investment, openness and transparency, and commitment to responsible business.[2] Further, DFAT policy distinguishes between collaborating with private sector actors and partnering, and contains specific information on the roles of DFAT and private sector actors. It also provides output and impact level indicators to monitor the effectiveness of these initiatives (DFAT, 2015b).

Taken together, these are promising approaches to engaging with the private sector and are in line with good practice (OECD, 2016). But success will depend on DFAT's ability to operationalise the principles consistently across the programme and to clearly demonstrate the development returns of partnering with the private sector.

In 2015, 100% of Australia's bilateral ODA was untied, an increase over 2014 when 89% of bilateral ODA was untied. However, as the OECD (2017b) notes in a report on its untying recommendation, a large share of Australian aid contracts go to suppliers within Australia. This suggests that Australia could increase efforts to involve other contractors in competitive bidding for contracts.

Australia supports several regional partnerships but could better link regional and global initiatives to bilateral support

In the Pacific, Australia supports the leading regional organisation the Pacific Islands Forum. It also supports other regional organisations, including the Pacific Community, the University of the South Pacific and the Pacific Regional Environment Programme. Recently, DFAT has made efforts to consolidate its Pacific regional programme, reducing the overall number of investments while increasing core funding and multi-year commitments. DFAT's Southeast Asia regional strategy underscores its long history of working with regional partners. Among these is the Association of Southeast Asian Nations, with which DFAT has a strategic partnership agreement and joint plan of action (DFAT, 2016b).

Nevertheless, while Australia tends to have a strong relationship with its Pacific regional partners and has established formal consultation processes, these consultations sometimes fall short of their potential. For example, an evaluation of DFAT's partnership with the Pacific Community found that both parties expressed "a desire for more strategic discussions" (ODE, 2016). DFAT has the opportunity to deepen its partnerships by focusing on more strategic issues, further leveraging its strong investment and presence in regional fora.

Aid Investment Plans (AIPs) recognise the need for global and regional investments to be coherent and complementary to bilateral programmes. But AIPs generally are not specific about how this is to be achieved. The Pacific Regional AIP notes that financial reporting and performance assessments at country level are expected to contribute to alignment, but it does not elaborate further on how the programme expects to achieve synergies among global, regional and bilateral investments. In Solomon Islands, global and regional

programmes were not clearly seeking synergies with country programmes and country counterparts were not widely informed about regional, thematic or global initiatives or involved in shaping those initiatives. In general, DFAT could forge stronger linkages between regional and bilateral programmes. This would further encourage local ownership at country level and would ensure that local partners are appropriately involved in DFAT regional and global initiatives.

Australia is a valued supporter of Australian and other non-governmental organisations, but could engage more fully with local civil society partners

Australia has traditionally been a strong supporter of civil society organisations. However, Australian aid to and through civil society organisations has decreased since 2014, both in volume and as a share of bilateral ODA (Chapter 3). DFAT's engagement with non-governmental organisations (NGOs) is guided by the Effective Development Partners framework (DFAT, 2015a). This framework notes that DFAT considers Australian NGOs to be part of public diplomacy. It also acknowledges the help NGOs can provide through their strong connections to local communities and because many are working in areas where "others don't or can't reach, such as in remote, fragile and conflict affected areas," as is the case with many of DFAT's humanitarian partners. The framework also emphasises DFAT's aim to work with NGOs for "multi-stakeholder approaches to development" (DFAT, 2015a).

The largest programme is the Australian NGO Co-operation Program (ANCP), an annual grants programme that provides matched funds to accredited Australian NGOs working in a large variety of developing contexts. It is also DFAT's longest-running programme representing about one-fifth of all the funding provided by DFAT to NGOs (equal to 2.7% of Australia's annual ODA budget); and is widely considered to be successful (ODE 2015b). ANCP provides predictable annual funding that is also flexible (ODE 2015b).

While DFAT funds a number of Australian NGOs and programmes implemented in conjunction with local NGOs, there appears to be less emphasis on direct support for local civil society (USD 2 million in 2016, or AUD 2.7 million). This can be partially explained by the closure of funding windows for local NGOs outside of the Indo Pacific region. There may, however, be situations where providing more direct support to local civil society groups could help enhance DFAT's efforts to promote good governance, democratic reforms and accountability. This was observed, for example, in Solomon Islands. DFAT has worked closely with a number of local civil society groups in the area of gender equality including for service provision and advocacy. These experiences could be replicated in other parts of DFAT's portfolio.

Country-level engagement

Peer review indicator: The member's engagement in partner countries is consistent with its domestic and international commitments, including those specific to fragile states

Australia's engagement in partner countries is guided by clear principles and frameworks for mutual accountability. Australia takes a case-by-case approach to use of country systems and continues budget support in some contexts, using performance payments and budgetary assistance to incentivise reforms. Australia has good tools and partnerships for fragile contexts. But, as is the case with most members, it could focus more on thinking and working politically and developing a more whole-of-society approach.

Australia tailors its aid to context and has increased predictability by ensuring multi-year planning

Australia makes a strong case for its role in promoting regional health, economic prosperity, security and labour mobility and the tailoring of its aid to regional and national contexts. Each country programme has a set of objectives, delivery modalities and expected performance results that are outlined in the country Aid Investment Plans. These plans generally cover a four-year period. Indicative spending by country programme is published in the Australian Aid Budget Summary with two-year forward estimates (Chapter 3). The country plans are complemented by country-level partnership agreements between DFAT and its partner countries in the Pacific. Country partnership agreements contain a set of expected mutual obligations, with a clear focus on expected results. The impressive clarity of these documents provides a strong framework for mutual accountability and potentially helps improve alignment with country-level results frameworks.

The introduction of Aid Investment Plans has helped ensure multi-year planning and increased the medium-term predictability of Australian aid, as was recommended in the last peer review. These improvements are also reflected in the 2016 Global Partnership for Effective Development Co-operation monitoring data (Figure 5.1).

Australia could give more attention to the policy aspirations of its partner countries in the articulation of regional and country strategy documents, however. While Aid Investment Plans "must be informed by consultation, they are not formally negotiated with or endorsed by partner government" (DFAT, 2017a). It is important that Australia focus its efforts on supporting regional and partner country initiatives, rather than substituting for lack of capacity. Building partner capacities, including partners' ability to manage their own security and governance challenges, requires Australia to take a supporting role, which means accepting a pragmatic approach to longer-term development. Much to its credit, DFAT recognises the possible trade-offs this requires and aims to ensure that Australia remains the partner of choice in the Indo-Pacific region.

Australia aims to uphold its international commitments, including Busan, and has made improvements

Australia supports the Global Partnership for Effective Development Co-operation (GPEDC) and has supported partner countries in the Indo-Pacific region to improve the quality of data reported in GPEDC monitoring.

Australia aims to uphold its international commitments such as the Busan Partnership commitments. Australia generally makes decisions regarding the use of country systems on a case-by-case basis, considering context and the robustness of country systems before deciding on the most appropriate modalities of assistance. DFAT undertakes assessments of existing country systems and aims to build capacity in contexts in which these systems are weak. For example, DFAT has worked with the World Bank, the Asian Development Bank, New Zealand and the European Union to pool funding to support economic and public financial management reforms by Pacific island governments.

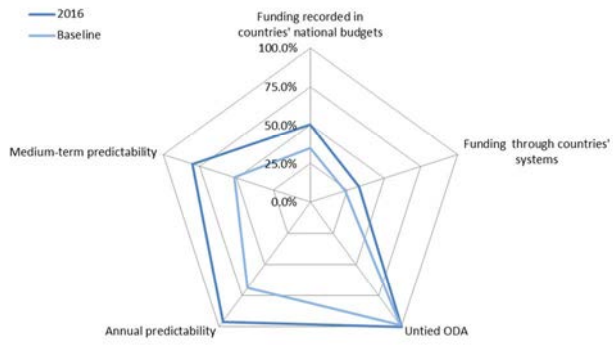
The 2016 GPEDC monitoring report, which measured development partners' use of country systems, found that Australia improved to 32.8% in 2015 from 23.5% in 2010 (OECD/UNDP, 2016). However, its use of country systems remains lower than the average for partners, 50.1% in 2015 (Figure 5.1).

Positively, Australia continues to use sector budget support with clear evidence of success and aims to provide ODA that is on plan, on budget and on system in some partner countries, including Solomon Islands – an approach that is consistent with Australia's objective of building sustainable institutions. Australia's partnership agreement and sectoral budget support programmes in Solomon Islands contain performance-based criteria that are to be met by the partner country, with the aim of incentivising reform (Annex C).

In some instances, Australia uses technical assistance to strengthen the capacity of partners' financial management systems and to better ensure oversight of aid channelled through country systems. DFAT acknowledges that the use of country systems as the default option is limited by risks related to the misappropriation of funds and potential negative consequences for achieving development results (Australian National Audit Office, 2015). While this is a pragmatic approach in the interests of sustainability, Australia will need to ensure that it pursues longer-term efforts to build the appropriate capacities in country.

Australia has improved its use of country-led results frameworks. The GPEDC monitoring report found that the vast majority (84.1%) of new interventions were aligned to national priorities and country-led results frameworks. Its 67.5% of new interventions that plan a final evaluation was however below the total of 76.6% for all partners reporting (OECD/UNDP, 2016).

Figure 5.1. Australia's progress on key development effectiveness indicators



Source: OECD (2017a) The Development Co-operation Report 2017, http://dx.doi.org/10.1787/888933482979.

DFAT tailors its approach to work in fragile contexts and has a good mix of programming tools, but could better address underlying conflict drivers

Within DFAT, particular attention is paid to effectiveness and risk in fragile contexts. In Solomon Islands, the peer review team noted a number of good practice examples (Box 5.1). These included:

- A strong focus on security, one of the peacebuilding and statebuilding goals,[3] in the initial Regional Assistance Mission to Solomon Islands (RAMSI) intervention and continuing emphasis on security, especially crime prevention and domestic violence, even after the RASMI drawdown
- Consistent and long-term use of country systems across government, making Australia one of the few DAC donors to be systematically using country systems in fragile contexts
- A post-RAMSI programme that was informed by a rich contextual and political economy analysis
- Ongoing risk analysis and management ingrained into every facet of the programme cycle, with accompanying flexibility to adapt programmes where required.

Australia also takes a pragmatic, context-specific and whole-of-government approach to peacebuilding. Australian government representatives report that programmes in fragile contexts differ, are tailored to the particular situation, often take a long-term approach, and where possible address the root causes of crises and shocks.

In Solomon Islands, Australia could strengthen its focus on thinking and working politically. It also could help forge a common political voice with other donors, international organisations and civil society to deliver difficult messages and push for action on the root causes of conflict such as land reform, logging and corruption (Annex C). Involving fragility policy expertise in programme design and monitoring could help to consistently apply these types of fragility lenses to programming and ensure lessons are captured. A range of tools are used in fragile contexts. Bilateral programming is the preferred modality in fragile Pacific Island contexts, where Australia is often the largest actor. Other options are used where Australia's investments are relatively less dominant.

These include multi-donor trust funds, which were used, for example, in Afghanistan. Where Australia cannot be involved for political reasons, including in the past in Myanmar, it engages primarily through multilateral organisations. This differentiation of instruments is good practice.

Box 5.1. Operation Helpem Fren – the Regional Assistance Mission to Solomon Islands (RAMSI)

After five years of ethnic tensions and a coup in 2000, Solomon Islands was experiencing a breakdown of law and order, intimidation of officials and private citizens, the flight of investors from the country, and unfettered corruption. The government and its institutions had ceased to function effectively. Public finances were in ruin and many basic services such as health and education were not being delivered to the people. At the request of the Solomon Islands government and with the endorsement of the Pacific Islands Forum, the Regional Assistance Mission to Solomon Islands (RAMSI) was formed to help lay the foundations for long-term stability and prosperity in the country. It began operations in 2003 and was ended in June 2017. There is now overwhelming agreement that the mission has achieved its stability objectives, although a number of difficult challenges remain. Every stability and peacebuilding mission faces a unique set of circumstances. Nevertheless, some of RAMSI's lessons could be useful for other bilateral and regional stabilisation missions.

Factors that enabled the success of RAMSI include:

- It was welcomed by the host government and established a mandate based on a realistic assessment of achievable outcomes under a clear legal framework.
- Regional actors endorsed and helped design its mission. It designed its mission, with all key agencies and nations involved jointly in the pre-planning, implementation and reporting.
- It adopted an approach designed to provide the government and people the space to address the underlying causes of conflict on their own, rather than giving that task to the mission
- It fielded an initial, large deployment and superior firepower to restore law and order, with community policing considered an important component of the stability strategy.
- It adopted a policy of strategic patience. Following the initial phase there was no push to draw down too quickly or look for an early exit There was also a willingness to push for transformational policies as soon as normalcy returned. For instance, over this period, 50% of new police recruits were women in order to help promote women's empowerment.

In addition, RAMSI placed technical advisors directly in key government roles (Australia refers to these as "in line" positions) to protect civil servants from political interference and to ensure that basic services were re-established as soon as possible. This strategy had several benefits. For example, it allowed RAMSI members to use country systems almost immediately, rapidly restoring confidence and trust in government institutions and allowing investors to return to Solomon Islands. However, the approach also had its shortcomings related to an over-dependence on technical assistance, especially during the transition phase. This suggests that succession planning for technical assistance needs to start early and must include structural and leadership issues, not just a handover to individual civil servants. Moreover, contractors providing technical assistance need to have the right balance of technical and soft skills.

Sources: www.ramsi.org (date accessed: 18 November 2017) and peer review team interviews with key stakeholders in Honiara.

Notes

[1] DFAT has supported a number of public-private partnerships including many related to infrastructure investment, such as the Public Private Partnership Center of the Philippines. Australia is increasingly using blended finance models, particularly in its work with multilateral development banks. Blending is generally used in bilateral and regional programmes that use grants and technical assistance to help businesses or projects become investment-ready. Blending is also used with private capital for investment in business growth, and through partnerships, where non-grant instruments (guarantees, equity and debt) are used to leverage commercial investment. (A forthcoming OECD report on blended finance, *Making Blended Finance Work for the SDGs*, provides more detail.) DFAT has further partnered with the Global Compact Network Australia, which is led by large Australian businesses, universities and non-profits, to promote the role of the private sector in development and in achieving the SDGs. In a similar vein, DFAT supports the Shared Value Project that encourages regional businesses to take a positive role in addressing social problems.

[2] The DFAT strategy for investing in private sector development contains DFAT's views on additionality, sustainability, neutrality and safeguards related to work with the private sector. See http://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-investments-in-private-sector-development.pdf.

[3] The New Deal for Engagement in Fragile States, adopted at the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea, in December 2011, sets out five peacebuilding and state building goals. Security is Goal 2.

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Chapter 6. Australia's results, evaluation and learning

Management for development results

Peer review indicator: A results-based management system is being applied

Australia has a robust performance framework that is used for accountability and to drive coherence with Australia's new development policy and targets. Going forward, DFAT has an opportunity to ensure that its results framework is fully aligned with the Sustainable Development Goals, reflects an appropriate level of ambition, and creates the right incentives for good programme design and management.

Australia has a comprehensive, well-managed performance and reporting architecture that is closely tied to high-level policy objectives

Australia has set out a clear and comprehensive performance framework to accompany its new aid policy and strategic targets. The framework continues the AusAID practice of publishing an annual review of headline-level aid performance. DFAT's performance framework consists of a four-level reporting architecture to measure performance at the whole of aid, programme, individual investment and partner performance levels, with specific reporting products tied to each level (Figure 6.1).

Australia reports on progress against the ten strategic targets (Chapter 2) in its annual Performance of Australian Aid report using aggregated performance information. The annual report also includes regional programme performance and the performance of key partners and multilaterals. Assessments made in the annual report are meant to inform annual budget allocations.

In implementing the new performance framework, Australia has met the recommendation from the last review to reinforce its performance reporting at the strategic, programme and individual investment levels. The new framework places a heavy emphasis on ensuring that taxpayer dollars are well spent and demonstrate results. Overall, Australia's aggregated performance reporting system is well oriented to ensure that performance information is used for overall direction, communications and accountability. However, there is less emphasis on the use of results for learning at the strategic level. The aggregate reporting captures progress and achievement against performance targets, but an enhanced focus on challenges and bottlenecks could further help orient strategic decision making.

Australia's performance framework has a strong focus on using DFAT's eight value for money principles (Chapter 2).[1] The emphasis on accountability, if not properly managed, risks hindering learning from experimentation with riskier or more innovative programmes. Moreover, there is a focus on self-assessed performance information (based on measured outputs and internal metrics) rather than on the development impact of Australian aid in partner countries and how aid relates to achieving the 2030 Agenda. Australia has therefore not fully met the recommendation from the last peer review to "focus on learning from successes and challenges in its overall reporting on results" (OECD, 2013).

Australia uses performance reporting at different levels to manage programmes and inform funding decisions

DFAT has performance benchmarks and a number of reporting tools at the country, regional and programme level. All programmes with an annual total ODA allocation of AUD 50 million or more are required to have a performance assessment framework (PAF), which defines indicators to measure progress. Country and regional programmes are required to have Aid Investment Plans, which contain performance benchmarks selected from the PAF indicators. Assessments against objectives are reported in Aid Program Performance Reports (APPRs), which are peer reviewed and use a green-amber-red colour to indicate progress towards objectives. Where progress is below expectations, APPRs outline management actions to remedy the situation. The quality of these reports has been considered to be "largely adequate or good" (ODE 2016c). Annual Aid Quality Checks combine the available information from other reporting and monitoring into an annual report of progress. Collectively, these attest to a strong focus on performance and are examples of good practice.

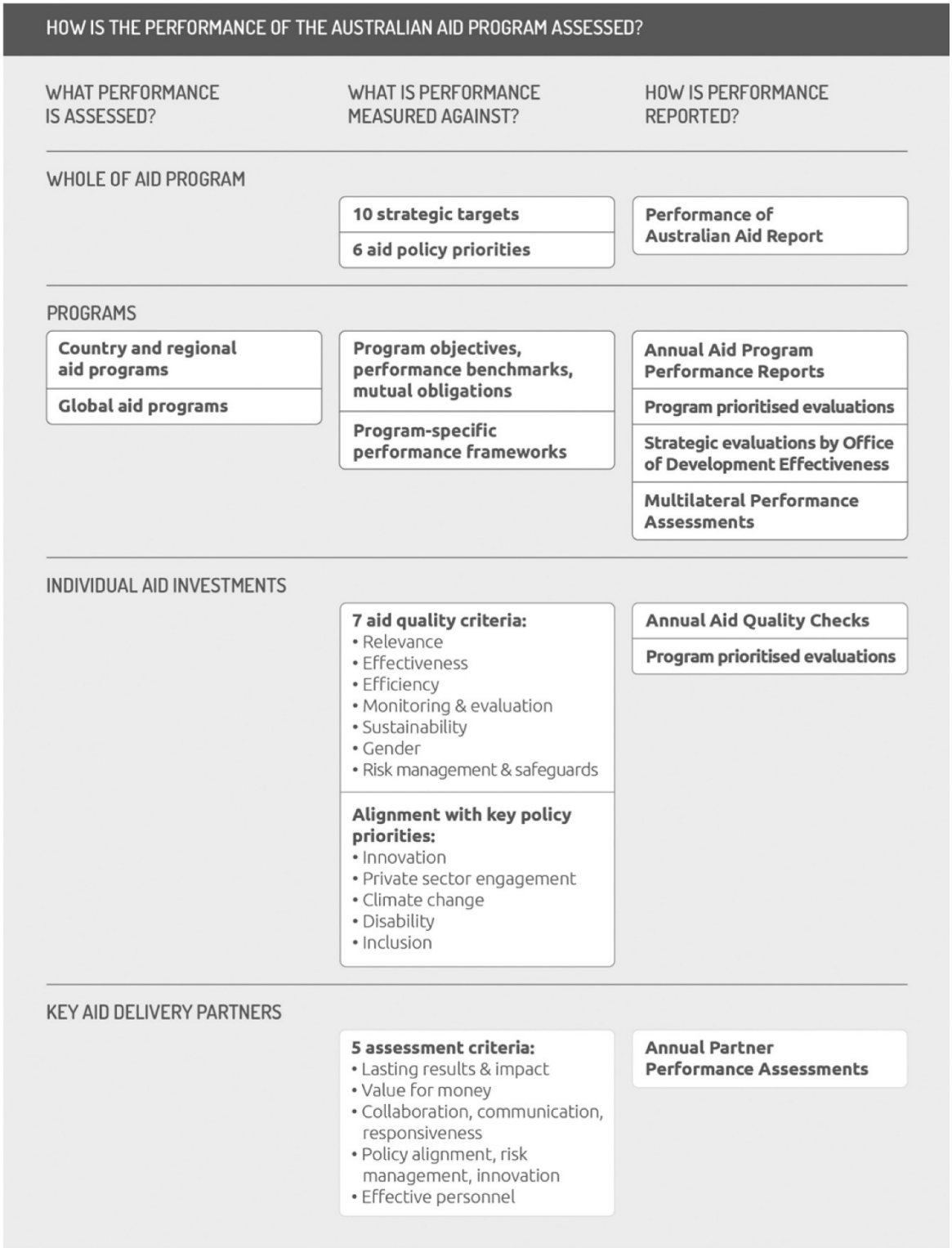
All investment designs must contain a monitoring and evaluation framework. It is the responsibility of the DFAT staff managing the design process to ensure this occurs. Sector-specific resources are available to help them select indicators. Monitoring information generally consists of primary data, progress reports prepared by delivery partners and field visits. Impressively, DFAT's monitoring and evaluation standards[2] are regularly updated and provide detailed guidance to help staff improve the quality of performance reporting (DFAT, 2017c).

Poorly performing projects are subject to stiffer requirements and possible cancellation. This could incentivise programme managers to avoid riskier projects and avoid critical reporting, potentially introducing elements of bias into self-reported performance information. Overall, DFAT needs to reflect on how to manage these risks and assess the potential trade-offs. In particular, DFAT will need to ensure that it has the right systems and tools in place for overseeing and monitoring the performance of programmes that are managed by external consultants, as these represent a large proportion of DFAT's portfolio. This is especially true in the case of DFAT's private sector work and partnerships, which often are implemented by external consultants or managed through multilateral development banks (who also may design the projects). DFAT will need to ensure it creates strong feedback loops to internalise lessons and develops staff capacity to provide appropriate oversight (Chapter 4).

Australia, like many DAC members, could further align its performance and results reporting with the Sustainable Development Goals

Australia could continue to ensure that its results framework is fully aligned with the Sustainable Development Goals (SDGs). The 2016 Global Partnership for Effective Development Co-operation (GPEDC) monitoring data find that only 38.6% of the objectives of Australia's development interventions are drawn from the national development plan (OECD/UNDP 2016). This suggests there is room for further improvement. DFAT, like other donors, could consider how it can further align its results frameworks with country-level SDG reporting and follow-up processes. It could also consider how to further formalise its support of in-country capacity for SDG monitoring.

Figure 6.1. Australia's performance framework



Source: DFAT (2017a), *Aid Programming Guide*, http://dfat.gov.au/about-us/publications/Documents/aid-programming-guide.pdf.

Evaluation system

Peer review indicator: The evaluation system is in line with the DAC evaluation principles

Australia has a strong evaluation system and has continued support and funding for high-quality evaluation work. DFAT recently has made efforts to improve linkages between centralised and decentralised evaluations. Ensuring that all evaluations are published on line in a timely manner and are accompanied by required management responses would help further reinforce transparency, accountability and learning. Like many members, DFAT could enhance stakeholders' involvement in evaluation.

Australia has maintained a strong, independent evaluation system that is well placed to address strategic issues and priorities

Australia's commitment to conducting high-quality evaluations has been maintained following the integration of AusAID into DFAT, and evaluation policy remained relatively consistent during the transition period (OECD, 2016). In 2017, a new evaluation policy was put in place that outlines departmental roles and specifies the process for approving evaluation plans (ODE, 2017). A positive aspect is that the policy has an increased emphasis on evaluation use. The new evaluation policy also specifies the role of DFAT senior management in setting and approving evaluation plans, helping to ensure that evaluations are linked to strategic issues and decision-making processes at DFAT's senior management level.

DFAT's Office of Development Effectiveness (ODE) is the unit charged with conducting and managing centralised evaluations. ODE conducts its own strategic evaluations with a policy, programme, sectoral or thematic focus. It also supports and reviews programme evaluations, occasionally taking the lead in conducting these. The mandate for ODE was expanded following the integration to include a role in assuring the quality of the assessments made in DFAT's annual Performance of Australian Aid report; the position of head of ODE also was made more senior (OECD, 2016). These shifts have helped ensure the quality and rigour of DFAT results reporting and improved the influence of evaluation findings within DFAT.

Staffing and funding for evaluations have remained consistent despite the overall cuts to the aid budget, showing a continued commitment to evaluation and accountability. ODE has 14 full-time equivalent staff and its own budget allocation. The budget for centralised evaluation in 2015/16 was AUD 1.7 million (USD 1.26 million), which was an estimated 0.04% of the development budget (OECD, 2016). The average cost of decentralised evaluations in 2014 was AUD 80 000 (USD 72 111), representing 0.37% of investment value (ODE, 2014a). This is consistent with funding and staffing for evaluation in other DAC member countries.

ODE is operationally independent and the head of ODE reports to a deputy secretary. The Independent Evaluation Committee provides quality control and acts as an external advisory body.[3] Having an external advisory group for evaluation is not common in other Australian government departments, showing that DFAT has maintained the emphasis on independence and quality following the integration. This can serve as a positive model for

other government departments. There are early indications that AusAID's strong evaluation culture has influenced DFAT and the practice of evaluation within the Australian government more generally, which also is positive.

An annual evaluation plan is endorsed by the Independent Evaluation Committee, approved by the Secretary of DFAT and published on the evaluation website. The annual plan outlines both strategic evaluations by ODE and operational evaluations, with a focus on ensuring coherent linkages between the two. According to the 2016 evaluation policy, priority topics for ODE evaluations include areas where significant evidence gaps need to be filled, issues that pose a significant risk and interventions that are high priority for the Australian government (ODE, 2017).

Like many members, the ODE recently has been focused on encouraging fewer, better quality evaluations (OECD, 2016). It remains to be seen how ODE's efforts to strengthen linkages with decentralised evaluations will impact their quality and use, but the inclusion of decentralised programme evaluations in the annual evaluation plan is a step in the right direction.

The quality of decentralised evaluations is variable and they are not always published in a timely manner

DFAT country, regional and thematic aid programmes are required to complete a number of (decentralised) evaluations that focus on the priority issues facing each programme. ODE provides evaluation tools, guidance documents, standards and examples of evaluation products and offers ad hoc courses and workshops for DFAT staff. To ensure the independence of evaluations, DFAT policy specifies that a person who is not directly involved in management of the programme being evaluated should lead the programme evaluation; however, inclusion of DFAT staff in evaluation teams also is encouraged to help build capacity (DFAT, 2017a).

DFAT has undertaken specific efforts to improve the quality and consistency of decentralised evaluations, and progress has been made. For instance, the most recent ODE meta-evaluation of operational evaluations found the majority of them to be credible, although it found some room for improvement in the area of evaluation design and management (OECD, 2016; ODE, 2016a). According to this review, only half of the operational evaluations had management responses, a finding that shows definite room for improvement in this area (ODE, 2016a). In addition, only 38% of completed operational evaluations were posted on line within one year, consistent with the low rate found in previous reviews (ODE, 2016a). DFAT has been working to improve its publishing of evaluations, including decentralised evaluations on line and has been making progress on this in recent months.

DFAT could do more to encourage country partner participation and to help build country partner evaluation capacity

The 2017 evaluation policy notes that "DFAT will engage with partner governments and implementing partners early in evaluations to ensure these partners have ownership of evaluation design and implementation" (ODE, 2017). However, in 2014, only 34% of operational evaluations were conducted jointly with a partner or led by a partner; this represented an increase from 17% in 2012 (ODE, 2014a). There are clear opportunities for Australia to further reinforce its efforts to support partner countries' evaluation capacity in line with review and follow-up mechanisms for the 2030 Agenda. To build on

existing practices at country level, DFAT could formalise this objective and provide guidance for country managers.

Institutional learning

Peer review indicator: Evaluations and appropriate knowledge management systems are used as management tools

Australia has a formalised management response system for evaluations and strives to use lessons in programming decisions. DFAT recently has made efforts to improve its knowledge management, but it has not yet dedicated sufficient resources. Funding for research has expanded and is closely linked with Australian aid priorities. Despite progress, DFAT has room to make further improvement to its knowledge management system to ensure that decentralised evaluations, research and learning are shared across the department.

DFAT makes efforts to learn from evaluations and has a robust system for follow-up of recommendations

In addition to publishing evaluation reports on line, DFAT often disseminates evaluation findings through newsletters, workshops, seminars, thematic communities of practice and lessons learned reports. ODE also holds recommendation workshops with key staff prior to finalising its reports and develops summaries of evaluations for policy makers with an aim of increasing use. The old Aid Investment Committee used to have the responsibility to ensure that evaluation findings are used to inform the aid strategies and investments it approves.

Since 2014, ODE has conducted an annual review of uptake of ODE recommendations to assess progress in implementing the recommendations in recent ODE evaluations. The review also assesses how evaluations may have influenced the aid programme and development polices, with the aim of learning lessons to improve the impact of future ODE evaluations. Encouragingly, the most recent review found that most recommendations are being implemented and documented a number of specific changes that were made as a result of recent evaluations (ODE, 2016b). DFAT's follow up on evaluation recommendations and its formalised management response system for centralised evaluations are notable examples of good practice.

DFAT has made efforts to improve its knowledge management system, but has yet to commit sufficient resources to this objective

Following the integration of AusAID into DFAT, a staff Capability Action Plan was put in place that included the objective of improving knowledge management practices across the integrated department (Chapter 4). In March 2016, a knowledge management framework and associated roadmap for change were established. However, a number of the planned initiatives to improve knowledge management have not yet received sufficient resources to be fully implemented (DFAT, 2017g).

The Knowledge Management Unit (KMU), which currently is in the Development Policy Division, is responsible for media, publications and sharing insights. The unit organises outside guest speakers; hosts seminars, workshops and events; and leads pilot projects such as a recent pilot to embed insights from behavioural economics into the design and evaluation of programmes.

Research is generally considered to be of good quality, and is in line with aid priorities

DFAT's budget for research has increased more than that of its programmable aid, demonstrating a strong commitment to research. The research budget rose to more than AUD 181 million (USD 174.6 million) in 2012/13 from AUD 19 million in 2005/06 (ODE, 2015a). Since 2005/06 about 3% of DFAT's aid budget has been spent on research, a proportion that is in line with that of other DAC countries (ODE, 2015a). DFAT's research is highly decentralised: country and thematic programmes directly manage 97% of it and Australian institutions and individuals receive around 60% of DFAT's research budget (ODE 2015a). A 2015 ODE evaluation found that the budget for research has been appropriate, in line with aid priorities and generally is considered to be of good quality (ODE, 2015a). These views were echoed by various stakeholders in Canberra and Honiara.

Notes

[1] Partner Performance Assessments (PPAs) and Multilateral Performance Assessments (MPAs) measure implementing partners using standard criteria. They are meant to be used to inform decisions. Both MPAs and PPAs were introduced in 2015 in response to a call in the 2014 performance framework for strengthened systems to assess partner performance.

[2] DFAT's Monitoring and Evaluation Standards reference OECD DAC evaluation standards. While they are extremely comprehensive, they are not meant to be applied rigidly. The DFAT standards cover programme/investment design, planning for programme monitoring and evaluation, standards and processes for performance reporting, and standards and information about what should be contained in evaluation reports and Terms of Reference.

[3] The Independent Evaluation Committee (IEC), established in 2012, provides quality control for evaluations and acts as an external advisory body. It is composed of three independent members and one department representative, and meets three or four times a year. A representative of the Department of Finance also attends meetings as an observer. The Minister for Foreign Affairs appoints the external members, who serve terms of between one and three years. The IEC also provides independent advice on ODE's strategic direction and recommendations related to DFAT performance management policies; endorses the annual evaluation work plan; and reviews and endorses all ODE products. Additionally, it provides advice to the DFAT's Audit and Risk Committee. The IEC reports through its chair to the Secretary of DFAT and publishes online statements about key outcomes of its quarterly meetings.

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Chapter 7. Australia's humanitarian assistance

Strategic framework

Peer review indicator: Clear political directives and strategies for resilience, response and recovery

Australia punches above its weight in global policy discussions including on disability and issues related to the Pacific, two key focus areas under the new humanitarian strategy. The capacity to deliver on this strategy could be increased if Australia systematically leverages development funding to address crisis risks, especially in disaster-prone Pacific island countries. Stronger coherence between Australia's voices on humanitarian and fragility policy and advocacy would also contribute to delivering on the strategy. Overall budget cuts have hurt the scope of the humanitarian programme. However, budget predictability has been maintained, allowing for an expansion of multi-year funding arrangements. This is good practice.

Supporting better humanitarian programming globally and in the Indo-Pacific

DFAT's new humanitarian strategy, developed after extensive consultations with partners, outlines Australia's intentions with regard to advocating for reform in the international system, reducing disaster risk, supporting preparedness and response, and enabling early recovery. It also sets out a number of cross-cutting thematic issues including gender and disability (DFAT, 2016). A Pacific Humanitarian Strategy, based on Australia's important role in supporting its near neighbours (Chapter 1), will supplement the humanitarian strategy. It will be developed with inputs from Australia's posts in the Pacific including in Solomon Islands (Annex C), and likely will focus on localisation and prevention and preparedness. Separately, Australia has a focus on regional health security for pandemics, an issue of national interest for Australia.

Australia takes its global policy responsibilities seriously, co-chairing the AsiaPacific consultations for the World Humanitarian Summit; championing, jointly with Finland, disability at the Summit;[1] actively participating in global debate; and ensuring a focus on the Pacific region, both in policy discussions and in the operations of multilateral partners. Australia is also delivering on its World Humanitarian Summit commitments - including by promoting localisation in the Pacific and pushing disability inclusion in partner programmes.

Opportunities to increase coherence between humanitarian aid and development co-operation in crisis prone contexts

Two strategic opportunities exist for further progress on the humanitarian/ development/peace nexus:

- joining up policy work on protracted crises with fragility policy and peacekeeping
- addressing the root causes of potential humanitarian crises in Aid Investment Plans, especially in disaster-prone Pacific island countries, to help build coherence in the overall approach to fragile and crisis-affected situations.

In terms of programming, there are other opportunities for development and humanitarian coherence, for example by integrating surge funding provisions into development partner

grants, particularly in the Pacific, as recommended by the Cyclone Pam evaluation (DFAT, 2017a).

Overall budget cuts have hurt the humanitarian allocation

Cuts to the overall aid budget have also affected humanitarian funding, which amounts to AUD 399.7 million for 2017/18, down from AUD 493 million in 2012/3. However, the percentage of ODA spent on humanitarian assistance has consistently remained in the 7%-10% range over this six-year period. The current budget includes two special allocations for Syria and Iraq, totalling AUD 60 million. Although the humanitarian budget has been cut, there is still good forward predictability, which has enabled multi-annual funding to key partners.

Effective programme design

Peer review indicator: Programmes target the highest risk to life and livelihood

Australia is making good progress on its World Humanitarian Summit commitments around the localisation of humanitarian aid; Australia's approach and experiences in the Pacific will provide lessons for other members as they grapple with how to implement this commitment. The rationale for funding decisions is not always clear to partners or other external stakeholders, exposing Australia to a misperception that decisions are not linked to its strategy; making the links between Australia's published criteria and funding decisions more transparent would help reduce the risk.

Criteria for funding decisions could be tightened to help increase Australian influence

The 2013 peer review asked Australia to demonstrate how its criteria for who, what and where to fund are being applied to actual grant decisions each year (OECD, 2013). Despite a range of criteria in the 2016 humanitarian strategy[2] (DFAT, 2016), it is still not clear, even to Australia's partners, how humanitarian funding allocations are made. In practice, despite Australia's development focus on the Pacific (Chapter 1), politicians, communities (especially diaspora communities from the Horn of Africa), and partners create political pressure to spend the budget on high-profile global crises; as a result crises in the Middle East, where Australia also has military operations, and in Africa get the lion's share – 57% – of funding[3] (DFAT, 2017b). Australia's humanitarian team, in line with their humanitarian strategy ambitions, have expressed a desire to increase Australian influence on the global stage. Making funding allocations where there is clear space for Australia to use its advocacy voice could be one good way to do this.

Good progress is being made on localisation and lessons could be usefully shared with other donors

Australia is making good progress on its commitments towards the localisation of humanitarian aid,[4] focusing on building the capacity of local actors and on elevating their role in response on the ground. The peer review team witnessed this in Solomon Islands, where Australia is strengthening the systems and leadership role of the national disaster management office and is actively planning to partner more closely with faith-based

organisations that have community reach across the archipelago (Annex C). Similarly, the response to Cyclone Pam involved direct funding to the health and education ministries to enable them to lead the recovery, although the official evaluation found that local private sector and civil society capacity could have been better utilised (DFAT, 2017a). Australia's experiences with localisation in the Pacific region will provide useful lessons for other donors and the broader humanitarian system as they grapple with how to deliver on this World Humanitarian Summit commitment. Australia is therefore encouraged to document and share its approach and lessons learned.

Effective delivery, partnerships and instruments

Peer review indicator: Delivery modalities and partnerships help deliver quality assistance

Australia excels in rapid response. It has an extensive toolbox and a well-deserved excellent reputation for effective delivery in sudden-onset crises, especially in the Pacific. Financing for protracted crises is both predictable and flexible, and DFAT's funding is often multi-annual. Harmonising funding approaches across government would be useful, especially relating to reporting requirements. Australia is also encouraged to continue its efforts to scale up cash-based programming. The approach to partnerships varies based on Australia's assessment of partner capacity and a desire to have greater oversight over project design and operations in the Pacific. Australia could now initiate a discussion with partners about what it expects in terms of results and how the attribution issue can be tackled, especially related to core funding.

Predictable and flexible funding for protracted crises

Australia is at the forefront of multi-annual financing to both UN agencies and NGOs. It offers a good example by limiting any earmarking to results, allowing for flexibility in programming decisions. The Australian Humanitarian Partnership is particularly good practice – a five-year (2017-22), AUD 50-million partnership with six Australian NGOs that provides multi-annual un-earmarked funding for both preparedness and response (DFAT, 2017c). Most funding for protracted emergencies comes from DFAT, with some supplementary funds from the Department of Immigration and Border Protection and from development assistance programme funds in embassies. The Australian Civilian Corps and RedR Australia[5] provide seconded staff for emergency response. It would be useful to harmonise the approach to humanitarian funding across government, especially with regard to reporting requirements for partners and taking DFAT's model as good practice.

While Australia remains committed to its Grand Bargain obligations around cash-based programming, it is not yet systematically using this type of response. This will be a focus area going forward.

Australia excels in rapid response

As noted in the last peer review, Australia has an extensive toolbox for rapid response and an excellent reputation for effective delivery in sudden onset crises. In addition to using a range of standard mechanisms, Australia channels funds from its development programme to support local ownership in emergency situations, for example in the responses to Cyclone Pam (Vanuatu) and Cyclone Winston (Fiji). This is good practice and could be extended to allow local development actors to also modify programming in response to disasters. DFAT takes the lead in any response, standing up an Inter-departmental Emergency Task Force to co-ordinate efforts across government that may include crisis response teams, defence assets, consular services, the Australian Civilian Corps, and state and territory resources. There are links with the private sector in logistics management, for example in Kuala Lumpur (DFAT, 2017b).

Apart from the government response, funding is available for response partners, mostly through the six Australian NGOs covered under the Humanitarian Partnership (see above). Australia also has provided substantial amounts to the UN Central Emergency Response Fund (CERF), although these have declined in recent years,[6] and some direct funding for multilateral organisations and NGO partners. For example, Australia was among the first to provide funding for the 2017 famine emergency. Any funds left in the Humanitarian Emergency Response Fund at the end of the budget year are allocated to protracted emergencies rather than carried over. Most decisions are made in Canberra. In Solomon Islands, the peer review team heard about prepositioned disaster response supplies and the use of RAMSI assets for disaster relief, but also was told that funding requests were often beyond the High Commission's means and had to be referred back to DFAT (Annex C).

Experiences on partnership vary and support is required on reporting results

A majority of partners praise Australia for its multi-year financing, high levels of core funding (or at least very soft earmarking), good working relationship with staff (the Permanent Mission in Geneva particularly), and appropriate administrative requirements. Criticisms include high transaction costs and very detailed oversight that can include DFAT-specific log frames and regular phone calls and correspondence around how individual country programmes are staffed and managed. It appears that Australia's approach to partnership depends very much on its confidence in the partner and the desire to have greater oversight over project design and operations in the Pacific.[7] All partners report increased pressure to demonstrate results. This has created an attribution issue, especially for core funding, where it is hard to get a clear line of sight between funding and delivery. Australia could support its partners by initiating a discussion on what it expects in terms of results and how the attribution issue can be tackled.

Strong co-ordination with other donors and the UN in various fora

Australia is the co-chair (with Germany) of the Good Humanitarian Donorship initiative that brings donors together globally in this critical time following the World Humanitarian Summit. It also collaborates on thematic issues, for example on disability inclusion with Finland. In Pacific disaster response, Australia co-ordinates closely with France and New Zealand through the FRANZ trilateral mechanism.[8] In terms of UN co-ordination, Australia has co-chaired the Inter-Agency Standing Committee (IASC) Emergency Directors group[9] and is active in a number of UN donor support groups and boards, where it actively works to develop common donor positions.

Organisation fit for purpose

Peer review indicator: Systems, structures, processes and people work together effectively and efficiently

Cross-government co-ordination is working well in disaster response in the Pacific. There is also good co-operation with the Australian Defence Force, which often lends military assets for disaster response. Humanitarian staff see the restructuring as broadly positive, providing more weight for advocacy in international policy discussions. Given the exposure to disaster risk in the Pacific, additional training for Pacific-based staff on humanitarian principles, policy and operations could be useful.

Effective cross-government co-ordination

DFAT has the lead in whole-of-government response to disasters. The Cyclone Pam evaluation found that this structure helped to bring coherence and good co-ordination for Australian efforts (DFAT, 2017a). The Department of Health also is involved in disaster response as well as in pandemic and Ebola health system strengthening and response. This engagement mostly reflects Australia's national interest but also delivers a wider good to the Indo-Pacific region.

A pragmatic approach to civil-military co-ordination

Civilian and military resources must work closely together, especially in Pacific disaster response. To ensure this goes well, Australia embeds civilian and military staff with their counterparts to develop close working relationships both during and before disasters occur. DFAT staff train defence staff on international good practice including the Oslo Guidelines.[10] Australia has been working closely with Canada, the US and other members of the Multinational Planning Augmentation Team to develop an annex on "Interagency Cooperation" in the Multinational Forces Standard Operating Procedures. Together, these efforts help to maintain the good civilian-led working relationships that were recognised during the last peer review.

More systematic training for Pacific staff would be useful

The 2013 integration of AusAID brought the humanitarian team into DFAT, a move that staff credit for helping shore up DFAT leadership on international humanitarian policy and response. Humanitarian staff also have been deployed to major crises including to Amman and Beirut to support efforts on the Syria crisis, and humanitarian staff are placed in permanent missions in Geneva and New York. Humanitarian training is not a formal requirement for postings in the Pacific, however. This seems out of step with Australia's key role in disaster response in the region; indeed the Cyclone Pam evaluation recommends that staff be provided with training in humanitarian principles, policy and operations (DFAT, 2017a). While humanitarian training is not a formal requirement for postings in the Pacific, DFAT co-ordinates regular humanitarian training at key posts in the Pacific, including for locally engaged staff.

Results, learning and accountability

Peer review indicator: Results are measured and communicated, and lessons learnt

Australia systematically learns from its bilateral disaster responses, which is good practice. Approaches to monitoring partners are customised to Australia's assessment of each partner's capacity, which is also good practice. However, Australia will need to continue to strike the right balance between effective partnerships and its drive for partners to demonstrate results in order to ensure that each partner's needs and expectations are addressed. Transparency of funding decisions and results could be improved to increase accountability and public trust.

Australia will need to strike the right balance between results and partnership with the international humanitarian system

Three evaluations of Australian performance have been conducted since 2013 that examine responses in the Horn of Africa, Syria and the Pacific (Cyclone Pam). Lessons are used in improving performance; for example, lessons from Cyclone Pam were used to inform the response to Cyclone Winston (DFAT, 2017a). Informal internal reviews take place after individual disaster responses and a joint New Zealand/Australia disaster monitoring framework is now being piloted (OECD, 2017b).

In terms of monitoring the performance of partners, the increased focus on results is applied differently from partner to partner. Monitoring is adapted to individual partner issues and capacities – sometimes related to reform processes and sometimes focused on operational effectiveness and/or on the delivery of results on the ground. The monitoring varies from a light-touch process to heavy-handed treatment, depending on the assessment of partner capacity. Australia will need to take care to strike the right balance between the drive to demonstrate results and effective partnerships as it moves forward. Multilateral partners also have regular assessments by the Multilateral Organization Performance Assessment Network (Chapter 2), which they agree is good practice and whose administrative burden is appropriate.

Transparency on funding and results could be improved

Australia uses the Internet and social media to communicate its humanitarian strategy to taxpayers, lawmakers, partners and affected communities. Data on humanitarian funding decisions are not published, however, hindering transparency.

Notes

[1] Australia helped promote and bring to fruition the Charter on Inclusion of Persons with Disabilities in Humanitarian Action, which was widely endorsed at the World Humanitarian Summit. The Charter is available at http://humanitariandisabilitycharter.org/.

[2] Criteria include needs, scale of the crisis, national interest and comparative advantage, other donor funding levels, absorption capacity, geographical location, Good Humanitarian Donorship principles, international approaches, and lessons from previous approaches.

[3] According to the government of Australia, AUD 207.8 million (out of AUD 362.9 million) is spent on global crises outside of the Indo-Pacific region.

[4] Localising humanitarian response is a process of recognising, respecting and strengthening the leadership of local authorities and the capacity of local civil society in humanitarian action, in order to better address the needs of affected populations and to prepare national actors for future humanitarian responses. Commitments to localisation have been made in the Principles and Good Practice of Humanitarian Donorship (known as the GHD principles), in the Grand Bargain, and under the Sendai Framework for Disaster Risk Reduction. See http://www.oecd.org/development/humanitarian-donors/docs/Localisingtheresponse.pdf.

[5] RedR Australia is a Standby Partner to nine United Nations agencies, the International Organization for Migration and other front-line relief agencies. During a humanitarian crisis, a global network of Standby Partner organisations provides additional support to UN response efforts. RedR Australia is the only Standby Partner to the UN in the Asia Pacific. See www.redr.org.au/.

[6] In 2013, Australia provided USD 18.6 million (AUD 19.28 million) to the CERF. By 2017, its annual allocation had dropped to USD 8.2 million. These cuts are in line with overall Australian ODA cuts. Australia remains the 11th largest donor to CERF since its inception. See www.unocha.org/cerf/donors/donorspage.

[7] "Australia is the leading donor in the region. We are, if I can put it this way, the largest house on the street. As a consequence, that comes with certain responsibilities": Senator Concetta Fierravanti-Wells, Australian Minister for International Development and the Pacific, speaking on International Volunteer Day in 2016. See https://avid.avi.org.au/news/2016/12/5/26-senator-concetta-fierravanti-wells-talks-ivd-2016-and-ravn-conference/.

[8] In 1992, France, Australia and New Zealand decided to co-ordinate their emergency management efforts in the South Pacific through the FRANZ agreement. It aims to optimise their humanitarian assistance during disasters, providing a framework for considering the political, economic and social difficulties that constrain efficient disaster management in Pacific islands. It does not yet extend to disaster resilience. For further discussion see https://researchonline.jcu.edu.au/33397/.

[9] The IASC Emergency Directors support humanitarian operations by advising the Emergency Relief Coordinator and the IASC Principals on operational issues of strategic concern, and by mobilising agency resources to address operational challenges and gaps. These are in support of Humanitarian Coordinators and Humanitarian Country Teams. Australia was co-chair in June 2016. More information is available at https://interagencystandingcommittee.org/emergency-directors-group.

[10] Guidelines on the Use of Foreign Military and Civil Defence Assets in Disaster Relief, the Oslo Guidelines, - Rev. 1.1 (November 2007) and other related civil military documents are available at www.unocha.org/legacy/what-we-do/coordination-tools/UN-CMCoord/publications.

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Annex A. Progress since the 2013 DAC peer review recommendations

Towards a comprehensive development effort

Recommendations 2013	Progress in implementation
Australia is encouraged to share publicly its achievements and challenges of making national and foreign policies coherent with development aspirations.	Not implemented

Aid volume, channels and allocation

Recommendations 2013	Progress in implementation
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.	Not implemented
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.	Implemented

Organisation and management

Recommendations 2013	Progress in implementation
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.	Partially implemented
Australia should continue to implement the second phase of its workforce plan to ensure that staff 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.	Partially implemented

Delivery and partnerships

Recommendations 2013	Progress in implementation
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.	Implemented
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: 1. 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. 2. 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.	Not implemented Implemented

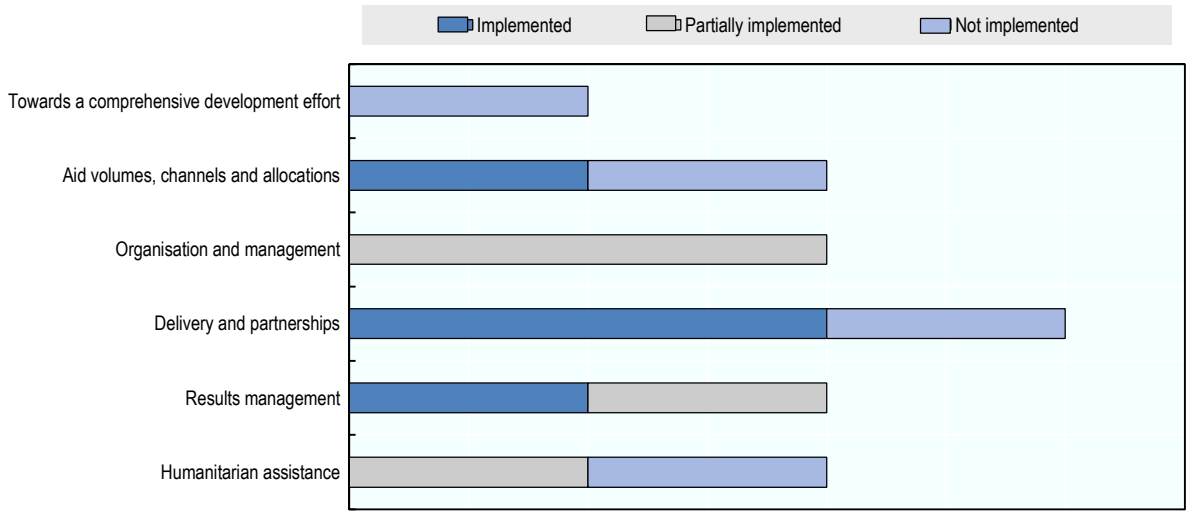
Results management and accountability

Recommendations 2013	Progress in implementation
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.	Implemented
Australia should strengthen, as planned, the focus on learning from successes and challenges in its overall reporting on results.	Partially implemented

Humanitarian assistance

Recommendations 2013	Progress in implementation
Australia should expand its disaster risk reduction programmes to all partner countries; and share its tools and good practices with other donors.	Partially implemented
Australia should demonstrate how its criteria for who, what and where to fund have been applied to actual grant decisions each year.	Not implemented

Figure A.1. Australia's implementation of 2013 peer review recommendations



Annex B. OECD/DAC standard suite of tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

Australia	2002-06	2007-11	2012	2013	2014	2015	2016
							Net disbursements
Total official flows	**1 603**	**3 704**	**5 733**	**5 313**	**4 528**	**3 777**	**3 726**
Official development assistance	**1 494**	**3 439**	**5 403**	**4 846**	**4 382**	**3 494**	**3 278**
Bilateral	1 237	2 966	4 540	4 149	3 498	2 752	2 290
Grants	1 232	2 918	4 497	4 129	3 477	2 738	2 290
Non-grants	5	48	43	20	21	14	-
Multilateral	257	473	863	696	884	741	987
Other official flows	**109**	**265**	**330**	**467**	**145**	**283**	**448**
Bilateral: *of which*	109	265	327	464	145	283	385
Investment-related transactions	-	-	-	-	-	-	-
Multilateral	-	0	3	4	-	-	63
Officially guaranteed export credits	**- 61**	**- 99**	**204**	**4 416**	**4 403**	**211**	**- 8**
Net Private Grants	**503**	**725**	**1 433**	**-**	**-**	**-**	**-**
Private flows at market terms	**2 004**	**5 722**	**14 536**	**13 442**	**23 043**	**9 853**	**11 406**
Bilateral: *of which*	2 004	5 722	14 536	13 442	23 043	9 853	11 406
Direct investment	1 440	2 541	8 647	4 959	6 367	1 787	429
Multilateral	-	-	-	-	-	-	-
Total flows	**4 049**	**10 053**	**21 906**	**23 170**	**31 975**	**13 840**	**15 124**
for reference:							
ODA (at constant 2015 USD million)	*2 144*	*3 139*	*3 952*	*3 755*	*3 629*	*3 494*	*3 305*
ODA (as a % of GNI)	*0.26*	*0.32*	*0.36*	*0.33*	*0.31*	*0.29*	*0.27*
ODA grant equivalent	-	-	-	-	-	*3 222*	*3 278*
Total flows (as a % of GNI) (a)	*0.70*	*0.94*	*1.46*	*1.58*	*2.29*	*1.15*	*1.23*
ODA to and channelled through NGOs - In USD million	74	324	618	522	567	407	316
ODA to and channelled through multilaterals - In USD million	300	1 175	2 021	1 598	1 836	1 380	1 564

a. To countries eligible for ODA.

ODA net disbursements
At constant 2015 prices and exchange rates and as a share of GNI

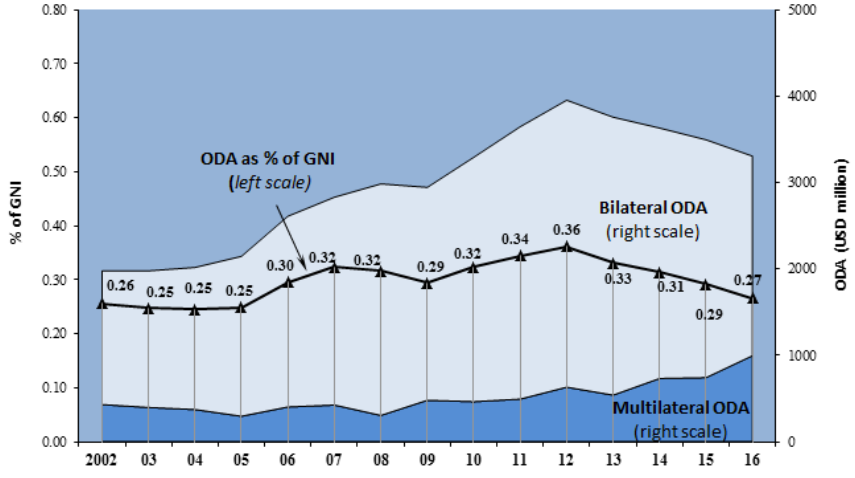
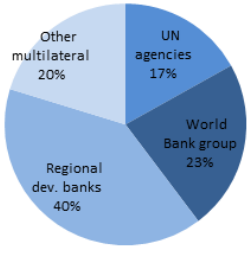


Table B.2. ODA by main categories

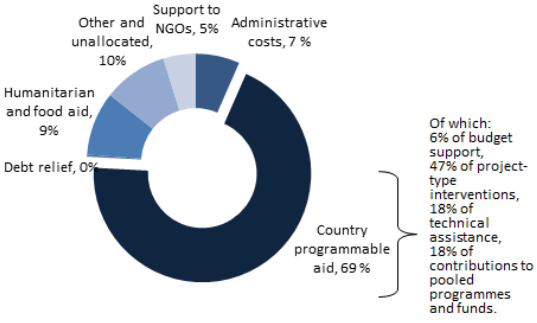
Disbursements

Australia	Constant 2015 USD million					Per cent share of gross disbursements					Total DAC 2015 %
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	
Gross Bilateral ODA	**3 403**	**3 277**	**2 916**	**2 756**	**2 313**	**84**	**86**	**80**	**79**	**70**	**74**
Budget support	160	125	134	107	62	4	3	4	3	2	2
of which: General budget support	8	5	1	-	3	0	0	0	-	0	1
Core contributions & pooled prog.& funds	789	749	1 030	774	702	20	20	28	22	21	14
of which: Core support to national NGOs	21	111	109	77	96	1	3	3	2	3	2
Core support to international NGOs	47	25	47	54	12	1	1	1	2	0	1
Core support to PPPs	2	1	-	1	1	0	0	-	0	0	0
Project-type interventions	1 506	1 316	892	1 017	829	37	34	24	29	25	39
of which: Investment projects	239	180	892	715	337	6	5	24	20	10	14
Experts and other technical assistance	356	296	372	407	323	9	8	10	12	10	4
Scholarships and student costs in donor countries	224	266	256	262	194	6	7	7	7	6	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	9	8	6	8	8	0	0	0	0	0	0
Administrative costs	245	249	225	181	194	6	7	6	5	6	4
Other in-donor expenditures	115	267	1	0	0	3	7	0	0	0	9
of which: refugees in donor countries	112	265	-	-	-	3	7	-	-	-	8
Gross Multilateral ODA	**631**	**540**	**732**	**741**	**995**	**16**	**14**	**20**	**21**	**30**	**26**
UN agencies	219	137	208	355	168	5	4	6	10	5	4
EU institutions	-	-	-	-	-	-	-	-	-	-	8
World Bank group	188	159	151	183	227	5	4	4	5	7	6
Regional development banks	76	87	104	94	398	2	2	3	3	12	2
Other multilateral	149	157	270	110	202	4	4	7	3	6	5
Total gross ODA	**4 034**	**3 816**	**3 648**	**3 497**	**3 308**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	31	16	17	14	-	1	0	0	0	-	-
Bilateral	31	16	17	14	-	1	0	0	0	-	-
Multilateral	-	-	-	-	-	-	-	-	-	-	-
Repayments and debt cancellation	**- 82**	**- 61**	**- 19**	**- 4**	**- 3**						
Total net ODA	**3 952**	**3 755**	**3 629**	**3 494**	**3 305**						
For reference:											
Country programmable aid	*2 452*	*2 165*	*1 994*	*1 909*	-						
Free standing technical co-operation	*1 498*	*1 111*	*952*	*926*	*899*						
Net debt relief	*6*	-	-	*8*	*8*						

ODA flows to multilateral agencies, 2016



Composition of bilateral ODA, 2015, gross bilateral disbursements



Share of ODA channelled to and through the multilateral system, two year average

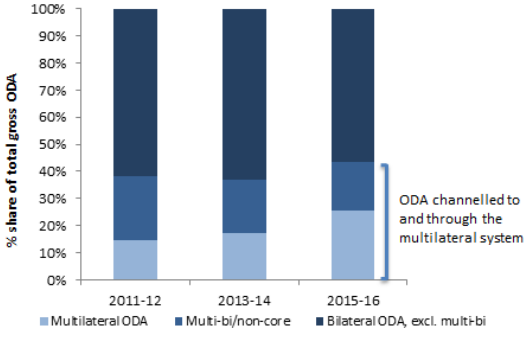


Table B.3. Bilateral ODA allocable by region and income group

Gross disbursements

Australia	Constant 2015 USD million					% share					Total DAC
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2015%
Africa	290	246	152	103	78	11	10	7	5	5	**41**
Sub-Saharan Africa	269	240	136	91	69	10	10	6	4	4	**35**
North Africa	11	5	4	2	1	0	0	0	0	0	**3**
Asia	1 450	1 256	1 279	1 115	782	54	52	57	52	47	**32**
South and Central Asia	479	339	421	329	218	18	14	19	15	13	**19**
Far East	943	877	819	760	528	35	36	37	35	31	**12**
America	39	23	13	11	8	1	1	1	1	0	**10**
North and Central America	18	12	6	5	5	1	0	0	0	0	**4**
South America	20	12	7	6	2	1	0	0	0	0	**5**
Middle East	79	83	86	79	68	3	3	4	4	4	**10**
Oceania	839	807	704	852	741	31	33	32	39	44	**2**
Europe	3	0	0	1	1	0	0	0	0	0	**5**
Total bilateral allocable by region	**2 700**	**2 416**	**2 235**	**2 161**	**1 678**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	913	771	734	679	539	37	35	36	34	36	**40**
Other low-income	56	60	22	20	6	2	3	1	1	0	**4**
Lower middle-income	1 284	1 241	1 156	1 160	826	53	56	56	58	55	**35**
Upper middle-income	193	148	142	149	141	8	7	7	7	9	**21**
More advanced developing countries	0	0	-	-	-	0	0	-	-	-	**-**
Total bilateral allocable by income	**2 446**	**2 219**	**2 054**	**2 009**	**1 512**	**100**	**100**	**100**	**100**	**100**	**100**
For reference*[2]*:											
Total bilateral	3 403	3 277	2 916	2 756	2 313	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*703*	*861*	*681*	*595*	*635*	*21*	*26*	*23*	*22*	*27*	***33***
of which: Unallocated by income	*957*	*1 057*	*862*	*747*	*801*	*28*	*32*	*30*	*27*	*35*	***40***
Fragile and conflict-affected states (as per DCR of each year)	*1 357*	*1 227*	*1 144*	*1 063*	*886*	*40*	*37*	*39*	*39*	*38*	***34***
SIDS (as per data provided to UN)	*843*	*815*	*723*	*857*	*710*	*25*	*25*	*25*	*31*	*31*	***3***
Landlocked developing countries (as per data provided to UN)	*377*	*274*	*258*	*209*	*153*	*11*	*8*	*9*	*8*	*7*	***14***

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.
2. 'Fragile and conflict-affected states' group has overlaps with SIDS and landlocked developing countries and can therefore not be added. For the same reason, these three groups cannot be added to any income group.

Gross bilateral ODA by income group, 2011-16

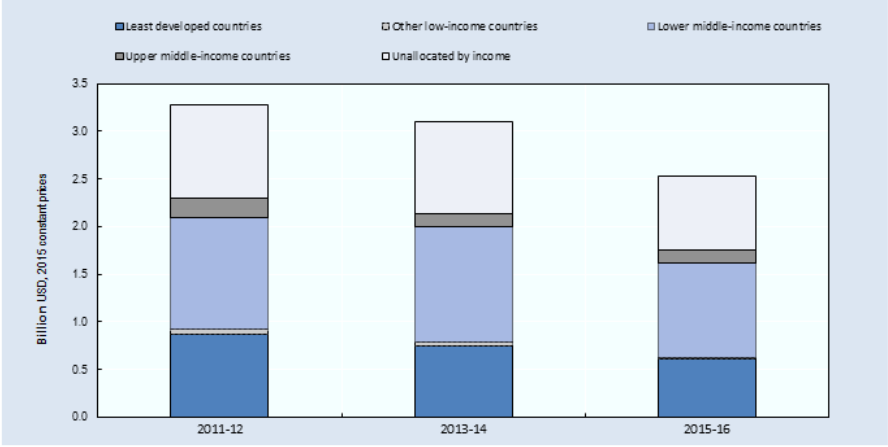


Table B.4. Main recipients of bilateral ODA

Gross disbursements

Australia	2011-12 average Current USD million	Constant 2015 USD mln	% share	Memo: *DAC countries' average %*		2013-14 average Current USD million	Constant 2015 USD mln	% share	Memo: *DAC countries' average %*		2015-16 average Current USD million	Constant 2015 USD mln	% share	Memo: *DAC[1] countries' average %*
Indonesia	527	385	12		Indonesia	506	404	13		Papua New Guinea	377	379	15	
Papua New Guinea	505	369	11		Papua New Guinea	446	357	12		Indonesia	313	314	12	
Solomon Islands	239	175	5		Solomon Islands	169	134	4		Solomon Islands	115	116	5	
Afghanistan	193	141	4		Philippines	138	110	4		Viet Nam	79	79	3	
Philippines	144	105	3		Viet Nam	136	109	4		Philippines	73	73	3	
Top 5 recipients	**1 608**	**1 176**	**36**	**30**	**Top 5 recipients**	**1 395**	**1 115**	**36**	**27**	**Top 5 recipients**	**958**	**961**	**38**	**21**
Viet Nam	141	103	3		Afghanistan	127	102	3		Afghanistan	70	70	3	
Timor-Leste	106	77	2		Timor-Leste	99	79	3		Vanuatu	65	65	3	
Bangladesh	100	73	2		Bangladesh	89	71	2		Timor-Leste	60	60	2	
Cambodia	86	63	2		Myanmar	80	64	2		Cambodia	53	54	2	
Pakistan	81	59	2		Cambodia	76	61	2		Myanmar	51	51	2	
Top 10 recipients	**2 122**	**1 552**	**47**	**40**	**Top 10 recipients**	**1 865**	**1 492**	**48**	**41**	**Top 10 recipients**	**1 257**	**1 262**	**50**	**33**
Vanuatu	65	47	1		Pakistan	69	55	2		Fiji	50	50	2	
Lao People's Democratic Republic	54	39	1		Vanuatu	54	43	1		Pakistan	42	42	2	
Sri Lanka	51	37	1		Lao People's Democratic Republic	51	41	1		Bangladesh	42	42	2	
Myanmar	51	37	1		Fiji	48	39	1		Lao People's Democratic Republic	33	33	1	
Zimbabwe	50	36	1		West Bank and Gaza Strip	45	37	1		West Bank and Gaza Strip	30	30	1	
Top 15 recipients	**2 392**	**1 750**	**53**	**45**	**Top 15 recipients**	**2 132**	**1 707**	**55**	**48**	**Top 15 recipients**	**1 453**	**1 458**	**58**	**42**
Fiji	47	34	1		Sri Lanka	40	32	1		Samoa	27	27	1	
Samoa	40	29	1		Syrian Arab Republic	33	26	1		Nepal	26	26	1	
Somalia	40	29	1		Samoa	31	25	1		Kiribati	21	21	1	
West Bank and Gaza Strip	38	28	1		Tonga	27	22	1		Tonga	20	20	1	
Nepal	36	26	1		Kiribati	27	22	1		Nauru	19	19	1	
Top 20 recipients	**2 593**	**1 897**	**58**	**49**	**Top 20 recipients**	**2 290**	**1 833**	**59**	**54**	**Top 20 recipients**	**1 566**	**1 572**	**62**	**48**
Total (138 recipients)	**3 141**	**2 297**	**70**		**Total (137 recipients)**	**2 672**	**2 136**	**69**		**Total (133 recipients)**	**1 754**	**1 760**	**69**	
Unallocated	1 340	980	30	37	Unallocated	1 203	960	31	37	Unallocated	771	774	31	53
Total bilateral gross	**4 480**	**3 277**	**100**	**100**	**Total bilateral gross**	**3 874**	**3 096**	**100**	**100**	**Total bilateral gross**	**2 525**	**2 534**	**100**	**100**

1. 2015.

Table B.5. Bilateral ODA by major purposes

At constant prices and exchange rates

Commitments - Two-year average

Australia	2011-12 average		2013-14 average		2015-16 average		DAC
	2015 USD million	%	2015 USD million	%	2015 USD million	%	2015 %
Social infrastructure & services	**1 627**	**50**	**1 427**	**47**	**1 119**	**45**	**35**
Education	365	11	380	12	276	11	7
of which: basic education	102	3	100	3	118	5	2
Health	247	8	166	5	145	6	5
of which: basic health	117	4	101	3	105	4	4
Population & reproductive health	122	4	119	4	71	3	7
Water supply & sanitation	145	4	116	4	76	3	4
Government & civil society	685	21	578	19	505	20	10
of which: Conflict, peace & security	66	2	42	1	39	2	2
Other social infrastructure & services	63	2	67	2	46	2	1
Economic infrastructure & services	**208**	**6**	**177**	**6**	**226**	**9**	**19**
Transport & storage	147	4	133	4	143	6	8
Communications	5	0	1	0	0	0	0
Energy	20	1	11	0	10	0	8
Banking & financial services	30	1	14	0	35	1	2
Business & other services	6	0	18	1	37	2	1
Production sectors	**214**	**7**	**158**	**5**	**157**	**6**	**6**
Agriculture, forestry & fishing	184	6	119	4	99	4	4
Industry, mining & construction	13	0	21	1	25	1	2
Trade & tourism	17	1	18	1	33	1	1
Multisector	**591**	**18**	**685**	**22**	**560**	**23**	**10**
Commodity and programme aid	**41**	**1**	**31**	**1**	**33**	**1**	**2**
Action relating to debt	**9**	**0**	**-**	**-**	**8**	**0**	**0**
Humanitarian aid	**285**	**9**	**220**	**7**	**194**	**8**	**11**
Administrative costs of donors	**233**	**7**	**237**	**8**	**188**	**8**	**6**
Refugees in donor countries	**56**	**2**	**133**	**4**	**-**	**-**	**10**
Total bilateral allocable	**3 265**	**100**	**3 068**	**100**	**2 485**	**100**	**100**
For reference:							
Total bilateral	*3 277*	*85*	*3 056*	*83*	*2 529*	*74*	*77*
of which: Unallocated	*12*	*0*	*-11*	*0*	*44*	*1*	*1*
Total multilateral	*562*	*15*	*636*	*17*	*868*	*26*	*23*
Total ODA	***3 839***	***100***	***3 692***	***100***	***3 397***	***100***	***100***

Commitments

	2011-2012		2013-2014		2015-2016	
	USD Million	% Bilateral Allocable	USD Million	% Bilateral Allocable	USD Million	% Bilateral Allocable
Gender equality	1,464	*49*	1,343	*49*	1,325	*57*
Environment	467	*16*	420	*15*	379	*16*
Rio markers						
Biodiversity	279	*9*	214	*8*	245	*10*
Desertification	193	*7*	169	*6*	195	*8*
Climate change Mitigation only	39	*1*	25	*1*	18	*1*
Climate change Adaptation only	218	*7*	101	*4*	136	*6*
Overlap climate adaptation and mitigation	194	*7*	205	*8*	213	*9*

Table B.6. Comparative aid performance of DAC members

	Official development assistance			Share of multilateral aid				Grant element of ODA commitments	Untied aid % of bilateral commitments
				Net disbursements					Commitments
	2015		2009-10 to 2014-15 Average annual % change in real terms	2015				2015	2015
	USD million	% of GNI		% of ODA		% of GNI			
				(b)	(c)	(b)	(c)	% (a)	(d)
Australia	3 494	0.29	2.7	21.2		0.06		99.9	100.0
Austria	1 324	0.35	2.4	40.9	20.7	0.14	0.07	100.0	36.4
Belgium	1 904	0.42	-4.4	41.6	17.3	0.17	0.07	99.8	96.7
Canada	4 277	0.28	-1.3	30.5		0.09		97.8	98.5
Czech Republic	199	0.12	1.0	64.8	11.2	0.08	0.01	100.0	44.3
Denmark	2 566	0.85	0.5	26.7	17.4	0.23	0.15	100.0	100.0
Finland	1 288	0.55	2.2	45.8	32.5	0.25	0.18	100.0	92.6
France	9 039	0.37	-3.8	42.9	21.5	0.16	0.08	79.6	95.6
Germany	17 940	0.52	7.5	21.3	7.6	0.11	0.04	86.6	84.0
Greece	239	0.12	-12.5	69.9	3.7	0.09	0.00	100.0	14.5
Hungary	156	0.13	7.2	69.6	15.5	0.09	0.02	100.0	..
Iceland	40	0.24	0.7	22.1		0.05		100.0	100.0
Ireland	718	0.32	-3.4	40.5	20.8	0.13	0.07	100.0	100.0
Italy	4 003	0.22	6.3	54.3	18.7	0.12	0.04	99.8	95.2
Japan	9 203	0.20	3.0	33.2		0.07		87.5	74.6
Korea	1 915	0.14	10.0	23.3		0.03		95.0	48.7
Luxembourg	363	0.95	-1.1	27.6	19.8	0.26	0.19	100.0	98.8
Netherlands	5 726	0.75	-0.8	27.3	17.8	0.20	0.13	100.0	92.7
New Zealand	442	0.27	3.2	18.9		0.05		100.0	84.7
Norway	4 278	1.05	2.1	22.7		0.24		100.0	100.0
Poland	441	0.10	4.5	77.3	10.2	0.07	0.01	98.6	33.6
Portugal	308	0.16	-7.5	52.6	5.6	0.08	0.01	93.7	49.0
Slovak Republic	85	0.10	4.2	79.7	17.5	0.08	0.02	100.0	47.5
Slovenia	63	0.15	1.0	60.3	11.0	0.09	0.02	100.0	12.4
Spain	1 397	0.12	-22.0	74.6	9.7	0.09	0.01	100.0	80.8
Sweden	7 089	1.40	7.3	31.9	26.1	0.45	0.37	100.0	86.8
Switzerland	3 529	0.51	6.3	22.7		0.12		100.0	94.6
United Kingdom	18 545	0.70	7.1	36.9	25.9	0.26	0.18	100.0	100.0
United States	30 986	0.17	0.2	14.0		0.02		100.0	55.6
Total DAC	**131 555**	**0.30**	**1.7**	**28.4**		**0.08**		**94.4**	**78.1**

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
d. Excluding administrative costs and in-donor refugee costs.
.. Data not available.

Table B.7. Comparative performance of aid to LDCs

	Net disbursements						Commitments		
	Bilateral ODA to LDCs 2015			Total ODA to LDCs (Bilateral and through multilateral agencies) 2015			Grant element of bilateral ODA commitments[a] to LDCs (two alternative norms)		
							Annually for all LDCs Norm: 90%		3-year average for each LDC Norm: 86%
	USD million	% bilateral ODA	% of GNI	USD million	% total ODA	% of GNI	2014	2015	2013-2015
Australia	679	24.7	0.06	931	26.6	0.08	100.0	100.0	c
Austria	41	5.3	0.01	222	16.8	0.06	100.0	100.0	c
Belgium	377	33.9	0.08	610	32.0	0.13	99.6	99.3	n
Canada	998	33.6	0.07	1 561	36.5	0.10	100.0	100.0	c
Czech Republic	11	16.4	0.01	41	20.7	0.02	100.0	100.0	c
Denmark	384	20.4	0.13	610	23.8	0.20	100.0	100.0	c
Finland	236	33.8	0.10	429	33.3	0.18	100.0	100.0	c
France	1 090	21.1	0.04	2 378	26.3	0.10	82.2	79.8	n
Germany	1 603	11.4	0.05	2 596	14.5	0.08	98.7	98.5	c
Greece	1	1.6	0.00	38	16.0	0.02	100.0	100.0	c
Hungary	1	2.9	0.00	26	16.7	0.02	..	100.0	..
Iceland	13	41.6	0.08	16	40.8	0.10	100.0	100.0	c
Ireland	257	60.1	0.11	345	48.0	0.15	100.0	100.0	c
Italy	280	15.3	0.02	870	21.7	0.05	99.1	98.9	c
Japan	2 480	40.3	0.05	3 659	39.8	0.08	93.2	91.3	c
Korea	580	39.5	0.04	728	38.0	0.05	94.4	94.5	c
Luxembourg	121	46.2	0.32	154	42.4	0.40	100.0	100.0	c
Netherlands	465	11.2	0.06	1 036	18.1	0.14	100.0	100.0	c
New Zealand	113	31.7	0.07	138	31.3	0.08	100.0	100.0	c
Norway	729	22.1	0.18	1 098	25.7	0.27	100.0	100.0	c
Poland	44	44.2	0.01	125	28.4	0.03	78.8	83.9	n
Portugal	53	36.3	0.03	90	29.3	0.05	87.9	92.0	n
Slovak Republic	1	5.4	0.00	19	21.8	0.02	100.0	100.0	c
Slovenia	0	1.6	0.00	10	15.1	0.02	100.0	100.0	c
Spain	81	22.9	0.01	314	22.5	0.03	100.0	100.0	c
Sweden	847	17.6	0.17	1 473	20.8	0.29	100.0	100.0	c
Switzerland	618	22.7	0.09	928	26.3	0.14	100.0	100.0	c
United Kingdom	3 815	32.6	0.14	6 117	33.0	0.23	100.0	100.0	c
United States	9 122	34.2	0.05	10 737	34.7	0.06	100.0	100.0	c
Total DAC	**25 043**	**26.6**	**0.06**	**37 300**	**28.4**	**0.08**	**97.6**	**96.9**	**..**

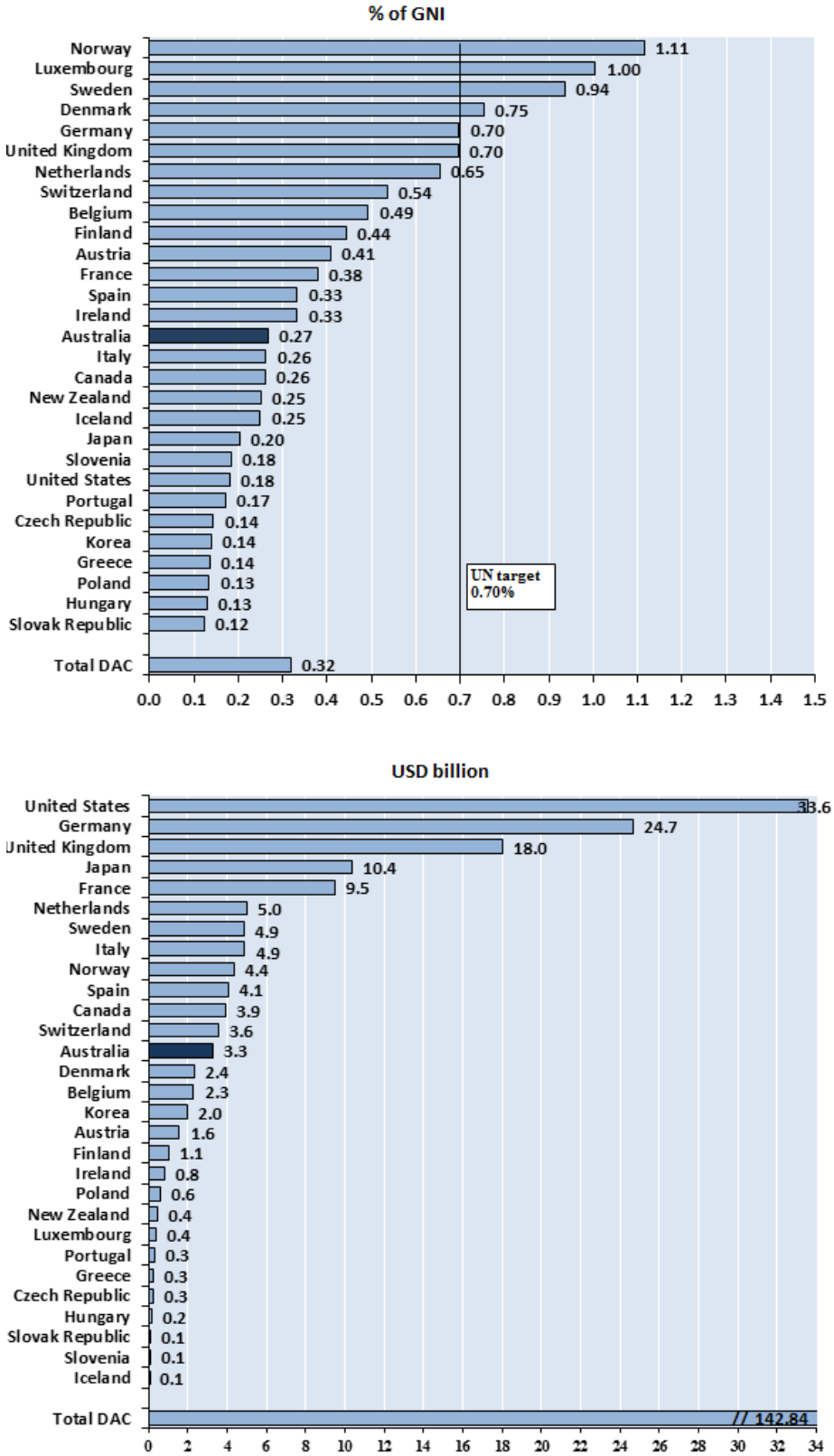
Notes:

a. Excluding debt reorganisation. Equities are treated as having 100% grant element, but are not treated as loans.

b. c = compliance, n = non compliance.

.. Data not available.

Figure B.2. Net ODA from DAC countries in 2016 (preliminary figures)



Annex C. Field visit to Solomon Islands

As part of the peer review of Australia, a team of examiners from Belgium and the OECD visited Solomon Islands in July 2017. The team met with Australian officials from DFAT, ministers and other officials from the government and parliament of Solomon Islands, other bilateral and multilateral partners, implementing partners, and representatives of civil society and private sector organisations.

Solomon Islands faces a number of development challenges

Solomon Islands is a fragile, least developed and small island country. It ranks 156th out of 185 countries on the UNDP Human Development Index (OECD/UNDP 2016). According to the Asian Development Bank, 12.7% of its population live below the national poverty line and only 23.7% were employed in 2014.[1] Natural resources are the main economic driver and account for more than 50% of the gross domestic product (GDP). The forestry sector alone accounts for approximately 25% of Solomon Islands GDP. Mining and commercial fishing are also significant contributors to the economy. Despite the country's natural resource wealth, nominal GDP per capita in 2016, as calculated by the World Bank, was USD 2 006 in 2016, putting Solomon Islands in 131st place of 178 countries measured.[2]

In general, the country's economy lacks diversification. Many businesses and investors fled the country following the outbreak of violence in the early 2000s and have been slow to return. The country's growth prospects also are limited by its geography: it is a remote and small island nation that comprises more than 900 individual islands. More than 300 of its islands are inhabited, making service delivery to all parts of the country extremely challenging. Finally, its severe exposure to disaster and climate risk is its other main development challenge.

Towards a comprehensive Australian development effort

The Regional Assistance Mission has helped Solomon Islands achieve stability following the breakdown of law and order

In 2003, when the Regional Assistance Mission to Solomon Islands (RAMSI) programme was started, Solomon Islands state was facing near-collapse. Intimidation of politicians was rampant and there was widespread disorder and violence (see Box 5.1). Over the last 14 years, RAMSI has worked with Solomon Islands government to improve policing and restore the functions of the state. From 2013, the work on rebuilding state institutions other than the police was through Australia's bilateral governance and justice programmes. Australia played a central role in RAMSI and supported Solomon Islands government to improve security and policing, retraining the police force and working to reduce family violence. Through its aid programme, Australia is continuing to provide

support in these areas following the end of RAMSI. RAMSI has proven a successful model for stabilisation from which other partners can now seek to learn.

Several factors contributed to RAMSI's success and to Australia's willingness to invest such significant human and financial resources in Solomon Islands to help achieve security and development. One factor was Australia's recognition that "a stable, prosperous Solomon Islands is in Australia's national interest" and that it has a deep solidarity and close partnership with Solomon Islands (DFAT, 2017c). The government invited RAMSI to the country in 2003 and has welcomed Australia's development efforts and large-scale investments in the country. Since the early 2000s Australia's aid to Solomon Islands has been strongly concentrated on supporting stability and rebuilding the state. Over time and as security was established, Australia and other nations drew down their personnel; RAMSI was officially closed in June 2017. There is overwhelming agreement that RAMSI has achieved its objective of stabilising Solomon Islands and that Australia's contribution has been pivotal.

Australia's policies, strategies and aid allocation

Australia's policy and strategy in Solomon Islands has evolved over time to a broader focus on human and economic development

In the early days of RAMSI, Australia invested a large percentage of its human and financial resources for the mission in stabilisation and policing. At RAMSI's peak, hundreds of Australian nationals were working in the country as technical advisors and many of those were involved in building the capacity of Solomon Islands' police force. Australia also focused on restoring the legitimacy of the central government in Honiara. Over time, DFAT has increased focus on human development including the provision of health and education services throughout the Islands. The balance of Australian efforts have shifted from security to longer-term development.

DFAT's current Solomon Islands Aid Investment Plan (AIP) covers the period from 2015-2019 and rests on three pillars: stability, economic growth and human development. The current strategy, while still maintaining a focus on stability, puts greater emphasis on developing an enabling environment for business in order to encourage economic recovery and promote inclusive growth. DFAT has worked closely with the government to ensure the delivery of social services throughout the Islands – including through sector budget support in health and education – and has worked with civil society groups to promote women's economic empowerment and to combat domestic violence.

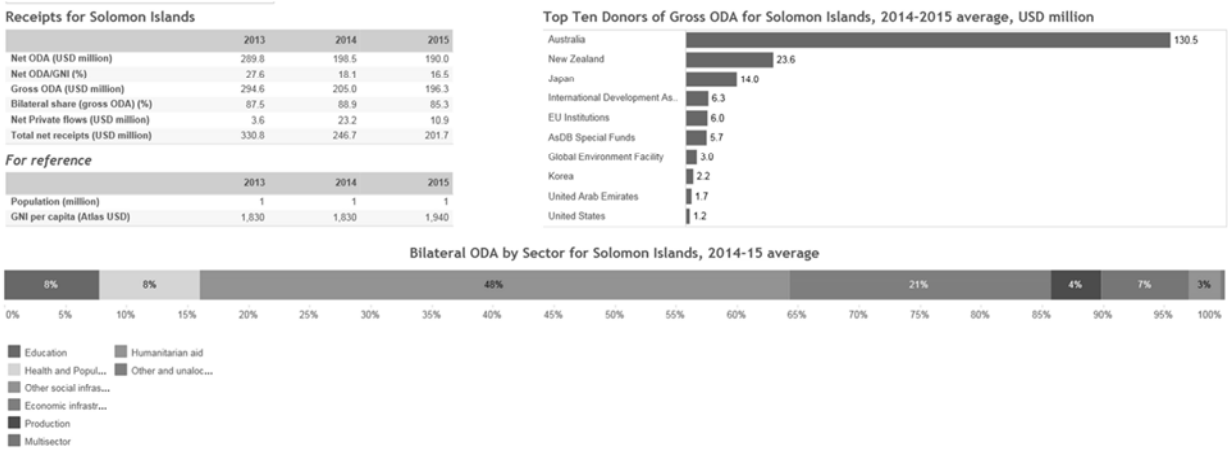
In the next phase of Australian support, DFAT's theory of change would benefit from a more poverty-centred, decentralised approach. This could support a socially inclusive and cohesive society.

Australia has a long-term commitment to Solomon Islands and provides significant volumes of ODA

Australia is widely appreciated for its leadership, significant resources and for the high level of capacity it brings to Solomon Islands. The small pool of development partners recognise that Australia's sustained support will be critical for the county's future development. DFAT acknowledges that geography limits the country's growth prospects and that Solomon Islands can benefit from continued official development assistance and support from larger economies like Australia.

Australia is the largest donor in Solomon Islands (Figure C.1). Not surprisingly, this means its influence is significant. In 2016, Australia provided USD 115 million (AUD 154.7 million) as official development assistance. Australia works strategically and co-ordinates with other donors such as New Zealand and Japan and with the UN, the Asian Development Bank and World Bank to help to bring additional expertise to the country. Other development actors generally appreciate Australia as a reliable, predictable partner in Solomon Islands.

Figure C.3. ODA to Solomon Islands



Receipts for Solomon Islands

	2013	2014	2015
Net ODA (USD million)	289.8	198.5	190.0
Net ODA/GNI (%)	27.6	18.1	16.5
Gross ODA (USD million)	294.6	205.0	196.3
Bilateral share (gross ODA) (%)	87.5	88.9	85.3
Net Private flows (USD million)	3.6	23.2	10.9
Total net receipts (USD million)	330.8	246.7	201.7

For reference

	2013	2014	2015
Population (million)	1	1	1
GNI per capita (Atlas USD)	1,830	1,830	1,940

Source: OECD /DAC : http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/.

Australia has been increasing its focus on private sector growth to attract business and empower women

In 2017, DFAT introduced Solomon Islands Growth Program (SIGP), which is meant to be the flagship example of Australia's private sector efforts. It is an umbrella initiative that consists of DFAT's existing partnerships and programmes along with a new programme to work with businesses on developing stronger value chains. DFAT has focused on funding large-scale economic infrastructure projects in Solomon Islands such as the Tina River hydropower project and on promoting investments in specific sectors (tourism and cocoa). At the same time, it is working to improve the enabling environment for businesses and attract investment. Australia's private sector development strategy is line with the Solomon Islands National Development Strategy, which emphasises the further development of the country's natural resources such as agriculture, fisheries, tourism and mining.

Australia's investment in economic growth in Solomon Islands consists of a balance between bilateral funding and regional funding for programmes such as the Pacific Financial Inclusion Program, the Private Sector Development Initiative and PACER Plus). These bilateral and regional programmes are meant to be aligned with DFAT's global funding for trade facilitation. DFAT's private sector strategy in Solomon Islands aims to enhance the involvement and integration of poor people into local, national and regional markets.

Australia promotes women's economic empowerment throughout the Pacific and has designed specific programmes in Solomon Islands with this objective. Australia's work on gender equality in Solomon Islands is impressive and DFAT maintains a strong gender

focus across all aspects of its programmes. DFAT has developed a range of specific tools and an internal, whole of post working group on gender that emphasises effective programming and internal learning.

Australia could better mainstream environment, climate change and disaster resilience across its development portfolio

DFAT has the opportunity to help Solomon Islands broaden its economic base and also work on important environmental issues. As the forestry sector is crucial to the national economy[3], DFAT's private sector engagement could focus on responsible business practices and sustainable value chains to support sustainability and economic growth. DFAT's private sector plans to expand cocoa farming businesses, build new roads and encourage economic development in Solomon Islands are promising. They will need to continue to pay attention to safeguards and efforts to minimise environmental impacts. While DFAT does not currently see a role for Australia in influencing the management of national resources,[4] DFAT can still seek to further mainstream environment, climate and resilience within existing programmes. DFAT-funded programmes managed by the Asian Development Bank and the World Bank include environmental safeguards.

Going forward Australia can continue its focus on thinking and working politically

In order to push for progress on underlying development challenges in Solomon Islands, Australia can continue its work with other donors, international organisations and local civil society to forge a common political voice. Australia has built a strong relationship with the government of Solomon Islands and can continue to promote Solomon Islands' development plans and country-level ownership while also addressing underlying challenges. DFAT has provided substantial, sustained support for Solomon Islands state institutions and state service delivery. DFAT may consider further enhancing support to local civil society to working towards collective accountability at all layers and reaches of society. DFAT has indicated plans to potentially partner with local faith-based organisations, which would further strengthen DFAT's approach and community reach.

Organisation and management

Whole of government co-ordination has worked well in Solomon Islands to balance security, stability and policing with development efforts

Australia's post-RAMSI development programme is informed by a rich contextual and political economy analysis. The integration of AusAID and DFAT facilitated this holistic approach to analysis by bringing together a range of policy perspectives and experience.

Australia uses a range of aid modalities that are aligned with government priorities and adapted to needs on the ground

As outlined in Australia's Aid Investment Plan for Solomon Islands, DFAT is using a mix of modalities. Most notably, DFAT continues to use sector budget support in the health and education sector and has focused on being "on plan, on budget, and on system" - meaning that DFAT strives to ensuring that the development assistance it provides is aligned with the development plans of the Solomon Islands government, is reflected in the government's budget and uses government systems when feasible. DFAT's specific partnership agreements for the use of sector budget support include its agreement with the

Solomon Islands government on its health sector-wide approach. This agreement contains the guiding principles and shared objectives of the partnership, outlines the commitments of both partners, and sets out the division of responsibilities.

In the case of budget support provided through the Solomon Islands Ministry of Health and Medical Services (MHMS), both the ministry and DFAT conduct annual reviews of performance that involve partner dialogue and agreement on indicators, findings and independent assessments. This aspect of DFAT's engagement is important because part of DFAT's support in the health and education sectors is based on performance-linked funding. Australia's use of performance-linked funding appears to be successful in incentivising reforms in Solomon Islands. In addition, there is evidence from recent independent assessments that these arrangements have led to improvements in the government's data collection in these sectors over time.

DFAT generally has appropriate and effective management processes in Solomon Islands, which as one of the larger overseas posts maintains a privileged relationship with DFAT staff in Canberra. The process for quality assurance and peer review of new investments in Solomon Islands includes ongoing dialogue with Canberra and provides robust checks and balances for delivering efficient and effective programming.

In line with its global policy, DFAT seeks to introduce innovation in the Solomon Islands programme where such innovation is appropriate and adds value, including with the private sector. The context of Solomon Islands, however, demonstrates the need to carefully calibrate innovation initiatives to local capacities and needs to enhance their eventual adoption. These include initiatives led from Canberra.

Australia could do more to incorporate the knowledge and expertise of technical advisors and locally engaged staff into strategic development planning

Australia recognizes the need to remain flexible and creative in addressing the continuing capacity challenges, including succession planning for in-line technical assistance posts, and gradually reducing dependence on external advisors. DFAT could further strive to make better use of the skills and intelligence gathered by the broad network of advisors in country, including for informing policy and programming decisions.

To ensure that institutional memory is maintained and to further maximise the use of available knowledge and skills, DFAT also may wish to consider how it draws on the capacities of locally engaged staff and how it can better capture their local knowledge in strategic programming decisions. In this regard, DFAT could seek to provide clarity regarding opportunities for career progression and learning for locally engaged staff, in line with DFAT's broader approach to human resource management and capability improvement for all staff.

Partnerships, results and accountability

Australia has a strong, structured partnership with Solomon Islands government that is embodied in DFAT's partnership agreement

Australia's partnership agreement, signed in July 2017, complements the multi-annual Aid Investment Plan and outlines the objectives of Australian aid, preferred delivery modalities, and the commitments and mutual obligations of each partner. The partnerships agreement is an example of good practice and is based on partner dialogue

on Solomon Islands' goals and objectives for development. This creates a strong framework for mutual accountability.

Australia has a clear performance and results framework for its work in Solomon Islands

DFAT has supported the government of Solomon Islands to measure progress on the targets outlined in its National Development Strategy.[5] Another tangible example of DFAT's efforts to support monitoring towards development goals is its support, through the Ministry for Infrastructure Development's Gender and Disability Plan, for monitoring gender issues and challenges related to discrimination against women. DFAT has regularly funded advisors to assist Solomon Islands ministries to formulate monitoring and evaluation plans and to help report performance against targets. DFAT also funded a position in the World Health Organization to support data collection and analysis in the health sector in support of the District Health Information System. Similarly, DFAT has used technical assistance to support the Ministry of Development Planning and Aid Coordination (MDPAC) to establish the appropriate systems for monitoring and evaluating implementation of the development budget. All of the above actions are positive examples that demonstrate Australia's strong efforts to assist Solomon Islands to effectively monitor its progress towards meeting the Sustainable Development Goals steadily over time.

Australia could do more to ensure that lessons of its successful efforts in Solomon Islands are shared across DFAT and with partners

The Australian and Solomon Islands governments agree that RAMSI has been a success and that Australia's efforts have helped to rebuild the authority of the state and restore the provision of basic services. Particularly now, with the drawdown of RAMSI, a formal, independent evaluation would be useful to capture lessons from the mission's operations and from the transition. A formal evaluation would help Australia and the region learn from the successes and ongoing challenges in Solomon Islands and would contribute to informing global peacekeeping architecture discussions.

There also is room for DFAT to improve access to documentation and evaluations undertaken in Solomon Islands. In order to meets its transparency commitments, Australia will need to make more efforts to make investment-level information available in a timely manner.

Notes

[1] See www.adb.org/countries/solomon-islands/poverty.

[2] See https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=SB

[3] Between 2009 and 2014, logging, forestry and sawmilling have grown at an average real annual rate of 14%. The volume of production in the logging sector is now double what it was in 2009.

[4] "Whether or not mining expands in the country will be a matter for [the Solomon Islands government] and for individual investors, and the role of development partners can only be to support and/or influence at the margin." See http://dfat.gov.au/about-us/business-opportunities/tenders/Documents/solomon-islands-growth-program-strongim-bisnis-design.pdf.

[5] For instance, DFAT funded a National Development Strategy tracker, through the Australian National University, to provide data to MDAC and other stakeholders. MDAPC was involved in this process and in developing the questions for the survey, while the Australian National University trained local interviewers to conduct focus groups to collect data.

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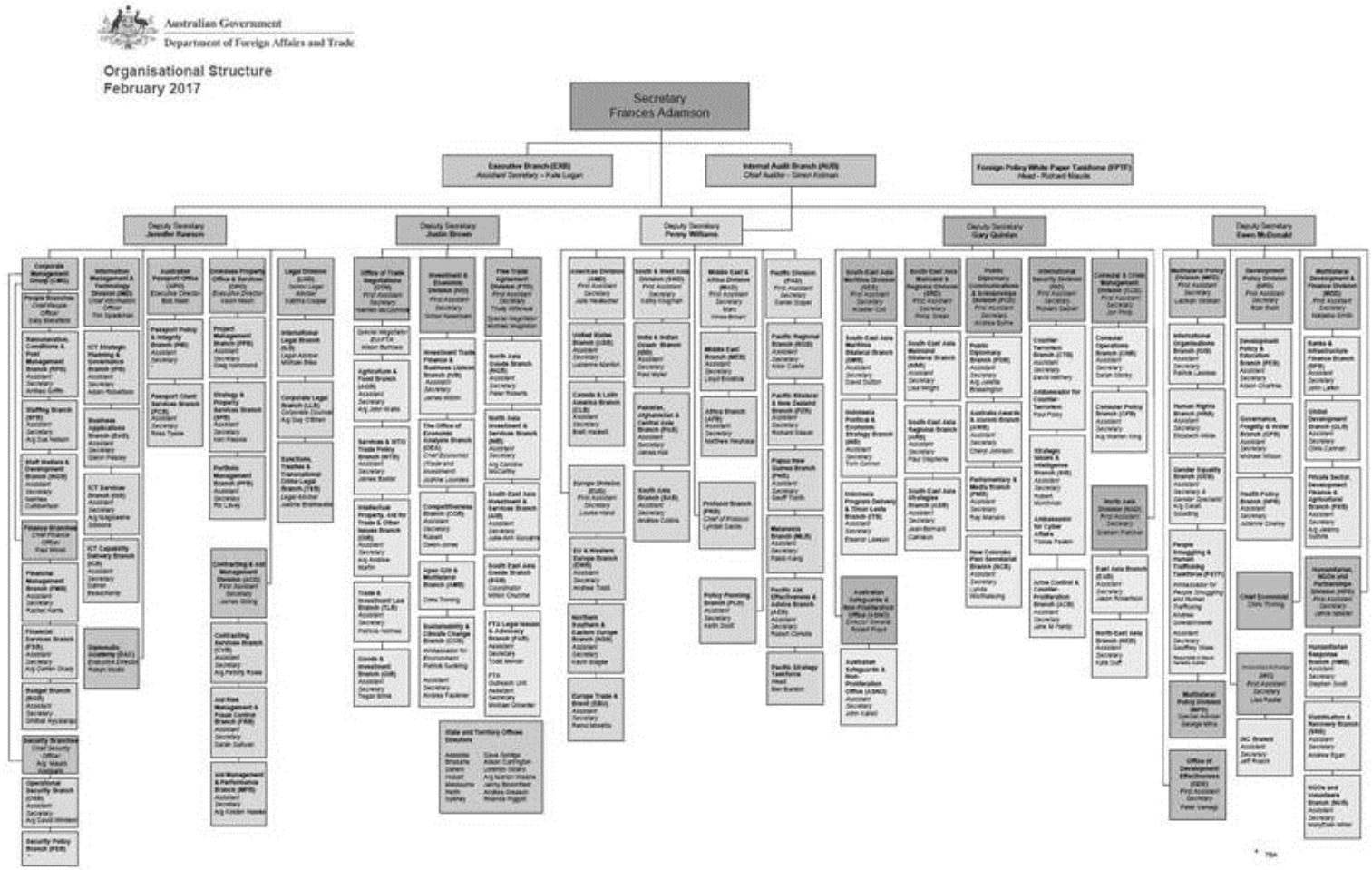
Annex D. Organisational charts



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Consult this publication on line at ***http://dx.doi.org/10.1787/9789264293366-en***.

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