



Australian Government

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The quality of Australian aid

AN INTERNATIONAL PERSPECTIVE

ODE EVALUATIONS & REVIEWS

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Preface

In November 2010, the Australian Government commissioned an independent review of the Australian aid program, the first since 1996. The Independent Review of Aid Effectiveness was completed in April 2011 and concluded that Australia had a “good aid program” and that Australia is “an effective performer by global donor standards”. It also made 39 recommendations to drive future improvement as the aid program expands to 0.5 per cent of GNI by 2015–16. The Government’s response to the review, “An Effective Aid Program for Australia: Making a real difference – Delivering real results” sets out the Government’s overall aid strategy through to 2015.

In light of the work of the Independent Review and the Government’s response, AusAID’s Office for Development Effectiveness (ODE) will not publish its Annual Review of Development Effectiveness in 2011. However, during 2010–11 ODE did undertake a range of assessments focusing on the effectiveness and quality of Australian aid. These will be published as two separate but related papers, one providing an analysis of Australia’s self assessed performance, and the other a synthesis of international evidence on its quality.

This paper comprises the external analysis of the Australian aid program. Drawing largely from an analysis by the Brookings Institution,¹ the paper includes comparisons with international best practice and with other donors and multilateral agencies working in fragile states and in the Asia-Pacific. It also examines Australia’s humanitarian aid, and the Australian Government’s broader commitment to development. The report confirms the Independent Review of Aid Effectiveness’ finding that the Australian aid program is “an effective performer by global donor standards”. Indeed the analysis shows that Australia’s performance is among the world’s best when compared to other donors focused on Australia’s primary areas of interest.



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¹ Substantive inputs were drawn from a forthcoming paper by Laurence Chandy of the Brookings Institution.

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List of acronyms

3ie	International Initiative for Impact Evaluation
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
AsDF	Asian Development Fund of the Asian Development Bank
CRS	Country Reporting System
CGIAR	Consultative Group on International Agricultural Research
DAC	Development Assistance Commission
GNI	Gross National Income
IATI	International Aid Transparency Initiative
IDA	International Development Association (World Bank)
M&E	Monitoring and evaluation
MDBs	Multilateral Development Banks
NGOs	Non-governmental organisations
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation of Economic Cooperation and Development
PBAs	Program based approaches
PIUs	Project Implementation Units
QuODA	Quality of Official Development Assistance
SWAps	Sector wide approaches
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WFP	World Food Programme

Executive Summary

Drawing largely from analysis undertaken by the Brookings Institution, this paper examines the performance of Australia's aid program based on the Quality of Official Development Assistance (QuODA) index and three other global assessments of donor aid performance. Overall the results confirm the Independent Review of Aid Effectiveness' finding that the Australian aid program is "an effective performer by global donor standards". However, when compared with similar donors that focus on fragile states, its performance is world class.

QuODA measures donor performance against thirty one indicators grouped into four 'dimensions' of good aid practice. In some areas Australia performs near the international average, while in others, Australia leads. This is a strong result, given Australia's significant role in the Pacific and the fact that comparators include much larger bilateral and multilateral donors.

Dimension 1: Maximising efficiency

Australia's aid is focused on fragile states, where delivering aid tends to be more costly. Nevertheless, Australia's administration costs are relatively low (around one third of some other donors). Australia also achieves value for money through its policy of untied aid, using international procurement to secure competitive prices on its contracts. Australia's increased support for facilities that produce global public goods will help drive further efficiencies, as some of these are proven aid performers.

Dimension 2: Fostering institutions

Fostering institutions in recipient governments is critical for long term growth and prosperity. This is particularly difficult in fragile states where Australia predominantly operates. Australia is commended for publishing forward spending plans, which help recipient governments in their own planning efforts, and for avoiding the common donor tendency to establish separate administrative bodies outside recipient government structures. One important priority for Australia is to work more through recipient government expenditure systems.

Dimension 3: Reducing the burden on partners

Many of Australia's development partners are fragile states and hence suffer from low capacity. Australia should therefore be wary of placing excessive demands upon recipients. The analysis commends Australia for delivering the bulk of its aid through a single, specialist development agency (AusAID). Australia's recent commitment to increase the use of multilateral donor partners should contribute to further progress against this criterion.

Dimension 4: Promoting transparency and learning

Australia scores well across a range of transparency and learning indicators. Australia is one of only eleven donors that have begun to publish aid information in accordance with agreed standards specified by the International Aid Transparency Initiative, it reports promptly and in full to the OECD on its aid spending, its evaluation policy is judged favourably and it has freedom of information legislation. With the recent advances in information technology, Australia will need to keep innovating in order to maintain its strong position in this area.

A fragile states lens

Australia's activity in fragile states is a defining feature of its aid program, with fragile states accounting for over 50 per cent of Australia's country-specific aid in 2009. This focus is a reflection of Australia's region, where fragility is widespread and where even countries not classified as fragile often suffer from weak governance. An increasing number of the world's poor live in fragile states, where the delivery of effective aid can be much more complex than in stable and rapidly growing middle income states.

The analysis finds evidence of Australia's determination to heed good development principles even in fragile environments. A key finding of this review is that, in terms of aid quality, Australia outperforms many of its peers that also focus on fragile states. Indeed, other donors could look to Australia for guidance on how to work more effectively in fragile states.

An Asia-Pacific lens

While neither has the fragile states focus of Australia, both Japan and New Zealand are active donors in the Asia-Pacific. Both have a relatively strong sectoral focus as a defining feature of their aid programs. Until recently, New Zealand aid focused predominantly on social infrastructure and services, while Japan supports the agriculture sector and economic infrastructure such as utilities and transport. These specialisations provide signals about areas in which Australia might consider further delegating responsibility for aid delivery to increase the efficiency of its aid program.

Australia's multilateral partners

Two of Australia's largest multilateral partners, the Asian Development Bank and the World Bank are among the top overall performers in terms of aid quality. This finding suggests that as the Australian aid program continues to grow Australia should have confidence in channelling more aid through these agencies, while broadening the objectives of its multilateral engagement.

Australia's humanitarian aid

Around 10 per cent of Australia's aid is dedicated to humanitarian, emergency and refugee-related support and Australia is a leader in particular areas including funding reconstruction and prevention, and providing timely funding to complex emergencies. However, compared to other donors, a larger proportion of Australia's support to multilateral humanitarian agencies is earmarked and funding to NGOs is relatively low.

Australia's overall commitment to development

In the most recent assessment of donors against the *Commitment to development index*, Australia ranks equal 9th place overall. The recent strategic partnerships formed between AusAID and other Australian Government departments should help strengthen Australia's overall strategic coherence over time, potentially improving Australia's ranking on this index.

Looking forward

Although Australia's adherence to best practice rules cannot guarantee that Australia's aid will always deliver its intended results, it increases the likelihood that those results will be achieved. Consistent with the Government's response to the recommendations of the Independent Review of Aid Effectiveness, the large number of reforms currently underway should place Australia in a strong leadership position well into the future. Ongoing efforts to benchmark progress can highlight Australia's achievements, identify opportunities for improvement and ultimately help bolster Australia's impact on the lives of the world's poor.

Introduction

How does the quality of Australian aid compare to international best practice?

This paper considers and compares the findings of recent external assessments of the Australian aid program. A cross-section of recent international evidence is used to analyse Australia's performance in relation to global best practice and other comparable donors working in fragile states and in the Asia-Pacific over the same period.² Together, the findings offer objective signals about what Australia is doing well and where it could improve aid effectiveness, especially in the fragile states which predominantly make up its partners.

Comparisons across donors operating in all countries around the globe rank Australia in the middle to upper groupings. More significantly, when compared with similar sized donors operating in Australia's primary areas of interest, Australia's aid program is world standard.

Box 1: Introducing the quality of official development assistance (QuODA) analysis

The quality of official development assistance (QuODA) index was developed in 2010 in a joint project by the Brookings Institution and the Center for Global Development. QuODA appraises donor performance along four separate dimensions, each representing distinct components of best aid practice: maximising efficiency, fostering institutions, reducing the burden on recipients, and promoting transparency and learning. Each dimension comprises a collection of indicators against which 31 donor countries and multilateral agencies are scored. Examining performance against the four dimensions provides a basis for identifying donors' strengths, weaknesses and areas for reform.

The recent release of the 2011 QuODA update provides new evidence upon which to assess the Australian aid program. This paper draws from this newly released assessment to rate Australia's performance from three perspectives. First, it assesses Australia's aid program on its own and attempts to account for Australia's performance on the different dimensions and indicators. Second, it compares Australia with other donors who share a focus on fragile states. Third, it assesses other donor countries and multilateral agencies active in Australia's region, with which Australia has the option to partner or to delegate the delivery of its aid, and whose performance is therefore also relevant to assessing how effectively Australia's aid budget is spent.

² This paper largely draws on the 2011 quality of official development assistance (QuODA) index developed by the Brookings Institution and the Center for Global Development. See Birdsall et al (2011) and Birdsall & Kharas (2010). The QuODA assessment is based on the most recent year for which a full set of global aid data is available—2009 in most cases and 2010 in others. Australia's aid program, like that of other donors, continues to evolve and QuODA does not capture the most recent changes. Some indicators used in QuODA are more reliable than others, and some aspects of aid management and delivery that are important to effectiveness are not picked up by QuODA due to the absence of comparable data. To mitigate limitations and verify findings, the QuODA scores for Australia were corroborated with those of other indexes and, where appropriate, the analysis has been supplemented with information from other sources. Other assessments used in this paper are Knack et al (2010); DARA (2010); and Roodman (2011). The results of any index or performance framework are shaped by the normative judgments that feed into its design. Any findings must be subject to a suitable degree of scrutiny before being used to inform policy decisions.

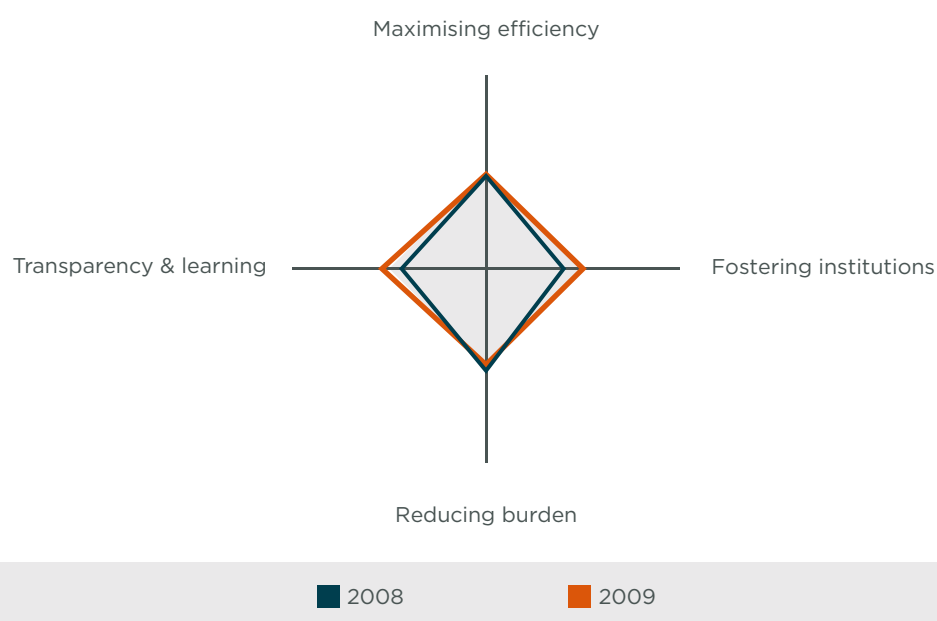
How effective is Australian aid?

Figure 1 provides an overview of Australia's performance on QuODA in relation to four dimensions of good aid practice. Australia's latest performance is depicted in orange, while its earlier performance from 2007–8 is depicted in blue. The perimeter of the grey symmetrical box indicates the average donor performance. Where the orange diamond lies outside the grey box, Australia scores better than average. Where it falls inside the grey box, it scores below average.

The diamond shows that Australia performs close to average along each of the four dimensions: marginally better than average on fostering institutions and promoting transparency and learning, and marginally below average on maximising efficiency and reducing burden. These are commendable results as the analysis also includes much larger bilateral and multilateral donors. Australia is also both the dominant donor and donor of last resort in many of the fragile states of the Pacific.

Furthermore, Australia's ratings have significantly improved on two of the dimensions: fostering institutions and transparency and learning. This suggests that Australia's aid program is becoming more effective over time, both on an absolute measure and relative to other donors.

Figure 1: Overall effectiveness of Australian aid



By comparison, Figure 2 summarises Australia's relative performance as assessed by three other recent studies.³ Again, it shows that Australia's aid program is performing well overall, punching above its weight as a medium sized donor working predominantly in challenging operating environments.

³ Knack et al (2010); DARA (2010); and Roodman (2011).

Figure 2: Comparing Australia’s performance on different indexes

Index		Purpose	Australia’s ranking
QuODA	Maximising efficiency	Approach to giving aid compared to international best practice	16th of 31
	Fostering institutions		17th of 31
	Reducing burden		18th of 31
	Promoting transparency and learning		9th of 31
Knack, Rogers and Eubank		Approach to giving aid compared to international best practice	12th of 38
Humanitarian Response Index		Generosity and effectiveness of humanitarian aid	13th of 23
Commitment to Development Index		Impact of rich country policies on poor countries	9th of 22

The Knack, Rogers and Eubank study takes a similar approach to QuODA and shares similar findings.⁴ In this study, Australia ranks 12th on the aggregate index, or sixth if multilateral agencies are excluded.

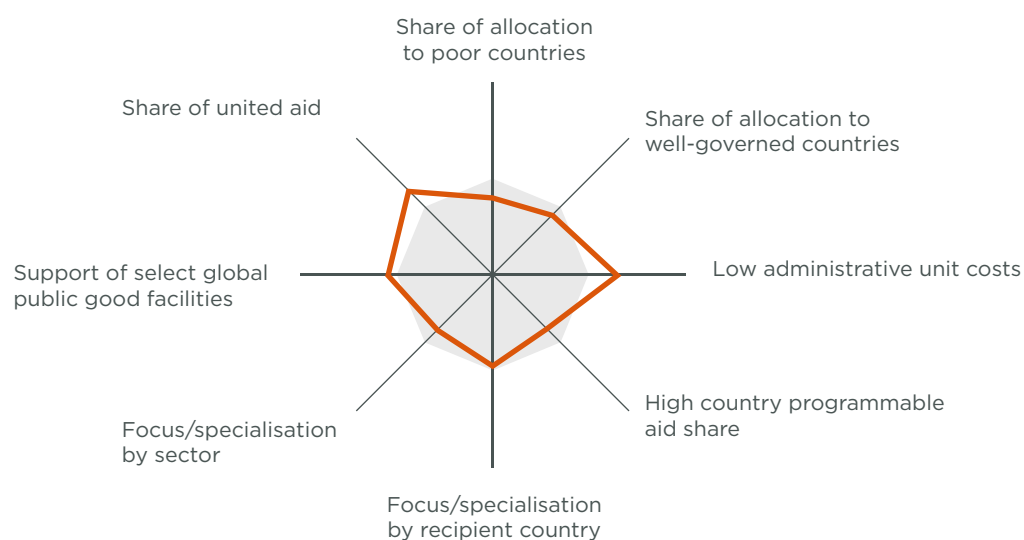
Not surprisingly, the aggregate QuODA scores for each dimension of aid quality mask a much more complicated story at the indicator level. Australia’s specific ratings are far from uniform and highlight that Australia is not an average donor. These variations are examined below.

⁴ Knack et al (2010) assess the performance of 38 donor countries and agencies against an aid quality index that comprises a collection of indicators organised into four aid effectiveness themes: country selectivity (targeting aid at countries where aid effectiveness should be greatest), alignment (allocating aid in accordance with recipients’ development strategies and procedures and through recipients’ institutions), harmonisation (adopting common donor arrangements and simplifying procedures), and specialisation (narrowing the focus of aid to a small set of countries, sectors and projects). Although both this study and QuODA rely on many of the same sources of data, differences include the selection and design of indicators, and the donor sample. These factors lead to markedly different conclusions in certain areas.

Maximising efficiency

Figure 3 illustrates Australia's rating on the different indicators that make up the 'maximising efficiency' dimension. Australia scores particularly well on keeping its administrative costs low, a commendable result given its focus on fragile states where aid management is more costly.⁵ Another area of strength is Australia's commitment to international competitive procurement for the suppliers of goods and services used in aid delivery. Since April 2006, all of Australia's aid has been untied, enabling lower prices to be secured for the aid it provides.⁶ The Australian Government issued 1,954 new procurement contracts during 2009–10 with a total value of approximately \$798 million. It is estimated that untying these contracts saved between \$120 million and \$240 million—funds which were freed to be spent on other development activities.⁷

Figure 3: Australia maximising efficiency



Ensuring value for money. On the surface, the principle of value for money would seem at odds with focusing aid dollars on fragile states, where results are understood to be more difficult to achieve and the costs of aid delivery are expected to be higher. In recent years, however, there has been growing recognition that aiding fragile states may be highly cost-effective from a whole of government perspective, by reducing the likelihood of conflict, political crises and humanitarian disasters which can oblige expensive foreign intervention *ex post*. Moreover, through its engagement in fragile states, Australia is adding to international knowledge of how to achieve results in these complex environments (see Box 2).

⁵ Data reported to the CRS indicate that only 6.6 per cent of the funds committed by Australia to development projects and programs in partner countries are allocated to administrative costs. The administrative costs of some other donors' programs (such as Switzerland, Finland and Austria) are three times as much.

⁶ The one exception to the untying principle covers tenders for Australia-Indonesia Partnership for Reconstruction and Development contracts where government policy dictates that tendering is restricted to Australian, New Zealand and Indonesian suppliers.

⁷ Jepma (1991) found that tying decreased the value of aid by between 15 and 30 per cent.

Box 2: Achieving value for money in fragile states

1. **Maintain a clear focus on results** in aid programming, and carry out regular and rigorous evaluations to understand aid's impact. A clear understanding of what has been achieved is equally applicable in fragile states as in other environments. A focus on results does not imply short-termism or the narrow pursuit of quick wins, but rather being cognisant of how change is brought about and the timeframes within which change is likely to occur.
2. **Recognise the trade-offs** implicit in all aid allocations. Aid successes in fragile states may be less common than in other environments, but their impact can be transformative when they occur, as shown by Australia's pivotal role in securing post-conflict stabilisation in Solomon Islands and East Timor. Some choices should be more straightforward: scaling up what works and ending what doesn't. Here, Australia needs to make the right decisions and be ready to act quickly.
3. **Obtain optimal leverage** from each aid dollar. In most of the fragile states where Australia works, its aid budget is only a small fraction of the resources controlled by the partner government and the broader set of resources committed to development efforts. By partnering with others, Australia can combine other resources with its own to achieve its goals. This may mean securing counterpart funding from governments, supporting the work of multilateral or non-government organisations, or encouraging the involvement of the private sector.

Providing aid directly to countries. With a significant proportion of Australian ODA spent on scholarships, technical advisers, multilateral aid and humanitarian and food aid, Australia's direct support for development activities is below average for bilateral donors, as illustrated by its low country programmable aid share. In 2010 the Australian Government reviewed its use of advisers and determined that, while they will continue to play a valued role in particular areas of the aid program, advisers will be relied upon much less in the future.⁸ This step is likely to increase the proportion of the program that is provided directly to countries in the future.

Sector focus. Another area for improvement is the degree to which Australia specialises in sectors in which it can develop and harness its comparative advantage as a donor. Australia is already recognised for its pioneering work on particular development issues, such as law and justice.⁹ However, rather than limiting its work to its established areas of expertise, Australia often spreads its assistance across a broad selection of other areas. Part of the explanation for this is the role Australia plays as the overwhelming lead donor in many of the Pacific Islands. Nevertheless, more could be done to foster Australia's existing areas of comparative advantage and to give them greater prominence within Australia's aid program. In response to the Independent Review of Aid Effectiveness, the Australian Government has pledged to make education the flagship of the aid program. It also committed to achieving greater geographic and sectoral consolidation within the program.¹⁰

Supporting facilities that provide global public goods necessary to fight poverty increases the efficiency of Australian aid.¹¹ These are goods that are blind to national borders and which tend to be under-supplied in the absence of effective international cooperation. Australia's support to these facilities is above average and in some individual cases has been exemplary (see box below).

Australia has shown leadership and foresight in its decision to provide multi-year funding to the World Food Programme (WFP), providing it with greater flexibility to purchase larger quantities of food when prices are low, reduce the need for large in-country stocks and enable more timely delivery to people affected by conflict, floods or other natural disasters. This support, the first of its kind by the WFP's donors, will dramatically help the program mitigate the effects of volatile food prices on the poor. It has already had a major positive impact on WFP's ability to respond to the crisis in Somalia. Australia should look to build on this type of exemplary leadership in the future.

8 AusAID (2011a). In Papua New Guinea for example, over one-third of adviser positions will be phased out within two years. In East Timor, 29 of the 82 adviser positions assessed will be phased out within two years.

9 Kaufmann (2010) and Murphy and Gramckow (2010).

10 The Australian Government agreed that "sectoral selectivity should be increased at the country level. Sectoral spread in country programs should be low, outside of Indonesia, East Timor, Papua New Guinea and the Pacific island region."

11 Including for example UN Peacekeeping, the Global Environment Facility, the Consultative Group on International Agricultural Research (CGIAR) and the Strategic Climate Fund.

Fostering institutions

Differences in the quality of institutions can explain more than half of the difference in income levels across countries.¹² The indicators in this dimension are all concerned with how aid can be delivered in a manner that reaffirms and reinforces the role of local institutions in partner countries.

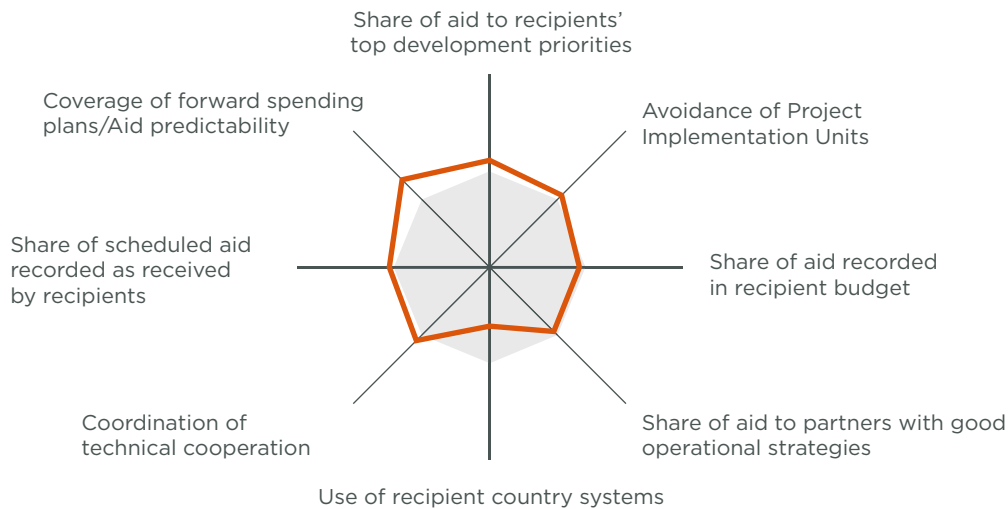
The challenge comes in countries where institutions are either chronically weak (making the task of working through these institutions slow and difficult) or lack integrity (exposing aid to the risk of corruption). These issues are a defining feature of many fragile states and donors, including Australia, face difficult decisions when determining whether or not it is feasible to work with partner country institutions. Nevertheless, aid can be delivered in a way that reinforces and nurtures the rightful role of government, even in fragile states and Australia is becoming increasingly innovative in this space. Key questions in assessing Australia's performance on this dimension are whether Australia is making the right judgments, and whether it is doing everything it can to support and strengthen partner country institutions given the country circumstances in which its aid program operates.

Working through partner institutions. Figure 4 depicts Australia's performance on the different indicators which make up this dimension. Three of the indicators directly assess the extent to which Australia works through partner country institutions. Australia is commended for limiting its establishment of standalone project implementation units (PIUs),¹³ which are known to have a particularly pernicious effect on partner government's planning and implementation authority. Australia performs close to average for the proportion of its aid commitments recorded on recipient country budgets. Australia's mark of 48 per cent is significantly above the 30 per cent score attained on the previous QuODA assessment, but room for further improvement still exists. It is unclear whether the reason for the shortfall is Australia not providing aid data that is timely and easy to interpret, or whether partner countries are not assembling their budget documents accurately. Regardless, this is an area that Australia should seek to improve as it presents no additional risk.

12 Acemoglu et al (2001). The term 'institution' refers to the 'rules of the game' that operate in a particular environment. These encompass both formal rules (such as structure of government, legal systems, marriage and divorce, property rights) and informal rules (such as customary rights to graze cattle on common land, or hierarchy based on age, caste or gender). In short, institutions are "constraints that human beings impose on themselves" North (1990).

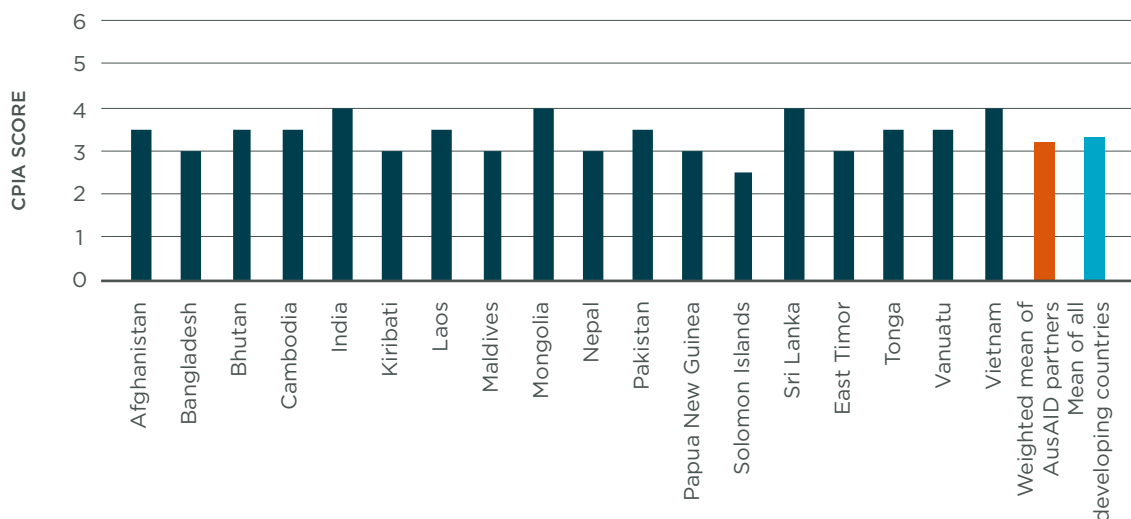
13 Globally, PIUs are recognised as having a particularly harmful effect on partner country bureaucracies and their capacity. It should be noted that, in contrast to the QuODA finding, Knack et al (2010) rank Australia's performance on this indicator as being below average.

Figure 4: Australia fostering institutions



A third indicator concerns Australia’s use of partner country procurement and public financial management systems. The QuODA analysis finds a continuing preference for relying on Australia’s own systems to limit the risks of corruption. 23 per cent of Australia’s aid to overseas governments is administered through partner government financial systems, compared to a donor average of 44 per cent, and 26 per cent of contracts are issued through their tender boards, compared to a donor average of 49 per cent. Even acknowledging Australia’s aid program focus on fragile states, there are undoubtedly opportunities to improve performance on this indicator. As Figure 5 illustrates, the quality of public financial management systems in Australia’s partner countries are varied, but not significantly worse, on average, than other developing countries.

Figure 5: World Bank rating of public financial management systems



Source: World Bank (2010a)¹⁴

¹⁴ Scores based on indicator 13 of the World Bank’s 2009 Country Policy and Institutional Assessment (CPIA). This indicator measures the quality of budget and financial management.

Recognising this, the Australian Government has committed to increasing the use of partner government systems for aid delivery. In addition, recently introduced AusAID guidance on working in partner systems will help program staff tailor more effective approaches, including in fragile states.

Data collected for Australia's 2010 Cairns Compact reporting indicates that at least in the Pacific, such a shift in agency norms is already occurring. For instance, the amount of Australian aid that used partner procurement systems increased in eight of the nine major Pacific country programs between 2008 and 2010, which is a substantial achievement in itself.¹⁵

Improving aid predictability. On the longer term measure of aid predictability, Australia performs well. It is one of only six DAC member countries to make three-year spending plans available. It is planning to take this even further, by developing a comprehensive aid policy framework, linked to a four-year rolling budget strategy. On the short-term measure of aid predictability, Australia ranks around average. 46 per cent of its scheduled aid is recorded as received by recipients – a large increase on the 21 per cent score attained in the last QuODA assessment, but still leaving room for improvement. Again, it is unclear whether Australia needs to improve its reporting, whether development partners need to address weaknesses in their record-keeping, or both.

Coordinating technical cooperation. Globally, 59 per cent of Australia's technical cooperation is coordinated with partner country institutions which is ahead of the donor average and signals recent improvement in this area. Particularly notable is the degree of coordination Australia has achieved in the Pacific.¹⁶ The joint adviser review and proposed reduction in reliance on external advisers should further improve the coherence of technical cooperation activities while ensuring they are designed and delivered in a way that is consistent with partner country preferences.

¹⁵ In some instances, the improvement has been dramatic. In Tonga for example, 100 per cent of aid to the government sector was delivered through partner procurement systems in 2010; in Nauru, 84.4 per cent in 2010 compared with 29 per cent in 2008; in Samoa, 56 per cent in 2010 compared with 21 per cent in 2008; and in Vanuatu, 40.7 per cent in 2010 compared with less than 5 per cent in 2008. With the exception of Tuvalu, other Pacific partners have seen modest improvement against this indicator of alignment.

¹⁶ For instance in 2010, 78 per cent in Samoa, 61.8 per cent in Papua New Guinea, and 100 per cent in Kiribati, Tuvalu and Niue.

Reducing the burden on partners

In their attempt to support development overseas, donors often place heavy demands on partner countries, including the very institutions they are trying to foster. These demands are multiplied several times over by the diffuse nature of today's aid architecture, in which at least 56 donor countries deliver aid through 197 bilateral agencies and 200 or more multilateral agencies. Taken together, this intensity of engagement can easily overwhelm recipient governments, which are often understaffed and overworked. Typically the bureaucrats responsible for liaising with donors are also charged with directing their own government's public expenditure. Thus, time spent working to improve the effectiveness of aid can crowd-out time spent ensuring domestic expenditure is well managed. These constraints are especially evident in fragile states and countries with low capacity, where Australia predominantly operates.

Consolidating aid delivery. As Figure 6 illustrates, Australia is helping to minimise the burden on partner countries of juggling multiple donor relationships. Importantly, Australia delivers the bulk of its aid (86 per cent) through a single specialist agency (AusAID), freeing partners from having to maintain numerous relationships with multiple Australian Government agencies. Of the DAC members, only four countries concentrate more of their aid through a single agency.¹⁷ Australia has also introduced a new, whole of government approach to country strategy development.¹⁸ This further enhances the degree of its policy coherence, with Australian agencies increasingly working towards a commonly defined strategy in each country.

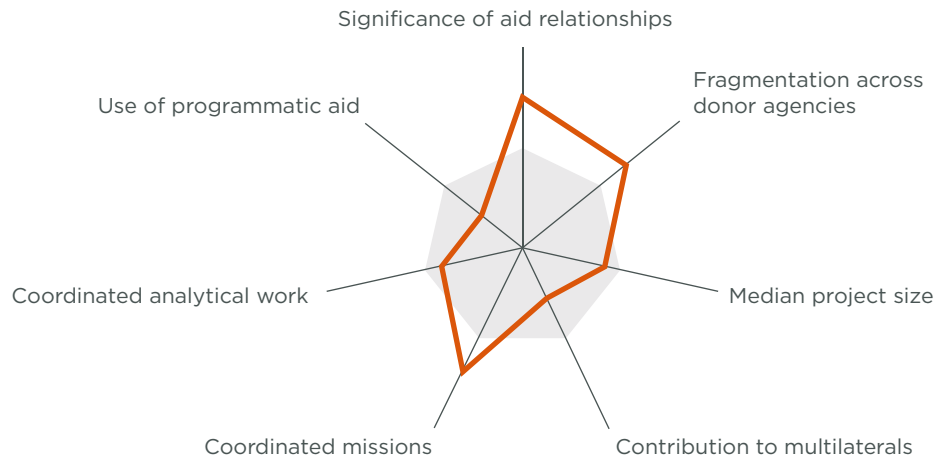
Working with other donors. Australia has a mixed record in working flexibly with other donors, beating the donor average in organising missions to partner governments jointly with others, but lagging in terms of its reliance on shared analytical work. Australia has to work harder than others to perform well on these measures given that in many of its partner countries there are fewer opportunities to collaborate because the number of other donors is small, and Australia is by far the largest provider of aid.

Focusing on the immediate neighbourhood. The fact that a third of Australia's aid program is directed to countries in the Pacific with which it has significant bilateral aid relationships means the administrative costs partner governments bear in managing Australia's assistance are small when compared to the scale of the assistance they receive. In responding to the Independent Review of Aid Effectiveness, the Australian Government confirmed that the Asia-Pacific will remain the strategic focus of Australia's aid.

¹⁷ By contrast, the United States government spreads its aid management across 20 different agencies which do not conform to single country strategies. Its specialist development agency, USAID, is responsible for overseeing only half of the country's total bilateral aid budget.

¹⁸ AusAID 2010.

Figure 6: Australia reducing burden on partners



Using multilateral agencies. Historically Australia has underused arguably the most direct way of reducing the burden on partner countries of donor proliferation: the multilateral system. Multilateral agencies are purposely designed to pool donor country efforts and serve as an intermediary between donor countries and aid recipients, thereby reducing the number of donor-recipient relationships.¹⁹ But this role relies on donor countries being willing to restrict the number of their bilateral relationships, otherwise the total number of donor-recipient relationships ends up only being increased. In its response to the recent Independent Review of Aid Effectiveness, the Australian Government has committed to making greater use of multilateral channels.²⁰

In practice, multilaterals are most effective in big countries where they have large long-standing programs, deploy their best staff, and generate efficiency gains through operating at scale.²¹ This poses a challenge for Australia given its particular interest in supporting development in small island states where multilateral agencies are less equipped to lead. Australia has understandably been reluctant in these circumstances. Yet the need for consolidated aid efforts is greatest in small countries that are most easily overwhelmed by excessive donor demands. These are issues Australia’s new multilateral rating system will seek to address.

Using program-based approaches (PBAs). Australia could reduce the burden of its bilateral program by going further in adopting PBAs (using pooled funding, direct budget support or SWAps for example). In 2010, only a fifth of Australia’s bilateral aid was program-based, compared to an average of 45 per cent for the aid community as a whole. The Australian Government has committed to increasing the use of PBAs, including through the establishment of strategies for all its country programs.²² Moreover, while Australia’s performance is lagging on this measure, almost every country program reported an increased use of programmatic approaches in 2010.²³

Favouring larger activities. Consolidating Australia’s aid program around a more focused set of large activities would undoubtedly relieve its development partners of much of the burden associated with receiving aid. The median size of Australian aid projects stands at \$195,000 in 2009.²⁴ This represents an increase on 2008 and brings Australia in line with the average for bilateral donors, but is still low compared to multilateral aid agencies.²⁵

¹⁹ Kharas (2007).

²⁰ This increased support will be based on assessment of poverty, national interest, capacity to make a difference, and current scale and effectiveness in line with each multilateral agency’s mandate.

²¹ OECD DAC (2010).

²² As of July 2011 all countries Australia provides aid to now have country or regional development strategies in place. These are a public and negotiated commitment, by Australia and the Partner Government, to shared, priority development outcomes.

²³ ODE (2011).

²⁴ Source: Brookings Institution based on the CRS.

²⁵ Australia’s median project size in 2008 was \$137,000. The multilateral development banks (MDBs) score well against this criteria given their focus on loans rather than grants. The World Bank, for example, has a median project size of about \$6.5 million.

Promoting transparency and learning

The role of transparency and learning in improving aid effectiveness is closely linked with each of the other three dimensions of aid quality examined.

Transparency is increasingly seen as a low-cost and efficient way to maximise the effectiveness of aid and reduce scope for corruption. One study estimates that making the aid system more transparent would generate \$11 billion of benefits²⁶ at a cost of no more than \$15 million.²⁷

Transparency is also key to fostering institutions because a transparent aid program is less likely to undermine the role of partner governments by duplicating their work and because it renders aid more predictable, supporting partner country capacity for longer term planning.

Finally, transparency helps reduce the burden of receiving and coordinating aid because partner governments can spend less time chasing donors for information and more time on other activities, including managing their own public investment programs.

Advances in information technology have dramatically reduced information costs and stimulated an increase in both the supply and demand for information. Today, a transparency and learning revolution is sweeping through the aid industry aimed at increasing knowledge for the benefit of a diverse range of stakeholders²⁸ on the five Ws of aid – who is doing what, where and whether it is working. For both donors and their country partners, a greater investment in learning and evaluation would pay dividends by helping them identify the interventions that have the most positive impact, and which can then be repeated and scaled up, while staying clear of those with disappointing results.

Actively embracing transparency. Australia scores above average on six of the eight indicators of transparency and learning (Figure 7) ranking ninth overall and fifth among bilateral donors. This represents an improvement on Australia's past performance, after adjusting for recent changes to the QuODA methodology.²⁹ Australia is a signatory to the International Aid Transparency Initiative (IATI),³⁰ and is one of eleven donors that have already started to publish aid information in accordance with agreed IATI standards. In addition, Australia reports promptly and in full to the

26 Collin et al (2009). These benefits include both efficiency savings and effectiveness gains. Efficiency savings are achieved by standardising and streamlining information and eliminating duplicative reporting. At present information requests are frequent and often have to be manually processed at high cost. Donor agencies together employ around 350 full-time staff at a country level just to meet ad hoc country requests. Kharas (2011). Effectiveness gains attributable to increased transparency include improved service delivery, reduced opportunities for diversion of funds and better expenditure control.

27 This is the estimated upfront cost. Kharas (2011) points out that, if aid data are provided at the recipient level as recommended for transparency, there will also be incremental costs for data maintenance that might require support from donors.

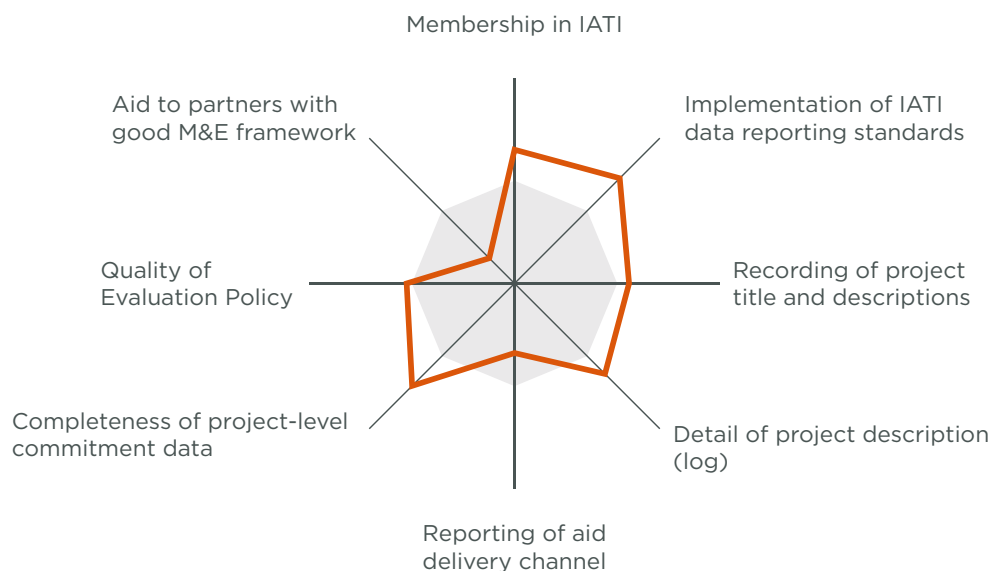
28 Most importantly governments and civil society in developing countries, but also the donor community, taxpayers in donor countries, charities and foundations, the research community, and other non-state actors.

29 In the first iteration of QuODA published in 2010, Australia was originally ranked 2nd among all donors on the transparency and learning dimension. However, a number of methodological changes introduced in the 2011 QuODA update have resulted in a significant reshuffle of the original donor rankings. These changes include: (i) a change of the data source from AidData to the DAC's Credit Reporter System for the indicator "recording of project title and descriptions"; (ii) a raising of standards for what constitutes effective aid to enable greater differentiation between donor performance on the indicators "aid to partners with good M&E frameworks" and "completeness of project-level commitment data"; and (iii) the fixing of a coding error on the indicator "reporting of aid delivery channel". In addition, data have been updated for the indicator "detail of project description". While these changes result in Australia's 2010 ranking being downgraded, they also capture a significant improvement in Australia's performance between the 2010 and 2011 rankings.

30 IATI is a multi-stakeholder initiative through which donors, partner countries and civil society organisations work together to establish common standards for transparency. Launched in 2008, it seeks to make aid data more demand-driven, accessible and interpretable. At present, IATI has 21 donors (including only two G8 countries) and 22 partner countries among its members.

DAC³¹ and has freedom of information legislation. Most recently, the Australian Government agreed in July 2011 to develop a Transparency Charter, committing the aid program to publishing documents and data in a way that is comprehensive, accessible and timely.

Figure 7: Australia promoting transparency and learning



Giving priority to monitoring and evaluation systems. One area for improvement for Australia is the quality of the monitoring and evaluation systems that exist in its partner countries. Robust monitoring and evaluation is an important governance tool for informing policymaking and resource management decisions. When donors give aid to countries with such systems in place, they have greater confidence that their support will be used to good effect. Australia has recently prioritised the improvement of partner monitoring and evaluation systems, which may prove a valuable investment as it prepares to scale up its aid program.³²

Australia's own evaluation policy, which is currently undergoing an internal review, is judged as above average by QuODA. The Australian Government has recently committed to an annual assessment of aid effectiveness for all of its ODA and, additionally, an annual synthesis of evaluations and quality assurance reports to help drive ongoing improvement, critical reflection and learning. Another positive example that is not picked up in this dimension of QuODA is Australia's support for the International Initiative for Impact Evaluation (3ie), an initiative that aims to increase development effectiveness by conducting rigorous impact evaluation on priority development issues. AusAID is one of its 19 members and a significant bilateral donor contributor.³³

Sharing information. Australia's willingness to make information on different aspects of its aid program public, and to meet a high standard of disclosure relative to other donors, is commendable and a good example to donors as well as to development partners.

³¹ Four of the eight QuODA indicators on this dimension focus on the breadth (coverage) and depth (detail) of information Australia provides to the DAC under its voluntary reporting requirements. These serve as a useful proxy for Australia's general openness to information sharing.

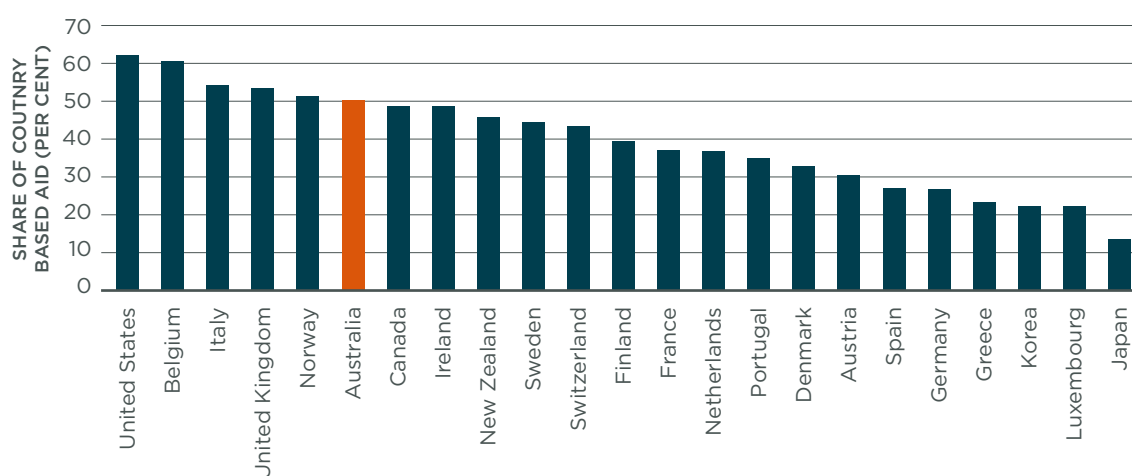
³² ODE (2010).

³³ QuODA captures this under the 'support for global public good facilities' indicator on the maximising efficiency dimension.

The fragile states lens

Australia's focus on fragile states is a defining feature of its aid program, accounting for more than 50 per cent of Australian aid when measured at a country level (Figure 8) and likely much higher when broken down below this level.³⁴ For instance, much of Australia's bilateral program targets fragile sub-regions within countries, such as Mindanao in the Philippines, and its multilateral program includes purposefully designed funds for fragile states.

Figure 8: Share of bilateral aid to fragile states in 2009³⁵



Source: Brookings Institution calculation of the share of country-based bilateral aid going to fragile states (as classified in DAC 2010a) in 2009, using data from the DAC country reporting system.

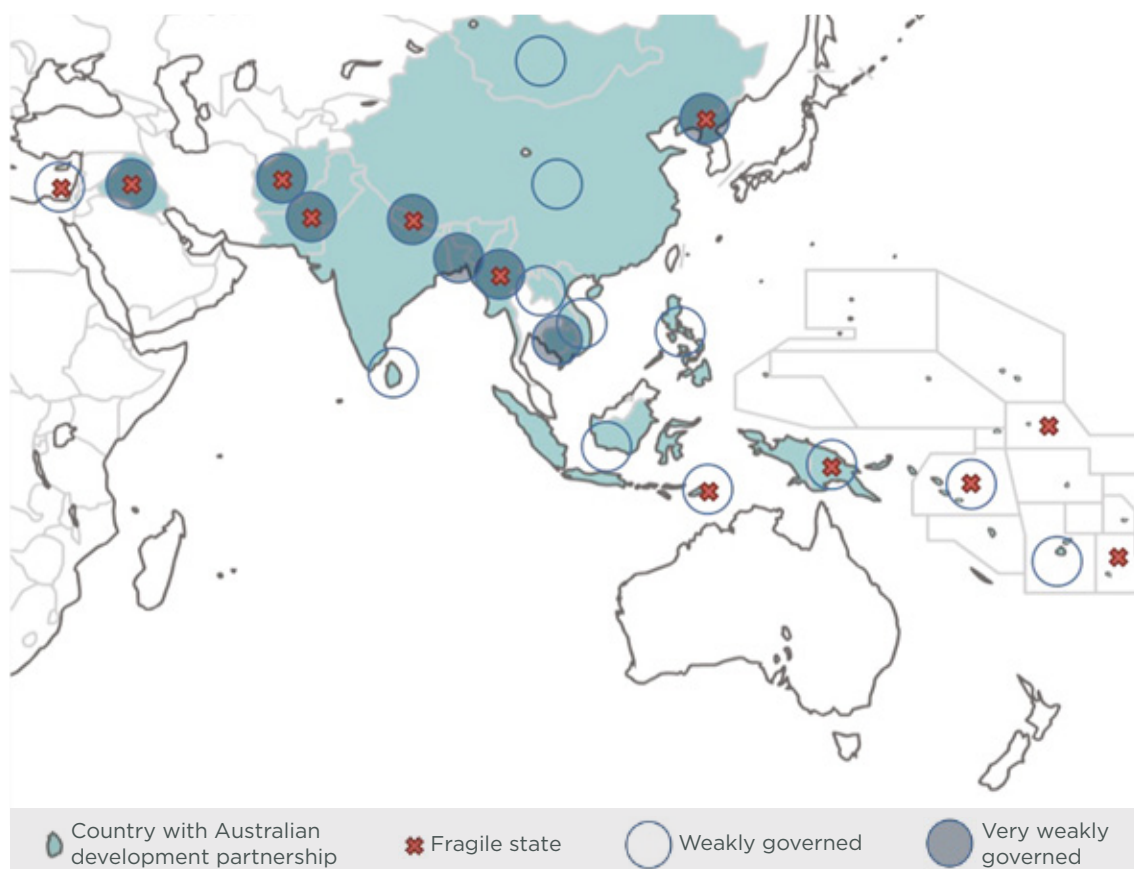
This focus is a reflection of Australia's region where fragility is widespread and where many countries not classified as fragile suffer from weak governance (Figure 9). This focus also aligns with the Australian Government's recent confirmation that the Asia-Pacific will remain the strategic focus of Australia's aid and the new statement of purpose to guide its use:

'The fundamental purpose of Australian aid is to help people overcome poverty'.

³⁴ The current edition of the Resource Flows to Fragile and Conflict-Affected States produced by the DAC ranked Australia as second of all donors in terms of percentage of aid spent in fragile states. The USA was the highest ranked both in percentage and cash terms. These figures include bilateral and multilateral ODA to fragile states but are based on 2008 figures only.

³⁵ More recent AusAID data indicate that 53 per cent of its regional and bilateral aid was spent in fragile states in 2010–11 (A\$1.53 billion). AusAID estimates the same proportion will be spent in 2011–12 (A\$1.7 billion).

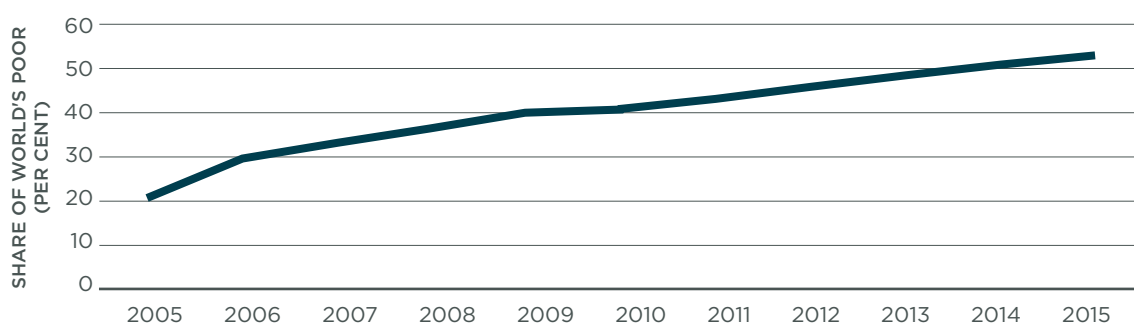
Figure 9: Characteristics of Australia’s development partners



Source: Brookings Institution calculations covering the 30 countries with Australian bilateral programs of at least \$5 million a year in the 2009–10 and 2010–11 budgets. Country classification of fragile states is as defined by DAC (2010). Weakly governed countries are those that fall in the fourth quintile of country rankings on the 2009 Worldwide Governance Indicators (World Bank, 2010b), with rankings based on averaged scores across the six governance measures. Very weakly governed countries are those that fall in the fifth quintile.

Helping fragile states is one of the core challenges of global development today and in the future. As Figure 10 illustrates, more than 50 per cent of the world’s poor are projected to be living in fragile states by 2015. Australia’s ongoing commitment to take on the challenge of effectively delivering aid in fragile states is commendable and in line with its pro-poor focus.

Figure 10: Share of world’s poor living in fragile states

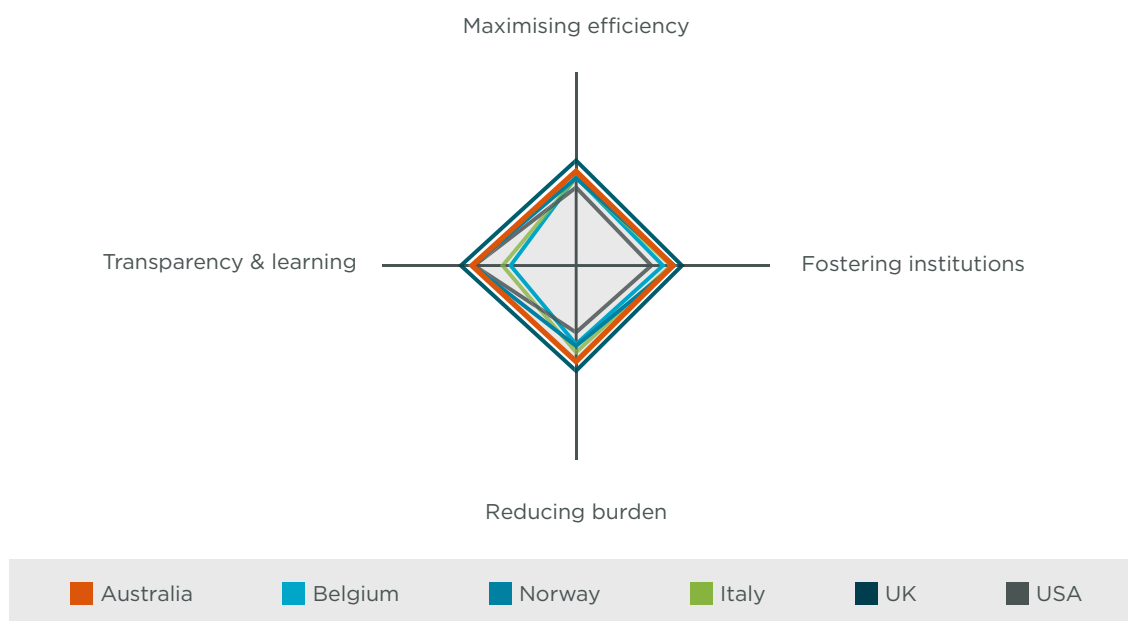


Source: Chandy & Gertz (2011).

Yet promoting development is much harder in fragile states than in other countries. Governments in fragile states cannot be relied upon to support the development process – in some instances, they may undermine economic and social progress. Aid delivery also tends to be more costly and more complex in fragile settings.

Part of the complexity lies in understanding how to apply good practice aid principles. While the principles of effective aid remain just as relevant in fragile states, they cannot always be implemented in the same way as they can in other countries. Understanding how to deliver aid effectively in fragile states is therefore a vital question for the development community over the coming years and one Australia can help to answer as it is one of the clear leaders in this field (Figure 11).

Figure 11: Australia outperforms other donors with fragile states focus



Australia’s effort to heed good practice principles in fragile states is paying off, in spite of the challenges posed by the context of its aid program. As Figure 8 illustrates, Australia is one of only six donor countries to devote 50 per cent or more of its country-based aid to fragile states. When these donors are benchmarked against one another, the UK is the leader, consistent with its reputation as a strong performer in international development.³⁶ However, Australia follows closely behind and is second among the six donor countries when their rankings are aggregated across the four QuODA dimensions, outperforming Norway, Italy, Belgium and the USA – as Figure 11 illustrates. This is an important result and the analysis suggests that other donors can learn from Australia’s example, especially in the Pacific.³⁷

³⁶ See, for instance, DAC (2010d).

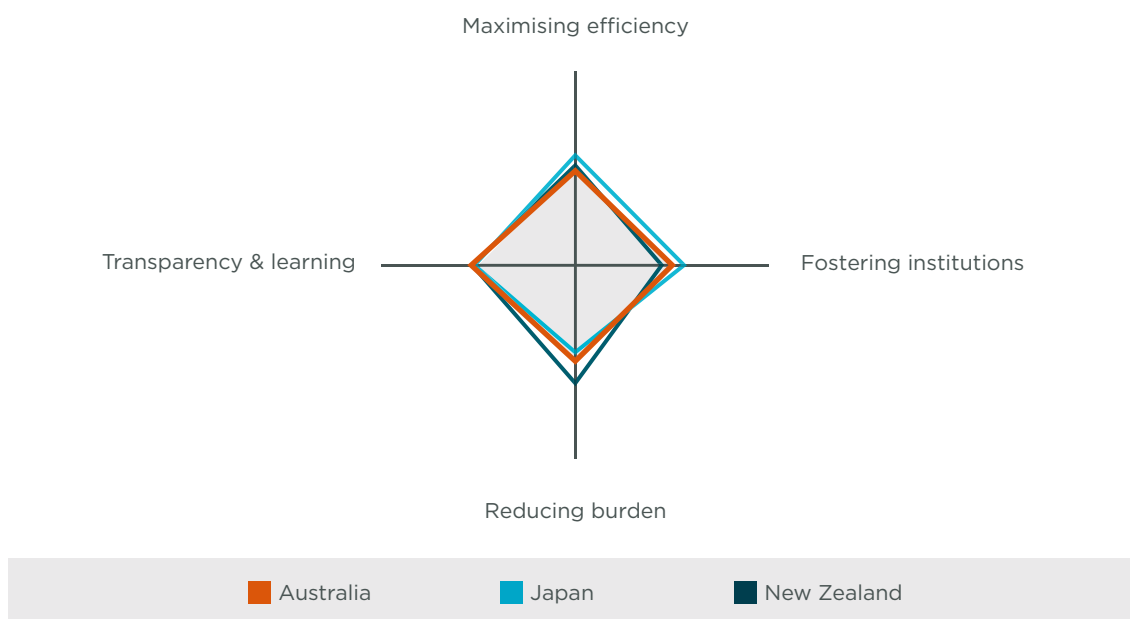
³⁷ As indicate in Figure 10, Australia is surrounded by fragile and conflict affected states, unlike many of its European counterparts, which limits its ability to choose which fragile states to operate within. The UK does not have an active aid program in the Pacific.

The Asia-Pacific

Analysis of other key donors operating in Australia’s main regions of interest provides further valuable information to inform Australia’s future reforms on aid effectiveness.

Figure 12 depicts Australia’s performance alongside that of New Zealand and Japan, two key bilateral donors who focus their aid in the Asia-Pacific.

Figure 12: Regional bilateral donors



Japan leads the three countries on the fostering institutions dimension, driven in part by its regular use of partner country systems through which more than two-thirds of its government-to-government aid is channelled. However, this option is made easier by Japan’s focus away from fragile states – only 14 per cent of its country-based aid goes to these countries. New Zealand performs particularly strongly on the reducing burden dimension. Like Australia, it has a number of significant aid relationships by virtue of its focus on small pacific islands. In addition, half of its aid is provided using PBAs. Given the large overlap in country focus between Australia and New Zealand, Australia could explore what opportunities exist to support programmatic approaches in which New Zealand is currently engaged and which are performing well.

In others areas, New Zealand and Japan lag behind Australia. New Zealand scores poorly on fostering institutions due to the weak alignment of its funding with partners’ priorities, and due to its propensity for establishing PIUs. Japan’s performance is weakest on the reducing burden dimension, due to the fragmentation of its aid management across more than nine agencies and its preference for conducting missions independently rather than in a coordinated fashion.

In contrast to Australia, both New Zealand and Japan have a relatively strong sectoral focus as a defining feature of their aid programs. Until recently, New Zealand aid focused predominantly on social infrastructure and services, while Japan supports the agriculture sector and economic infrastructure such as utilities and transport. These specialisations provide signals about areas in which Australia might consider further delegating responsibility for aid delivery to increase the efficiency of its aid program.

Australia's multilateral partners

Figure 13 compares Australia's aid performance with three major multilateral agencies active in its region: the Asian Development Bank (AsDF), World Bank (IDA) and UN.³⁸ Taken as a whole, multilateral agencies outperform bilateral agencies across each of the four QuODA dimensions of aid quality – a finding consistent with most donor performance assessments, which view multilateral agencies as generally being more effective. The effectiveness of multilateral agencies is usually explained by two factors: their well defined mandates and their freedom from political interference, which together allow them to specialise and to retain a strong poverty focus. Importantly, the political freedom of multilateral donors does not appear to translate into lower levels of accountability given their strong performance in promoting transparency and learning.

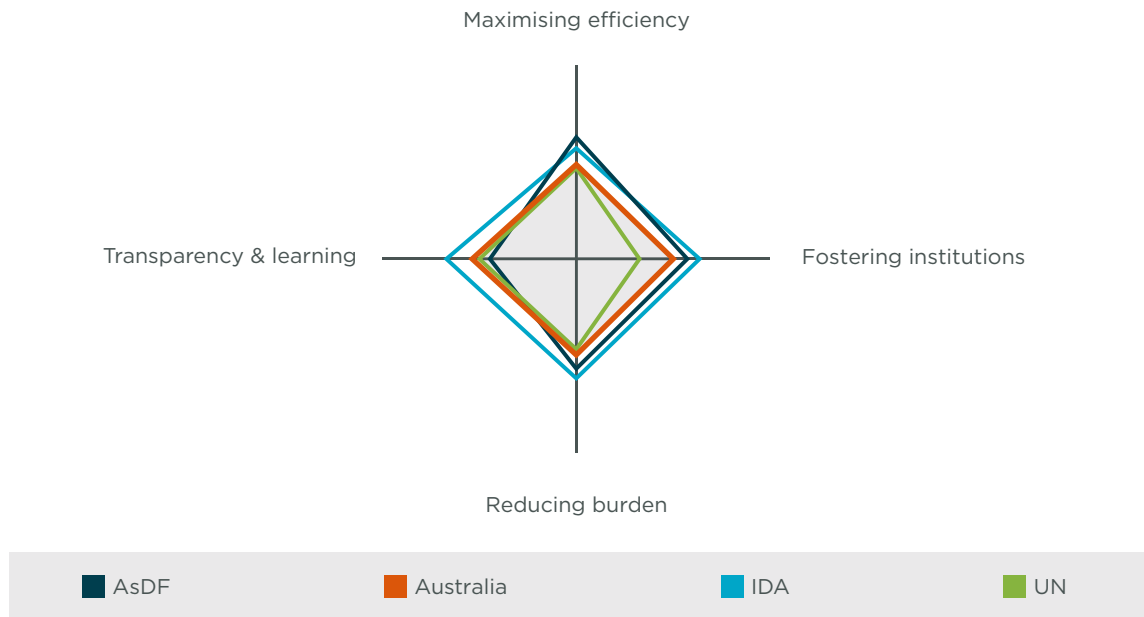
The Asian Development Bank and the World Bank are among QuODA's top overall performers. The two banks are commended in particular for their focus on poor countries, their high country programmable aid share, their use of PBAs and partner country systems, their funding of large-scale interventions and for having their aid accurately recorded on recipient budgets – all areas in which Australia's performance is below the QuODA average. These findings should give Australia confidence in strengthening its ties with these agencies.

The UN's weak performance is partly a consequence of its mandate, which compels it often to work on neglected 'fringe' issues such as population, democracy and civil society. These rarely feature as recipient priorities and require UN resources to be spread thinly over many countries in modest-sized interventions. However, part of the explanation for the UN's low ranking relates to its approach to aid delivery: its tendency to establish PIUs and to bypass partner country systems, the unpredictability of its aid and its failure to have its aid accurately recorded on recipient budgets.³⁹ As an important funder and stakeholder in the UN, Australia could condition future support on improvements against key performance metrics. Australia's recently announced assessment of the effectiveness of key multilateral partners provides the opportunity to drive such improvements.

³⁸ The QuODA analysis covers the Asian Development Fund of the Asian Development Bank, the International Development Association of the World Bank (the lending arm that focuses on low-income countries) and five UN agencies: UNAIDS, UN Children's Fund (UNICEF), UN Development Program (UNDP), UN Population Fund (UNFPA) and World Food Program (WFP).

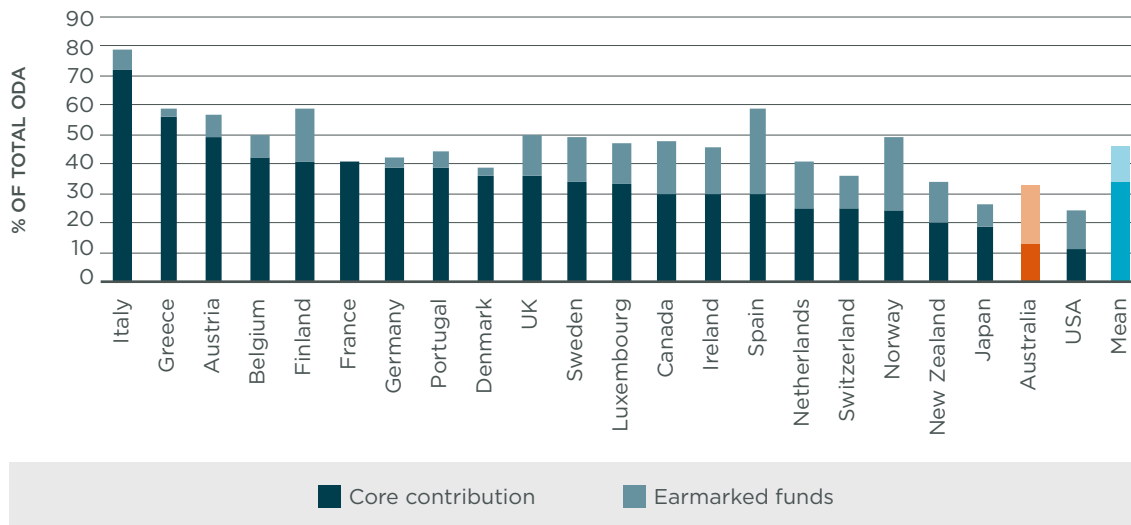
³⁹ These aspects of the UN's approach to aid are arguably excusable in the case of the WFP, whose operations are more akin to a non-government organisation. The same argument could be made to a lesser extent for UNICEF.

Figure 13: Australia's multilateral partners



A key lesson from this analysis is that Australia's aid effectiveness is determined both by the performance of donors with whom it chooses to partner or to delegate its program delivery, and by the way it approaches cooperation. In the past, Australia used cooperation mostly as a tool to draw greater donor attention and resources to issues of its national interest, but without sufficient focus on whether other donors had the requisite expertise to lead such efforts and whether their deployment made sense from the perspective of partner countries and the donor community as a whole. This explains Australia's traditionally low level of core funding to multilateral agencies and its much higher level of earmarked funding to the same agencies (Figure 14).

Figure 14: Core contributions and earmarked funds to multilateral agencies



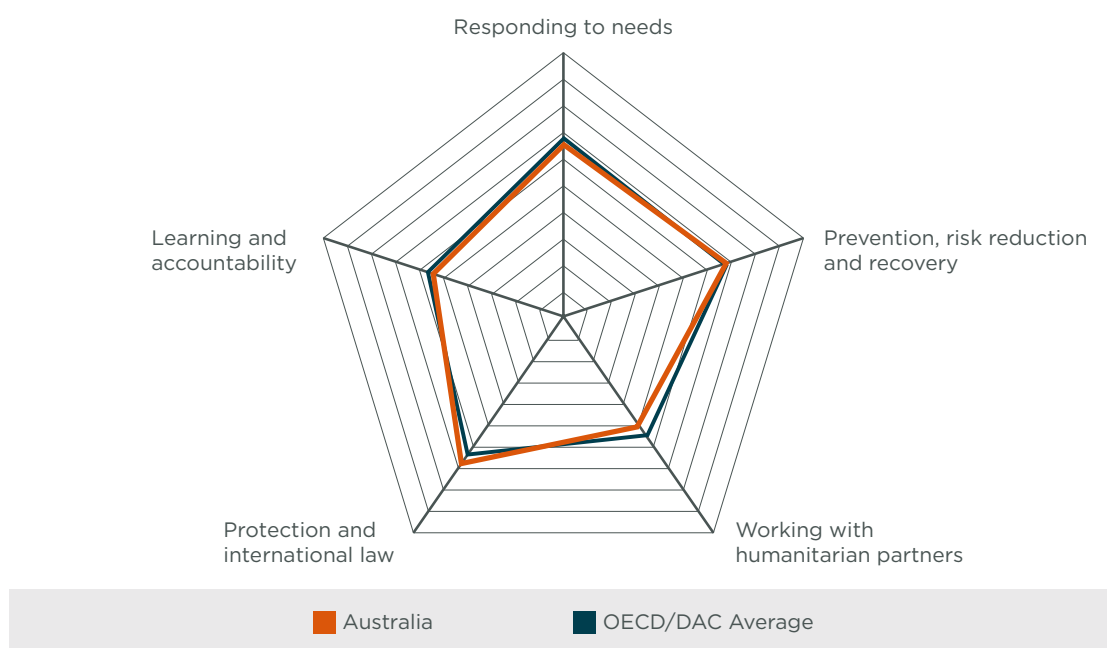
Source: DAC, 2010c

Australia now seeks to broaden the objectives of its multilateral engagement to match the growth of its aid program, as its role and responsibilities within the global aid architecture expand and it comes to depend on its donor relationships to leverage the greatest possible impact from its aid. In its response to the Independent Review of Aid Effectiveness Australia has committed to increasing core support for high performing, highly relevant multilateral organisations and linking that support to a multilateral performance rating system to help maximise the value of its growing contributions.

Australia's humanitarian response

A humanitarian response index has been developed⁴⁰ which assesses 23 donor countries based on the generosity and effectiveness of their humanitarian aid—aid that is specifically designed to save lives, alleviate suffering and maintain and protect human dignity during, and in the aftermath of, emergencies. While many of the principles of effective aid can usefully be applied to humanitarian aid, there are many aspects of humanitarian aid that are unique, which means it makes sense to assess it separately from other types of aid. DARA assesses donor performance on a range of indicators organised into five pillars: responding to needs; prevention, risk reduction and recovery; working with humanitarian partners; protection and international law; and learning and accountability. Australia scores very close to the donor average across each of these pillars, as illustrated in Figure 15.

Figure 15: Humanitarian response index – Australia assessment



Around 10 per cent of Australia's aid is dedicated to humanitarian, emergency and refugee-related support. An analysis of Australia's performance on individual indicators reveals a number of interesting lessons. First, Australia is a leader in particular areas including funding reconstruction and prevention, and providing timely funding to complex emergencies. Second, the share of its funding to non-government organisations is lower than that of other donors. Third, 81 per cent of the share of humanitarian aid provided by Australia to multilateral agencies is earmarked, compared to a DAC average of 65 per cent. This latter finding is also reflected more broadly across Australia's aid program. This indicates the Government's recent commitment to providing proportionally more core funding to high performing multilateral agencies is well founded and indicates the principle could equally apply to Australia's humanitarian aid.

⁴⁰ This index assesses the extent to which donors that have signed the Good Humanitarian Donorship declaration are applying its principles in good funding practice and in their response to humanitarian crises. DARA (2010).

Australia's overall commitment to development

In the most recent assessment of donors against the commitment to development index,⁴¹ Australia ranks around half way up the list of countries in ninth place. Australia's overall score has hardly changed in the eight consecutive years in which the index has been compiled⁴² but, because other countries have improved their scores, Australia's relative position has fallen from its original ranking of sixth place. Box 3 shows Australia's performance on the seven key linkages to poor countries measured by this index.

Box 3: Australia's broader commitment to development

The Center for Global Development's commitment to development index looks at all rich country policies towards poor countries, rather than focusing on aid programs alone. The index ranks countries on their overall performance across seven areas:

1. **Aid**—Australia ranks 13th, or a little below average. This largely reflects the weighting given in the index to supporting the poorest countries and countries with democratic governments. Australia provides most of its aid to fragile states within its geographic region.
2. **Trade**—Australia ranks second, and is noted as having some of the lowest tariffs on agricultural imports of any rich country. This provides a level playing field for farmers in developing countries.
3. **Investment**—Australia ranks fourth, supporting private sector development in developing economies through the government's provision of political risk insurance and foreign tax credits to companies seeking to invest overseas.
4. **Migration**—Australia ranks 14th. Only a small number of immigrants from developing countries enter Australia measured as a share of its population and Australia bears only a small share of the burden of refugees during humanitarian crises.
5. **Environment**—Australia's position relative to other countries (20th) is dragged down by its high greenhouse gas emissions per capita (the highest of all OECD countries), its low fuel taxes, and its high rate of fossil fuel production.
6. **Security**—Australia ranks third and is commended for its generous contributions, both financial and personnel, to international peacekeeping and humanitarian efforts.
7. **Technology**—Australia ranks 12th, performing well in relation to free trade measures and less well in relation to patents.

⁴¹ The Center for Global Development has been assessing 22 rich countries, including Australia, against their commitment to development index each year since 2003. See Roodman (2011) for the most recent assessment.

⁴² Based on the 2011 methodology, Australia's 2011 score is only 0.1 below the score it received in 2003.

Concluding comments

This paper has considered Australia's approach to giving aid against international best practice. International best practice is defined here by what we know works well in aid, either because it has been demonstrated through research, identified as important by aid recipients, or agreed through consensus within the aid community. While adherence to best practice rules cannot guarantee that Australia's aid will always deliver its intended results, it increases the likelihood that those results will be achieved. And unlike the results of aid, adherence to best practice is fully within Australia's control. Australia's performance against best practice standards therefore serves as a touchstone of its commitment to greater aid effectiveness.

Based on the results of four recent global assessments of donor aid performance, Australia clearly has a strong commitment to effectiveness principles, ranking close to the average donor performance on some variables and as world standard on others. But for Australia, this generalised analysis masks a far more complex story. Australia's focus on fragile states is a defining feature of its aid program – at least 50 per cent of its aid goes to countries which are considered fragile, reflecting the fact that fragility is common in Australia's region. When a comparison is made of bilateral donors operating in similar contexts, Australia emerges as among the world's best.

Significantly, the data on which these analyses are based do not reflect all the reforms undertaken in 2010 and beyond, which will further enhance the effectiveness of the Australian aid program. Consistent with the recommendations of the Independent Review of Aid Effectiveness, Australia's reforms place it in a strong position to lead well into the future. The following recommendations and work already underway will help improve Australia's performance against its peers and its impact on the lives of the world's poor.

What could Australia do differently?⁴³

- 1. Using country strategies as a basis for greater sector focus.** In recent years, country strategies have come to play an increasingly prominent role in shaping Australia's bilateral development partnerships. These provide a useful tool for, inter alia, defining the appropriate scope of Australia's aid program. There is a strong case for delineating more narrowly those areas in which Australia is best qualified to provide support and which recipient countries have identified as priorities for assistance.

These actions dovetail well with the Australian Government's commitment to introduce a four-year rolling budget strategy to support a comprehensive aid policy framework. The strategy seeks to consolidate the aid program in line with Australia's five strategic goals and partner country need to help people overcome poverty.

⁴³ These recommendations are broadly consistent with those of the Independent Review of Aid Effectiveness. The Government's response is set out in *An Effective Aid Program for Australia: Making a real difference – Delivering real results*, which sets out the Government's overall aid strategy through to 2015–16. As such no formal Government response will be prepared in response to this paper.

2. Strengthening performance frameworks to compensate for inherent efficiency challenges.

Australia's region obliges it to work in environments in which aid often fails to achieve its intended results and the cost of aid delivery is higher. Australia can compensate for this by employing performance frameworks to monitor whether the goals of its aid are being achieved and at a reasonable cost. Australia should invest sufficiently in these frameworks to ensure they are capable of fulfilling this role.

AusAID is currently reviewing its performance management and evaluation policy with a view to it being streamlined and strengthened.

3. Identifying innovative means to increase the use of partner systems, especially in fragile states. While the challenges to using partner systems should not be underplayed, Australia's reliance on parallel systems undermines its efforts to bring about sustainable, transformational development in recipient countries. Australia should consider innovative and country-tailored solutions, which will enable an increased use of partner systems even in challenging circumstances. Solutions may include: employing sub-national systems or non-government systems when national government systems cannot be relied upon; transitioning to partner systems subject to confidence-building measures; making use of partner systems explicitly conditional on system performance; using partial earmarks, oversight and tracking; requesting that recipient governments contract out its weakest functions, such as procurement, financial management or audit services; and building on existing examples where partner systems are successfully being used, whether by Australia or other donors.

The Australian Government has committed to expand the share of aid disbursed through government systems. Australia has recently released a Framework for Working in Fragile and Conflict-Affected States and guidance to help staff continue to innovate and manage country-specific risks.

4. Employing aid modalities that facilitate the transition to a scaled up aid program. In preparation for a growing aid program, Australia should employ aid modalities that allow it to increase the funding and scale of existing interventions without incurring constraints or raising its administrative burden and cost. These include channelling aid through multilaterals and NGOs, and employing program-based aid. These same modalities are recognised for increasing the effectiveness of aid, including in challenging environments. At the same time, a shift in Australia's aid modalities will require robust management and oversight to ensure that they are employed in the most effective way possible.

The Australian Government's commitment to increase core funding to multilateral organisations and NGOs based on assessment of poverty, national interest, capacity to make a difference, and current scale and effectiveness in line with their mandate provides a solid platform for advancing this action.

- 5. Expanding the use and scope of donor partnerships.** Australia has considerable experience, both good and bad, in partnering with other aid agencies. However, the changing aid architecture, combined with Australia's growing aid program, has thrown up many new opportunities for partnership, including those with non-DAC and unofficial donors, which Australia should rightly pursue. Partnerships provide a valuable mechanism for improving the effectiveness of aid, including enabling larger scale interventions and moving towards a clear division of labour.

The Australian Government agreed to increase the use of partnership arrangements with other bilateral donors, both traditional and non-traditional. The Australian Government also agreed to restrict bilateral modes of aid delivery to East Asia, the Pacific, Afghanistan and Pakistan with aid delivered to other regions mainly through partners.

- 6. Maintaining Australia's strong performance on transparency.** Australia should look to build upon its strong performance in this area. To do so, however, it will have to keep innovating, as standards of transparency within the aid industry are rising quickly. Increasing attention should be given to the quality, relevance, accessibility and timeliness of information, and establishing mechanisms for learning and beneficiary feedback which transparency can facilitate. Through its new Transparency Charter, Australia should make greater use of the internet to share information, and to encourage feedback on the information it makes public.

The Australian Government published a Transparency Charter in November 2011. The charter included a commitment to publish detailed project level information on AusAID's website in a timely fashion and in a format that is useful and accessible.

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