

Evaluation of the Implementation of the Paris Declaration

Update of Phase 1 Donor Studies

AUSTRALIA

Executive Summary

This report contributes to Phase 2 of the international evaluation of the implementation of the Paris Declaration on Aid Effectiveness. It updates the findings of AusAID's headquarters study under Phase 1 of that evaluation, conducted in 2007. The update responds to both the questions set for donor updates and to those for donor headquarters studies. In line with guidance for headquarters studies, the update concentrates on learning by addressing the twin questions 'are we doing the right things' and 'are we doing things right' – that is, it examines the relevance of Australia's choices and the effectiveness of Australia's actions, respectively. It also focuses on three overarching themes considered to be of particular relevance to Australia: scaling up the aid program, operating in fragile states and measuring performance on effectiveness.

Key findings

Australia is committed to improving aid effectiveness and has taken clear steps to implement effectiveness principles. Since 2001, successive Australian governments have been engaged in efforts to increase the effectiveness of Australia's aid and have participated actively in work to develop the international effectiveness agenda. The current policy statement on Australia's international development assistance, contained in the 2009-10 budget statement, highlights the importance of effectiveness. In particular, it emphasises the need to create genuine partnerships between Australia and partner governments, adapt the aid program to the circumstances of individual countries, use and strengthen country systems to deliver aid, and ensure that the Australian aid program is both transparent and accountable.

Reflecting the renewed commitment of the Australian Government to improving the effectiveness of its aid program, an independent review of aid effectiveness was announced on 16 November 2010 by the Minister for Foreign Affairs. The review, which will complete its work in April 2011, will examine the effectiveness and efficiency of the Australian aid program, and make recommendations to improve its structure and delivery. As a far-reaching review with a central focus on aid effectiveness, its outcomes are expected to provide timely guidance for aid policy and practice against the background of rapid growth in the program.

Since 2007, implementation of the effectiveness agenda in the Australian aid program has been influenced by five key inter-related factors – the government's firm commitment to rapidly increasing the aid budget, Australia's strong commitment to international development, the large number of fragile states with which Australia has aid relationships, the determination to identify new, more effective ways of doing business, and the associated, very substantial, organisational changes introduced in support of these. These factors have all given particular impetus to Australia's determined efforts to improve aid effectiveness.

Scaling up

The Australian Government is committed to increasing official development assistance to 0.5% of gross national income by 2015-16. A change in the formula for gross national income in 2010-11 means \$ 2.5-3.0 billion more will be required during the period to 2015-16 than was expected in 2009. As a result, the aid budget is forecast to increase from \$ 4.35 billion in

2010-11 to about \$ 8 billion in 2015-16. The government has confirmed that it 'remains resolute' in this commitment.

Elevating Australia's role in international development

Since its election in November 2007, the current Australian Government has increased the role Australia plays in international development, reflecting its firm commitment to global efforts to achieve the Millennium Development Goals. This has been reflected, for example, in its commitment to do more in Africa, the Caribbean and Latin America, and in its support in the Pacific for the Cairns Compact on Strengthening Development Coordination and for the Partnerships for Development. This latter initiative – aimed at building stronger partnerships with Pacific island countries based on principles of ownership and mutual respect and responsibility – has proved to be critical in providing impetus for reforms in line with the priorities of the Accra Agenda for Action.

Working in fragile states

Most of Australia's closest neighbours are developing countries and most are fragile in some way, either through weak governance, civil conflict or enduring development constraints. Many are struggling to achieve their own targets for achieving the Millennium Development Goals. Further, the Australian aid program is increasingly involved in complex national security, conflict, peace-building and state-building operations. In total, expenditure in fragile states in 2010-11 is expected to account for 53% of Australia's total bilateral and regional assistance Australia is taking a 'fit for purpose' approach to implementing the Paris Declaration principles in fragile states, because of the difficulties encountered in these contexts.

New ways of working

AusAID is expanding the range of delivery modalities it uses in an attempt to move away from discrete projects towards program-based approaches. It has recently overhauled its processes for developing and negotiating country aid strategies and has strengthened its sectoral and thematic focus and expertise. It is adopting a partnership approach, not only with partner governments, but also with whole-of-government and community stakeholders in Australia, and with bilateral and multilateral development partners internationally. It is also doing some hard thinking on its approaches to technical assistance and capacity development, recognising their critical role in development, particularly in fragile contexts. The aid program is also increasing its focus on aid effectiveness in managing and reporting its development results.

Significant organisational change

The Australian Government is committed to ensuring its expanding aid program is managed effectively and efficiently so that it delivers better development impacts. In support of this, AusAID has engaged in a series of major policy, institutional and delivery reform processes, all focused on optimising the

effectiveness of Australia's official development assistance. Recent program and policy reforms include new operational policies, country strategy architecture and quality reporting systems, which together aim to provide practical guidance and support for implementing the effectiveness agenda. These reforms build on work predating the Paris Declaration and give new impetus to this commitment.

Prior to Phase 1 of the evaluation, Australia had made the decision to untie its aid and created the Office of Development Effectiveness to monitor the quality and evaluate the impact of the aid program more rigorously. Most significantly, AusAID devolved program management to country offices, recruited substantially more in-house sectoral expertise, established a quality framework for the program, and began strengthening corporate systems.

Challenges and priorities for improving effectiveness

Australia's commitment to increase the volume of aid to 0.5% of gross national income over the next five years presents the aid program with some significant challenges. Building on existing achievements and innovation AusAID is positioning itself to manage a substantially larger aid program and to support its partner countries to make productive use of the additional funds.

In this context, it will be crucial to focus on aid effectiveness across all areas of the aid program. Tools are being introduced to support delivery strategies that promote less time-intensive and labour-intensive modalities and include appropriate risk management. Efforts are also under way to accelerate the building of staff skills and capacity, particularly in those areas related to support for fragile states, innovative delivery modalities, new ways of working and, potentially, new themes and sectors. Staff numbers will also need to increase to meet the needs of the changing and rapidly growing aid program.

Australia's heavy engagement in fragile and weak capacity environments will continue to present challenges for the aid program's effectiveness. Australia is committed to delivering effective aid in such contexts, but recognises that such operating environments are likely to remain difficult for some time and that innovative ways of delivering assistance may be required. In this regard, the potential of the new Partnerships for Development in the Pacific cannot be understated.

In policy and programming terms Australia is doing many of the 'right things' to support its aid. All programs are implementing the principles of the Paris Declaration in some form. Australia is also on the right track to 'doing things right' – it has invested heavily in recent years to improve the prospects for increasing its effectiveness.