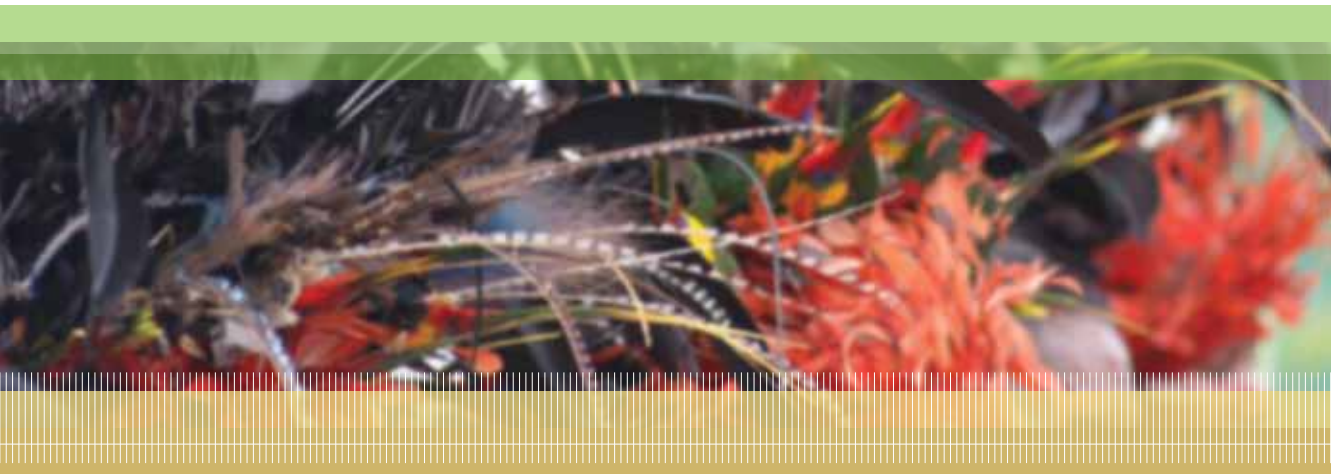


ANNUAL REVIEW OF DEVELOPMENT EFFECTIVENESS 2009

IMPROVING BASIC SERVICES FOR THE POOR



Australian Government

AusAID

Office of Development Effectiveness

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The Office of Development Effectiveness

The Office of Development Effectiveness (ODE) monitors the performance of the Australian aid program, evaluates its impact and contributes to international evidence and debate about aid and development effectiveness. ODE publishes the Annual Review of Development Effectiveness and analyses key international development issues throughout the year.

The Annual Review of Development Effectiveness

The Annual Review of Development Effectiveness provides an account of the aid program's performance to the Australian Government and people. It draws on cross-cutting evaluations commissioned by ODE over the course of the year, as well as analysis of data from AusAID's reporting and performance management systems. The first Review was published in 2008.

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GLOSSARY OF SELECTED TERMS

Activity proliferation: An increase in the number of aid activities relative to overall aid disbursements.

Country context: The institutions, history and culture that define a country, its development requirements and the results that development activity is likely to achieve. An understanding of a country's context requires analysis of: (1) the legal and regulatory institutions that are both formal government policies and informal societal beliefs, values and norms, (2) social and human capital, which encompasses social organisation, social cohesion, education, gender equality, entrepreneurship and civil society, (3) the physical environment, which encompasses the climate, natural resources and infrastructure, and (4) organisational capacity, which includes the ability of organisations charged with managing development to implement agreed operations.

Country systems: Partner countries' legal and institutional frameworks for public financial management, procurement, audit, monitoring and evaluation systems, and social and environmental assessments.

Development partners: Organisations that provide some form of international development assistance, including bilateral donors, multilateral agencies, development banks, and private sector and civil society organisations.

Gender equality: Equal rights, responsibilities and opportunities for women and men, and girls and boys. Equality does not mean that women and men will be the same but that women's and men's rights, responsibilities and opportunities will not depend on whether they are born male or female. Gender equality implies that the diversity of interests, needs and priorities of both women and men are taken into consideration as a country develops. Gender equality is a human right and a precondition for, and an indicator of, sustainable people-centred development.¹

Managing for results: Managing and implementing aid in a way that focuses on the desired results (rather than solely on outputs) and uses information from evaluations and reviews to improve decision making.

Partner countries: Countries that receive some form of international development assistance.

Policy dialogue: A way of working with partner countries to explore and implement policies that accelerate sustainable and equitable growth, improve the allocation of the entire budget (not only aid funds) and enable a broad cross-section of stakeholders to engage in policymaking.

¹ AusAID, *Gender equality in Australia's aid program—why and how*, Australian Agency for International Development, Canberra, 2007, p. 36, viewed February 2010, <http://www.usaid.gov.au/publications/pdf/gender_policy.pdf>.

Program-based approaches: Ways of delivering aid based on the principles of coordinated support for a partner country's own program of development, such as a national development strategy, a sector-wide program or a thematic program.²

Technical assistance: The knowledge, services, skills and technology provided to a partner country through personnel, training and research as well as the funding for associated costs.

Sector-wide approach: A way of directing all significant funding (public and private) for a sector through a single strategy and expenditure framework, under government leadership, that involves adopting common approaches to development across the sector, and progressively relying on government procedures to plan, disburse and account for all funds.

Using partner country systems: Development partners operating within and seeking to strengthen partner countries' service delivery systems by focusing on harmonising, aligning and integrating their aid with those systems.

2 The OECD provides a full definition of program-based approaches online <http://www.oecd.org/document/19/0,3343,en_21571361_39494699_39503763_1_1_1_1,00.html>.

ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ANAO	Australian National Audit Office
ARDE	Annual Review of Development Effectiveness
AusAID	Australian Agency for International Development
DAC	Development Assistance Committee, OECD
DFID	UK Department for International Development
HIV	Human Immunodeficiency Virus
MDGs	Millennium Development Goals
ODA	official development assistance
ODE	Office of Development Effectiveness, AusAID
OECD	Organisation for Economic Co-operation and Development

CHAPTER 1: INTRODUCTION

The two largest recipients of Australia's official development assistance (ODA), Indonesia and Papua New Guinea, are also its close neighbours. This makes achieving sustainable development and reductions in poverty in the Asia-Pacific region a key objective for Australia.

In support of this objective the Australian Government is committed to increasing its ODA to 0.5 per cent of gross national income by 2015–16. However, the government recognises that increasing the volume of aid will not, on its own, necessarily improve development outcomes or achieve Australia's national interests—it must be underpinned by increased effectiveness.³ As such, the analytical processes that contribute to Australia's planning and management of aid are based on independent reviews and evaluations, which are often guided by the findings of the government's Annual Review of Development Effectiveness (ARDE).

This review provides an account of the aid program's performance to the Australian Government and people and is a source of lessons and recommendations for the Australian aid program. It aims to provide a shared understanding of major issues affecting aid effectiveness. It is also fundamental to encouraging a culture within the Australian aid program of constant improvement.

This is the third annual review. It draws on a combination of performance data from 2008–09 and independent evaluations and reviews commissioned by the Office of Development Effectiveness (ODE).⁴ A recent peer review of Australia's development assistance noted that the publication and tabling of the Annual Review of Development Effectiveness indicates Australia's commitment to assessing progress, and using greater transparency to accelerate implementation and increase credibility.⁵

3 J Davidson & C Rogers, *Assessing aid effectiveness in a changing world: the annual review of development effectiveness*, ODE paper prepared for the Australasian Evaluation Society International Conference, Canberra, 2009.

4 The Office of Development Effectiveness is a group within AusAID that is separate from its program areas. ODE reports to the Development Effectiveness Steering Committee, chaired by AusAID's Director General. The terms of reference for ODE and the steering committee are in Appendixes A and B. ODE publications are available online. <<http://www.ode.ausaid.gov.au/publications/index.html>> or as hardcopy (email <books@ausaid.gov.au>).

5 OECD, *Australia: Development Assistance Committee (DAC) peer review*, Organisation for Economic Co-operation and Development, Paris, 2009, viewed February 2010, <<http://www.oecd.org/dataoecd/38/29/42019772.pdf>>.

The 2008 ARDE

The 2008 review focused on how well the Australian aid program was placed to maintain the effectiveness of aid in the face of the twin challenges of scaling up support and responding to the global recession.⁶ Key findings of the review were as follows:

- > The aid program is well managed and achieving a wide range of results.
- > Recent reforms in aid delivery are strengthening Australia's ability to engage with partners on major policy issues, such as how to respond to the global recession.
- > Australia is well placed to play a leadership role in helping neighbouring developing countries to deal with the impacts of the global recession, which is a risk to gains made in reducing poverty.
- > The aid program needs to focus on strengthening its approach to policy dialogue and delivering more aid using partner country systems, which requires new approaches to managing risk.

The Australian Government is taking action in response to the findings of the 2008 review. New budget measures announced in May 2009 aim to address the needs of developing countries severely affected by the global recession and continuing food insecurity. These measures reflect the government's view that it is in Australia's interests to increase aid to lay the foundations for economic recovery and future prosperity. Australia is also strengthening its relationships with partner countries and international development partners to maximise the impact of its aid by, for example, negotiating formal partnerships for development with countries in the Pacific.⁷

Based on the findings of the 2008 ARDE, ODE began two major evaluations, one of the Australian aid program's engagement with civil society organisations, and the other of its preparedness for responding to the global recession. The first evaluation is well advanced and some of its preliminary findings have been included in the 2009 ARDE. The evaluation has found that civil society organisations play a vital role in delivering essential services and are often advocates for the most vulnerable members of society. The Australian aid program's current approaches to engaging with civil society and communities have evolved country by country, or issue by issue, without an overarching strategy. The conclusions of the civil society engagement evaluation will contribute to a strategy for civil society engagement.

Anticipating that the global recession could significantly erode the gains made in reducing poverty in rural areas over the past two decades, in 2009 ODE began a strategic evaluation of Australian support for rural development. This evaluation will examine whether, and to

6 Office of Development Effectiveness, *Annual Review of Development Effectiveness 2008: scaling up in a deteriorating global environment*, Australian Agency for International Development, Canberra, 2009.

7 Australia has signed partnerships for development with Papua New Guinea, Samoa, Solomon Islands, Kiribati, Vanuatu, Nauru, Tuvalu and Tonga. More information is available online <<http://www.ausaid.gov.au/country/partnership.cfm>>.

what extent, Australian interventions are addressing the causes of poverty in rural areas. The evaluation is in its early stages, with fieldwork commencing in March 2010.

The 2009 ARDE

The 2009 review marks a significant departure from its predecessors. It still analyses the recent performance of the overall aid program (referred to in previous ARDE reports as a 'health check'); however, this review focuses on the aid program's support for partner countries' efforts to improve the delivery of essential services.

Access to good-quality basic social services—education, health care, clean water and sanitation—is essential to improving the daily living conditions of the poor and to developing their full potential to participate in society. That is why better social outcomes are at the heart of six of the eight Millennium Development Goals (MDGs). Effective service delivery may also help to build state legitimacy and public confidence in government institutions, which is often lacking in the environments where the Australian aid program is being implemented.

The focus on basic social services allows the 2009 review to examine the key issues surrounding their delivery and to draw broad lessons for the Australian aid program to improve its effectiveness. Chapter 2 provides an overview of some of the key determinants of poverty reduction and progress towards the MDGs during 2009 and of how the Australian aid program has positioned itself to respond to the global recession. It also provides a discussion of the significance of climate change for development and its implications for Australian aid.

Performance across the Australian aid program is analysed in Chapter 3, drawing on the aid program's quality reporting system, in particular the annual program performance reports produced in 2009⁸ and the 2008–09 quality-at-implementation reports. The chapter provides a 'health check' of overall program performance and discusses in detail performance of the service delivery sectors.

Chapter 4 examines the aid program's effectiveness in supporting the delivery of essential services to the poor, and is based principally on a series of ODE service delivery evaluations and a review of Australian support for broader public sector reform. The chapter synthesises the main findings of these evaluations, highlighting achievements of the relevant programs and drawing out crosscutting lessons for Australian aid.

The review concludes with a summary of key findings.

8 The reports are published on AusAID's website <http://www.ausaid.gov.au/publications/pubout.cfm?ID=1638_551_664_7_2564_4404&Type=v>.

CHAPTER 2: THE CHALLENGING GLOBAL ENVIRONMENT FOR DEVELOPMENT

The 2008–09 financial year was particularly challenging for governments, businesses and many families around the world. The food and fuel crises escalated prices to unaffordable levels for the poor and near poor. This was followed by the global recession, which lowered economic and development prospects for the majority of developing countries. Even before the onset of the food and fuel crises and the global recession, the development challenges were significant: 1.4 billion people lived in extreme poverty; more than one out of every 10 children in developing countries did not receive primary education; and women in developing countries were 50 times more likely to die during childbirth than women in developed countries.⁹ The global recession added to concerns that insufficient progress is being made to achieve the MDGs by 2015. Furthermore, climate change has emerged as a potential major constraint on the future development prospects of poorer developing nations.

The global recession and its effects in Asia and the Pacific

Sustained economic growth is a prerequisite for reducing poverty and making progress towards other development goals.¹⁰ Between 2007 and mid-2009 the global economy was rocked by soaring food and fuel prices, the near collapse of global financial markets and a severe contraction in world economic demand. As a result, global economic growth declined from 5.2 per cent in 2007 to 0.6 per cent in 2009—the first contraction in global GDP in the post-war era.¹¹

Many developing countries were initially sheltered from the global financial crisis because their banks fund lending primarily through local deposits rather than foreign borrowing, and only a small proportion of households hold international investments. However, as the financial crisis evolved into a broad economic recession, its impacts were transmitted to developing countries in Asia and the Pacific. This occurred largely through reduced demand for exports (manufactured goods and commodities), a drop in foreign investment flows, reduced remittances (reflecting the decline in demand for migrant labour in developed and emerging economies) and a deterioration in access to international finance (which has led to concerns

9 In 2005 approximately 1.4 billion people lived on less than US\$1.25 a day (purchasing power parity). In 2007 the net primary school enrolment rate in developing countries was 88 per cent. In 2005 the maternal mortality rate in developing countries was 450 deaths per 100 000 live births, compared to nine deaths in developed countries. See United Nations, *The Millennium Development Goals report 2009*, United Nations Department of Economic and Social Affairs, New York, 2009.

10 Commission on Growth and Development, *The growth report: strategies for sustained growth and inclusive development*, World Bank, Washington, DC, 2008.

11 International Monetary Fund, *World economic outlook April 2010: Rebalancing Growth*, World Economic and Financial Surveys, IMF, Washington, DC, 2010, p. 2.

about future flows of ODA). Many governments were slow to respond to the global recession and in some cases introduced policies likely to exacerbate its impacts.

These factors contributed to lower economic growth, higher unemployment and underemployment, lower household incomes and reduced government revenues. Overall, economic growth in emerging and developing countries in Asia and the Pacific fell from 10.6 per cent in 2007 to 6.6 per cent in 2009.¹² This regional average is heavily buoyed by China, India, Indonesia and Vietnam, all of which continued to grow relatively robustly due to their expansionary fiscal policies and strong domestic demand. These countries are now leading the global recovery. Bangladesh, the Philippines, East Timor, Laos, Papua New Guinea and Vanuatu were more resilient than expected and continue to experience moderate economic growth.

Other countries fared less well. Cambodia, Fiji, Samoa, Solomon Islands and Tonga were highly exposed to the impacts of the global recession because of their already deteriorating growth prospects and high levels of poverty. In many Pacific island countries the recession highlighted existing problems in the management and structures of their economies—such as narrow economic bases (Solomon Islands), reliance on remittances (Tonga) and dependence on the returns from national trust funds (Republic of the Marshall Islands, Palau, Federated States of Micronesia, Kiribati and Tuvalu).¹³ As evident from the 2008 food and fuel price rises, these countries need to build their resilience to economic shocks more generally.

Government revenues have been battered by the global economic downturn. Reductions in revenues can limit the ability of governments to provide and maintain basic services. Some countries—including some low-income but resource-rich countries—have been in better positions than others to respond to declining revenues by introducing expansionary fiscal policies. Most countries favoured increasing government expenditure, which included programs to support poor and vulnerable groups, rather than cutting taxes.¹⁴ China, Indonesia, South Korea, the Philippines and Thailand introduced or expanded targeted and untargeted social transfers. Other measures included vouchers for low-income or rural households (China, Indonesia and Taiwan), school feeding programs and support for housing.¹⁵

12 International Monetary Fund, *World economic outlook April 2010*.

13 Government of Australia and Government of New Zealand, *Surviving the global recession: strengthening economic growth and resilience in the Pacific*, Australian Agency for International Development, Canberra, 2009, pp. 12–13.

14 According to the World Bank (*Transforming the rebound into recovery*, East Asia and Pacific update, World Bank, Washington, DC, 2009, Figure 37), only 20 per cent of Indonesia's fiscal stimulus package was government expenditure; for all other countries identified in Figure 37, government expenditure accounted for more than 50 per cent of their packages.

15 World Bank, *Transforming the rebound into recovery*.

Falling government revenues have made it harder for some governments to maintain expenditure on basic services, let alone increase expenditure to address ongoing issues of poverty, health and education made worse during the recession.

Other countries in the Asia-Pacific region, particularly some of the smaller Pacific island countries and poorer Asian countries, have not been in the financial position to draw on savings or to take on debt to counteract the decline in revenue, let alone introduce expansionary fiscal policies. For these countries, the challenge is to adjust to reduced revenues in a way that safeguards macroeconomic stability and protects funding for core services.¹⁶ At the Pacific Islands Forum in August 2009, leaders agreed on the importance of maintaining public investment in core services and this was reiterated at the Forum Economic Ministers' Meeting in October 2009.¹⁷

Government expenditures on service delivery during crises are a key determinant of how the crisis will affect long-term development prospects. Even short-term cuts in delivering basic services and maintaining infrastructure are likely to lead to larger future costs for governments and development partners. Such cuts in health and education are known to have permanent impacts on the poor, leading to persistent poverty and negative consequences for overall productivity and economic growth.¹⁸ Likewise, maintenance of existing infrastructure is generally more cost-effective than rehabilitation or reconstruction. Therefore, protecting investments in core services makes short-term and long-term sense, and is a mutual responsibility for governments and development partners.

Protecting investments in core services makes short-term and long-term economic sense and is a mutual responsibility for governments and development partners.

Many developing countries also rely on aid to finance a significant share of their budgets for delivering services. To illustrate, in 2006, 23 developing countries depended on foreign aid for more than 30 per cent of their total spending on health.¹⁹ The decline in domestic revenues as a result of the global recession further underscored the importance of donor countries

16 Government of Australia and Government of New Zealand, pp. 9–12.

17 Pacific Islands Forum Secretariat, *Forum Economic Action Plan 2009*, Forum Economic Ministers' Meeting, Rarotonga, Cook Islands, 27–28 October 2009, viewed November 2009, <<http://www.forumsec.org.fj/resources/uploads/attachments/documents/FEMM%2009%202009%20FEMM%20Action%20Plan.pdf>>.

18 UNICEF, *Aggregate shocks, poor households and children: transmission channels and policy responses*, Social Policy Working Paper, Ronald U Mendoza, United Nations Children's Fund, New York, February 2009, viewed November 2009, <www.unicef.org/policyanalysis/.../Postscript_Formatted_AGGREGATE_SHOCKS_AND_CHILDREN_3_04_09.pdf>.

19 World Bank, *Averting a human crisis during the global downturn*.

maintaining their aid commitments and giving priority to programs that focus on supporting vulnerable groups. Importantly, in September 2009, G20 leaders reaffirmed their commitment to the MDGs and their respective pledges of development assistance, including commitments on 'Aid for Trade', debt relief and those commitments/pledges made at Gleneagles, especially to sub-Saharan Africa.²⁰ Although ODA in 2008 increased by 10.2 per cent in real terms²¹, the impact of the recession on members of the Organisation for Economic Co-operation and Development (OECD) is likely to have a lagged effect on their aid allocations. These may fall in the medium to longer term when pressure mounts on governments to reign in spending as they start to pay back debts incurred through stimulus packages.

So far, the impact of the global recession on progress towards the MDGs remains somewhat unclear because data for 2009 is not widely available.²² What is known, however, is that during previous crises the poorest people in developing countries suffered the most, and not enough was done to help them. Shrinking household incomes reduce the capacity of families and individuals to invest in health and education, further entrenching people in poverty. Girls and women usually suffer the most during crises, as they tend to be unable to maintain their nutrient intake. And, for a given change in gross domestic product per person, the mortality rate for infant girls can be almost three times higher than the rate for boys.²³ There is also evidence that children dropped out of school and that child mortality and morbidity rose, as did child exploitation, violence against women and children, and other forms of abuse.²⁴

Just as in previous economic crises, the global recession has slowed progress in the MDG target areas of poverty, hunger and malnutrition, improving child and mother health, and improving education access and quality. The World Bank estimates that by the end of 2010 an additional 64 million people will be living in extreme poverty than would have otherwise been the case due to the global recession. By 2015, an estimated 53 million fewer people will have escaped poverty as a result of the recession.²⁵ Even so, the absolute number of people living in poverty in East Asia and the Pacific is estimated to have declined from 508 million in 2008 to 477 million in 2009.²⁶

20 G20, *Leaders' statement: the Pittsburgh summit, September 24–25 2009*, viewed November 2009, <http://www.g20.org/pub_communications.aspx>.

21 OECD, *Development aid at its highest level in 2008*, Organisation for Economic Co-operation and Development, viewed January 2010, <http://www.oecd.org/document/35/0,3343,en_2649_34447_42458595_1_1_1_1,00.html>.

22 At the time of writing the latest data on progress towards the majority of MDGs in the Pacific is from 2007.

23 Information from demographic and health surveys, as discussed in World Bank, *Averting a human crisis during the global downturn: policy options from the World Bank's Human Development Network*, conference edn, World Bank, Washington, DC, 2009, p. 31.

24 C Harper, N Jones, A McKay & J Espey, *Children in times of economic crisis: past lessons, future policies*, background note, Overseas Development Institute, London, 2009, viewed November 2009, <www.odi.org.uk/resources/download/2865.pdf>.

25 World Bank, *Global Monitoring Report 2010*, viewed July 2010. These figures are estimates based on the historical relationship between GDP growth and poverty reduction <<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTGLOBALMONITOR/EXTGLOMONREP2010/0,,contentMDK:22523483~pagePK:64168445~piPK:64168309~theSitePK:6911226,00.html>>.

26 World Bank, *Transforming the rebound into recovery*, East Asia and Pacific update, World Bank, Washington, DC, 2009, p. 21.

World Bank estimates of the impact of the global recession on other MDGs indicate that over the period 2009 to 2015, 1.2 million additional deaths may occur among children under five due to crisis-related causes; 350 000 more students might not complete primary school in 2015; and an additional 100 million people may remain without access to an improved source of water.²⁷

Australia's response to the global recession

In March 2009, AusAID led a rapid review of the likely impacts of the global recession on its major country and regional programs of assistance. The review identified the potential social and economic impacts of the global recession, examined how partner governments and other donors were responding, assessed the relevance of AusAID's programs and identified how new priorities could be addressed.

This rapid review drew on discussions with the officials of partner governments, community groups and other stakeholders, and on available analysis. The review found that overall the Australian aid program's focus on health, education and infrastructure had positioned it well to respond to the global recession, partly because of its experience in responding to the Asian financial crisis of the late 1990s. AusAID developed an action plan for responding to the global recession based on the March rapid review.²⁸ The plan comprises four priority areas: supporting employment and restoring growth; supporting the delivery of basic services; protecting the vulnerable; and monitoring and analysing impacts and responses (Box 1).

A second rapid review was conducted in August 2009 to assess progress in implementing the Action Plan across AusAID's program areas. The second review found that major programs have made good progress in implementing priorities identified in the Action Plan, although this varies across individual countries. Most new and ongoing social protection work is being implemented in the Asia region, and there may be scope for stronger engagement on social protection in the Pacific. Efforts to improve the availability and analysis of timely, relevant data have been well received and could be expanded further as a priority area for AusAID's response. Work in this area will have longer-term benefits, including in the design and implementation of gender equality, food security, social protection and other programs.

27 World Bank, *Global Monitoring Report 2010*, viewed July 2010. These figures are estimates based on the historical relationship between GDP growth and MDGs.

28 AusAID, *The global recession: an action plan for the Australian aid program*, viewed February 2010, <http://www.ausaid.gov.au/makediff/pdf/action_plan.pdf>.

BOX 1: THE AUSTRALIAN AID PROGRAM'S RESPONSE TO THE GLOBAL RECESSION**Generating employment and restoring growth**

In Solomon Islands, Australia is working with the government to increase work opportunities through labour-intensive maintenance of roads, schools and health facilities.

Supporting the delivery of basic services

In response to a request from the Government of Samoa, Australia will implement a scheme to relieve struggling families of school fees, which will help them to keep their children in school. A similar scheme will be implemented in Vanuatu.

Protecting the vulnerable

Australia increased support to the Philippines Government to expand its conditional cash transfer program to assist more poor families, particularly in ethnic minority communities. The program provides direct cash transfers to the poorest households, if those families ensure their children go to school or receive regular health checks and immunisations.

Monitoring and analysing impacts and responses

Australia invested in increased monitoring and analysis in five countries—Bangladesh, Indonesia, the Philippines, Vietnam and Solomon Islands—with a particular focus on women and children. It also funded regional (Pacific and Asia) and sectoral (HIV and education) analyses of the recession's impacts.

Climate change and its significance for development

*'... climate change threatens to deepen vulnerabilities, erode hard-won gains, and seriously undermine prospects for development.'*²⁹

The other major issue for development effectiveness that dominated global debate in 2008–09 was how to address climate change. Unless the global community adequately addresses the challenges of climate change, it will be more difficult to achieve and sustain the MDGs, and the impacts of climate change will undermine development gains already achieved.

Climate change is predicted to increase the number, frequency and intensity of weather-related natural disasters, raise the sea level and alter seasonal patterns. Weather-related disasters contribute to food shortages, increase morbidity and mortality, damage infrastructure and degrade natural resources. The impact of extreme weather events on gross domestic product for developing countries can be catastrophic, and the finance and insurance implications can

29 World Bank, *Development and climate change: world development report 2010*, World Bank, Washington, DC, 2009, p. 13.

undermine their ability to recover. Droughts cause much of the world's undernutrition and malnutrition, which are responsible for an estimated 3.5 million deaths each year.³⁰ Climate change is likely to increase this figure substantially, particularly if countries do not put in place appropriate adaptation measures and do not substantially improve emergency food responses.

The poorest developing countries will be the hardest hit by climate change. Developing countries are believed to be more vulnerable to the negative impacts of climate change because they rely more heavily on climate-sensitive sectors such as agriculture and fisheries to sustain livelihoods. They also have limited capacities to absorb and respond to climatic impacts because of their lack of surplus resources, high levels of poverty and low levels of education.³¹

One of the major reasons for concern about the developmental consequences of climate change is that it will be the already poor and marginalised populations who will be most affected, particularly within small island atoll states.

Small island atoll states are particularly vulnerable to the effects of climate change for a variety of reasons. They have limited land areas and natural resources, they are highly susceptible to natural hazards such as tropical cyclones, storm surges and droughts, and their thin water lenses are highly sensitive to sea-level change. They also tend to have high population densities (and in some cases growth rates), poorly developed infrastructure, limited funds and a lack of human resources and skills.³²

30 World Health Organization, *Climate change and health*, fact sheet no. 266, January 2010, viewed January 2010, <<http://www.who.int/mediacentre/factsheets/fs266/en/>>.

31 C McGuigan, R Reynolds & D Wiedmer, *Poverty and climate change: assessing impacts in developing countries and the initiatives of the international community*, London School of Economics consultancy project for the Overseas Development Institute, London, 2002.

32 OECD, *Integrating climate change adaptation into development co-operation—policy guidance*, Organisation for Economic Co-operation and Development, Paris, 2009; Intergovernmental Panel on Climate Change, 'Adaptation to climate change in the context of sustainable development and equity', ch. 18 in *Climate change 2001: impacts, adaptation and vulnerability*, Working Group II contribution to the third assessment report of the Intergovernmental Panel on Climate Change, Cambridge University Press, Cambridge, 2001, pp. 877–912.

Implications of climate change for Australian aid

The Australian aid program must ensure that it helps build its partners' capacities to respond to climate change and ensure that it does not support investments that either increase vulnerability or create asset risk (such as inappropriate infrastructure and non-viable industries).

Effective responses to climate change will take different forms: engaging with global and regional facilities; developing programs to reduce climate change and/or mitigate the impacts of climate change; and integrating climate change safeguards into programming.

The emergence of climate change as a core development issue has important implications for how Australia structures and prioritises its aid activities. To ensure that the Australian aid program is cognisant of climate change and contributes to reducing the vulnerability of partner countries to its impacts, Australia needs to build its skills and understanding of the impacts and implications of climate change for development.

As well as responding with suitable bilateral activities, the Australian aid program can contribute to achieving broader international objectives in addressing climate change by helping to build systems that improve the ability of countries to prepare for, and recover from, the effects of climate change.³³ This will require greater engagement with facilities such as the Global Environment Facility, the Climate Investment Funds and the Forest Carbon Partnership Facility, and in regional partnerships. Drawing on the support of global and regional facilities will add to the challenges of improving the coordination and effectiveness of development assistance, as often these facilities cannot be readily integrated into the policy frameworks of countries.

To ensure development effectiveness, the Australian aid program not only has to invest in specific climate change programs, but also needs to ensure all its investments consider the potential impacts of climate change. Australia has a legal obligation for this under the *Environment Protection and Biodiversity Conservation Act 1999* and a global commitment under the United Nations Framework Convention on Climate Change.

Reporting on how these obligations are being met must become a key part of assessing Australia's aid effectiveness and contribution to meeting broader international climate change and environmental sustainability objectives.

33 Such systems involve climate forecasting, improving water storage and irrigation, and creating sustainable low-emission economies. See Queensland Climate Change Centre of Excellence, *Developing climate resilient systems in the Asia Pacific region*, National Climate Centre, Bureau of Meteorology, Brisbane, 2003.

CHAPTER 3: SELF-ASSESSED PERFORMANCE OF THE AID PROGRAM IN 2008–09

The Australian aid program reports its performance in annual program reports and quality-at-implementation reports.³⁴ Both types of self-assessment are prepared by program staff. ODE analysed the information in these reports to draw conclusions, to the extent possible, about the overall performance of the aid program and the performance of support for basic services.³⁵

The data provided by the aid program's performance assessment systems has improved, however there is room for further improvement. The performance assessments tend to focus on individual activities and therefore are of limited value for assessing the impact of the aid program on development outcomes more broadly. In this chapter, a comparison of the self-assessments at the activity and program levels, and independent evaluations at the country or sectoral level, highlights significant differences in findings. The quality of the performance assessment systems is summarised in Appendix C.

A snapshot of the Australian aid program

The **objective** of the Australian aid program is:

To assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interest. Australia's development assistance focus on poverty is guided by the Millennium Development Goals, the internationally agreed targets for poverty reduction.³⁶

The **value of Australian official development assistance** was \$3.7995 billion or 0.32 per cent of gross national income in 2008–09. The increase from 0.30 per cent in 2007–08 represents an important step in implementing the government's commitment to increase its ODA to 0.5 per cent of gross national income by 2015–16. It also brings Australia's investment above the 2008 average of 0.31 per cent for members of the OECD's Development Assistance Committee (DAC).

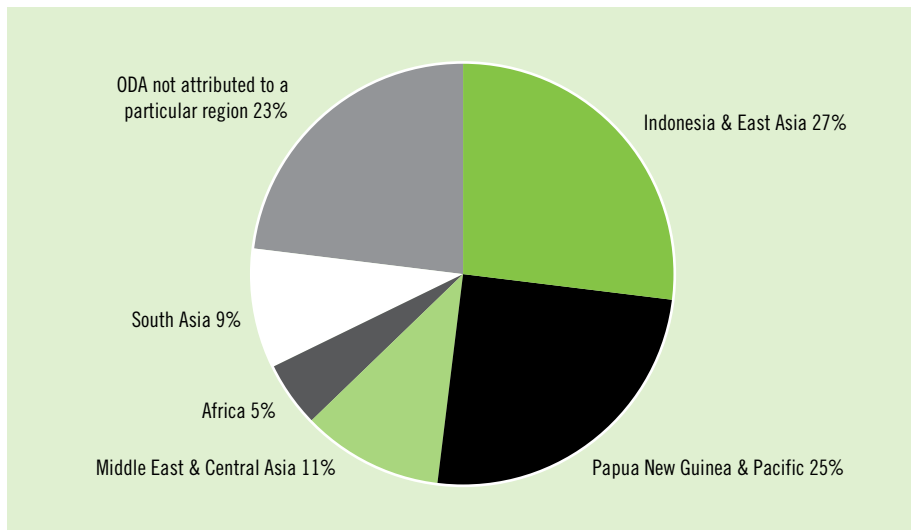
34 The annual program performance reports used for the 2009 ARDE were produced in 2009 and are published on AusAID's website <http://www.ausaid.gov.au/publications/pubout.cfm?ID=1638_551_6647_2564_4404&Type=v>. Most covered the 2008 calendar year; some covered the 2008–09 financial year.

35 This analysis draws substantively on Office of Development Effectiveness, *October 2009 quarterly effectiveness update*, Australian Agency for International Development, Canberra, (internal working document), which provides an analysis of all sectors covered by the Australian aid program.

36 AusAID, *Annual report 08/09*, Australian Agency for International Development, Canberra, 2009, p. iii, viewed November 2009, <www.ausaid.gov.au/anrep/repo9/pdf/anrepo8_09intro.pdf>.

The **focus of the Australian aid program** remained the Asia-Pacific region, which accounted for approximately 61 per cent of Australia's ODA (Figure 1). The Indonesia and East Asia grouping was the largest recipient of the ODA (27 per cent) ahead of Papua New Guinea and the Pacific Island countries, which received 25 per cent. Aid to Africa and to South Asia accounted for 5 per cent and 9 per cent of Australia's ODA respectively. Support for the Middle East and Central Asia increased substantially—from 6 per cent in 2007–08 to 11 per cent. This reflected Australia's commitment to assist Afghanistan and Pakistan.

FIGURE 1: REGIONAL ALLOCATION OF AUSTRALIA'S ODA IN 2008–09

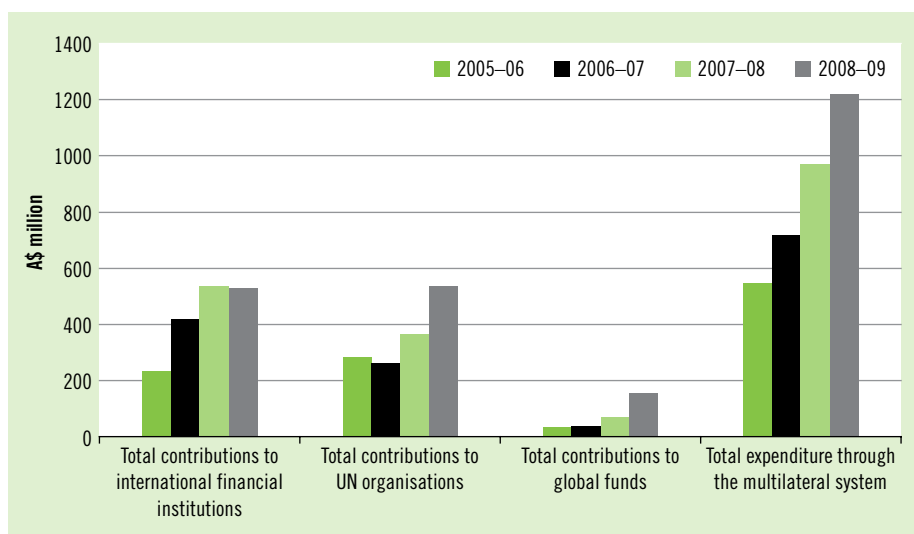


Note: Assistance provided to South Asia includes support for the countries of Bangladesh, Sri Lanka, India, Nepal, Maldives and Bhutan, as well as for the South Asia regional program. Percentages are rounded.

Source: AusAID Statistics Unit.

Australia's **contributions to multilateral agencies** increased from \$969 million in 2007–08 to \$1 225.4 million in 2008–09 and, as a percentage of its ODA, from 20 per cent in 2005–06 to 32 per cent in 2008–09. Of these contributions, around \$333 million (27 per cent) went to core funding³⁷, \$731 million (60 per cent) to non-core funding³⁸, and \$161 million (13 per cent) to global funds.³⁹ Of the total core and non-core funding, the expenditures were split evenly between international financial institutions and the United Nations (Figure 2).

FIGURE 2: AUSTRALIA'S TOTAL EXPENDITURE THROUGH THE MULTILATERAL SYSTEM



Source: AusAID internal financial reporting (Aidworks), *Budget: Australia's international development assistance program 2008–09*, May 2009, AusAID, *Annual report 08/09*, Australian Agency for International Development, Canberra, 2009. Amounts are provided on a cash basis.

37 Core (or untied) funding is funding provided to an organisation without specific conditions as to how the funds can be used, so that the organisation can use the funds at its own discretion.

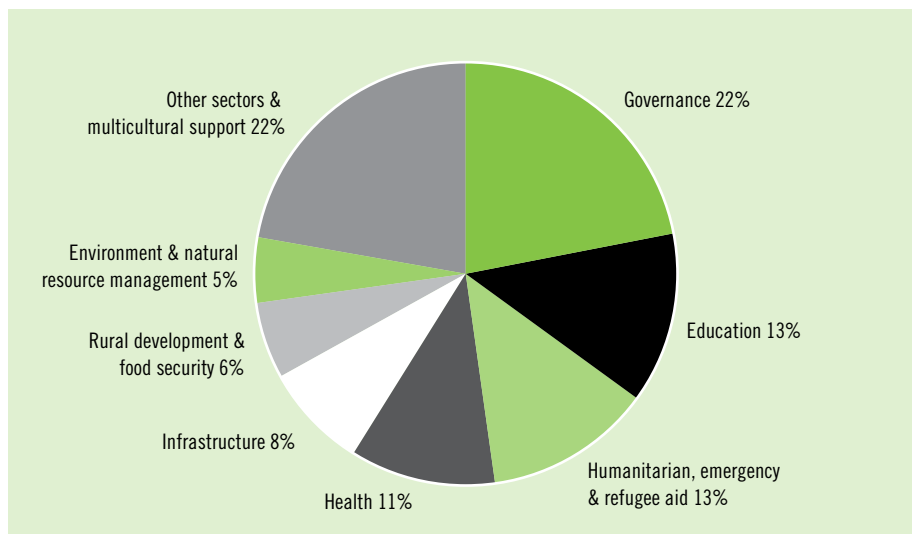
38 Conversely non-core funding is earmarked to some particular use or type of use (such as improving immunisation coverage in Pacific Island countries), and cannot be used entirely at the discretion of the receiving organisation.

39 AusAID's internal financial reporting (AidWorks); *Budget: Australia's international development assistance program 2008–09*, May 2009, viewed January 2010, <www.budget.gov.au/2008-09/content/ministerial_statements/html/index_ausaid.htm>; AusAID, *Annual report 08/09*.

To improve the effectiveness of Australia's multilateral support, AusAID is developing a strategy for engaging with multilateral agencies. This is promising, given that the 2008 ARDE found there would be value in developing an overarching framework that outlines the aid program's expectations when engaging with these agencies.⁴⁰

All **sectors** except governance received an increase in support in monetary terms in 2008–09, although spending on governance still dominated Australia's ODA—22 per cent in 2008–09 (Figure 3). As a percentage of Australia's ODA, support for environment, rural development and humanitarian, emergency and refugee aid increased, while support for health, education and infrastructure slightly decreased reflecting Australia's response to climate change and the global recession. In monetary terms, the increase in Australia's ODA to health, education and infrastructure is significant.

FIGURE 3: SECTORAL ALLOCATION OF AUSTRALIA'S ODA IN 2008–09



Note: Percentages are rounded.

Source: AusAID Statistics Unit.

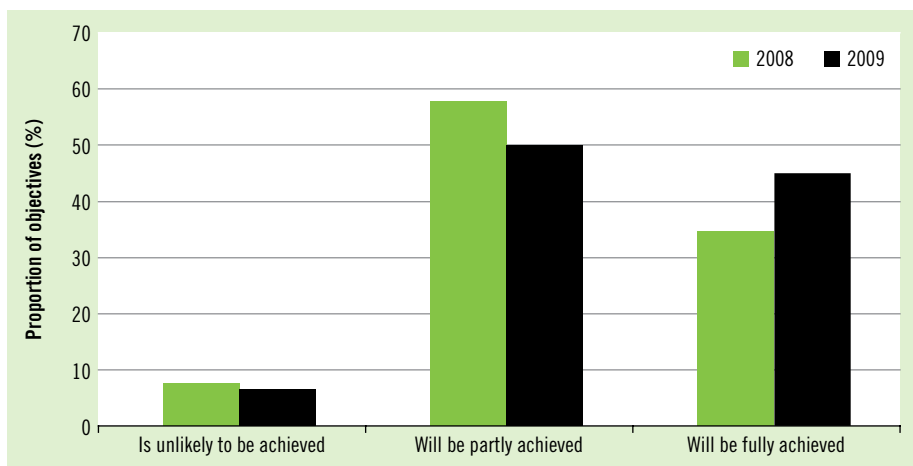
Aid program performance

At the country and regional level

Each year the aid program assesses the performance of its country and regional programs for the previous calendar year. These performance assessments are published in annual program performance reports. The aid program's self-assessments published in 2009 show that overall performance of country and regional programs is improving, with only six per cent of the aid program's strategic objectives unlikely to be achieved within their timeframes.

In 2009, 19 country and regional programs published performance reports. These reports presented their ratings of progress made toward 124 objectives.⁴¹ A comparison with progress reported in 2008 shows that country and regional programs' performance improved, with 43 per cent of objectives rated as likely to be fully achieved, which is a 10 per cent increase on the previous year (Figure 4). The percentage of objectives considered likely to be only partly achieved declined from almost 60 per cent to 50 per cent, and those rated as unlikely to be achieved fell slightly.

FIGURE 4: LIKELIHOOD OF PROGRAMS ACHIEVING STRATEGIC OBJECTIVES, AS REPORTED IN 2008 AND 2009



Data source: AusAID annual program performance reports.

41 Fourteen country programs produced reports (Cambodia, China, East Timor, Indonesia, Kiribati, Laos, Nauru, Papua New Guinea, the Philippines, Samoa, Solomon Islands, Tonga, Vanuatu and Vietnam) and five regional programs produced reports (Africa, Asia, Mekong subregion, Pacific, and South Asia). They rated their own performance in terms of the likelihood that their strategic objectives would be fully achieved, partly achieved, or not achieved within the timeframe of their strategies.

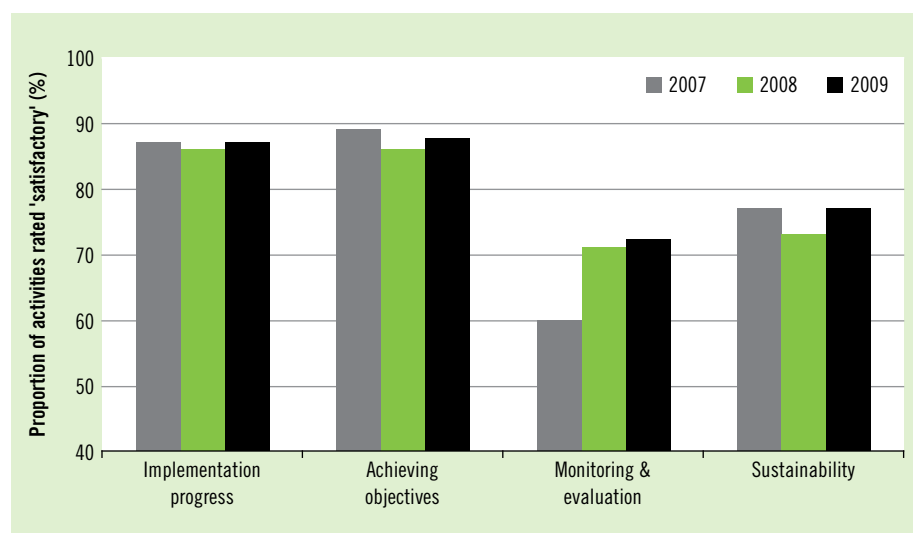
Activity level

Each year activity-level performance is rated in quality-at-implementation reports, which are produced by activity managers. These reports rate implementation progress, achievement of objectives, monitoring and evaluation, and sustainability.⁴² ODE examined the quality at implementation ratings for 2007–08 of 384 initiatives. It found that 88 per cent were considered to be making satisfactory progress towards achieving their objectives—up from 86 per cent reported in 2008 (Figure 5). This result exceeds AusAID’s corporate requirement of 75 per cent of activities making satisfactory progress toward their objectives.

Sustainability ratings also improved, with 77 per cent of activities rated as satisfactory—up from 73 per cent reported in 2008. Ratings also improved across the other quality criteria—implementation progress and monitoring and evaluation.

ODE assessed the veracity of these ratings and found that activity managers are getting better at rating overall progress towards objectives, but are less accurate in rating the quality of monitoring and evaluation. Further detail of the ODE assessment can be found in Appendix C.

FIGURE 5: QUALITY OF ACTIVITIES DURING IMPLEMENTATION, AS REPORTED IN 2007–09



Source: AusAID quality-at-implementation reports.

⁴² The ratings are on a six-point scale. Activities rated four and above are considered satisfactory, those rated three and below are considered unsatisfactory. Activities rated four and below are deemed to 'require improvement'. Therefore an activity can be considered satisfactory, but also require improvement.

Key issues affecting performance and lessons

Program objectives are often unclear

Many objectives do not adequately distinguish or link the development outcomes and reforms being pursued in a partner country and the role of Australian aid in support of these. This is a particular concern in the service delivery sectors, where much of Australia's support hinges on the extent to which it integrates itself with complementary interventions and reform processes at subnational and national levels that lie outside direct sectoral mandates.

Part of the problem is that the aid program still struggles to clearly define what it means by performance and how it should be measured. For example, self-reported performance tends to focus on individual interventions and therefore has limitations when it comes to assessing the effectiveness of the aid program on development outcomes more broadly. This is partly due to a lack of an overarching strategy for guiding many of Australia's country and regional aid programs. Without such a strategy, it is difficult to assess performance at this higher level.

At the time of completing their annual program performance reports, only half of Australia's bilateral (country) programs had a current strategy (or Pacific Partnership). Of those, only four had a performance assessment framework that represented a whole-of-Australian-government position and articulated how desired program-level change will be achieved and measured. Even when country and regional strategies exist, their rationale, objectives and principles of engagement are often expressed in broad terms at too high a level.⁴³ They lack detail on how aid objectives will be achieved and they are not always up-to-date with program changes.⁴⁴ This means that the objectives and approaches to development lack coherence and that performance reporting is dominated by AusAID's contributions to inputs and outputs rather than overall outcomes.

43 Australian National Audit Office, *AusAID's management of the expanding Australian aid program*, Auditor-General Audit Report no. 15 2009–10, Performance Audit, Attorney-General's Department, Canberra, 2009, p. 67.

44 Australian National Audit Office.

New approaches to delivering aid are insufficiently understood

New ways of delivering aid such as sector-wide and program-based approaches have been enthusiastically embraced by AusAID. The 2008 Paris Declaration Survey found that 32 per cent of Australian ODA was channelled through budget support or program-based approaches.⁴⁵ However, this does not appear to be due to a strategic approach to scaling up support and reducing activity proliferation. The data shows that the Australian aid program is tending to increase the number of discrete activities it supports in line with increases in development spending (see Box 2 for an analysis of this trend internationally). There also appears to be limited acknowledgement of the longer planning and implementation periods required for these approaches and the need to define objectives appropriately and not too tightly. Performance reports published in 2009 also highlighted the need to improve capacity in AusAID and its partner countries to implement these new approaches effectively.

45 OECD, *Better aid—2008 survey on monitoring the Paris Declaration: making aid more effective by 2010*, Organisation for Economic Co-operation and Development, Paris, 2008.

BOX 2: A DISTURBING TREND TOWARD TOO MANY ACTIVITIES

Proliferation refers to an increase in the number of aid activities relative to overall funding. The 2008 ARDE noted that ‘donors providing small amounts of aid through separate projects can lead to fragmentation and high transaction costs’.⁴⁶ An increase in the number of small activities increases the burden on partner countries, which have to manage, coordinate and monitor aid contributions. Australia and its partner countries have made commitments⁴⁷ to address proliferation, however the data suggest that to date there has been a lack of follow-through.

Analysis commissioned by ODE indicates that the average number of bilateral activities in the Australian aid program during 2006 was about three times what it was a decade earlier—having increased from around 700 to 2 000 activities. During that time, Australian ODA increased in real terms by about 1.6 times to \$2 990 million in 2006–07.⁴⁸ If the number of activities continue to increase at about twice the rate of ODA, and the aid program expands as planned to 0.5 per cent of gross national income, there would be more than 6 000 discrete activities to manage by 2015. Assuming that the staff per activity ratio is held at the 2009 level, staffing numbers would be close to 2400 by 2015. Alternatively, if staffing numbers were not increased, each staff member would have to manage on average double the number of activities.

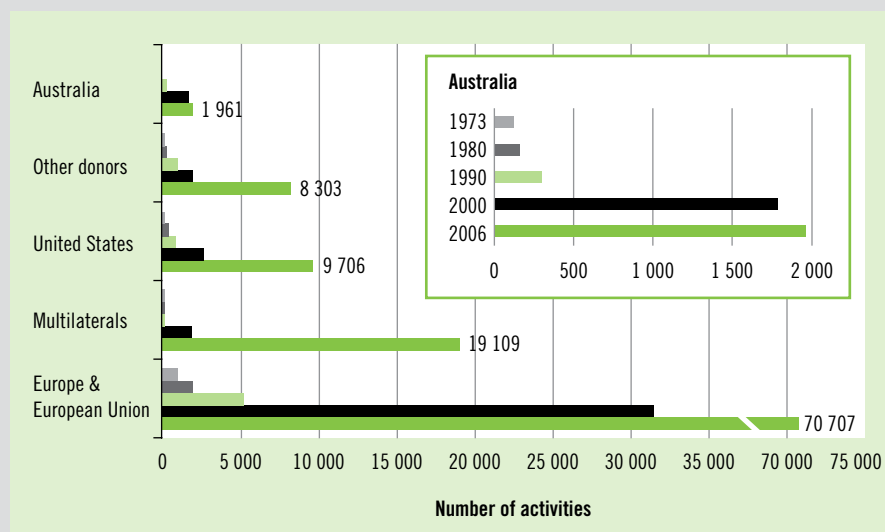
While the Australian bilateral aid program is better than some in terms of proliferation, it is important to remember that a third of Australian ODA is allocated to multilateral agencies, and these are among the worst performing development partners in terms of proliferation. From 2000 to 2006, multilateral agencies increased their number of activities by more than 1 000 per cent.

Other development partners are also scaling up their aid efforts. In 2006 there were 85 000 active aid projects globally, 87 per cent of which had an individual value of less than US\$1 million. This kind of proliferation will amplify problems for partner countries in coming years. It is imperative that Australia and other development partners meet their commitments by addressing this trend.

46 Office of Development Effectiveness, *Annual Review of Development Effectiveness* 2008, p. 10. Fragmentation occurs when development partners give smaller amounts of aid to an increasing number of countries (as opposed to large amounts to a few countries)—based on the definition provided by E Frot & J Santiso, *Development aid and portfolio funds: trends, volatility and fragmentation*, Working Paper no. 275, Organisation for Economic Co-operation and Development, Paris, 2008.

47 The Paris Declaration, endorsed on 2 March 2005, the Accra Agenda for Action adopted in september 2008 <http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html> and the 2009 Cairns Compact on Strengthening Development Coordination in the Pacific <http://www.pif2009.org.au/docs/cairns_compact_final.pdf>.

48 Commonwealth of Australia, *Australian Agency for International Development annual report 2006–2007*, Canberra, 2007, p. 223.

BOX 2: A DISTURBING TREND TOWARD TOO MANY ACTIVITIES (CONTINUED)**NUMBER OF AID ACTIVITIES BY MAJOR DONOR, 1973–2006**

Note: The chart shows the number of activities under way, measured by donor commitments.

Data source: OECD, OECD DAC Creditor Reporting System Database, viewed October 2009, <<http://stats.oecd.org/Index.aspx?DatasetCode=CRSNEW>>

Two important lessons were gleaned from the annual program performance reports published in 2009.

- > The Australian aid program tends to treat projects and program-based approaches as mutually exclusive approaches to development. There needs to be a more nuanced understanding of how projects (and other discrete interventions) can be used appropriately within broader program-based approaches to balance the need for more immediate results with longer term systemic development. In fragile settings, a mixed modality approach is likely to be appropriate where immediate access to services is the priority and systemic change is likely to be protracted.
- > Australia needs to combine work at national and subnational levels. Most country programs focus on development at the national level, and those that work at both levels appear to be disjointed. Efforts to improve service delivery need to look at the entire delivery system and provide assistance in a manner that helps each level to implement its mandated role in that system. Providing assistance solely at the national level has the potential to undermine subnational capacity, and ultimately reduce the potential for sustainable outcomes.

Aid program performance is improving, as is performance reporting

AusAID is one of two international aid agencies to report systematically on progress and performance in terms of country and regional strategies and on the quality of activities. The quality and robustness of AusAID's reporting system is improving. However, there has been only limited improvement in the use of annual program performance reports as a management tool.

Performance in the service delivery sectors

The sectors that are the focus of this annual review—education, health, and water supply and sanitation—accounted for approximately 25 per cent of Australia's ODA in 2008–09.⁴⁹

Of the three sectors, program performance in the education sector in 2008 showed the best results, with 53 per cent of objectives expected to be fully achieved and 47 per cent likely to be partly achieved within their timeframes. The health and water supply and sanitation sectors lagged behind this good result. It is possible that the strategic objectives in these two sectors were set too high, because in both sectors the proportion of objectives that were expected to be partly achieved was well above the program average.

TABLE 1: PERFORMANCE OF AUSTRALIAN SUPPORT TO SERVICE DELIVERY SECTORS IN 2008–09

	Quality of activities (proportion rated as satisfactory)		Likelihood of programs achieving strategic objectives (proportion of objectives)		
	Progress towards objectives	Sustainability of outcomes	Fully achieved	Partly achieved	Not achieved
Program-wide	88%	77%	43%	50%	6%
Health	84%	73%	27%	65%	8%
Education	89%	86%	53%	47%	0%
Water & sanitation ^a			29%	57%	14%

^a Activities are not identified separately at the activity level for purposes of quality reporting.

Sources: ODE analysis of AusAID 2008–09 quality-at-implementation reports and annual program performance reports. Totals may not equal 100% because of rounding.

49 Based on data for health and education sectors prepared for AusAID's 2008–09 annual report and data on water and sanitation produced by AusAID's statistics unit and ODE analysis. The amount spent on water and sanitation includes all activities coded as: (i) water supply and sanitation, large systems, and (ii) basic drinking water supply and basic sanitation. It also includes all activities not coded as water supply and sanitation but where water supply and sanitation was the primary activity. Humanitarian and emergency activities, water resource management, waste management and river management are not included in this figure.

Performance of Australian support in the health sector at the program level mirrors the lack of progress towards health-related MDGs in the Asia-Pacific region, particularly in reducing child mortality (MDG 4). The number of births attended by skilled health personnel (an indicator of MDG 5) is also especially low in South Asia and the Pacific. Papua New Guinea and East Timor are particularly struggling to make progress towards this MDG. Increasing the access of HIV-positive people to anti-retroviral treatment (MDG 6) is similarly challenging in the Pacific region, including Papua New Guinea. Malaria and tuberculosis also remain significant problems in the Pacific.

Performance in the education sector is better at both the program and the activity level. However, the Pacific Island countries are making slow progress towards universal access to primary education (MDG 2). It is estimated that up to 480 000 children are not in primary school in this region.⁵⁰ There is also mixed progress in improving the ratio of girls to boys in primary and secondary school (MDG 3). Australian programming in both health and education has moved significantly towards sector-based programs of support rather than stand-alone projects.

According to the annual program performance reports published in 2009, the performance of Australian support in the water and sanitation sector was relatively weak overall, although the prospects for sustaining what had been achieved were reported as being relatively strong. Progress towards halving the proportion of the population without access to safe drinking water and basic sanitation (a target of MDG 7) was mixed. There was some progress in Asia, but not at the required pace in all countries, particularly for sanitation. In East Timor, for example, only 69 per cent of the population has access to an improved drinking water supply and this is lower in rural areas (63 per cent).⁵¹ Fifty-three per cent of the population has access to basic sanitation⁵², with urban coverage at 81 per cent and rural coverage at 42 per cent. By comparison, neighbouring Indonesia reports higher rates for both drinking water supply (80 per cent) and improved sanitation (62 per cent).⁵³ However, there are significant regional disparities and the performance reports failed to indicate whether these services are fully functioning, regularly used and maintained.

50 AusAID, *Tracking development and governance in the Pacific*, Australian Agency for International Development, Canberra, 2009, p. 1. This figure includes the Pacific and East Timor.

51 World Health Organization-United Nations Children's Fund, *Joint Monitoring Programme (JMP) for Water Supply and Sanitation*, viewed 29 March 2010, < <http://www.wssinfo.org/datamining/tables.html>>.

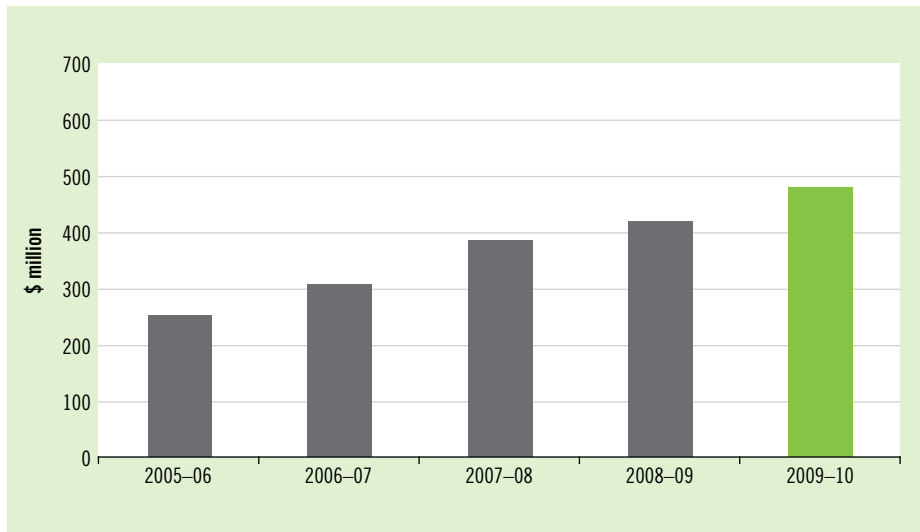
52 This figure includes improved sanitation (50 per cent) and shared sanitation (3 per cent) facilities.

53 World Health Organization, *Joint Monitoring Programme (JMP)*.

Performance in the health sector

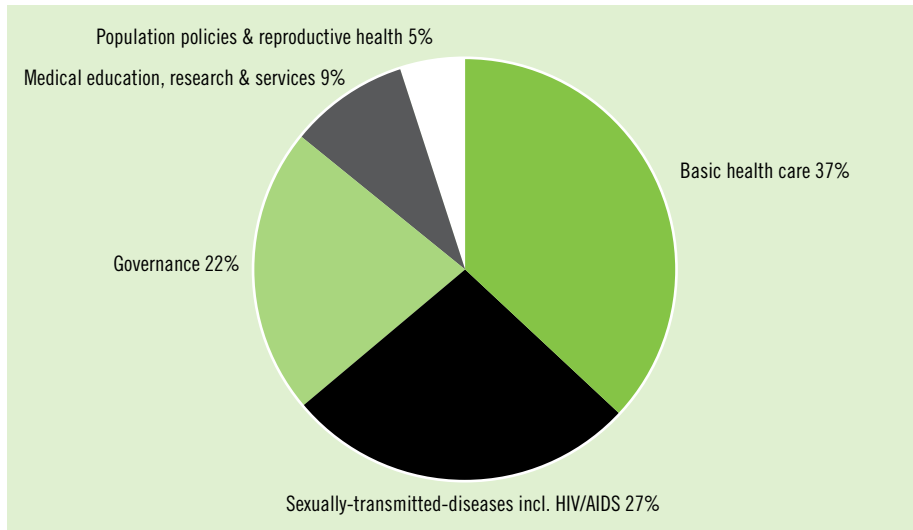
Activities in the health sector accounted for 11 per cent of Australia's ODA in 2008–09—around \$420 million (Figure 6). This is more than in 2007–08, when the sector was allocated \$385 million. The Australian Government plans to increase spending in this sector significantly in 2009–10 to \$480 million.

FIGURE 6: AUSTRALIA'S ODA ALLOCATED TO THE HEALTH SECTOR, 2005–06 TO 2009–10



Data source: AusAID's Statistics and Budget Units. The 2009–10 figure is an estimate. The 2009–10 estimate is from *Budget: Australia's international development assistance program 2008–09*, May 2009.

The largest proportion of health spending (37 per cent) was directed to basic health care in 2008–09 (Figure 7). The next most significant proportion was assistance for decreasing the prevalence of, and treating, sexually transmitted diseases, including HIV/AIDS (which accounted for 27 per cent). Another 22 per cent is coded as 'governance', which relates to support for improving partner countries' administration of their health systems.

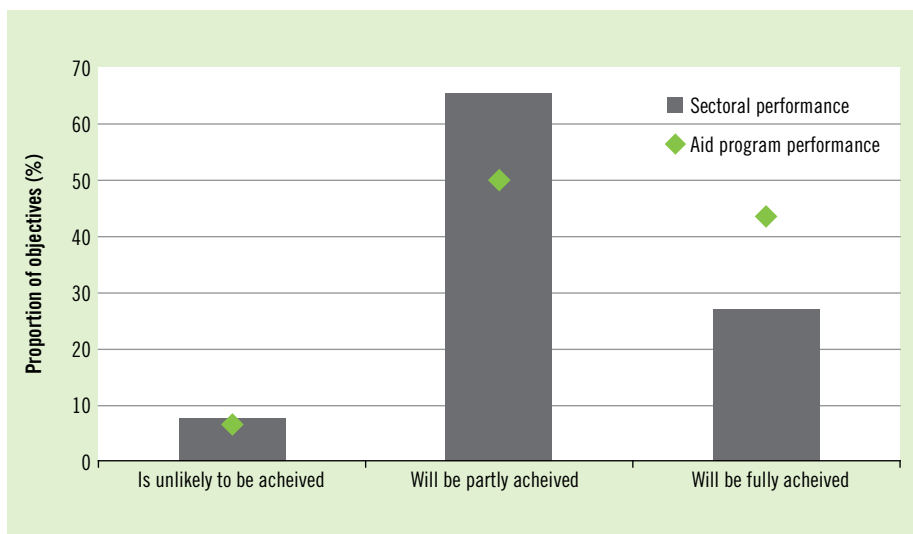
FIGURE 7: ESTIMATED COMPOSITION OF AUSTRALIA'S ODA IN THE HEALTH SECTOR IN 2008–09

Source: AusAID, *Annual report 08/09*, Australian Agency for International Development, Canberra, 2009.

Percentages are rounded.

Based on the programs' self-assessments, 92 per cent of all health-related strategic objectives were expected to be partly or fully achieved. Only 8 per cent were assessed as unlikely to be achieved, although this is higher than the overall program result of 6.6 per cent (Figure 8).

FIGURE 8: LIKELIHOOD OF PROGRAMS ACHIEVING STRATEGIC HEALTH OBJECTIVES COMPARED TO OVERALL AVERAGE, AS REPORTED IN 2008



Source: AusAID annual program performance reports.

Eighty-four per cent of health activities received a satisfactory rating for their progress towards achieving their objectives, which is slightly lower than the average for the whole aid program (88 per cent); 73 per cent were considered to have satisfactory prospects for achieving sustainable outcomes.

The number of confirmed cases of tuberculosis in Kiribati in 2008 fell to less than half the number in 2007 because of improved detection and treatment funded by the Australian aid program.

The health sector remains the greatest challenge for all donors and their partners—not just Australia. Australia’s work on health financing, subnational programming and health systems is challenging. As mentioned previously, sector-wide approaches to providing support are being adopted to complement stand-alone projects as a way of sustainably improving the delivery of health services.⁵⁴ However, achieving such improvements is complex and requires improvements in other sectors as well.

⁵⁴ Australia is using this way of supporting health sectors in East Timor, Nauru, Pakistan, Papua New Guinea, Samoa, Solomon Islands and Vanuatu.

There is little evidence that gender equality is being achieved in the provision of health services, despite the focus on women. Health statistics often focus on generic indicators such as the number of hospital beds without regard to the gender or other characteristics of the patients. The challenge for programs that target women is to ensure that they not only address women's issues but do so in a way that considers the gendered roles of men and women. For example, maternal mortality programs might benefit from more sophisticated analysis of the gender-based barriers to women's use of available services.

Some progress was made in broader policy reforms. For example, support to improve health-financing arrangements and increase the quality of treatment in Vietnam resulted in cost and treatment standardisation, and draft legislation on the accreditation of health professionals and facilities. These kinds of broader policy reforms are likely to result in higher levels of performance among national and subnational public health departments, and in more consistent and higher quality treatment.

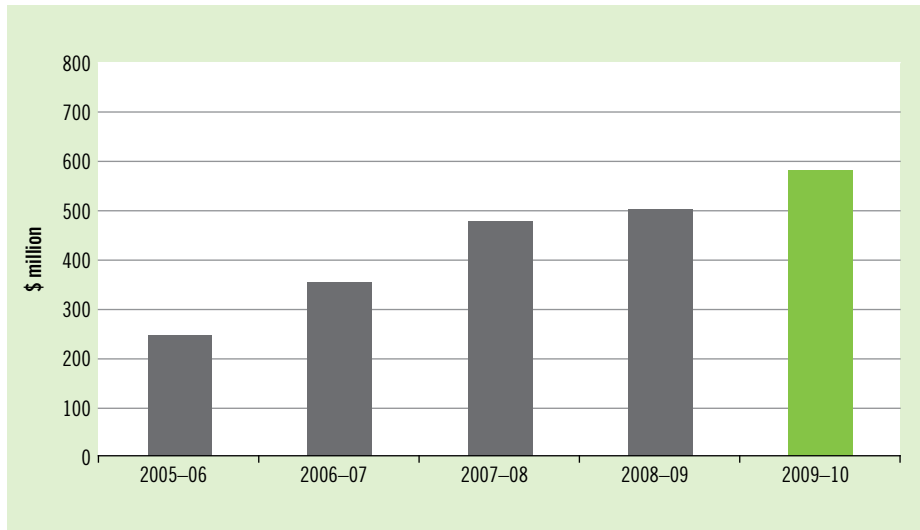
In Papua New Guinea the government estimated HIV prevalence at the end of 2008 as 2.03 per cent (up from 1.61 per cent in 2007), with 76 665 people living with HIV. In the six months to June 2008, 58 per cent of new patients were female and 40 per cent male.

Progress in addressing the spread of HIV/AIDS was mixed and there has been an alarming lack of progress in some countries. In 2008, Australia was the biggest contributor to Papua New Guinea's national HIV response, providing about 57 per cent (\$44.3 million) of total commitments.⁵⁵ Australian support aims to strengthen policy setting and planning at the national level, as well as monitoring and evaluation to inform the response. Despite Australia's large program of support, corruption and ineffective management of the National AIDS Council Secretariat have undermined the program's ability to achieve results. There have been some promising signs that recent reforms and a restructure of the secretariat by the newly appointed National AIDS Council will improve the situation, however these changes were not in place during the period examined in this review.

Performance in the education sector

In 2008–09, approximately \$501 million of Australia's ODA was directed to education, continuing the upward trend in Australian support to this sector since 2005–06 (Figure 9). During this period, support increased from 10 per cent to 13 per cent of total Australian ODA, which represents, in monetary terms, a more than twofold increase.

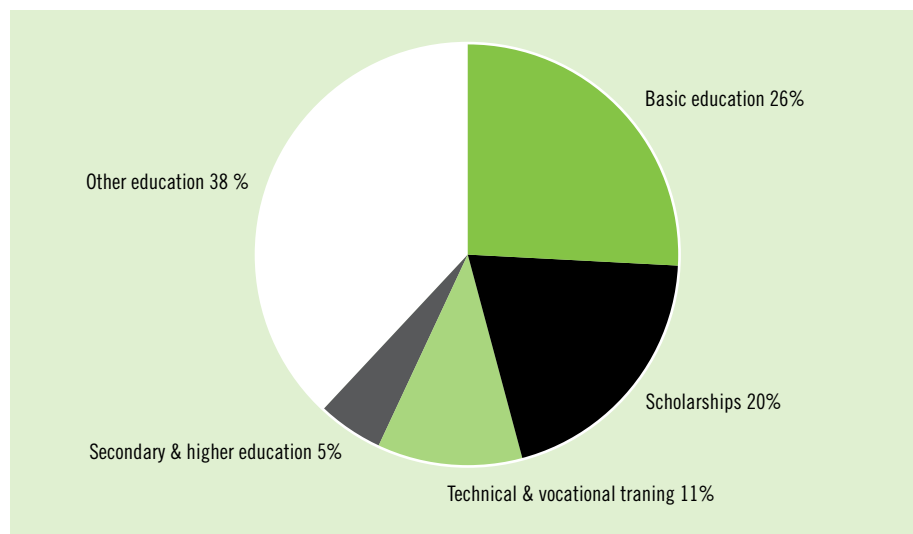
55 AusAID, '2009 sector performance report: HIV—background paper for 2009 PNG annual program performance report', Australian Agency for International Development, Canberra.

FIGURE 9: AUSTRALIA'S ODA ALLOCATED TO THE EDUCATION SECTOR, 2005–06 TO 2009–10

Data source: AusAID's Statistics and Budget Units. The 2009–10 figure is an estimate. The 2009–10 estimate is from *Budget: Australia's international development assistance program 2008–09*, May 2009.

Basic education and scholarships accounted for just under half of the education portfolio's value, and technical, vocational, secondary and higher education accounted for 16 per cent (Figure 10). Other education assistance⁵⁶ accounted for 38 per cent.

⁵⁶ This includes sectoral policy and management, infrastructure, equipment and facilities, language training and seminars, teacher training, and research.

FIGURE 10: ESTIMATED COMPOSITION OF AUSTRALIA'S ODA IN THE EDUCATION SECTOR IN 2008–09

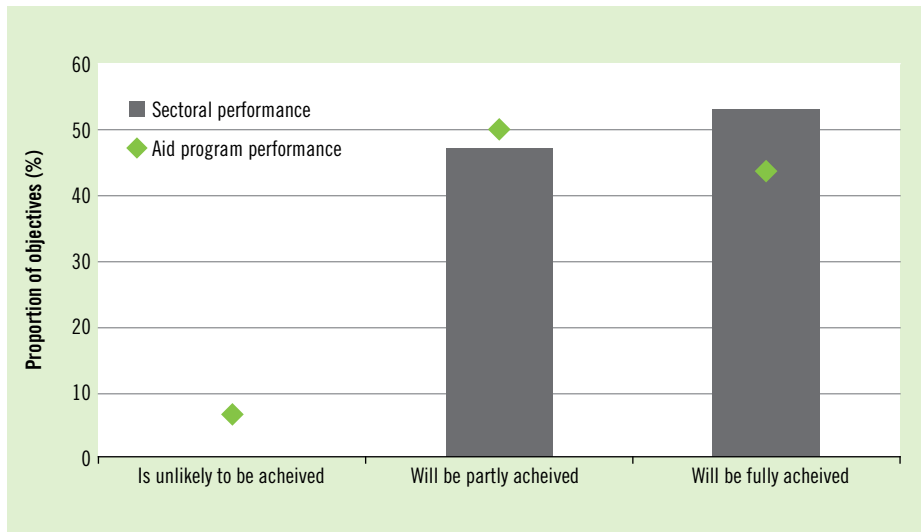
Source: AusAID, *Annual report 08/09*, Australian Agency for International Development, Canberra, 2009.

Percentages are rounded.

Compared with the performance of the entire aid program, a higher proportion of education objectives were rated as 'will be fully achieved' (Figure 11).⁵⁷ Based on the self-assessments, a higher than average percentage of education activities received satisfactory ratings for progress towards achieving objectives and for their likelihood of achieving sustainable outcomes (89 and 86 per cent respectively).

⁵⁷ To concentrate on the service delivery aspects of education, this analysis of performance in the education sector excludes scholarships.

FIGURE 11: LIKELIHOOD OF PROGRAMS ACHIEVING STRATEGIC EDUCATION OBJECTIVES COMPARED TO OVERALL AVERAGE, AS REPORTED IN 2008



Note: Excludes analysis of scholarships.

Source: AusAID annual program performance reports.

Australia is the lead international partner in expanding junior secondary schooling in Indonesia. In 2008, the construction of 751 schools was completed with support from Australia.

In the education sector the Australian aid program has supported activities that resulted in increases in net primary and secondary enrolment rates in several Asia-Pacific countries. Australian support to the education sector has a particularly strong focus on gender equality, and has contributed to reducing gender disparities and to inclusive education for children with disability and other disadvantaged groups (Box 3). This is helping partner countries to achieve primary education for all by 2015 (MDG 2) and to eliminate gender disparities at all levels of education (MDG 3 target).

BOX 3: EXAMPLES OF AUSTRALIAN SUPPORT TO IMPROVE EDUCATION EQUITY⁵⁸

- > In Samoa, Australian support for an inclusive education program for children with disabilities resulted in 7 children making the transition from primary to secondary school. This is the first time that Samoan students with disabilities have had access to secondary education.
- > Australia supports the Kiribati School for the Disabled, which now has sixty-eight students who would otherwise have been unable to attend school.
- > In Laos, Australian support for basic education in poor, remote and ethnically diverse provinces helped to increase net enrolment rates for girls from 79 per cent in 2006 to 84 per cent in 2008, and for boys from 85 per cent to 89 per cent in the same period.⁵⁹ The ratio of girls to boys receiving basic education also increased—from 0.80 in 2006 to 0.86 in 2008.

Programs reported that they had achieved good results in terms of improving the quality of basic education. For example, in 2008, through Australia's contributions to global programs that support UNICEF's model for child-friendly schools, 312 schools in Laos and 1 344 schools in the Philippines achieved 'child-friendly' status.⁶⁰ The Laos Ministry of Education incorporated the model into its guidelines.

In 2008, with Australian support, an additional six full-time Madrasah (Islamic) schools in the Philippines received accreditation from the Department of Education, and training was provided to more than 13 500 primary school teachers of maths, science and English.

Australia also supported vocational training and its links to employment in Asia and the Pacific. For instance, in East Timor, employment and career guidance centres were established in two districts in the 2008–09 financial year and more than 26 500 job and training seekers have registered for assistance since early 2008. Of these, 48 per cent were women and 64 per cent were young people aged 15 to 29 years. In addition, a mid-term review of the Australia–Pacific Technical College indicated it is increasing the number of skilled workers across the Pacific.⁶¹

58 Results reported by AusAID in annual program performance reports produced in 2009.

59 The net enrolment rate is the enrolment number of the official age group for a given level of education expressed as a percentage of the corresponding population.

60 This model 'promotes child-seeking, child-centred, gender-sensitive, inclusive, community-involved, environmentally friendly, protective and healthy approaches to schooling and out-of-school education worldwide' (UNICEF, *Child-friendly schools—schools for life*, viewed December 2009, <www.unicef.org/devpro/46000_50049.html>).

61 K Schofield, Hong Tan, C Bryant & J Catchlove, *Australia-Pacific Technical College mid-term review*, prepared for the Australian Agency for International Development, 2009.

Progress in developing education sector-wide approaches was hampered in some countries by the lack of coordination among external development partners and the limited capacities of partner governments to implement these approaches. In Vanuatu and Kiribati, for example, initial progress has been slower than expected because the capacity of their education ministries is limited and ministry staff had to learn how to manage donor resources.

Performance in the water supply and sanitation sector

Due to strong policy dialogue between the Government of Vietnam, Australia and other development partners, the Government of Vietnam increased its budget for rural water supply and sanitation by 18 per cent and the portion allocated to sanitation from 30 to 51 per cent in 2008. This is likely to have a tremendous impact on sustainability.

Safe water and sanitation are necessary for sustaining life and human dignity. Access to safe water and sanitation, together with improved hygiene practices, are also essential for reducing the incidence of otherwise preventable diseases. Despite the importance of this sector, the effectiveness of Australia's support remains difficult to assess, as water and sanitation activities are often embedded in broader humanitarian and community development efforts and are not reported on separately, either in terms of funding or performance.⁶² The activities that can be identified accounted for only about 0.8 per cent of the Australian aid program (\$29 million) in 2008–09.⁶³

Although the overall scale of its support for water and sanitation services was small, Australia contributed to some noteworthy improvements in these areas. For instance, in Vietnam, a program-based approach was adopted with support from Australia and a number of other external development partners but led by the Government of Vietnam.

62 While it is difficult to separate out water supply and sanitation data, some development partners have begun to do so through specially commissioned reports. The United Kingdom's Department for International Development for example, produces an annual report on its commitments which provides country-by-country information, and commissions in-depth analysis of its contributions every two years. The latest of these reports is Department for International Development, *Meeting our promises 2009: the fifth update on DFID's work in water and sanitation since the 2004 Water Action Plan*, Department for International Development, London, 2009, viewed February 2010, <<http://www.dfid.gov.uk/Documents/publications/water-mop-5.pdf>>.

63 This figure is estimated and does not include water resource and waste management activities.

An additional 25 Indonesian villages chose to eliminate open defecation in 2008 because of an activity introduced with Australian support, bringing the total to 64 villages since the activity was introduced. This is likely to reduce the incidence of waterborne diseases dramatically in these villages.

In Indonesia, Australia provides technical assistance for capacity building, research, monitoring and evaluation to support a large World Bank loan for water supply and sanitation that targets low-income communities. In 2008 this program provided an additional 380 000 people with an improved water supply, bringing the total number of program beneficiaries to 4.6 million. Australia also supported an innovative approach to improving sanitation and hygiene practices, which has now been integrated into the Indonesian Health Department's water and sanitation program. This approach was based on the community-led total sanitation model that focuses on changing behaviour rather than providing toilets, to encourage communities to build sanitation facilities and eliminate open defecation.⁶⁴ Its goal is to achieve sustainable change and reduce dependence on subsidies, with the ultimate goal of reducing the spread of disease.

One of the key challenges for programs working in this sector is ensuring that their support is adequately integrated into the systems of their partner countries. In East Timor the challenge is apparent in the lack of funding allocated to operations and maintenance in the national budget. In Indonesia there has been the tendency for programs to work directly in communities, bypassing local governments because of their budgetary constraints. This limits the scale of activity that is possible, as well as any potential to expand successful approaches to other areas, and could be contributing to the proliferation of activities.

64 Further information on community-led total sanitation is available online <<http://www.communityledtotalsanitation.org/page/clts-approach>>.

CHAPTER 4: THE EFFECTIVENESS OF SUPPORT FOR BASIC SERVICES

Good-quality basic services for health, education, water supply and sanitation are central to reducing poverty and to achieving the Millennium Development Goals. Not being able to provide them can seriously inhibit a country's prospects for economic growth; it can also threaten a country's political and social stability.⁶⁵ As pointed out in Chapter 2, progress towards the MDGs has been hindered by the global recession. In this environment, the effective delivery of services becomes even more critical for governments, communities and external development partners. Without it, progress in reducing poverty and improving living standards will stall or even reverse.

In recognition of this, ODE evaluated the effectiveness of the Australian aid program's support in three key service sectors in a range of countries—basic education in Laos and Papua New Guinea, health in Papua New Guinea, Solomon Islands and Vanuatu, and water and sanitation in East Timor and Indonesia.⁶⁶ The purpose of these evaluations was to improve understanding about how Australian aid can support sustainable improvements in service delivery. They did so by assessing the effectiveness of previous Australian support to the three sectors in selected countries and drawing lessons about what had worked and what had not. The evaluations aimed to identify improved approaches for future use and whether there was scope to increase Australian support to service delivery. During 2009 ODE also commissioned a report to draw out and compare the key findings of the sectoral evaluations, and a review of Australian support to public sector and governance reform and its contributions to improved service delivery.⁶⁷

This suite of work highlighted some significant achievements of the Australian aid program (Box 4) and five main lessons:

- > understanding the country context
- > working with partner countries' systems
- > promoting gender equality

65 Governments are responsible for ensuring services are delivered to their citizens. In developing countries in particular, public sectors tend to be large because they are themselves delivering most, if not all, services. If a government cannot deliver needed services, it breaks its social contract with its citizens and risks political instability or even conflict.

66 Office of Development Effectiveness, *Improving the provision of basic education services for the poor: overview of ODE evaluations of Lao PDR and Papua New Guinea*, Australian Agency for International Development, Canberra, 2009; Office of Development Effectiveness, *Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, evaluation report, Australian Agency for International Development, Canberra, 2009; E Buhl-Nielsen, *Australian aid to water supply and sanitation services in East Timor and Indonesia*, evaluation report, Australian Agency for International Development, Canberra, 2009.

67 M Baird, *Service delivery for the poor: lessons from recent evaluations of Australian aid*, Office of Development Effectiveness, AusAID, Canberra, November 2009; M Foster, *Improving the provision of basic services for the poor: linkages with broader public sector reform*, Office of Development Effectiveness, AusAID, Canberra, 2009.

- > ensuring sustainability
- > managing for results.

These lessons represent ways of working that continue to prove challenging for the Australian aid program in terms of achieving tangible and lasting development outcomes.

BOX 4: MAJOR ACHIEVEMENTS OF THE EVALUATED SECTORS

- > AusAID programs for basic education in Laos have been provided in partnership with the World Bank, the Asian Development Bank, the United Nations Children's Fund and the World Food Programme. By extending the coverage and reach of these programs more primary school teachers have been trained, more schools have been built, more schoolchildren have been fed, and more communities have been engaged in the development of their schools. Moreover, there is some evidence that these programs have had a wider influence on government statements and policies on basic education.
- > AusAID programs for basic education in Papua New Guinea during the past decade have developed a new primary curriculum (which is now being used in some schools), improved maintenance in nearly 2 500 schools through community-based management approaches, and provided training to more than 9 000 elementary teachers and teacher trainers. These are significant achievements in a difficult environment, even though the impact on education outcomes is hard to assess.
- > AusAID support to the Solomon Islands played a critical role in keeping health services operating during the 1999–2003 tensions and facilitating a recovery in health outcomes in recent years. The quality and coverage of health services would now be the envy of most countries with equivalent national income per person.
- > AusAID has supplied water and sanitation services to some of the poorest and most remote communities in East Timor. Approximately 50 000 people have been served by the schemes built since 2002. The AusAID project also helped to establish better planning processes in three districts, which involved local governments and community leaders in determining priorities.
- > AusAID's support for water and sanitation services in Indonesia has contributed to national efforts that have provided sustainable piped-water supplies to some 4.6 million people and dramatically improved sectoral coordination at the national and subnational levels.

Source: M Baird, *Service delivery for the poor: lessons from recent evaluations of Australian aid*, Office of Development Effectiveness, AusAID, Canberra, 2009, p. 2.

This chapter focuses on these lessons and draws out the main implications for how the Australian aid program responds to the challenges of improving service delivery outcomes and hence progress towards the MDGs. The chapter also refers to international literature and other independent reviews and evaluations where appropriate. The features of systems that deliver basic services are briefly described.

Service delivery systems

Service delivery systems encompass both sector-based delivery systems (including procurement, human resources, infrastructure, and research and development) and the systems that provide finance and oversight to the sectors (such as planning, budgeting and regulatory functions). The systems are large and complex, with a broad range of state and non-state providers and a broad range of users with different needs. Recognition of this complexity needs to be the starting point in developing and providing support to improve service delivery.

An effective system for delivering services must have avenues for linking beneficiaries, providers, policymakers and political leaders in a way that enables the system and its services to be improved progressively. The state is only one player in the overall system. Non-state actors (including community service organisations, the private sector, the media and academia) play a key role in influencing and shaping a range of state functions, including budgeting for the services, negotiating and agreeing rules, and providing the state with legitimacy. Often, they are also crucial players in directly delivering services, especially to disadvantaged and otherwise vulnerable groups.

The effective and sustainable delivery of services that extend to the poorest and most vulnerable people relies on government policy, institutional capacity and political processes—essentially a complex interplay of conflicting interests, incentives and pressures. External development partners need to understand the complexity of delivery systems to appropriately influence their key variables (Box 5).

BOX 5: A CONCEPTUAL FRAMEWORK TO IMPROVE SERVICE DELIVERY

Broader public sector reform and sectoral programs can support sustainable improvements in the delivery of services if they analyse and address key issues in the entire service delivery chain.

A CONCEPTUAL FRAMEWORK

Service delivery cycle	Possible intervention points for improving service delivery		
	Policies, processes & systems	Capacity building (individuals & institutions)	Attitudes & behaviour
Develop sound service delivery plans			
Allocate resources to implement plans			
Spend allocated resources			
Account for the inputs			
Account for achieving the outputs			
Monitor, review & adjust plans			

The left-hand column summarises budget cycle stages for any service delivered—a logical progression from drafting plans to allocating and spending resources, ensuring there is accountability for inputs and outputs and adjusting subsequent plans based on feedback from monitoring and evaluation. These stages are modelled on a typical public expenditure management cycle but can be used more broadly to plan public sector managerial reforms or innovations such as internal or external contracting. The stages represent the key points in the service delivery cycle and are not meant to suggest that a linear progression is likely to or should occur.

The headings of the subsequent columns shows the three possible points at which governments—alone or with the support of development partners—can intervene to improve their service delivery process.

Source: Adapted from M Foster, *Improving the provision of basic services for the poor: linkages with broader public sector reform*, Office of Development Effectiveness, AusAID, Canberra, 2009.

Understanding the country context

One size does not fit all

To be effective, aid programs must be tailored to the individual circumstances of the countries being assisted. The countries covered by the sectoral evaluations illustrate this. Vanuatu has a population of only 230 000, yet Indonesia's population is 225 million.⁶⁸ The number of people living in poverty in Indonesia (47.3 million)⁶⁹ is greater than the combined population of all of the other countries examined. Laos has a highly centralised, party-controlled government system of delivering services, while Indonesia and Papua New Guinea have decentralised delivery systems. In Indonesia, Australia is the second largest bilateral donor, yet overall aid represents the equivalent of just 0.2 per cent of gross national income. At the other extreme, aid represents the equivalent of 67.3 per cent of gross national income in Solomon Islands,⁷⁰ and Australia is the largest donor there.

*'The problem might be technical; the solution is always political'*⁷¹

The ODE-commissioned review of Australian support to broader public sector reform and how it links to improvements in service delivery identified that the Australian aid program tends to focus on finding technical problems and solving them, rather than considering political realities and the needs and capacity of different stakeholders. However, the analysis emphasises that the constraints are rarely solely technical; they are also political—not in the narrow sense, but covering 'all the processes of conflict, cooperation and negotiation in taking decisions about how resources are to be owned, used, produced and distributed'.⁷² It follows that '... developmental processes are profoundly political, since development (whether economic, social or political) is fundamentally about changing or improving the way resources are used and distributed'.⁷³ Improvements in service delivery need to be based on political realities and the needs and capacities of different stakeholders.

68 World Bank estimates for 2007.

69 Latest World Bank estimates, using poverty line of US\$1.25 a day at 2005 prices.

70 Figures from OECD Development Assistance Committee estimates for 2007.

71 Chairman of Papua New Guinea's National Strategic Plan Task Force, Professor David Kavanamur, at a National Research Institute seminar on subnational governance, Port Moresby, 8 September 2009.

72 A Leftwich, *Bringing agency back in: politics and human agency in building institutions and states*, synthesis and overview report of Phase One of the Leaders, Elites and Coalitions Research Programme (LECRP), research paper 06, 2009, p. 10, viewed February 2010, <[http://www.lpdlec.org/ftp/index-list.php?openpath=/Public+Folder/LECRP+Publications+\(Phase+One\)/Research+Papers](http://www.lpdlec.org/ftp/index-list.php?openpath=/Public+Folder/LECRP+Publications+(Phase+One)/Research+Papers)>.

73 Leftwich, p. 11.

Tailored assistance requires deeper analysis ...

‘There is a strong project mentality in the way in which AusAID works—procedurally and in the branding of its activities. Switching to a different process of dialogue, sector planning and programming, driven by government leadership and collective action, requires a different suite of skills and experience from those of micro-managing projects. Policymaking is rarely just a technical matter. It embraces broad policy issues of political economy and questions related to the locus of power and political decision-making.’⁷⁴

All of the service delivery evaluations discuss the need to underpin assistance with better and deeper analysis and understanding of the institutional context that determines both the opportunities and the constraints for improving service delivery. AusAID’s move to appoint country economists and specialist sectoral advisers where there are large programs is a step in the right direction. They will bring to policy discussions international thinking and experience of policy issues and sectoral programs in other countries, including different delivery modalities.

... but even more importantly a shared view ...

In any development context, for assistance to be effective, both the partner country and its development partners need to share a common view of the assistance needed and of the political and institutional constraints that will affect it. Such a view requires more than good technical assessments; it depends primarily on effective engagement, including robust policy dialogue built on mutual respect. The best strategic choices for the aid program are those developed in genuine partnership—preferably those that are driven by demand rather than supply. Progress has been made in this regard through the Pacific Partnerships for Development that have been signed with Papua New Guinea, Samoa, Solomon Islands, Kiribati, Vanuatu, Nauru, Tuvalu and Tonga.

An obvious place to start building a shared view is in country strategies. A recent Australian National Audit Office (ANAO) report points out that ‘delivering a much larger aid program will require a concerted and collaborative effort across the entire Australian aid community’.⁷⁵ Similarly, the DAC identified a need for Australia to continue to develop internal and external capacities to enhance policy coherence for development as part of its whole-of-government approach to delivering aid.⁷⁶

74 S Packer, S Emmott & K Hinchliffe, *Improving the provision of basic education services for the poor: Laos PDR case study*, Office of Development Effectiveness, AusAID, Canberra, 2009, pp. iv–v.

75 Australian National Audit Office, p. 42.

76 OECD, *Australia: Development Assistance Committee (DAC) peer review*.

... to drive policy dialogue and resource allocation

The 2008 ARDE identified that the aid program needs to engage in policy dialogue with partner governments to influence policy directions, and to coordinate support with other development partners to build coalitions for change.⁷⁷ Formal mechanisms for policy dialogue include:

... processes for agreeing and monitoring conditions and benchmarks for aid; Budget Support and Sector Working Groups; stimulating dialogue between ministries and between state and citizens; facilitating interaction and brokering connections between government, civil society and other actors.⁷⁸

Recent ODE evaluations highlight that the Australian aid program is still struggling to improve policy dialogue, although there has been some progress in attempting to ‘put our partners in the driver’s seat.’ If Australia is unable to agree on the direction of reform with its partners, it is unlikely that there will be sustainable improvements to service delivery. The approach taken and the outcomes of agreements such as the Pacific Partnerships for Development and the Cairns Compact will act as a litmus test for progress in this regard.

The first question that should be asked in effective policy dialogue is: how will all of the resources available for development (from the government and its development partners) be allocated and used? Discussion should initially revolve around the partner government’s budget—the primary expression of its policy and program intent. As such, the planning and budget process should be ‘owned’ by the country partner.

At its essence, this engagement should occur around the central pillars of all public finance management systems:

- > stability—essentially, the government (at any level) is living within its means, which includes predictable aid flows
- > allocation—available funds are spent on addressing the highest priority issues and directly improve service delivery and reduce poverty
- > execution—available funds are spent in the most efficient way to deliver services.⁷⁹

The interaction could be replicated at all levels of public administration; however, in many cases it will be necessary to begin by supporting those parts of the system that are the least corrupt and most likely to have an impact on improving service delivery. In some cases, this will be at the subnational level; in others, financial support can be provided directly to facilities.

⁷⁷ Office of Development Effectiveness, *Annual Review of Development Effectiveness 2008*, p. 31.

⁷⁸ Department for International Development, *Guidance on aid instruments: a DFID practice paper*, Department for International Development, London, 2006, p. 59.

⁷⁹ Foster, *Improving the provision of basic services for the poor*, p. 11.

Tailored assistance also requires coherence ...

It is also clear from the evaluations that more needs to be done to ensure Australia's aid strategies and sectoral programs suit country conditions. Developing links (for people, information and strategies) between central government issues and sector-specific issues will significantly increase the quality and relevance of assistance. In the absence of such links, it cannot be assumed that giving support to central agencies to improve economic governance and public financial management will result in better service delivery. Unless reforms explicitly address service delivery right down to the facility level, even well-engineered and implemented central agency reforms are unlikely to result in improvements to service delivery or better human development outcomes. Likewise, it is important that intersectoral links (between education, health and water and sanitation, for instance) are taken into account in assistance measures.

For Australia, the coherence of the aid program would benefit from linking sectoral programs to country strategies and to the MDGs.

... and flexibility, to ensure assistance remains relevant

Development conditions in a country can change rapidly because of natural disasters, political unrest and economic shocks. Legislative and policy changes can also change conditions substantially. For example, Indonesia's decentralisation program to shift administrative powers and budget resources from the centre to district governments, which began in 2001, has fundamentally altered the way that social services are delivered. Yet, according to the water supply and sanitation evaluation, while this change was reflected in policy coordination activities supported by Australia, it is not sufficiently reflected in service delivery activities that Australia also supports.

A more positive example of the aid program being flexible during rapid change was provided in Solomon Islands, where direct Australian support in the form of provincial health grants during the tensions of 1999–2003 ensured that the collapse in government revenue was not accompanied by a collapse in health services.⁸⁰

To some extent, flexibility can be built into country strategies through rolling annual updates based on annual program performance reviews. But strategies can be reassessed more regularly than this, both with partner governments and the whole of the Australian Government, to ensure they continue to meet their respective development objectives.

80 A number of independent surveys confirm the positive performance of the health system, which achieves good coverage (three-quarters of the population use health facilities and some 85 per cent of mothers give birth in a facility), high satisfaction levels, and steady progress in health outcomes with relatively equitable access.

Working in partner systems

Working with partner governments is not the same as working in partner systems.

Working in partner systems when delivering support has been internationally endorsed, including by Australia, in the Paris Declaration on Aid Effectiveness. The declaration highlights the importance of development partners harmonising their support, aligning aid with the partner countries' priorities and working in their systems. In practice, this means avoiding wherever possible setting up parallel activities and systems to those already present in partner countries. It also means providing aid that helps partner governments to articulate their own priorities and to strengthen their budget systems and fiduciary controls.

Australia performed 'below par' in terms of adherence to the Paris Declaration Principles according to a recent OECD survey. For example, only 40 per cent of its aid was disbursed using partner countries' public financial management systems. This falls short of the DAC average of 47 per cent. Only 23 per cent of Australia's aid is subject to partner countries' procurement systems, which is lower than the DAC average of 44 per cent and much lower than the 2010 target of 80 per cent.⁸¹

It is important to take into consideration, however, that Australia is unique in that half of its entire aid program is delivered in fragile environments in the Pacific,⁸² and that using partner's public financial management systems is relatively new to the program and carries different risks from the project approach that has dominated to date. The recent ANAO report highlighted that:

in the Asia-Pacific region, where the bulk of Australian aid is delivered, corruption is a serious concern—out of the 32 countries in the region assessed by Transparency International in 2007, 22 were rated highly for perceived levels of domestic corruption.⁸³

The benefits of working in partner systems are likely to outweigh the fiduciary risks

Australia needs to strike the right balance between protecting public funds and supporting the delivery of services. Checks and balances—-independent audits, specialist technical support to help strengthen the management of systems such as procurement, and accountability mechanisms, for example—can be incorporated to reduce the risks associated with working in systems that may not yet be functioning optimally. Observations from the ODE evaluations indicate that AusAID's current approach tends to stress managing short-term fiduciary risk, without appropriately balancing impact on development outcomes and therefore the longer term cost effectiveness of its funding. For example, disbursements of Australian funding to the health sector in Papua New Guinea experienced major delays due to AusAID's requirement

81 OECD, *Better aid*.

82 OECD, *Australia: Development Assistance Committee (DAC) peer review*, p. 11.

83 Australian National Audit Office, p. 97.

that all expenditures must be reviewed before replenishment funds are provided.⁸⁴ This had the result of protecting the funds that were disbursed, but the delays in funding damaged the country's health system. This approach is also very costly to the Australian aid program in terms of auditing and other supporting activities.

Senior managers ultimately take on both the fiduciary and development risk of sectoral programs and the reputational risk of not meeting Australia's international commitments. If development and reputational risk is to be given greater weight in risk assessments, senior managers will need to give clear messages to staff that they require a balanced assessment of both fiduciary and development risks. Staff should also be encouraged to spell out strategies for managing both types of risk and for responding when problems arise. Box 6 outlines some key considerations for managing fiduciary risk.

The centrality of a country's budget to its development prospects underscores the importance of aid funds at least being recorded in its budget. Ideally the majority of aid funds should be spent through its public financial management system, subject to appropriate risk assessments. The prospect of a larger budget because of aid funding can be used to reinforce the incentives for partner governments to improve public financial management standards in order to qualify for such funding. The increase in the scrutiny of how government systems are operating that results from channelling aid funds through these systems can have a positive impact on how all funds are spent. It can help to limit fiduciary risk, inform the design and management of public financial management reform, improve public sector capacity and influence expenditure allocations in favour of service delivery.

84 Office of Development Effectiveness, *Evaluation of Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, Working Paper 1: Papua New Guinea country report, Australian Agency for International Development, Canberra, 2009, p. 36.

BOX 6: MANAGING RISK USING PARTNER COUNTRIES' PUBLIC FINANCIAL MANAGEMENT SYSTEMS

Risks have to be tackled if services are ever to reach the poor in a sustainable way, without dependence on donor financing and systems.

The largest corruption risks are almost certainly at the national level, where responsibility for major procurement and contracting activities lies. Discretionary decisions made by national governments can also lead to skimming of fund releases on the way down. Problems at lower levels, especially the community level, are generally smaller in amount and percentage terms. Lower levels tend to suffer more from poor accounting than misappropriation, and there are ways to address these problems.

Progress in financial accountability requires incentives for compliance and support to build capacity. There has been considerable success around the world from performance-based grant systems for supporting local government. These typically involve defining 'entry conditions' that local government or officials based at subnational levels must meet before they qualify to manage their own budgets or receive additional funding. Entry conditions typically include possessing a plan and budget that have been endorsed by the local government or the parent ministry, having systems and staff in place to account for the funds and keeping up to date with physical and financial reporting.

Additional capacity-building support is often made available to those districts not able to meet the conditions. It is also necessary to build the confidence of those receiving increased delegation but who may fear criticism and be inclined to avoid taking responsibility. Support, guidance and mentoring will be needed, alongside financial and non-financial incentives.

Regular monitoring and review is undertaken to determine how decentralised responsibility is discharged in practice, leading to the negotiation of action plans to address problems, with delegation expanding as capacity is developed. Tracking the delivery of services can be used as a quicker and more informative supplement to formal accounting and audit. Greater transparency creates opportunities for communities and civil society to hold service providers to account.

Source: Excerpts from M Foster, *Improving the provision of basic services for the poor: linkages with broader public sector reform*, Office of Development Effectiveness, AusAID, Canberra, 2009, p. 18.

85 For a brief review of developing country experience, see J Steffensen, Performance based grant systems (PBGs)—a tool for improved accountability and enhanced performance at the LG level: concept and lessons learned, CAPE Public Finance Conference 2008 'Reforming for results: can public finance management reform improve government performance?', Overseas Development Institute, London, 12–13 2008, viewed October 2009, <<http://www.odi.org.uk/events/2008/11/12/295-presentations-session-3.pdf>>. For a more detailed review of East African experiences, see Institute for International Cooperation, Local level service delivery, decentralisation and governance: a comparative study of Uganda, Kenya and Tanzania education, health and agriculture sectors, synthesis report, Japan International Cooperation Agency, March 2008, viewed October 2009, <<http://www.jica.go.jp/english/publications/reports/study/topical/synthesis/pdf/001.pdf>>. For a manual on grant systems and examples of best practice, see United Nations Capital Development Fund, Delivering the goods: building local government capacity to achieve the Millennium Development Goals—a practitioner's guide from UNCDF experience in least development countries, United Nations Capital Development Fund, New York, 2005, viewed October 2009, <http://www.uncdf.org/english/local_development/uploads/thematic/UNCDF_LDG2.pdf>.

The absence of effective policy dialogue to influence and build countries' systems appears to be resulting in a proliferation of project-based activity outside their budget frameworks. Projects need not be the wrong modality—all governments use them to deliver on budget commitments. However, as already noted, stand-alone projects do not produce the necessary systemic change and, consequently do not promote sustainable outcomes. Strategies for influencing the delivery of services should be informed by analysis and policy dialogue—not by the type of assistance that has been traditionally used.

Australia is working to build more direct relationships ...

In recent years AusAID has pursued two main strategies to increase the extent to which the Australian aid program works in partner systems. The first has been to build closer relationships and more effective dialogue between Australian personnel and country partners. This began with devolving substantial program management and strategic planning authority to overseas posts. In larger posts, there has subsequently been increased use of in-country sectoral advisers (locally engaged and expatriate) and outposted Australian government personnel, based in central and subnational positions, and in advisory and in-line positions. A recent audit of AusAID management found that 'under devolution, AusAID's country office staff are developing greater country knowledge and stronger relationships with partner government personnel'.⁸⁶

Given that Australian government personnel generally spend only two to three years at country posts, the contributions that local staff make in terms of knowledge of the local political economy and language skills are going to be increasingly important. Local staff bring continuity to the aid program and also contribute by retaining corporate knowledge. In June 2008, 35 per cent of AusAID staff were locally engaged and, while only two of these staff members were responsible for managing Australian Public Service staff, many were taking on leadership and specialist roles.⁸⁷

... and to support approaches that facilitate country leadership ...

The second major strategy has been to make greater use of program-based approaches, which include sector-wide approaches. AusAID is moving away from discrete project-style activities towards more integrated programs of support that require working to varying degrees within partner government systems.⁸⁸

86 Australian National Audit Office, p. 39.

87 Australian National Audit Office, p. 51.

88 Although projects still have a legitimate place in aid programs—for example, where activity objectives are very specific or where the achievement of results does not depend on local capacity or ownership (such as global scientific research and the provision of infrastructure/equipment)—local capacity building and ownership may still be sought, and often is, but as secondary rather than primary objectives.

Program-based approaches tend to be more inclusive of different country stakeholders and development partners, and they more readily facilitate local ownership and leadership of all aspects of activity management, including budgeting and activity planning and prioritisation. They improve the predictability of funding and provide the necessary flexibility to allow activities to respond to changing needs and circumstances.

The success of program-based approaches to delivering aid depends on the strength and capacity of country partners, their demand for reforms aimed at improving service delivery and their willingness to make unpopular choices sometimes in the best interests of future development. The stronger the country partner, the more successful these approaches seem to be. The key point is not that one aid modality is better than another, but rather that support should be tailored to a country's needs, preferences and readiness.

... which may be slower but are likely to produce more sustainable outcomes

Disbursements and progress can be slower than intended when working within partner systems, reflecting the more realistic pace of working within local capacities, as well as the complexities of learning how to work in complex government systems. For this reason, it may be necessary to include activities aimed at achieving shorter term impacts while longer term institutional and organisational reforms take place. Parallel activities should still be reported on budget at a minimum, or be a budget priority delivered through the project mode. Working in partner systems also needs to be recognised as an added challenge in the context of Australia scaling up the overall level of aid provided.

While progress may be slower, recent lessons from Vietnam and Indonesia suggest that results are likely to be more robust and sustainable in the longer term. In Vietnam, by channelling donor funds through the state budget for the water supply and sanitation sector, Australia and other donors (Denmark and the Netherlands) have positioned their support to strengthen the partner government's planning, budget and delivery systems. The resources available through the program are on budget, predictable and subject to review through joint government and donor missions and audits (Box 7).

BOX 7: SUSTAINABILITY THROUGH A SECTOR-WIDE APPROACH IN VIETNAM

Australia is part of a consortium, along with the Danish International Development Agency and the Netherlands Government, that is supporting the Government of Vietnam's National Target Program 2 for Rural Water Supply and Sanitation. The overall program is led strongly by the government itself, and the external partners' support is planned, budgeted and implemented through the government's systems. This support ranges from direct budget support to technical assistance, in particular for public financial management. The program helped 232 000 rural people to gain access to clean water and 44 500 people to access improved sanitation facilities over the past three years. Australia's support is deliberately focused on helping to strengthen the government's institutional, managerial and technical capacities at national and subnational levels.

Several key messages about effectiveness have become evident:

- > The deep knowledge of Vietnamese culture, politics and institutions provided by local AusAID staff has been a major factor in how effectively they have worked within the government's systems.
- > By implementing smaller scale projects, donors were able to build their understanding of the government's systems and the best way to support the sector. This was a good basis for developing a sector-wide approach.
- > The phasing of support from external partners has strengthened and built confidence in government planning and budgeting systems, especially at the provincial level.
- > Aligning support with the government's policy of decentralisation has been a significant benefit, with local governments (at commune, district and provincial levels) demonstrating great commitment to ensuring that there is adequate capacity and funding to operate and maintain water and sanitation facilities.
- > By starting with a small group of like-minded donors, which demonstrated their ability to support the government's program effectively, the program has attracted the participation of the World Bank and the United Kingdom's Department for International Development.

Working effectively in partner systems requires an understanding of those systems

One of the key lessons emerging from the ODE evaluations is that many of the factors that affect sectoral performance emanate from broader issues related to budget management and fiduciary controls. Yet often there is little happening to link broader public sector reforms to service delivery outcomes, even in countries where Australia is actively engaged at both levels. For example, the evaluation findings suggest Australian technical assistance has focused largely on improving budget processes, with little policy dialogue on partner government spending priorities and how the Australian aid program can best support these priorities.

In many countries, reforming subnational systems is a critical strategy for dealing with national issues. According to the latest program performance reports, this strategy is beginning to show some positive results, particularly in Papua New Guinea and Indonesia, where the aid program has provided coordinated support at subnational levels for both economic governance and public sector reform. This support has helped to improve the flow of government funds in Papua New Guinea and has contributed to service delivery reforms in community health centres in Indonesia.

The implications of working outside partner systems or parallel to them can be significant

AusAID's experience with discrete projects in the education sector in Papua New Guinea provides a cautionary note of what can happen when the partner's complete system is not well understood. The ODE education evaluation concluded that the projects were designed, managed and reviewed in ways that ran counter to local ownership, capacity development and systemic reforms.⁸⁹ They contributed little to overcoming deep-seated barriers to delivering basic education in an effective and sustainable way and had little impact on education outcomes.

This experience provides compelling lessons against continuing with a discrete project-based approach, particularly given the enormous challenge in delivering basic education in Papua New Guinea. There the gross primary enrolment rate⁹⁰ is the seventh lowest in the world.⁹¹

The judicious use of technical assistance remains a challenge

The environments in which the Australian aid program is active often lack the human/personnel capacity to formulate and implement sustained programs to change policies and strengthen organisations. In response, Australia usually provides technical assistance. This typically involves recruiting large numbers of advisers to work within partner government institutions, mostly in the national capital. The ODE review of public sector reform found that such an approach was not achieving the expected impact because it lacked a strategy for providing support and clear criteria for assessing its effectiveness. This resulted in a scatter of advisory support across a large number of departments and covering many functions. It also lacked focus on service delivery objectives, and was slow to adjust to changed circumstances.⁹²

An example of the lack of coherence between central agency reform and service delivery objectives is the support given to build East Timor's capacity in public financial management. The project focuses on the Ministry of Finance and gives little attention or support to line ministries and districts. Links to technical assistance projects in line ministries remain weak and the support is not on the scale required to build significant financial management capacity. The advisory support provided to the Ministry of Finance focuses on macroeconomic stability and gives little attention to the need for predictable funding to provide and maintain essential services.

89 Office of Development Effectiveness, *Improving the provision of basic education services for the poor*, pp. 2–3.

90 This rate is the total enrolment in primary education, regardless of age, expressed as a percentage of the eligible official school-age population corresponding to that level of education in a given school year.

91 Office of Development Effectiveness, *Improving the provision of basic education services for the poor*.

92 M Foster, *Improving the provision of basic services for the poor*, p. 18.

The 2008 ARDE reported that the level of technical assistance being provided by Australia was around double the DAC average.⁹³ In addition, the 2008 Paris Declaration Monitoring Survey also found that Australia's performance in coordinating technical assistance (38 per cent) was below average (48 per cent) and short of the 2010 target (50 per cent).⁹⁴ To a certain extent, this can be explained by the very fragile nature of many of the countries the aid program supports. Fragile states often lack skilled staff due to their small populations, poor education outcomes and significant emigration. In these situations, technical assistance may appear to be the only way to overcome low capacity. However, without clear strategies and programs for moving away from external support to supporting countries' own education systems and systems of governance, continued high levels of technical assistance are likely to inhibit capacity development.

Findings from recent evaluations suggest there has been little change to date. Much of Australia's aid is still delivered as technical assistance, often as a short-term response to specific policy or project needs, without overall strategic frameworks.⁹⁵ Partner governments have a high demand for technical assistance, which in part explains the high levels of this assistance being used. Technical assistance is still being used as the first option in programming, in the absence of a clear understanding of the broader institutional and policy context, the capacity problems and the right mix of interventions to address them.

A recent effectiveness update specifically examined the use of technical assistance personnel in the Australian aid program.⁹⁶ It found that AusAID programs are increasingly aware of the different approaches that can be taken to providing technical assistance and how to apply these in different development settings, and that there have been some notable achievements in the use of technical assistance. The update concludes that AusAID needs to improve its dialogue with country partners, and gain a better understanding of the different aid modalities available.

A very positive example of technical assistance is the support given by Australia to the National Economic and Fiscal Commission in Papua New Guinea. Rather than proposing a particular reform and providing a predetermined program of support, Australia provided technical assistance to the commission on an 'as needs' basis to help it carry out a reform process grounded in strong analysis and broad ownership (Box 8).

93 Office of Development Effectiveness, *Annual Review of Development Effectiveness 2008*, p. 36.

94 OECD, *Better aid*. Coordinated technical assistance is assistance is aligned with country authorities' clear capacity development objectives, and is controlled by country authorities.

95 This is even true of 'umbrella' technical assistance facilities; independent reviews and evaluations have found that the focus of these facilities is often planning for and monitoring specific tasks rather than broader, program-level considerations of what needs to be achieved in relation to, for instance, reform or service delivery. See M Foster, *Improving the provision of basic services for the poor* for further discussion of these issues.

96 Office of Development Effectiveness, *July 2009 quarterly effectiveness update*, Australian Agency for International Development, Canberra, (internal working document).

BOX 8: LESSONS FROM STRATEGIC SUPPORT TO THE NATIONAL ECONOMIC AND FISCAL COMMISSION

In 2001 the Government of Papua New Guinea tasked its National Economic and Fiscal Commission to review the formula used to calculate central government funding to Papua New Guinea's provinces for the delivery of essential services. AusAID had come to understand the constraints of the current system and provided the commission the advisory services it sought to support the necessary data collection, analysis and policy dialogue. Through the commission-led process, stakeholders reached agreement on key reforms, which legislate for greater predictability and transparency of funding, as well as increased funding to poorer provinces.

A review of the support highlighted the following effectiveness lessons.

- > Seek opportunities to support strong institutions where local ownership already exists.
- > Provide the right support at the right time; strategy should drive modality—not the other way around.
- > Be persistent—develop a strategy, ensure its ongoing relevance, and give it sufficient time to show results.
- > Support evidence-based participatory policy development wherever possible.
- > Develop public advocacy messages and communicate progress to create awareness and stakeholder buy-in.

Source: Office of Development Effectiveness, *Linking central reform to service delivery*, Australian Agency for International Development, Canberra, 2009.

External support should be predictable

A key conclusion from the recent evaluations is that sector-wide approaches need to be supported by reliable and predictable flows of aid funds. This can be difficult for bilateral donors as they work within annual budgets approved by parliament. But, at the very least, reliable annual information on actual aid disbursements needs to be provided so that it can be recorded in the partner countries' budget estimates and accounting systems, preferably along with indicative resource allocations for future years. However, currently only 21 per cent of Australian aid disbursements are recorded by partner governments, falling short of the DAC average of 43 per cent, and placing Australia among the lowest performing donors in this respect.⁹⁷ This has a special significance in countries such as Papua New Guinea and Solomon Islands, where Australian aid accounts for more than 50 per cent of total aid flows.

Promoting gender equality

The gender equality policy is yet to be reflected in performance results

Gender equality is fundamental to both economic and social development in all sectors and all societies. There is substantial evidence demonstrating clear links between womens' opportunities to participate fully in society and the extent to which development efforts are sustained. Given this, gender equality has long been endorsed as a key principle underlying all aspects of Australian aid, and the MDGs specifically target the elimination of gender disparities in education at all levels.

The findings of ODE evaluations suggest that this policy commitment has yet to be translated effectively into performance results. The most positive achievement was by the Laos Australia Basic Education Project, which sought to improve the relevance, quality and efficiency of primary education, especially for girls in selected remote ethnic minority areas, through assistance for the development of curricula and materials, and for teacher education.⁹⁸ The independent completion report rated the project as highly successful, exceeding the quantitative targets set and contributing to broader improvements in the government's approach to education for poor people in remote areas. In particular, it showed that local school graduates—including poor ethnic women—could be trained as pre-service teachers who would stay and work in their home areas.

While components of gender equality have been built into many activities, they are usually peripheral and rarely sustained

A recent review of gender mainstreaming in Australian aid activities in Papua New Guinea found that, overall, the gender equality work in most projects is largely peripheral and rarely influences their strategic direction.⁹⁹ The health sector evaluation concluded that AusAID's corporate focus on gender equality has not been carried forward in any significant way into the health programs in Solomon Islands and Papua New Guinea. Gender relations in Melanesia continue to see men dominating decision making in nearly all public arenas, even though in many ways women are the primary producers of wealth.¹⁰⁰ Violence against women is still endemic in the region, and has high social, economic and health costs.¹⁰¹ The Women and

98 This was a component of the Asian Development Bank's project Lao People's Democratic Republic: Basic Education (Girls) Project.

99 The exception was the Basic Education Development Project, which made progress, such as involving locally recruited district women facilitators. Unfortunately, this network of women may not be sustainable within Papua New Guinea's government systems.

100 The Pacific Islands region ranks second last in the world in terms of the proportion of members of parliament who are women. In Melanesia in particular, Solomon Islands had no female members in 2006, Papua New Guinea had one out of 108, and Vanuatu had two out of 52.

101 See Office of Development Effectiveness, *Violence against women in Melanesia and East Timor: building on global and regional promising approaches*, Australian Agency for International Development, Canberra, 2008.

Child Health Project in Papua New Guinea did useful work to introduce a gender approach and to address gender-based violence. However, the independent completion report did not find evidence of impacts on the health status of women and children or their access to services. It also found that this work did not inform the subsequent sector-wide approach.

Five issues need to be addressed more systematically

The lessons emerging from the ODE evaluations highlight several risks for future aid efforts. To produce sustainable outcomes, Australia could do more to address each of these.

- > Even in areas where more attention has been given to gender issues (such as in the water supply and sanitation sector),¹⁰² progress is often not monitored or sustained, especially when AusAID is working in an environment that is not conducive to promoting gender equality. There is a need to do more to open and maintain dialogue with sectoral authorities on gender equality issues. Meanwhile, Australia can seek out and support other local partners (such as civil society organisations) that are trying to progress gender equality.
- > There is a lack of data for analysing gender issues. In particular, performance indicators often are not gender disaggregated, making it difficult to quantify the extent to which women are being disadvantaged or whether any improvements in relation to gender equality are occurring in service delivery and social outcomes. Increasing the availability of data through better monitoring of the role of women in aid activities would facilitate better policy dialogue.
- > There is a risk that gender equality issues will get lost in any shift to sector-wide approaches to providing support, unless Australia and other development partners make a conscious effort to pursue them as part of the sectoral policy agenda.
- > The discussion of gender equality issues in policy arenas is inadequate. It needs to be broadened beyond the activity level to include sectoral authorities and national decision makers and it needs to be maintained beyond the life of discrete activities to encourage institutionalising gender equality.
- > Sectoral programs need to be better integrated with national programs for gender equality.

102 For example, gender is appropriately integrated into key areas of the Rural Water Supply and Sanitation Program in East Timor and, most importantly, the program's strategy recognises the need to build demand for gender equality from within by using government systems and structures. However, this effort faces many challenges because of the traditional views on gender within the sector.

Ensuring sustainable development

A major challenge in international development is to ensure that the benefits of aid are sustained beyond the lifetime of discrete activities. This requires that they be fully integrated into partner country systems. Most issues of sustainability have to do with longer term sectoral financing, institutional development and environmental impacts. The ODE evaluations identified sustainability concerns in each of the service delivery sectors examined (education, health, and water supply and sanitation). Four main messages have been distilled from these analyses.

Predictable long-term financing is crucial

Major breakdowns in service delivery have occurred when aid financing dries up. The cessation of aid for Vanuatu's anti-malaria program in 2001 provides a stark example. The incidence of malaria doubled before new funding was put in place in 2004; it has subsequently declined but is yet to decline to the 2001 level. There are also many examples in the health sector of discrete, short-term inputs being provided in contexts where a more sustained, public health approach would have been more appropriate. In some cases, such as the education sector in Papua New Guinea, there are concerns that aid may have been seen as a substitute for government spending on basic education, because the share of government domestic revenue spent on primary and secondary education fell from 19 per cent in 1998 to 10 per cent in 2007.¹⁰³

The health evaluation found tangible evidence in both Vanuatu and Solomon Islands that higher health spending by government, supported by aid, can enable even small or otherwise fragile countries to provide reasonably effective health services at an affordable cost and close to where the majority of their populations live. Although there are still serious inequalities in the way resources are allocated (too great a concentration in the capital cities and on hospital-based services), both countries generally succeed in staffing health facilities and keeping them supplied with drugs and consumables. The challenge is obviously greater in a country such as Papua New Guinea, where a large proportion of the population lives beyond the effective reach of health services, but it is made worse when government spending in real terms per person falls, as it did from 1998 to 2006.¹⁰⁴

103 Office of Development Effectiveness, *Improving the provision of basic education services for the poor: overview of ODE evaluations of Lao PDR and Papua New Guinea*, p. 3. In Laos the situation is even more worrying in terms of sustainable improvements to service delivery, as only 5 to 7 per cent of domestically generated government revenue is allocated to education.

104 The lack of staff and other resources in Papua New Guinea's health sector has forced many aid posts to close and has led to protracted shortages of drugs and other medical supplies.

Ultimately, sustainable outcomes depend on adequate financing being allocated for the right purposes. In the longer term, of course, financing should come from governments' own resources and not aid. In the meantime, development approaches that consider all available resources—government and donor—should improve predictability and prospects for sustainability.

The Pacific Partnerships for Development and the Cairns Compact are evidence of the aid program making positive steps in this direction. The recent ANAO report on AusAID management noted that:

... the introduction of the Pacific Partnerships for Development, which will include multi-year resource commitments from Australian and partner governments, has provided a formal mechanism to improve predictability of Australian aid to the region.¹⁰⁵

However, the evaluations in each of the service sectors found weaknesses or gaps in the way institutional issues have been addressed to date, and it is too early to assess whether the changes brought about by the partnerships will improve the situation in those countries that have them.

In the education sector, a key concern is the heavily supply-driven nature of support. In Papua New Guinea for example, the curriculum developed with Australian support through the Curriculum Reform Implementation Project may not be able to be introduced in all schools due to differences in their transaction and financial costs, in terms of classroom resources, research facilities, and teacher–student ratios.

In the health sector, much of Australia's aid has been directed to improving the effectiveness and efficiency of health systems themselves, primarily through technical assistance but also through investment in infrastructure, equipment and supplies. The health evaluation found that while improvements had been made, attempts to help organisations operate more effectively had a limited impact on service delivery because of deeper institutional problems. They were also assessed as being high cost in relation to the results achieved. The evaluation recommends that AusAID's strategies in the health sector be shaped by deeper analysis of how sustainable improvements in services for the poor can be achieved. The findings should then be reflected in understandings with governments on AusAID's role, and in the policy and expenditure frameworks within which AusAID will operate.

In the water and sanitation sector, the activities evaluated in East Timor and Indonesia focused on the delivery of services, not on improving the delivery systems themselves. In doing so, they have tended to work directly with communities and with non-government organisations, the result being that government has been sidelined. Yet in both countries, local governments are left with the task of responding to operational and management problems once the activity

105 Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program*, 2009, p. 69.

implementers are gone. This lack of integrated planning, management and coordination has raised numerous sustainability concerns. According to surveys in two districts in East Timor in 2008, only about 28 per cent of the small community-managed water schemes were functional and, for the most part, cost recovery was poor.¹⁰⁶

Effective engagement with non-state actors is a key to improving institutional sustainability ...

Based on the findings of the ODE evaluations, AusAID primarily engages non-government organisations in the service delivery sectors to implement aid activities, largely overlooking their potential for innovation, demonstration, and advocacy. As Australia increasingly adopts sector-wide approaches to delivering services, it will be important to consider the role of non-state actors as service providers and as advocates, as well as the scope for communities to contribute to funding health services.

The prospects for persuading the political and bureaucratic elites to permit reform may depend on the extent of the external pressure on them to improve services. By strengthening external agents of accountability (such as ombudsmen and the media), there is a greater chance of influencing government policies and performance as it opens up opportunities for individuals, communities, civil society organisations and the parliament to press for better services and to monitor and challenge decisions.

In the Philippines AusAID has used its long-standing education program (Basic Education Assistance for Mindanao) to work with the Department of Education to engage civil society more in monitoring Australia's investments in education. It does this by directly funding a civil society organisation—Procurement Watch Inc.—to organise volunteers that monitor the quality and quantity of AusAID-funded chairs being delivered to schools. With about a third of the chairs delivered in 2008 being found to be of substandard quality, this approach has already improved cost effectiveness.

Managing for results

The choice of an aid modality must be guided by the modality's potential impact on service delivery and ultimately its likely impact on progress toward the MDGs. At this stage, there is no guarantee that adopting sector-wide approaches to delivering aid will produce better results than projects have done. A lot could be learned about both modalities by closely tracking their impacts on service delivery and social outcomes. However, even though almost all Australian aid activities have built-in systems for monitoring and evaluating performance, the results of these are not always used to guide future programming.

106 While some 39 per cent of the surveyed communities had water management committees, only 12 per cent were collecting funds. Without a functioning water user group, community management is very likely to fail and eventually cause the water supply systems to fail. This in turn will limit the health benefits of improved sanitation.

National systems, managed by government, should become the norm for measuring performance

Monitoring and evaluation systems need to be designed to fit country and sectoral realities.

However, at present AusAID's performance assessment processes tend to be overly complex and focus on self-assessments of discrete aid activities. The Australian aid program should help partner governments to establish their own simple and robust monitoring and evaluation systems, especially at the sectoral level. This change is becoming particularly important as more Australian aid is delivered through program-based approaches.

Efforts to manage aid so that the focus is on results or outcomes (rather than solely outputs) are often constrained by the lack of good data on social outcomes. As highlighted in Chapter 3 and outlined in Appendix C, there are problems with performance data, confirming the need to interpret information with caution. There are many gaps in the coverage of the available data and often inconsistencies with data from other sources. Special attention should be paid to the following.

- > Indicators of social performance (not limited to the MDGs) should be relevant to a country's level of development and, where appropriate, gender disaggregated.
- > Simple monitoring and evaluation frameworks, developed and implemented with partner countries, are needed so that the focus is on results and outcomes. Only a small number of desired outcomes should be targeted, and performance indicators should be restricted to those that will most clearly demonstrate progress or the lack thereof.
- > Progress towards intermediate outcomes and outputs should be tracked to provide more timely feedback on service delivery performance. Tracking surveys which show how government spending finds its way from the central budget to local communities can be particularly useful for identifying ways to reduce corruption and improve service delivery. Survey instruments need to be designed and implemented well to provide meaningful results.

SUMMARY OF KEY FINDINGS

Although the Australian aid program has an impressive reach and has improved its effectiveness in several areas, its effectiveness in terms of service delivery for the poor is still constrained by several factors.

Policy dialogue needs to be robust, broad and frequent

Policy dialogue between Australia and its partners on the priorities and strategies for effective development is the primary way to influence incentives for reform and the reform process in partner countries. Together with thorough analysis, it is pivotal in helping to ensure that Australia's assistance is underpinned with a good understanding of the institutional context—crucial to determining development effectiveness. Policy dialogue must be robust, built on mutual respect, reflect a genuine partnership, and include a broad range of stakeholders. It needs to happen at all levels of Australia's engagement with partner countries, both formally and informally, take place at regular intervals and not just when problems occur.

Policy dialogue can be used to develop, monitor and revise strategies for achieving improvements in human development outcomes. It should be used to determine where the inputs of development partners are most likely to have an impact on achieving them. It also provides opportunities for discussing the most appropriate modalities for providing support to improve service delivery and for weighing up the costs and benefits of additional activities.

Recently Australia has made some impressive progress in its policy dialogue with partner countries, showing its ability to position itself effectively to support reform processes and sectoral approaches to improve service delivery. However, progress was patchy, reflecting a lack of organisational capacity or clear strategy to improve country and sectoral engagement across the entire portfolio.

In the absence of strong policy dialogue, Australia sometimes struggles to position its support in a way that helps its partners to make best use of the resources available to them to improve service delivery. The lack of strong policy dialogue at all levels also hinders agreements with partners on how best Australia might be able to support their strategic priorities.

Clear strategies for engagement are integral to effectiveness

A clear and coordinated whole-of-government strategy is required for Australia to engage effectively at the country or regional level. And, while the preparation of Pacific Partnerships for Development and the Cairns Compact are positive steps in this direction, a number of country programs are still being run without a clear strategy and a performance assessment framework. Australia has struggled to agree with partner countries on the strategies to be employed and how to keep them up-to-date. While this may be partly explained by the pressure of events in

the turbulent and fragile environments where much of the aid program is implemented, the absence of clear strategies makes it difficult for Australia and partner countries to agree on what Australia will support, how it will provide the support, and what the desired effects are.

The strategy for engagement at the country or regional level needs to articulate how the Australian aid program will add to the overall development strategy of each partner country and region, and how AusAID will work with other development partners. In situations where agencies from across the Australian Government are involved in providing support, those agencies require a common strategy to ensure that they adopt coherent and efficient approaches to meeting common objectives. The strategy should clarify how support will be provided and what it should achieve.

A coherent strategy is particularly important for improving service delivery. The delivery of services depends on a network of interrelated institutions, organisations, activities and individuals all operating efficiently. This network is not always viewed holistically and as a part of a coherent strategy; the result has been slow progress in improving service delivery and, in turn, human development outcomes.

Public sector and governance reforms require a clear strategy to influence service delivery

Public sector and governance reforms can have a significant impact (positive or negative) on service delivery. However, it cannot be assumed that giving support to central government agencies to improve economic governance and public financial management will result in better service delivery. If this support is to contribute to better service delivery, it needs to be underpinned by a clear strategy based on analysis of which interventions are most likely to lead to improved service delivery.

While there are some good examples in the Australian aid program of the effectiveness of support for reforms aimed at improving the funding of service delivery, these appear to be the exceptions rather than the norm. A great deal of support for public sector reform to improve governance is still undertaken with little reference to service delivery or human development objectives.

There is also a tendency to focus aid efforts on government, even though civil society organisations are responsible for delivering many basic services. In most cases, this can be put down to a lack of understanding of the service delivery system and its capacity to deliver. Much of the aid program's knowledge of governance and the public sector is at the national level and there is little understanding of the complex system that determines whether services are actually delivered. Without such understanding, it is impossible to support national reforms that will ensure a reliable and predictable flow of funds right down to the facility level.

Fiduciary risk should be balanced with developmental and reputational risk

There is no guarantee that new approaches to aid implementation will deliver better results than more traditional modes. The choice of modality must fit the context and be based on a balanced assessment of risk.

Different modalities will present different levels and types of risk in different contexts. Consequently, risk mitigation strategies must be supported by appropriate analysis of fiduciary, developmental and reputational risk and be tailored to the modality that will be used and the context in which the support will be delivered.

The Australian aid program has substantially changed the way it supports service delivery. It is moving quickly to new modalities, such as sector-wide approaches, in the three sectors that are the focus of this review. However, traditional modalities such as discrete activities and technical assistance still make up the majority of spending in the service delivery sectors. These are not necessarily the wrong choices, but in many cases their selection appears to be based on assumptions, and opportunism and a desire for activities that are seen as low risk and manageable rather than on sound analysis. Developmental risks, such as failing to improve human development outcomes, are rarely considered.

Managing for results is more than measuring activity performance

A message that appears repeatedly in performance reports and evaluations is the need for Australia to assist its partner countries to manage their expenditures to achieve results in terms of better service delivery. It also emerges that there is a need for the Australian aid program to work on continuously improving its performance management system, and to ensure that the results of performance monitoring influence decision making.

To manage for results, countries and their development partners require an understanding of the current level and quality of basic services, how countries' systems are set up, and whether those systems are working. Without this knowledge, they will be unable to make accurate decisions about where to direct expenditure and about what kinds of activity and reform are required to improve service delivery.

The Australian aid program has made a great deal of progress in terms of monitoring the performance of its inputs, however progress in supporting the monitoring and evaluation systems of partner countries has not always been as great. There has been a tendency to develop complex systems for tracking the progress of individual (donor-supported) projects, rather than systems for monitoring key performance indicators and carrying out joint analysis with partner countries. Such systems do little to support policymaking and budgeting on a national scale.

APPENDIX A: TERMS OF REFERENCE— OFFICE OF DEVELOPMENT EFFECTIVENESS, JULY 2009

Background

Against the backdrop of increasing aid budgets, the effectiveness of aid expenditure in meeting development aspirations has come to the forefront of international development thinking. In reaffirming the Australian Government's commitment to increase Australia's official development assistance (ODA) to 0.5 per cent of gross national income by 2015–16, the Government also committed to an aid program that is stronger, more effective and in Australia's national interests.¹⁰⁷

The Office of Development Effectiveness (ODE) plays a key role in improving the efficiency, effectiveness and impact of Australian aid on development outcomes in partner countries. The ODE reports directly to the Director General of AusAID as Chair of the Development Effectiveness Steering Committee (DESC), a high level group of government and independent experts.

Roles and responsibilities

The primary role of the ODE is to monitor the quality, evaluate the impact of, and identify issues influencing the effectiveness of Australian Government aid interventions. These findings are used to influence program managers in applying good practice, inform the efficient and effective allocation of a growing budget, and inform the broader Australian community on the effectiveness of Australian contributions to international aid efforts. The ODE also contributes to international efforts to generate knowledge to improve the development efficiency, effectiveness and impact of all development funds.

Specifically, the ODE works in five areas:

- > Undertaking in-depth evaluations of policies, development themes, country strategies and selected individual interventions. This is increasing the proportion of Australian aid initiatives subjected to evaluation and public disclosure of results.
- > Monitoring the performance of Australian aid interventions, policies and strategies against clear, agreed quality standards. This includes periodic spot-checks to verify that quality

¹⁰⁷ Commonwealth of Australia, Budget Papers: Australia's International Development Assistance Program, 12 May 2009, p. 2.

reporting systems are robust and that ratings are based on evidence. It also advises the DESC on the efficiency and effectiveness of quality systems.

- > Building capacity within the Australian development program and the broader development community to apply sound aid management principles. This involves the ODE in the identification, preparation and dissemination of easily accessible materials that summarise findings from Australian and other development agencies.
- > Influencing the international development agenda through sharing results from evaluations and other work with multilateral agencies, bilateral donors and relevant research institutions. The ODE may also contribute to international efforts to improve, disseminate and harmonise evaluation techniques.
- > Raising awareness of the performance of the Australian aid program by disseminating results of its work program and through the production of an Annual Review of Development Effectiveness to be tabled in the Australian Parliament in advance of budget deliberations and subsequently published for wider public dissemination.

Approach

The responsibilities of the ODE do not end with the preparation of high quality documents on performance. Its mandate includes advising Cabinet, via the DESC, on the quality and coherence of new ODA budget proposals by all Australian government departments. It also has a responsibility to disseminate its findings, build capacity within the Australian Government and ensure that the management of performance within the aid program improves. Its unique position within AusAID provides it with an in depth understanding of policies, procedures and processes influencing the effectiveness of delivery and the capacity to 'shorten the feedback loop' in implementing its findings. ODE findings are also made available to partner countries to assist them in improving the effectiveness and impact of their national development efforts.

As the potential agenda for such a program is substantial, ODE's work program responds only to clear priorities in support of Australian government policy objectives. In addressing these objectives, ODE will bring the best international and Australian advice to bear in producing a high quality and policy relevant program of evaluations and analytical work.

Reporting

The ODE reports to the Director General of AusAID as Chair of the DESC, which is comprised of an AusAID Deputy Director General, Deputy Secretaries from the Department of Foreign Affairs and Trade, the Treasury, the Department of Finance and Deregulation and Prime Minister and Cabinet, and the AusAID Principal Economist. The DESC advises on ODE's work priorities, comments on the Annual Review of Development Effectiveness, advises the Minister on the quality of major new country strategies, and the Cabinet on new ODA budget proposals. External experts will be identified and included on the group as required.

Resources

The ODE is a small, high profile unit. It is headed by a senior executive officer and has two advisors on development effectiveness and evaluation who are responsible for the technical quality of the work. The office includes a mix of advisers, AusAID staff and external contract employees. Other agencies have the opportunity to second staff to the office.

APPENDIX B: TERMS OF REFERENCE— DEVELOPMENT EFFECTIVENESS STEERING COMMITTEE

Background

The Australian Government has committed to increase Australia's official development assistance (ODA) to 0.5 per cent of gross national income by 2015–16. Building and sustaining an effective aid program at this level will require an even more rigorous approach to issues of quality and performance.

The Development Effectiveness Steering Committee (DESC) helps strengthen the effectiveness of Australia's development assistance. The DESC will strengthen the coordination of the aid program and play an advisory role to the government on major ODA strategy and budget proposals. The DESC is chaired by the AusAID Director General and comprises Deputy Secretaries of central agencies and two members of AusAID senior management.

A major role for DESC will be to advise on the operations of the Office of Development Effectiveness (ODE). The ODE contributes to improved aid effectiveness by monitoring the quality and evaluating the impact of AusAID and, as appropriate, other Australian Government agencies' ODA programs. The ODE publishes an Annual Review of Development Effectiveness; evaluates country strategies, policies and programs; undertakes reviews and periodic spot checks of performance monitoring systems; builds capacity within the Australian aid program to apply sound aid management principles; and advises on the development of new country strategies.

Scope

The DESC will focus on four themes.

Effectiveness

The DESC will:

- > advise on ODE priorities, including its forward program of evaluations and approach to performance assessment
- > consider reports on performance assessment and major evaluations and reviews undertaken by AusAID and international agencies, including responses to key findings and recommendations in existing and future programs
- > guide the Annual Review of Development Effectiveness, including its themes and content.

Whole-of-government country and regional strategies

The DESC will consider and comment on major whole-of-government development strategies, focusing on:

- > shaping and ensuring coherence of the whole-of-government approach
- > analysing the implementation of the previous country strategy and the incorporation of lessons learnt
- > the adequacy of performance frameworks in articulating Australian Government development objectives and the means in which performance can be assessed.

ODA budget strategy

The DESC has a formal role in providing advice on ODA eligible funding proposals. DESC advice will be focused on effectiveness, coherence and prioritisation of ODA-related expenditure proposals.

Central agencies will continue to provide advice directly to ministers on budget-related issues.

Implementation of policy priorities

The DESC will:

- > review and comment on implementation of AusAID budget measures
- > comment on future priorities for implementation attention.

Membership of DESC

The DESC will consist of the following members:

- > Director General, AusAID (Chair)
- > Deputy Secretary, Department of the Prime Minister and Cabinet
- > Deputy Secretary, Department of Foreign Affairs and Trade
- > Deputy Secretary, Treasury
- > Deputy Secretary, Department of Finance and Deregulation
- > Deputy Director General, AusAID
- > Chief Economist, AusAID.

The DESC will co-opt as required representatives of other departments intending to carry forward significant ODA-related budget submissions.

Assistant Director General, ODE and Principal Adviser, Development Effectiveness will attend the DESC meetings in an advisory capacity. Subject to availability, appropriate security clearances and on the basis there are no conflicts of interest, other internationally recognised experts will be included on the committee following DESC consideration.

DESC support

The ODE will provide advice to the DESC on the adequacy of country strategies and ODA budget proposals. This advice will focus on the application of lessons learnt often based on reviews conducted by the ODE itself, and on the adequacy of performance frameworks.

The AusAID Office of the Director General will provide secretariat support for the DESC.

Development Effectiveness Working Group

Preliminary work prior to DESC meetings will be conducted by a Development Effectiveness Working Group (DEWG). The DEWG will comprise representatives of AusAID and the departments of the Prime Minister and Cabinet, Foreign Affairs and Trade, Treasury and Finance and Deregulation. The DEWG will draw in representatives of other government departments as appropriate to the items under consideration.

The DEWG will be convened by AusAID in advance of DESC meetings and/or as required to:

- > provide working-level coherence to the whole-of-government approach
- > where appropriate, provide relevant input into papers to be presented to the DESC to assist its decision making processes
- > advise on the future work program of the DESC, including meeting schedules, agenda items and priority focus areas.

The AusAID Office of the Director General will provide secretariat support for the DEWG.

APPENDIX C: THE QUALITY OF AUSAID PERFORMANCE ASSESSMENT SYSTEMS

The recent ANAO report on AusAID management found that:

... since the 2006 White Paper was released, AusAID has: implemented a robust performance assessment framework for aid investments; commenced valuable annual program reporting; strengthened its quality reporting system for aid activities; and established ODE to monitor the quality and evaluate the impact of Australian aid. These efforts are focusing agency attention on the quality of country programs and aid activities, and the factors that lead to better development outcomes.¹⁰⁸

The quality of two major components of the performance assessment systems is described in this appendix.

Program performance and managing for aid effectiveness

Country and regional programs assess their own performance through an annual program performance report. The overall quality of the reports is improving, however some programs are still grappling with how to rate performance in the absence of clear objectives. Many country programs are operating without strategies or clear indicators and targets to measure performance. If information systems are also weak, it is extremely difficult to measure performance.

There is a lack of clarity within the aid program about how to measure performance beyond the outputs of a portfolio of activities. That is, program areas tend to recognise or articulate success only in terms of whether the majority of individual activities in their portfolio are performing well—not in terms of, for example, the performance of policy dialogue and country-level objectives.

Despite this, the annual program performance reporting process is still considered to have the strongest prospects for assessing performance of Australian development assistance in any given country or region. If the reporting process is to be used successfully for this purpose, its quality needs to improve and the resulting reports need to be used as a management tool. Until performance reporting is embedded in management processes, the shift to genuinely managing for results is unlikely to occur.

Reporting against aid effectiveness principles is improving,¹⁰⁹ however it is not consistent or systematic across the reports, making it difficult to measure progress and to compare

108 Australian National Audit Office, p. 141.

109 Oxford Policy Management, *Assessing Australia's implementation of the Paris Declaration: analysis of AusAID's 2009 annual program performance reports*, Australian Agency for International Development, Canberra, 2009.

across country and regional programs. AusAID does not have an overarching strategy on implementing the aid effectiveness agenda and has not clarified how to report against aid effectiveness principles. It needs a strategy for reporting that sets out benchmarks and targets for country and regional programs in terms of aid effectiveness principles.

Programming and reporting on gender equality have improved¹¹⁰ as programs are beginning to analyse the different needs and situations of women, men, boys and girls. There is greater recognition of the need for gender-related issues to be integrated into economic and governance programs. Program areas have identified a range of approaches for strengthening reporting on gender, including a gender review of each country or regional strategy and gathering gender-disaggregated data. Making gender more visible in country strategies would improve the quality of reporting on progress in improving gender equality.

Potentially one of greatest influences on the quality of annual program performance reports is the peer review process. This process allows partner governments, Australian government partners, and civil society representatives to discuss and contest the findings on aid program performance. The quality of performance analysis based on inclusive and well-managed peer reviews was found to be much higher than that of reports that were peer reviewed by a limited group.

Activity-level quality reporting

Activity managers rate the quality of strategically important aid activities¹¹¹ annually in quality-at-implementation reports. Activities are rated on implementation progress, achievement of objectives, monitoring and evaluation, and sustainability.

Activity objectives are becoming clearer and more focused, however there is still a lack of evidence to support ratings, particularly for complex activities. More work is also required to clarify expectations and the capacity required to monitor the quality of multi-donor arrangements and those delivered through partner systems.

Based on the spot check of quality-at-implementation reports carried out in 2009,¹¹² ODE found that activity managers are getting better at rating overall progress towards objectives, but are less accurate in rating the quality of monitoring and evaluation. Only 56 per cent of activities included in the spot check should have been rated 'satisfactory' for monitoring and evaluation.

110 L Corner, 'Gender equality review of annual program performance reports (draft)', report prepared for Australian Agency for International Development, Canberra, 2009.

111 Those worth \$3 million or more over their lives.

112 K Bysouth, 'Spot-check of quality at implementation', report prepared for Office of Development Effectiveness, AusAID, Canberra, 2009. The spot check was based on a random sample of 50 (from 346) quality-at-implementation reports. The reasonableness of 'achievement of objectives', and 'monitoring and evaluation' ratings was assessed based on a reading of the report, and conversation with the report author.

APPENDIX D: SELECTED MDG INDICATORS

The eight Millennium Development Goals (MDGs) for 2015 form a blueprint agreed to by all of the world's countries and its leading development institutions.

- > **MDG 1: Eradicate extreme poverty and hunger**, with the targets of (i) halving, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day, (ii) achieving full and productive employment and decent work for all, including women and young people, and (iii) halving, between 1990 and 2015, the proportion of people who suffer from hunger.
- > **MDG 2: Achieve universal primary education**, with the target of ensuring that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
- > **MDG 3: Promote gender equality and empower women**, with the target of eliminating gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
- > **MDG 4: Reduce child mortality**, with the target of reducing by two-thirds, between 1990 and 2015, the under-five mortality rate.
- > **MDG 5: Improve maternal health**, with the targets of (i) reducing by three-quarters, between 1990 and 2015, the maternal mortality ratio, and (ii) achieving, by 2015, universal access to reproductive health.
- > **MDG 6: Combat HIV/AIDS, malaria and other diseases**, with the targets of (i) halting, by 2015, and beginning to reverse the spread of HIV/AIDS, (ii) achieving, by 2010, universal access to treatment for HIV/AIDS for all those who need it, and (iii) halting, by 2015, and beginning to reverse the incidence of malaria and other major diseases.
- > **MDG 7: Ensure environmental sustainability**, with the targets of (i) integrating the principles of sustainable development into country policies and programs and reversing the loss of environmental resources, (ii) reducing biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss, (iii) halving, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation, and (iv) achieving, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.
- > **MDG 8: Develop a global partnership for development**, with the targets of (i) addressing the special needs of least developed countries, landlocked countries and small island developing states, (ii) developing further an open, rule-based, predictable, non-discriminatory trading and financial system, (iii) dealing comprehensively with developing countries' debt, (iv) providing, in cooperation with pharmaceutical companies, access to affordable essential drugs in developing countries, and (v) making available, in cooperation with the private sector, the benefits of new technologies, especially information and communications.

Indicators of progress toward a selection of these goals in Asia-Pacific countries is shown in Table 2.

TABLE 2: PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS—SELECTED ASIA-PACIFIC COUNTRIES

	Indonesia	Papua New Guinea	Laos	East Timor	Solomon Islands	Vanuatu
Goal 2: Achieve universal primary education						
Primary enrolment ratio (net)	97		86	68	62	89
Primary completion rate	99		77	69		86
Literacy rate (15–24 year olds)	97	64	84			92
Goal 3: Promote gender equality and empower women						
Female:male primary enrolment	96	84	90	94	96	98
Goal 4: Reduce child mortality						
Under-5 mortality rate (no. per 1000)	31	65	70	97	70	34
Infant mortality rate (no. per 1000 live births)	25	50	56	77	53	28
Goal 5: Improve maternal health						
Maternal mortality rate (no. per 100 000 live births)	420	470	660	380	220	
Goal 6: Combat HIV/AIDS, malaria and other diseases						
HIV prevalence (15–24 years)		2	0			
Goal 7: Ensure environmental sustainability						
Improved drinking water source	80		60	62	70	
Improved sanitation facility	52		48	41	32	

Note: Data based on the latest estimates at the time of writing. The unit is 'per cent' unless noted otherwise.

Source: M Baird, *Service delivery for the poor: lessons from recent evaluations of Australian aid*, Office of Development Effectiveness, AusAID, Canberra, 2009, p. 5.

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