



Australian Government

Department of Foreign Affairs and Trade

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## **Making Performance Count:** enhancing the accountability and effectiveness of Australian aid

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## 1. Making performance count: enhancing the accountability and effectiveness of Australian aid

The Australian Government is determined to make sure taxpayers' money spent on Australia's overseas aid program is responsible, affordable and sustainable.

We need to know that the aid program is being well managed and is promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region.

We must account to taxpayers for an annual \$5 billion Government program. We must ensure that aid dollars are spent to help Australia thrive in a safer and more prosperous region.

To do so, the Australian Government has designed a new performance framework for the Australian aid program.

It is simple; it links performance with funding; and it ensures a stronger focus on results and value-for-money.

In developing the performance framework, the Government consulted with non-government organisations, the private sector, academia, partner governments and multilateral organisations to draw on their experience and expertise. This included more than 40 consultations with over 70 stakeholders and experts in Australia and overseas, and 48 written submissions.

The Government also drew on the findings of the recent inquiry into Australia's aid program by the Senate Standing Committee on Foreign Affairs, Defence and Trade.


The Australian Government is now putting in place a new performance framework that operates across all levels of the aid program:

- › At a strategic level, there will be 10 high level targets to assess the aid program against key goals and priorities;
- › At a country, regional and partner program level, performance benchmarks will be introduced to measure the effectiveness of our portfolio of investments; and
- › At a project level, robust quality systems will ensure that funding is directed to investments making the most difference.

A key principle underlying the framework is that funding at all levels of the aid program will be linked to progress against a rigorous set of targets and performance benchmarks.

This is consistent with the findings of the Independent Review of Aid Effectiveness of April 2011 which stated that "it makes sense that budget appropriations each year be contingent on things going to plan and existing monies being spent effectively." And it delivers on a core pre-election commitment of the Government to make performance count.

Making Performance Count is central to the purpose of Australia's aid program: promoting Australia's national



interests by contributing to sustainable economic growth and poverty reduction.

And it will give Australians confidence that our aid will be more effective, more efficient and better accounted for than ever before.

## 2. Strategic level: 10 key targets

At the strategic level, there will be 10 targets to ensure the aid program is well managed, achieving value-for-money and making progress in delivering key Government priorities, as outlined in the Government's new development policy.

The following 10 key targets will apply at the strategic level across the aid program:

**1. Promoting prosperity:** *Promote economic development by increasing Australia's aid-for-trade investments to 20 per cent of the aid budget by 2020.*

Economic development is at the centre of Australia's aid program. A key element of this strategy is to promote and support sustainable economic growth and prosperity in the Indo-Pacific region through increased trade and investment. The evidence is clear that economic growth is the most effective means of reducing poverty. Over the next six years, the proportion of Australian aid directed to aid-for-trade will increase to at least 20 per cent.

**2. Engaging the private sector:** *All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes.*

The private sector plays a critical role in reducing poverty and promoting prosperity. This is true not only for economic growth and trade related aid investments, but also in service delivery

areas like health and education. From 1 July 2014, ways to engage the private sector must be considered for all new investments before being approved for implementation, with all investments over \$50 million subject to formal review to ensure this requirement is being met. This will include engaging the private sector in: the design or delivery of investments; innovative approaches to project financing; public-private partnerships; improving the regulatory environment for private sector participants; or addressing other constraints to economic growth.

**3. Reducing poverty:** *By July 2015, all country and regional programs have Aid Investment Plans that describe how Australia's aid will promote economic growth in ways that provide pathways out of poverty.*

Promoting economic growth is the best way of reducing poverty. Over the next 12 months, all country and regional aid programs will develop an *Aid Investment Plan* that identifies the key constraints to growth and private sector development, based on economic, political and social analysis. *Aid Investment Plans* will outline how our investments will promote private sector-led growth and enable the poor to participate and share in the benefits of greater economic prosperity. This will include consideration of ways to enable more disadvantaged members of society, such as people with disabilities, to access the same opportunities as others and improve their quality of life.

**4. Empowering women and girls:** *More than 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation.*

One of the best ways to promote economic growth is to empower and make better use of the skills and talents of women and girls, and to advance gender equality. To achieve this we need to ensure that gender equality is properly considered in all of our investments, not only those that focus specifically on gender issues. Effectively advancing gender equality is challenging, but we know that we can do more to empower women and girls. To meet this target the gender impacts of all aid investments will be assessed annually and at least 80 per cent of these investments will need to demonstrate real progress in addressing gender issues. This might mean ensuring women participate in decision-making throughout implementation, identifying and pursuing opportunities for women to be employed through an investment, or addressing particular challenges to implementation such as violence or social norms that exclude women. Investments may need to improve sex-disaggregated data collection to better understand the impacts of an investment on women and girls.

**5. Focusing on the Indo-Pacific region:** *Increase the proportion of country program aid that is spent in the Indo-Pacific region to at least 90 per cent from 2014–15.*



In recent years, the aid program has become more geographically spread out, increasing its administration costs and reducing its impact. To ensure a tightened geographic focus, at least 90 per cent of country program aid will be spent in the Indo-Pacific region from 2014–15.

**6. Delivering on commitments:** *From July 2015, progress against mutual obligations agreed between Australia and its key partner governments and organisations will form part of program performance assessments.*

Aid by itself cannot deliver development. We need to move away from traditional donor-recipient relationships to more mature partnerships. Greater mutual accountability is critical in making this transition. While Australia will be held to account for the performance of its investments, partner governments and organisations also need to contribute to shared development goals. Progress by both Australia and its partners in meeting mutual obligations will be assessed and reflected in future budget allocations. The mutual obligations of partner governments and organisations will generally reflect their own reform commitments of particular importance to their development and Australia's aid investments.

**7. Working with the most effective partners:** *By July 2015, design and apply new systems to assess the performance of the aid program's key delivery partners and ensure stronger links between performance and funding.*

The Government will strengthen the existing systems used to assess the performance of the aid program's key delivery partners, including contractors, non-government organisations and multilateral organisations. More can be done to better link partner performance with funding allocations, so that funding increasingly flows to the most effective organisations. This will take into consideration the extent to which partners are working effectively to achieve Australia's strategic objectives for our region and delivering results strongly aligned with our national interests. These changes will be made collaboratively with our partners and consultations on this have already begun.

**8. Ensuring value-for-money:** *Deliver high standards of value-for-money in at least 85 per cent of aid investments. Where standards are not met and improvements are not achieved within a year, investments will be cancelled.*

Investments not delivering value-for-money will be required to be improved within one year or be cancelled. This target will require that from 2014–15, at least 85 per cent of investments being implemented satisfactorily meet effectiveness and efficiency standards reflecting new value-for-money principles. This will build on and strengthen existing systems which require the performance of investments to be assessed annually. We will also ensure that value-for-money is achieved in the deployment and remuneration of advisers.

**9. Increasing consolidation:** *Reduce the number of individual investments by 20 per cent by 2016–17 to focus efforts and reduce transaction costs.*

In 2013, the aid program was managing over 1300 individual investments. Consolidating the program to focus on fewer, larger investments will increase the impact and effectiveness of our aid, as well as reduce the administrative overheads required to manage the program.

**10. Combatting corruption:** *Develop and implement new fraud control and anti-corruption strategies for all major country and regional programs by July 2015.*

By their nature, aid investments contain a high degree of risk. The aid program operates in some of the most dangerous and corrupt environments in the world. To combat fraud and corruption more comprehensively, and ensure Australian taxpayer dollars reach intended beneficiaries, major country and regional programs will develop and implement new fraud and anti-corruption strategies.

### 3. Reporting on performance

The 10 targets will enable the Australian Government to track whether money is being spent on the key priorities identified in the Government's development policy, whether this spending is being managed well, and whether this is producing value-for-money and results.

The performance of the aid program will be judged on its progress in meeting these targets. Progress will be reviewed each year and reported publicly in a *Performance of Australian Aid* report.

This report will provide the official corporate scorecard to Government on the 10 strategic targets. It will also provide a whole-of-aid-program summary of country and regional program performance and a snapshot of the overall results being achieved by the aid program.

The assessments made in the report will inform annual budget allocations and be quality assured and verified by the Office of Development Effectiveness working under the direct supervision of the *Independent Evaluation Committee* of the Department of Foreign Affairs and Trade.

## 4. Program level: performance benchmarks – focusing on results

All country and regional programs will develop new *Aid Investment Plans* over the next 12 months. These will incorporate actions that will deliver against the strategic targets outlined above.

*Aid Investment Plans* will succinctly outline the focus and scope of aid investments in a country or region and the results expected to be achieved. This will include aid investments delivered by the Department of Foreign Affairs and Trade, as well as other government departments and agencies.

To assess the performance of each program in meeting its strategic priorities set out in its *Aid Investment Plan*, a focused number of performance benchmarks will be identified for each country or regional program.

Rather than taking a ‘one size fits all’ approach, these will be tailored to the different development contexts and priorities of the countries we work in, making the way we measure performance more relevant to us and our partner governments.

Judging the relative performance of programs will require an informed approach that is less mechanistic than simply reporting aggregated results and comparing them between programs.

Progress against performance benchmarks will be reported annually in *Aid Program Performance Reports* for major country and regional programs and inform annual budget allocations. These reports will cover aid delivered by all Australian Government departments and agencies in a particular country or region.

## 5. Individual investments: a tougher approach

The aid program is delivered in different ways – through projects, technical assistance and direct support to partners. We need a system that can measure the quality of these aid investments and direct funding towards the best performing activities.

We recognise that, despite our best efforts, not all our investments will be successful. The Australian Government is determined to ensure our aid program is innovative, actively engaging with risk, and looking for new solutions to intractable development challenges. Sometimes this will mean our investments will not deliver the returns we hoped for. When things go wrong, we must be ready to cut our losses, learn from our mistakes, and look for new opportunities.

That is why, beginning now, poorly performing aid investments will be subject to a stricter new management requirement, that they be cancelled if they do not improve within one year. Where aid investments perform well, we will look for ways to increase their funding or replicate them in other countries or sectors.

## 6. At all levels: linking funding to performance

The fundamental principle underpinning the new performance framework is strengthening the link between performance and funding. This is critical to our Government's efforts to drive a culture that is sharply focused on results, achieving better value-for-money, and getting the best development returns on each aid dollar spent.

Performance will be a key criteria used to determine future budget allocations. As outlined in the Government's development policy, other factors will include our national interest; promoting growth and poverty reduction; and Australia's value-add and leverage.

To further complement these reforms, a new *Performance Incentive Fund* will also be established in 2015-16 to reward programs and partner governments that perform well with additional funding. The fund will provide an incentive for all programs, countries and partners to continually improve their effectiveness.

In addition, the systems used to assess the performance of key delivery partners – multilateral organisations, non-government organisations and contractors – will be strengthened, so that funding increasingly flows to the most effective organisations. The new systems will provide a more streamlined and focused way of assessing partner performance and will be developed in collaboration with our partners by July 2015.



## 7. Conclusion

The reforms presented today represent an ambitious step to make performance count more in the Australian aid program.

The performance framework, focusing on high level priorities, broad programs and specific investments, has been independently reviewed by Mr. Jim Adams, Chair of the Department of Foreign Affairs and Trade's *Independent Evaluation Committee* and former Vice President of the World Bank. He has confirmed that the reforms proposed in *Making Performance Count* represent a credible and effective system for overseeing the performance of the Australian aid effort.