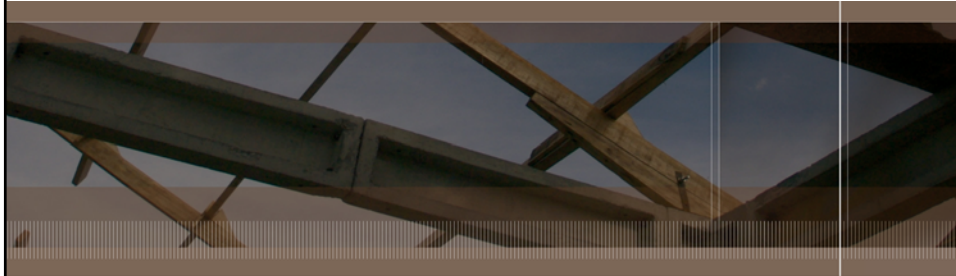


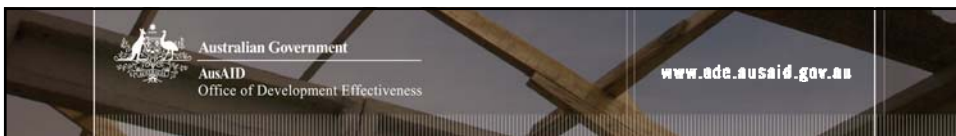
Assessing Aid Effectiveness in a changing world

The Annual Review of Development Effectiveness



Australian Government
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Operating environment for aid is complex

- Over 230 multilateral agencies
- Around 18,000 non-government organisations
- Private philanthropy organisations major players
- Vertical or “single issue” funds significant new players
- Emerging donors add to the complexity and don’t play by the same rules as traditional donors



Agreed development targets: MDGs

Eradicate Extreme Hunger and Poverty

Achieve Universal Primary Education

Promote Gender Equality and Empower Women

Reduce Child Mortality

Improve Maternal Health

Combat HIV/AIDS, Malaria and other diseases

Ensure Environmental Sustainability

Develop a Global Partnership for Development



Aid does not equate to development

- Aid equates to less than 10 per cent of public expenditures in more than 70 per cent of recipient countries.
- Should be seen as additional resource flows not a substitute.
- Difficulty arises in knowing where to draw the line of accountability for outcomes of aid.



Aid flows as a proportion of GDP for Indonesia and Papua New Guinea

Country	GDP 2005 (current \$US billion)	ODA received 2005 (net disbursements current \$US)	% of GDP	Australian aid flows as a % of ODA
Indonesia	287.2	2523.5	0.9	7.3
PNG	4.9	266.1	5.4	87.8

Source: www.oecd.org/dac/stats



Aspects of aid effectiveness

Useful to think of it in three components:

- Behaviour of donors (Paris principles)
- Behaviour of partners (ownership, additionality concept, fungibility, governance etc)
- Aid implementation (activity level evidence)



Evaluating development effectiveness

- Recently moved to country level being the unit of account for effectiveness purposes
- No established satisfactory methodology for this type of evaluation.
- Mix of different criteria for assessment adopted including Paris principles, plus other known influences on effectiveness eg predictability of aid flows etc
- Major issue with attribution – what is the appropriate line of accountability?



Purpose of the ARDE

- Aims to bring about a shared understanding within the Australian government and people of major effectiveness issues and the performance of the Australian aid program.
- Also fundamental to encouraging a culture of continuous improvement in the aid program.



ARDE 2007

Five opportunities to strengthen effectiveness:

- Fragile States
- Reform in the larger economics of Asia
- Technical assistance
- Performance orientation
- Reducing gender inequality



Impact of 2007 ARDE

- Broadened engagement with fragile states: new Pacific Partnerships for Development
- New performance assessment and evaluation policy implemented.
- Ongoing work on Technical Assistance
- On gender: principal adviser appointed, strengthened reporting and accountability processes.



Evidence base for 2008 ARDE

The ARDE is based on:

- AusAID Annual Performance reports from 07-08
- AusAID Quality Reporting System data from 07-08
- Reviews of country strategies completed in 2007 and 2008
- AusAID, ODE and international evaluations
- AusAID and OECD statistical and budget data



2008 Reference group

An external reference group of international experts helped to guide the 08 ARDE, providing comments through out the process.

- > Howard White
- > Richard Manning
- > Michael Flint

ARDE 2008: Scaling up in a deteriorating global environment

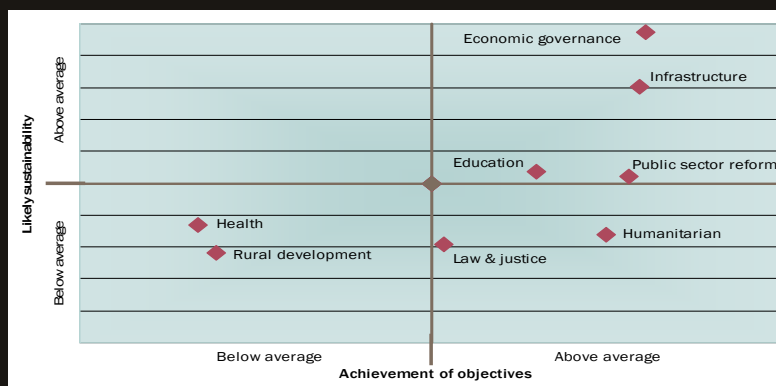
Two challenges

- Scaling up to 0.5% of GNI by 2015 -16
- Global recession

International context

- MDG progress
- Changing aid architecture
- International efforts to improve effectiveness

Activity level sector performance 2007-08





Increasing the likelihood of success

1. Strong ownership for the reform agenda
 - > Put partners in the driving seat – exercising leadership and control
 - > Design aid activities with ownership in mind
 - > Ownership does not imply acceptance of poor policy or practice.



Increasing the likelihood of success

2. Being clear about what Australian assistance can achieve
 - > Based on good analysis
 - > Clearly defined objectives
 - > Clearly identifying the role of Australian aid
 - > *There's a difference between aid and development*



Increasing the likelihood of success

3. Ensuring Australian aid fits the context
 - > Providing the right kind of aid, in the right way
 - > Reduce reliance on technical assistance



What does this mean for aid management and delivery?

Australia is reforming the way it manages and delivers aid – reflecting international moves to improve effectiveness, but also reflecting our own experiences...

There are examples where we do well, though the ARDE identifies four areas for closer attention.



Aid management and delivery

Strengthening approach to policy dialogue

- > Enhanced by devolution – but needs expertise
- > Can influence through analytical work
- > Develop the right mechanisms



Aid Management and delivery

Providing more focused and predictable support

- > Address proliferation
- > More predictable aid flows are important for partner's planning processes
- > Increase transparency in aid spending



Aid Management and Delivery

Working through program based approaches

- > Challenging in fragile states
- > Use it or lose it
- > Need to be well designed or will replicate the problems of stand alone activities



Aid Management and Delivery

Managing risk

- > Balance fiduciary risk against the risk of not achieving development outcomes
- > Requires guidance on
 - > Assessing systems
 - > Deciding on appropriate controls to protect funds
 - > What needs to be fixed (and how) before we can use a particular system?



Responding to the challenges

1. Ensure that the aid program protects gains in poverty reduction
 - > Australia can play a leadership role
 - > Protect the poor and vulnerable
 - > Establish longer term conditions for generating growth and employment



Responding to the challenges:

2. Update the aid program's operational framework
 - > Updated guidance and direction for managing and delivering aid
 - > Better approaches to risk management
 - > Greater focus and program coherence
 - > Fuller disclosure of aid levels



Responding to the challenges

3. Redefine engagement with civil society.
 - > Fill gaps in service delivery
 - > Improve aid transparency and accountability
 - > Advocate for the vulnerable
 - > Can provide an additional safeguard when using partner systems and can help strengthen systems beyond central government



ARDE 2009

Improving basic services for the poor in a challenging global environment

- > Major international development challenges
- > The importance of a systems approach to service delivery
- > Aid program performance and positioning to meet development challenges and improve service delivery for the poor



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Questions?

For more info contact ODE, or visit the website
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