



6. Ongoing ratings system

The terms of reference for the AMA state that the final report will:

include recommendations on the use of the rating system on an ongoing basis, including links to existing international assessment processes such as the Multilateral Organization Performance Assessment Network (MOPAN), and on the need for systems and processes to facilitate ongoing assessment.

1. Principles

The ongoing ratings scheme should be based on the following principles:

- a. **simplicity** through aligning to the extent possible with existing processes under Australia's aid program and existing multilateral processes where possible
- b. **proportionality** through investing the most time in assessing and engaging with organisations of most importance to Australia's aid program (as measured by the size or level of risk of investment)
- c. **clarity** on what Australia expects from engaging with multilateral organisations and how progress will be measured
- d. **consistency** to enable tracking of progress over time
- e. **efficiency** for Australian officials, multilateral organisations and other stakeholders by linking to the extent possible with existing Australian and international efforts to assess multilateral effectiveness
- f. **transparency** through publishing, on an annual basis, information about the impact and effectiveness of Australia's funding to multilateral organisations.

2. Key considerations

The ongoing ratings system should be refined and institutionalised during the development and implementation of the multilateral engagement strategy in 2012.

Implementation of the system should be undertaken in collaboration with like-minded donors such as the UK and Canada and linked with MOPAN wherever feasible and appropriate.

The system should also be aligned with and directly feed into the aid program's results framework to avoid any duplication of effort.

3. Proposed system

On the basis of these principles, the ongoing assessment of multilateral effectiveness should include: tracking performance through an annual multilateral performance scorecard; reporting on multilateral effectiveness at country-level through annual program performance reports; addressing performance concerns through a formal process; and conducting a five-yearly comprehensive assessment of multilateral effectiveness. These measures are outlined below.

a. Tracking performance through an Annual Multilateral Performance Scorecard

In August of each year an Annual Multilateral Performance Scorecard will report on the effectiveness of Australia's multilateral partners. The scorecard will be compiled by AusAID's Multilateral Aid Effectiveness section.

Input for the scorecard will come from the part of Government that leads on the development-related aspects of the relationship with each organisation, drawing on outcomes from senior level meetings, MOPAN reports and board reporting.

The scorecard will:

- > report on major developments against the AMA's seven components for multilateral organisations that receives core funding of more than \$2 million and/or non-core funding of more than \$5 million through Australia's aid program
- > report on issues or trends on the effectiveness of multilateral organisations as delivery partners at country or sector levels
- > report any changes to ratings for the seven components, whether they arise from major developments or from further evidence
- > note changes in ratings that arise due to changes made to the methodology (for example, as flagged in Section 4, a change to the methodology may be warranted in component 3 so each organisation's contribution to the wider multilateral system is assessed without regard to their stated mandates)
- > include available information on aggregate institutional results achieved by multilateral organisations and the share attributable to Australia's core contributions
- > inform core funding decisions, including relating to performance-linked funding allocations
- > be used to identify common issues or trends across multilateral organisations that can be taken forward in high-level meetings or through MOPAN discussions.

Organisations not included in the AMA may also be included in the scorecard, following an assessment of ratings against the 24 criteria.

The scorecard will be made publicly available through AusAID's website, enabling all stakeholders to see information on the impact and effectiveness of Australia's contributions to multilateral organisations.

b. Reporting on multilateral effectiveness at country-level through Annual Program Performance Reports

As a key input into the scorecard, country-level feedback on multilateral performance will be gathered systematically through a strengthened requirement that each Annual Program Performance Report (APPR) include a section on multilateral effectiveness. APPRs will briefly flag good and bad practice on the performance of all multilateral partners that engage with Australia's aid program and/or play a particularly significant role in that country. In some cases, the information in APPRs may trigger a request for more information from the area preparing the scorecard.

c. Addressing performance concerns through a formal process

Organisations that receive a 'weak' rating against one or more AMA component may be subject to a formal process of performance monitoring as follows:

- > The area within the Australian Government responsible for leading on the aid program aspects of the relationship may send a performance letter to the organisation
- > The performance letter will outline concerns about the organisation's performance, setting out expectations for improvement and how progress against expectations will be monitored and measured
- > Where appropriate, the performance letter will outline consequences if performance indicators are not met
- > Progress against the indicators in performance letters will be reported in the Annual Multilateral Performance Scorecard
- > Where progress is insufficient, the Australian Government may decide to reduce or cease funding
- > The formal performance monitoring process will be in addition to efforts to improve the effectiveness of all multilateral organisations through ongoing engagement.

d. Five-yearly comprehensive assessment of multilateral effectiveness

To complement the annual scorecard system, every five years Australia will produce a comprehensive assessment of the effectiveness of multilateral organisations. This should be undertaken to the greatest degree possible in collaboration with like-minded bilateral donors.

The assessment should draw, to the greatest degree possible, on information from MOPAN. Australia should work with like-minded donors over the coming years to maximise the value of information from MOPAN to minimise the amount of original assessment work Australia and other bilateral donors need to conduct.

Collaborating with others will not negate the need for an Australia-specific element of the multilateral assessment, particularly in assessing the extent of alignment with Australia's development priorities.