Governance
annual thematic performance
report 2007–08

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Australian Government – AusAID

Contents

Abbreviations

AFP	Australian Federal Police
AIPRD	Australia–Indonesia Partnership for Reconstruction and Development
DAC	OECD Development Assistance Committee
LOGICA	Local Governance and Infrastructure for Communities in Aceh
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
RAMSI	Regional Assistance Mission to Solomon Islands
QAI	quality at implementation
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WASPOLA	Water and Sanitation Policy Formulation and Action Planning Project

Overview of the governance sector

Governance in the Asia-Pacific region

Governance is characterised as 'the manner in which the state acquires and exercises its authority to provide public goods and services'.[1] Governance matters because, by its character, it either enables or impedes the achievement of broader development goals such as economic growth, poverty reduction and improvements in health and education.[2] Governance is, in effect, the medium through which development occurs.

A broad suite of tools has been developed over the past decade for measuring governance performance of countries over time. Best known are the World Bank's world governance indicators, which cover 212 countries and territories and draw from 311 variables extracted from 33 separate data sources that are prepared by 30 different organisations.[3] The indicators measure six dimensions of governance: 'voice and accountability', 'political stability and absence of violence', 'government effectiveness', 'regulatory quality', 'rule of law' and 'control of corruption'. The results for the countries to which Australia provides bilateral assistance are in Table 1.[4]

The results provide some marked contrasts between countries. For example, the single party states of East Asia rank very low on voice and accountability, although Vietnam and China track rather better on 'government effectiveness', 'regulatory quality' and 'rule of law'. Solomon Islands and Papua New Guinea show the reverse pattern, tracking around the midpoint on 'voice and accountability' but ranking poorly on the other three dimensions. With some exceptions, the Pacific states track well on 'political stability and absence of violence', but only Samoa and Fiji rank above the midpoint on 'government effectiveness'.

Some countries—including Burma, Iraq and Afghanistan—perform poorly over all dimensions of governance. Burma's performance is so poor that it ranks second last to Somalia in the Bertelsmann Transformation Index[5] of 125 countries; Afghanistan and Iraq do not fare much better with rankings of 119 and 116 respectively.

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[1] OECD Development Advisory Committee Network on Governance, *Policy paper on anti-corruption: setting an agenda for collective action,* September 2006.

[2] In 2007 the World Bank released a set of guiding principles for strengthening its engagement on governance and anticorruption <www.worldbank.org/html/extdr/comments/governancefeedback/emergingplan-apr07.pdf>. The first principle states that 'The World Bank Group (WBG's) focus on governance and anti-corruption (GAC) follows from its mandate to reduce poverty – a capable and accountable state creates opportunities for poor people, provides better services, and improves development outcomes'.

[3] As world governance indicators are drawn from a wide variety of sources the margins for error can be significant and there may be fewer sources for data for smaller countries. These indicators must be used with caution and in conjunction with other indicators or assessments; however, as world governance indicators have broad country coverage and have been compiled since 1996 they provide a useful comparative tool.

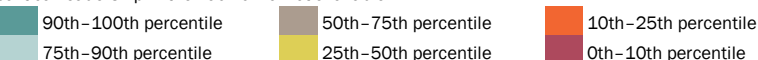[4] Developing countries generally perform relatively poorly in governance assessments such as the world governance indicators that rank performance against developed countries..

[5] The Bertelsmann Transformation Index is an international ranking of 125 developing and transition countries. It examines the political and economic status of each country as well as its political management performance.

Table 1: World governance indicators for 2006[a]

Region and country	Voice and accountability	Political stability and absence of violence	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
East Asia						
Burma	0	24	2.8	1	3.8	1
Cambodia	21.6	29.3	15.2	26.8	12.4	7.3
China	4.8	33.2	55.5	46.3	45.2	37.9
East Timor	38.5	16.8	26.5	6.8	11.4	19.9
Indonesia	41.3	14.9	40.8	43.4	23.3	23.3
Laos	6.3	42.8	18.5	14.1	17.1	13.1
Mongolia	53.4	71.6	36.5	42	46.7	37.4
Philippines	44.2	11.1	55	52.2	41.9	27.2
Thailand	32.2	16.3	64.9	62.4	55.2	50.5
Vietnam	8.2	59.6	41.7	31.2	44.8	29.1
South Asia						
Bangladesh	30.8	8.7	23.7	20	22.9	4.9
Bhutan	22.6	95.2	65.9	47.3	68.1	80.6
India	58.2	22.1	54	48.3	57.1	52.9
Maldives	20.2	72.1	56.9	59.5	58.1	39.3
Nepal	13	1.9	19	28.8	29	25.2
Pakistan	12.5	4.8	34.1	38.5	24.3	18
Sri Lanka	36.1	8.2	42.2	50.2	54.3	48.5
Pacific						
Cook Islands	na	na	na	66.8	84.3	72.3
Fiji	34.6	50.5	52.6	39	51.9	45.6
Kiribati	63	96.2	35.5	17.1	77.6	59.2
Micronesia	80.8	85.6	47.9	56.6	69.5	50
Nauru	81.7	86.1	9	na	70.5	na
Niue and Tokelau	na	na	na	na	na	na
Samoa	64.4	88.5	57.8	53.2	81	63.1
Solomon Islands	51.9	51	18	13.2	20	49
Tonga	46.2	66.3	29.9	22	64.3	5.3
Tuvalu	71.2	96.2	45.5	21.5	83.8	56.3
Vanuatu	63.5	96.2	40.3	49.3	62.9	62.6
Papua New Guinea	48.6	23.1	23.2	23.4	17.6	9.2
Africa/Middle East						
Afghanistan	10.6	1.4	5.7	3.4	0.5	1.9
Iraq	7.7	0	1.4	7.3	1	3.4
Palestinian Territories	na	na	na	na	na	na

a   Scores are given as a percentile rank (0–100), with 100 being the highest and 0 being the lowest ranking. These indicators do not measure gendered dimensions of governance. This has particular implications for aspects such as 'voice and accountability' and the ability of the world governance indicators to provide an evidential base to help deal with the significant under-representation of females within political leadership in the Pacific. na Not available.

Note:

90th–100th percentile	50th–75th percentile	10th–25th percentile
75th–90th percentile	25th–50th percentile	0th–10th percentile

Governance in the Asia-Pacific region is shaped not only by political history and economy, but also by culture and terrain. Ethno-linguistic diversity, as in Indonesia and parts of Melanesia, and geographic remoteness from the capital, as in the large archipelagos of Indonesia and the Pacific or the rugged terrain of Papua New Guinea, create specific challenges for governance and development. National-level indicators can mask significant variation at the subnational level and the challenges of effective governance across a complex nation.

Where governance is weak, the opportunities for corruption are increased. Corruption remains a serious challenge in the Asia-Pacific region. Of the 32 countries in the region ranked in Transparency International's Corruption Perceptions Index in 2007, 22 register scores below five 'indicating that most of the countries in the region face serious perceived levels of domestic corruption'.[6] While perceived levels do not necessarily reflect the actual extent of corruption in a given country, they do provide a useful gauge on which to measure how governments are being viewed by their citizens. The corruption challenge in the Asia-Pacific region is also reflected in the World Bank's 2006 'control of corruption' indicator, with Indonesia, East Timor and Laos falling in the lowest quartile (bottom 25 per cent), and Papua New Guinea, Cambodia and Burma in the lowest decile (bottom 10 per cent).

Governance programming

The governance sector accounts for around one-third of Australia's official development assistance (ODA).[7] In 2007–08 an estimated 72 per cent of governance ODA was administered by AusAID and 28 per cent by other government agencies. Although a significant portion of this development assistance was administered by other government agencies, information required for reporting on the quality of those initiatives was not available for the purposes of this report. For this reason, the assessments made of the quality of governance activities relates to those administered by AusAID and for which quality reporting data were available. In addition to activity that is coded as governance, a significant amount of what is, in effect, governance activity is embedded in the work of other sectors such as health, education and infrastructure.

While there are many hundreds of governance-related activities agency-wide, due to the size of the governance portfolio, assessments in this report are based on the 100 projects that had quality-at-implementation (QAI) reports and that were valued at $3 million or more for 2007–08. This excludes institutional strengthening activities embedded in other sectors. Activities were assessed on implementation progress, meeting objectives, monitoring and evaluation, and sustainability. Around 78 per cent of activities were rated as satisfactory. Of these, roughly half required improvement, while the other half are of good or very good quality. Twenty-two per cent were rated as less than satisfactory.

Governance ODA is grouped for reporting purposes into five broad categories: economic management; public sector reform; legal and judicial development; improved democratic processes; and civil society and human rights.[8] Expenditure on the activities assessed for their quality at implementation in 2007–08 was an estimated $553 million (Table 2).[9]

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6   Transparency International, *Corruption Perceptions Index regional highlights: Asia Pacific Region*, 2007, <www.transparency.org>.

7   AusAID, *Annual report 2006–07*, Figure 4, puts the governance component of total ODA at 33 per cent.

8   Ministerial Budget Statement 2007–08, Australia's International Development Assistance Program, 2008–09, Diagram 6, <http://ato.gov.au/budget/2008-09/content/ministerial_statements/html/ausaid-04.htm>.

9   Other government agencies expended an estimated $232 million on all governance activity—not only activities with a value of at least $3 million.

Table 2: Governance projects by category[a]

Category	Number of activities	Funding approved in 2007–08
	no.	$m
Economic management	43	103
Public sector reform	25	186
Legal and judicial development	23	154
Civil society	22	48
Political governance	11	28
Non-specified/multi-category	10	34
Total	**134**	**553**

[a] The data do not reflect the full portfolio of AusAID's governance activities. Figures are based on a selection of activities, each with a value of at least $3 million, identified in the quality-at-implementation process. Some activities coded by AusAID as governance for reporting purposes (e.g. mine action) have been excluded from the listing of governance activities used for this report as they are peripheral to mainstream governance work.

Of AusAID's country programs, Papua New Guinea has the greatest number of governance activities, followed by the Pacific region and Indonesia. In dollar terms Papua New Guinea continues to lead, followed by Solomon Islands, Indonesia, the Philippines and East Timor (Table 3).

Table 3: Governance projects by program[a]

Program	Number of activities	Funding approved for 2007–08
	no.	$m
Papua New Guinea	18	205
Pacific regional	15	26
Indonesia	14	48
Asia transboundary	12	25
East Timor	9	30
Philippines	9	32
Cambodia	8	18
Solomon Islands	7	84
Other[b]	7	20
Vanuatu	6	18
Vietnam	5	2
China (and Mongolia)	4	9
Fiji (incl. Tuvalu)	4	6
Tonga	4	9
Africa	3	5
Middle East, Afghanistan and Pakistan	3	8
Samoa	3	5
South Asia	3	3
Total		**553**

[a] The data do not reflect the full portfolio of AusAID's governance activities. Figures are based on a selection of activities, each with a value of at least $3 million, identified in the quality-at-implementation process. Some activities coded by AusAID as governance for reporting purposes (e.g. mine action) have been excluded from the listing of governance activities used for this report as they are peripheral to mainstream governance work.

[b] Countries with one or two activities only or non-country based initiatives such as the Centre for Democratic Institutions.

This summary excludes the significant proportion of governance activity within the Australian aid program that is 'embedded' or 'integrated' in other sectoral activities. Most sectors engage extensively in strengthening institutions in areas such as policy development and implementation, financial management, planning and administration.

In the education sector, an examination of a sample of activities valued at $800 million identified that around 30 per cent (around $245 million) included significant governance components. The Fiji Education Sector Program, for example, is a $25 million program providing support to the Fiji Ministry of Education to implement strategic reforms to improve the quality of planning, management, provision and monitoring of education services. In Indonesia the Nusa Tenggara Timur Primary Education Partnership, worth $27 million, focuses on strengthening local government institutions that deliver basic education and school-based management, enhance community participation in education and build the capacity of education managers in government agencies.

Similarly, the health sector extensively integrates governance components. In a sample of activities worth $1.3 billion, around $596 million or 50 per cent include components of governance. One example is the PNG Capacity Building Service Centre, worth $71 million, which provides support to the health sector to develop competencies and capabilities at the individual, organisational and system levels. Similarly, Australia's engagement with the health sector in Solomon Islands, worth $75 million, works to improve population health by strengthening the management and operational capacity of the public health sector to improve access to, and delivery of, quality health services. Whatever the sector, services to the end user are adversely affected by weak governance.

Water management in Indonesia

Water is a basic necessity, essential to life. One of Millennium Development Goal targets is to halve the proportion of people without sustainable access to safe drinking water and improved sanitation by 2015. This goal cannot be achieved without associated efforts to strengthen water sector management at national and local levels.

AusAID is one of the principal donors to the Water and Sanitation Policy Formulation and Action Planning Project (WASPOLA) in Indonesia, implemented through the World Bank. Only 48 per cent of people in Indonesia have access to clean drinking water, and major reasons for a lack of supply are fundamentally related to governance. These include critical gaps in public policy, a lack of institutional capacity and resources at district and provincial levels, poor management, a lack of a service culture, and low accountability to citizens. Hence, while the goal of WASPOLA is to contribute to adequate and sustainable water supplies and improved sanitation, this is done largely through governance activity. The project aims, on the one hand, to strengthen and improve institutional capacity to develop and implement necessary policy frameworks and regulatory systems and, on the other hand, to give citizens more voice in relation to service provision.

Major achievements of WASPOLA include the development of a general policy framework for community-based rural water and sanitation facilities, the development of a policy framework for institution-based urban water and sanitation facilities, the development of improved institutional capacity at the national level and at selected provincial and district levels, and improved availability and quality of information on water supply and environmental sanitation. This has been accompanied by increased community participation in this sector through community consultations and benchmarking of the quality of services.

Performance of governance activities

AusAID's governance work traverses five areas: improving economic and financial management, strengthening law and justice, increasing public sector effectiveness, developing civil society, and improving democratic processes (Figure 1). The first four areas were set out in AusAID's 2000 policy document.[10] The fifth was added in the ministerial budget statement for 2003–04. All five were reaffirmed in the 2006 white paper[11] and, by default, have served as the overarching objectives for the governance sector. The performance of governance activities against these objectives is discussed in this chapter.

High levels of corruption arise from poor governance, and across the donor community efforts to tackle corruption have been linked with governance and aid effectiveness. The white paper highlighted corruption as a major brake on broad-based economic growth and poverty reduction in many countries in the region and proposed the mainstreaming of anticorruption efforts across the Australian aid program. In 2007–08, additional funding was approved in the budget to support anticorruption initiatives and performance is discussed at the end of this chapter.

Figure 1: Estimated official development assistance for governance , by subsector, 2007–08
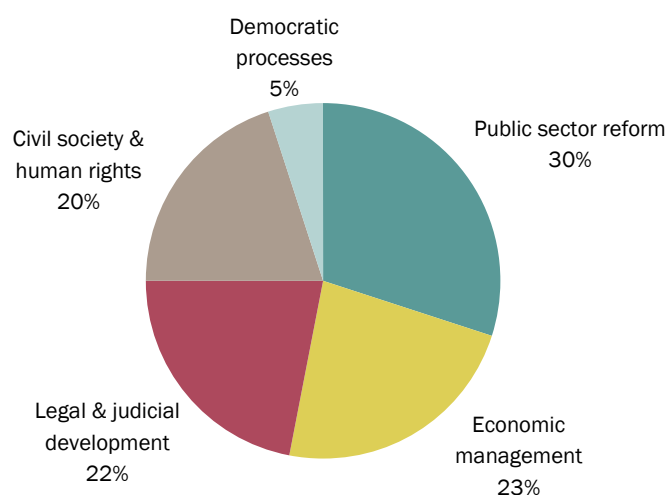
Note: The descriptions for the five subsectors vary slightly from those set out in the 2000 policy document *Good governance: guiding principles for implementation.*

Source: Ministerial Budget Statement 2007–08*, Australia's International Development Assistance Program 2008–09*, p. 18.

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10   AusAID, *Good governance: guiding principles for implementation*, Australian Agency for International Development, Canberra, August 2000.

11   Australian Government, *Australian aid: promoting growth and stability*, a white paper on the Australian Government's overseas aid program, Australian Agency for International Development, Canberra, 2006.

Improving economic and financial management

What does AusAID do?

AusAID is engaged in a range of activities relating to economic governance, the mix of activities varying from country to country and from region to region. This may be explained by the different challenges and circumstances that each country and each region faces. However, in some cases this could also be a result of a lack of strong guiding principles for economic governance that would lay a platform for prioritising and designing the mix of economic governance activities. Some of the main activities categorised as economic governance are outlined below.

Public financial management is a core area of AusAID support in most partner countries in Asia and the Pacific. It is an area of particular priority for AusAID in Papua New Guinea, Solomon Islands, Nauru, Vanuatu, East Timor, Cambodia, Indonesia and the Philippines. In the Pacific, public financial management support is augmented at the regional level with funding contributions to the Pacific Financial Technical Assistance Centre. Within the sphere of public financial management, the emphasis tends to be on revenue management, fiscal planning and accountability measures, with less emphasis placed on expenditure management.

Economic policy development is an important area of AusAID involvement in many of Australia's partner countries. Public financial management and economic policy development are often brought together under common programs as in, for example, the Pacific Financial Technical Assistance Centre. The Association of Southeast Asian Nations receives support for regional economic policy development. Increasingly, AusAID is providing support for microeconomic reforms, as in Vanuatu, Indonesia and Philippines. This is a positive development as support for economic policy development has been small compared with the support for public financial management, yet there are many opportunities for microeconomic reform to deliver pro-poor growth.

AusAID contributes to **trust funds** in the micro-states of Niue, Tokelau and Tuvalu, with income from trust fund investments feeding into national budgets. This indirect budgetary support is recognition that these countries face substantial hurdles in securing viable and prosperous economies, and that future attention to strengthening their capacity in public financial management is warranted.

Small and medium enterprise development is an increasingly important area of activity, as it is now accepted as a key way to deliver pro-poor growth and to empower women. Many activities in support of small and medium enterprise development relate to governance, particularly in developing policies and formulating regulations.

Land administration and policy has been a focus for AusAID in Laos, the Philippines and Solomon Islands and initiatives are under way to expand activities in the Pacific region.

Economic governance research is supported through the annual Australian Development Research Awards as well as through targeted long-term arrangements. Examples of research initiatives with a strong focus on economic governance include the Australian National University's Indonesia project and support for the journal *Pacific Economic Bulletin*. Support for research has not only provided benefits in advancing knowledge in economic governance, but also facilitated strategic economic governance networks.

Performance and results

AusAID uses a broad range of mechanisms to deliver activities. Again this is due in part to a shortfall in strong guidance on economic governance, but also to the different challenges and circumstances of each country and each region. In general, economic governance activities are dominated by the provision of technical assistance. In turn, most technical assistance is sourced from private contractors in Australia or from counterpart agencies in the Australian Government.

Among Pacific countries, a common approach in the provision of technical assistance is to deploy people into in-line positions or advisory roles. The Australian departments of Treasury and Finance are important sources for deployees and advisers in Papua New Guinea, Solomon Islands and Nauru. In the early phases of the deployment strategies, the main rationale was to fill voids in capacity and bolster the basic operations of the machinery of government in the recipient countries. The results have generally been good with contributions made in each country to improved macroeconomic performance and public financial management.

However, a sustainable approach of support for economic governance requires strong initiatives for capacity building. In Papua New Guinea and Solomon Islands there have been efforts to refocus support toward capacity building. This is a most welcome initiative, although it is a very challenging one given the difficulties in working in fragile states. Increased support for tertiary education so that graduates with higher calibre skills are recruited will enhance prospects for successful capacity-building efforts in these countries.

A difficulty with placing emphasis on deployees is the challenge of winning government ownership for their work—both at the political level and from within the bureaucracy. In Papua New Guinea and Solomon Islands initiatives have been taken to improve the institutional and management arrangements of deployees in order to tackle the concerns of government ownership and potential for two chains of command.

In Vanuatu the Governance for Growth Program takes a different approach to deployments. Economic governance activities and the procurement and placement of technical assistance are managed centrally in this program and within the systems of the Government of Vanuatu. The mandate of activities is broad, covering public financial management and economic policy reform. An oversight committee is jointly managed by donors and the Government of Vanuatu, ensuring government ownership and ensuring activities and technical assistance align with government priorities. It is early days for drawing lessons from this approach, but the program so far appears to have been successful and support in Vanuatu suggests it might be a good model for approaches elsewhere in the Pacific.

The Technical Assistance Management Facility in Indonesia has had similar results in success and popularity with the government as the Vanuatu Governance for Growth Program. Like the approach in Vanuatu, there is a joint oversight committee that establishes the key areas of support that are consistent with government priorities. However, the management facility takes more of a 'big picture' approach, with the focus being to provide technical assistance at a very senior level with the purpose of assisting responsible ministers to implement agreed activities. The activities are therefore implemented within government systems, and consultants are hired as needed to carry out specific activities in cases where the responsible ministry has shortfalls in capacity. In the management facility there has been strong counterpart input in design, implementation and review. The Philippines has a similar program to the management facility in place and after early problems is now having a similar degree of success.

Among Asian donor partners, there is a greater emphasis on delivery mechanisms that have ownership by government and that work within government systems, like the Technical Assistance Management Facility. This has generally resulted in good outcomes. There are greater opportunities in Asia for AusAID to work jointly with other donors in the region as there are many donors operating in Asian countries, a situation not generally seen in Pacific countries. Accordingly, coordination and harmonisation are particularly important. AusAID has generally done well on this score, often taking the approach of backing activities managed by multilateral agencies. For example, the well-executed Cambodia Public Financial Management Reform Program is led by the World Bank and supported by nine donors, including AusAID. In East Timor, AusAID will be merging its bilateral program of support for economic governance with a multilateral program led by the World Bank, providing a platform for more effective and better harmonised support.

An alternative aid mechanism is to provide incentives based on achieving outputs rather than the traditional approach of providing technical assistance. This mechanism is increasingly being used by AusAID and has so far proven successful. A key to the success is that incentive schemes have been built around government reform agendas. The Poverty Reduction Support Credits initiative in Vietnam provides a good example of the positive outcomes possible with this approach. This initiative builds in incentives by requiring that the release of funds to support activities be contingent on achieving agreed reform milestones in existing activities.

Explanation

Overall, the performance of economic governance activities, as rated in QAI reports, has been variable. The subsector performed best in implementation progress, followed by achieving objectives, with the majority of activities rated as good quality. Monitoring and evaluation and sustainability were given lower ratings. There are good examples of effective and well-planned delivery of economic governance aid in Vanuatu and some countries in South-East Asia. Central to these good outcomes is the philosophy of 'government ownership', working within government systems and to government priorities, and donor coordination. In general, activities without these principles have had weaker performances, and this has especially been the case in Papua New Guinea and most of the Pacific.

An issue that is particularly relevant for Papua New Guinea and the Pacific is the propensity for initiatives to be pursued without sufficient reference to strong guidance principles, including measures of development effectiveness and empowerment of women. This is also likely to be a factor behind the variety of mechanisms for delivering aid across countries that receive economic governance assistance. There remains a heavy emphasis on technical assistance, although the increasing use of output-based modalities is positive. Greater reference to guidance in economic governance might see more emphasis placed on expenditure management and on microeconomic reforms that deliver pro-poor growth. Such an overarching approach is likely to lead to more consistent results across countries in the types of activity pursued than is currently the case.

Increasing public sector effectiveness

What does AusAID do?

Public sector management is the largest area of AusAID's governance work. While described as a subsector of governance, public sector management in practice cuts across all sectors. The

elements common to the various models of public sector management are: professionalism, efficiency, effectiveness, responsiveness, accountability, meritocracy and transparency. To that extent, most or all of AusAID's sectoral programs, which are not the subject of this report, include support to improve the management and operations of the public sector for the purpose of improving service delivery. Some of the activities designated as public sector management follow.

Central and line agencies Public sector management is an area of particular interest for AusAID in Australia's nearest and smaller neighbours. The largest program is the second phase of PNG Advisory Support Facility ($82 million for 2002–09), currently providing about 50 advisers to assist the government to implement reforms, with an emphasis on systems, on policy and planning, on management and administration and on accountability and compliance. This is complemented by the economic and public sector governance component of the Enhanced Cooperation Program, recently renamed the Strongim Gavman Program. Strong support for public sector management is also provided through flexible modalities to East Timor, Samoa and Solomon Islands.

Local governance The two activities with a strong focus on improving governance and management at subnational levels of government are the Sub-National Strategy in Papua New Guinea and the Australia – Nusa Tenggara Assistance for Regional Autonomy Program in Indonesia. Two other activities in Indonesia under the Australia–Indonesia Partnership for Reconstruction and Development (AIPRD) in Nias and Aceh are assisting reconstruction after the 2004 tsunami. They support local governance by rebuilding local government and community infrastructure, and helping subdistricts and communities to plan and manage small infrastructure activities. The Philippines–Australia Local Sustainability Program helps communities and local government units to plan and manage activities that improve the livelihoods of the rural poor in Misamis Occidental Province.

Public sector linkages There are public sector linkage programs (also called governance funds) with China, East Timor, Indonesia, the Philippines, countries in South Asia and the South Pacific, and developing member economies of the Asia Pacific Economic Cooperation. Most programs link agencies of the Australian Government with their counterparts, but some provide for links between Australian state and territory governments and universities. Indonesia is by far the biggest focus, with a public sector linkage program commitment of $53 million for 1996–2010, and another $50 million under the AIPRD Government Partnerships Fund for 2005–10. Since the inception of the Government Partnerships Fund, 13 Australian government agencies have formed partnerships with 15 Indonesian counterparts and around 1000 officials have exchanged expertise bilaterally. From 2004 to 2008 the Pacific Governance Support Program funded 103 activities, implemented by 32 Australian government agencies at a total cost of $21 million.

Performance and results

AusAID's main vehicle for supporting public sector management are 'facilities'. These are mechanisms to support rolling program design and implementation, ideally by working collaboratively with partner governments on their priorities, and thus enhancing ownership and enabling the flexible matching of response to need. The key challenges with such a modality are:

> to strike a balance between the flexibility and opportunism needed to support locally owned agendas, while remaining focused and coherent

> to have mechanisms and relationships for high-level policy dialogue in relation to the focus of the facility and the allocation of resources.

PNG Advisory Support Facility, Phase II

An independent evaluation of the second phase of the PNG Advisory Support Facility concluded that it has helped the Government of Papua New Guinea to implement public sector reforms and can be regarded as a successful model for building capacity. Its approach of working in partnership on each agency's own issues and within agency systems has been effective. Reasons for success were clear agency commitment, the skills and qualities of both counterparts and advisers, and the design and governance arrangements of the facility. Positive benefits were realised for the Government of Papua New Guinea's own strategic priorities for public sector reform—a public sector with a clear sense of direction, affordable government, improving performance, accountability and compliance.

Flexible modalities allowing for both strategy and opportunity are particularly appropriate within a fragile context because the public sector is often at risk of being overwhelmed by factors such as social and political instability, political intrusions, and resource shortages. In East Timor, while the original strategy, design and scope of the Public Sector Capacity Development Program remain relevant, and the activities and progress are broadly supportive of the intended impact, there is a need to broaden and deepen the planned support of central agencies, and to ensure emergent, responsive activities avoid the downside—a scattergun approach—that flexibility can bring.

Solomon Island's Machinery of Government Program (which is broader than public sector management alone) was designed to provide a coherent approach to rebuilding the institutions of the state and through them the capacity, accountability and responsiveness of the government. Significant technical and capacity-building outcomes have been achieved across the 22 initiatives of the program working within 13 departments. But progress is uneven, largely due to political instability, and there has been a delay in establishing the major initiative planned to improve the public service.

Most public sector management activities, particularly when implemented through facilities, are dominated by the use of technical assistance. AusAID and others are currently concerned about the high use and cost of this assistance. AusAID is mapping and evaluating its use; it also needs to ensure greater diversity in the sources for technical assistance. The evaluation of phase 2 of the PNG Advisory Support Facility noted that:

> ... advisory support as a form of aid can be effective so long as there is genuine commitment to ownership, capacity building and accountability for results, and there are structures and processes in place to recruit high quality advisers with capacity building skills.

In contrast, the East Timor Public Sector Capacity Development Program has been criticised after two years of operation for using only technical assistance as a mode of support, even though the design explicitly envisaged a broader range of modes of assistance.

The second main modality is public sector linkage programs and again the results are mixed for a total commitment of over $100 million. Most Australian government agencies have a strong sense of the importance of partnerships with countries of the region, and there are clear views that public sector linkage programs contribute consistently to their development. Organisation-to-organisation links are valued by partner governments, as is the experience that practising public servants bring. However, two independent reviews have found that it is difficult to be confident about the contribution of public sector linkage programs beyond the relationship-strengthening dimension. It can be argued that strong relationships have a value

in themselves, particularly for Australia's long-term development relationships. Strong relationships with partner governments are also critical to sustainable development outcomes. Nevertheless, there is an ongoing need to identify the value of partnership objectives, what partnerships can realistically contribute to development objectives and whether the costs and benefits are in balance.

The two reviews also found that activities tended to be driven more by supply than by demand, and not always directed at issues of the highest priority for either the partner governments or Australia's own interests. This is largely because yearly or twice yearly competitive grant processes are not the best basis for analysing priorities. Monitoring and evaluation and risk management are weak across public sector linkage programs because most individual activities (as opposed to aggregate programs) are low cost and low risk. It should be noted that public sector linkage programs, while nominally labelled public sector management, rarely support administrative governance as such, and focus strongly on very diverse technical activities of the public sector, ranging from crop protection, to the prevention of HIV and avian influenza to the management of environmental and resource issues.

It is perhaps surprising, given the attention focused on service delivery and therefore on working beyond the national level of government, that there are not more programs designed explicitly to support lower levels of government (although sectoral programs do often work at subnational levels). The Sub-National Strategy in Papua New Guinea is aligned with the government's own provincial initiative and informs the alignment of AusAID's sectoral programs in the country so that they are more responsive to service delivery challenges at the subnational level. It uses an innovative mechanism of co-location—the posting of AusAID's own Australian and locally engaged staff to the national department and selected provinces to jointly manage and directly implement the strategy. The most fundamental role for the co-located officers is day-to-day policy engagement and dialogue with national agencies and provincial governments on key governance issues related to decentralisation, public sector reform and service delivery. Co-location has resulted in improved coherence of the AusAID program, improved donor harmonisation, and donor activities better linked to provincial planning mechanisms.

The size of the task of supporting subnational levels of government in Indonesia has led to a tight focus on the poor province of East Nusa Tenggara and within that a focus on six districts (Australia−Nusa Tenggara Assistance for Regional Autonomy Program) and on the tsunami-affected Aceh and Nias (Local Governance and Infrastructure for Communities in Aceh, known as LOGICA). Of the two, the Aceh Program Monitoring and Report Group considers that LOGICA is delivering excellent results. While in the first year the emphasis was on assisting reconstruction (land mapping and spatial planning), improving government services has gradually assumed the key focus. LOGICA supports the clarification of the division of labour between layers of government, the implementation of fiscal decentralisation, the dissemination of government regulations and the training of village councils. An initiative attracting widespread positive attention is the establishment of a 'single window' for service delivery in 18 subdistrict administrations. A further 17 subdistricts are replicating this reform using their own funding.

Explanation

Within the four QAI categories this subsector performed best in implementation progress, with comparably favourable results in achieving objectives. Monitoring and evaluation and sustainability were not rated as highly. This assessment was also influenced by mid-term and

completion reviews, the mixed nature of the public sector linkage programs, and strengths being offset by weaknesses. There are good examples of supporting partner government priorities, working more within government systems, and better approaches to technical assistance. But the nature of public sector management work—beyond that embedded in sectoral programs—is sometimes piecemeal. Public sector management activities also suffer from the legacy of doctrinaire approaches, particularly so-called 'new public management', which seeks to introduce a market orientation to the public sector.

Australia has been far from alone in supporting the emphasis on employment contracts, restructuring, outsourcing, devolution of functions and other such structural adjustments. In some contexts these adjustments have overlooked the historical, political, cultural and resource factors operating in the public sectors of partner countries. They produce constraints that go beyond the technical—beyond organisational structures, systems and rules and regulations. AusAID and its partners need to invest more in understanding these factors. A start has been made. A 'drivers of change' analysis has been conducted for Vanuatu, and is planned for Papua New Guinea and Tonga. The challenge then becomes how to respond to the analysis in practical programming and design terms.

Strengthening law and justice

What does AusAID do?

Over the past few years, ODA related to law and justice has increased from about 10 per cent to more than 20 per cent of governance assistance, which itself has grown as a proportion of Australian ODA. AusAID and the Australian Federal Police (AFP) are the main agencies working in this subsector, with AusAID's 2007–08 commitments amounting to approximately $135 million and the AFP's to around $170 million. The Attorney-General's Department is also working more modestly in law and justice, with 2007–08 commitments amounting to around $3.5 million.

In a policy context this growth in law and justice assistance comes about from the link made in the past decade between improved governance and the rule of law. As AusAID stated in 2000[12], 'good governance requires the primacy of the rule of law, maintained through an impartial and effective legal system'. There is also an emerging recognition of the significance of the rule of law, including accessible justice systems, as a key element of state building and stability, both in contributing to the enabling environment for economic growth and as a fundamental area of service delivery in its own right. AusAID has emphasised that the effective functioning of a state's institutions is central to development, and to that end has placed considerable emphasis on a more integrated approach to law and justice.

International and regional events also brought security-related issues such as transnational crime to the fore, so that AusAID's current law and justice portfolio can be seen generically as covering two separate though related areas:

> improved functioning of the law and justice sector, including integrated capacity-building assistance across formal and informal justice systems

> more specific policing and security-related assistance, including capacity development of police services, counterterrorism, border management and people trafficking.

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12 AusAID, *Good governance*, p. 3.

A range of discrete activities in support of human rights also fit loosely across both areas.[13]

Law and justice sectoral programming accounts for around half of AusAID's total law and justice initiatives but almost 75 per cent of AusAID's total multi-year funding—not least because of the size of the programs in Papua New Guinea and Solomon Islands alone (together amounting to a multi-year commitment of around $350 million). Apart from Papua New Guinea and Solomon Islands, AusAID's other significant law and justice sectoral programs are undertaken in Cambodia, Indonesia, East Timor, Vanuatu and Fiji, and on a regional basis through the Pacific Judicial Development Program.

These initiatives vary considerably in terms of objectives, budgets, stages of maturity, delivery mode, and breadth of sectoral integration. However, they all tend to assist in improving the coordination and functioning of formal law and justice institutions (although frequently to the exclusion of policing, which is discussed below). The capacity-building approaches adopted under these programs also vary from technical assistance, including deployments to in-line positions, training, and direct financial contributions in support of priority areas of service delivery. Assistance is also provided for the development of infrastructure such as prisons and court facilities, and in support of broader security interventions such as under the Regional Assistance Mission to Solomon Islands (RAMSI) Law and Justice Program in Solomon Islands.

In some cases (for example, in Papua New Guinea and Fiji) and increasingly (for example, in Solomon Islands and East Timor), the integrated focus of these initiatives includes support for strengthening the linkages with, and capacities of, informal or community-based justice systems and crime prevention. Further work is also under way to expand the focus of current programs in understanding and addressing 'demand side' justice issues, notably through a new collaboration with the World Bank's Justice for the Poor Initiative.

AusAID's initiatives related to policing and security amount to around 25 per cent of law and justice programming and involve a more singular focus on developing the capacity of police (for example, in Iraq, East Timor, Vanuatu and Samoa, and on a regional basis through the Pacific Regional Policing Initiative), as well as providing technical assistance in security-related areas such as people trafficking, border management and counterterrorism. Funding for these AusAID-managed policing and security initiatives is only a fraction of ODA funding managed directly by the AFP, whose remit covers various deployments around the Asia-Pacific region and beyond. In particular, large AFP policing assistance and stabilisation missions are currently operating in Solomon Islands ($118 million in 2007–08) and East Timor ($14 million in 2007–08).

Performance and results

In relation to the law and justice sectoral initiatives, areas of best practice can be found among the larger scale, and arguably more integrated programs, particularly the PNG Law and Justice Sector Program and the RAMSI Law and Justice Program. The strength of the PNG program, for example, appears to come from a number of factors, including a home-grown law and justice policy that identifies clear goals and strategies and guides both government and donor resource allocations. The PNG program also channels assistance into the sector using PNG government systems and processes. This has contributed to a high degree of local ownership and accountability for reform.

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13   The core OECD DAC codes of relevance to AusAID's current law and justice portfolio include: legal and judicial development (15130), government administration (15140), human rights (15162) and post conflict peace-building (UN) (15230).

The main achievement of the RAMSI Law and Justice Program in a post-conflict situation since mid-2003 has been to significantly restore the proper functioning of the state's justice sector institutions, working across courts and correctional services and in partnership with the RAMSI Participating Police Force. Attention is now turning to longer term capacity development and the need to refocus support toward more affordable, sustainable and community-focused outcomes.

Of the mid-sized programs, the Indonesia Legal Development Facility is performing well, particularly due to the flexibility of the facility and responsiveness to partner country needs across the four areas of strategic focus—access to justice, human rights, anticorruption and transnational crime. Programs in Cambodia and Vanuatu, which take a less integrated approach and appear to suffer from weaker local ownership and a lack of clear objectives, are performing less well overall, and particularly in relation to monitoring and evaluation and the sustainability of outputs.

In the case of AusAID's assistance to policing and security-related programs, the Pacific Regional Policing Initiative is performing well, with an emphasis on strengthening and using local and regional expertise to drive change and providing a flexible program of technical assistance to support these efforts. Similarly, AusAID's Samoa Police Project has worked to align Australian assistance more closely with the priorities of the Samoa Police Service, with significant organisational reforms now under way with strong local leadership. In both cases, the sustainability of gains made through assistance provided to date are linked to the success of the forthcoming transition to the AFP as lead implementing partner for Australian assistance to policing in the region.

Although not a large or conceptually integrated component of the law and justice portfolio, the China program's Human Rights Technical Cooperation Initiative is also performing well. However, the limitations of the modality—a series of discrete, short-term activities—are acknowledged in terms of longer term outcomes.

Australian support to the PNG Law and Justice Sector Program

Australian support to the law and justice sector in Papua New Guinea has evolved over several years from project-based assistance through to a more flexible program approach that operates in an integrated way, directly in support of the country's policies and objectives.

The Government of Papua New Guinea has developed a robust and ambitious policy reform agenda to tackle the complex issues of law and justice in the country, with support from Australia. Its approach places equal emphasis on a coordinated formal system and collaboration with community-based and traditional justice systems that provide the bulk of law and justice services across the country. Australia's assistance is grounded in the principle of PNG ownership and leadership of the reform agenda. This places the emphasis on *how* assistance can be provided to help Papua New Guinea meet its goals, rather than on *what* Australia will support. Priority is afforded to supporting areas that will continue to drive sustainable reform such as sector coordination mechanisms, and technical assistance to develop capacity in critical areas such as public administration and policy. This sits alongside flexible and direct funding for service delivery priorities determined on an annual basis through the PNG Government's sectoral planning and budgeting process. Integrated support for sector performance monitoring and accountability for results reflects the joint responsibility for achievement of outcomes.

This is an example of where an incremental approach to working through government systems while continuing to build the capacity of those systems is bringing rewards based on joint learning and shared goals between the governments of Papua New Guinea and Australia.

Explanation

There has been strong progress in some areas; however, overall results have varied. Within the four QAI categories this subsector performed best in achieving objectives, with comparably favourable results in implementation progress. Monitoring and evaluation and sustainability were not rated as high. Other related evaluations such as technical assistance group reviews, mid-term reviews, independent completion reports where they exist and, in their absence, the contextual knowledge derived from AusAID country teams were also considered.

Performance of the larger sectoral programs—in Papua New Guinea and Solomon Islands— is on track in terms of meeting objectives. In Papua New Guinea's case, for example, this is partly a function of the investment in ongoing sector evaluation, including through modalities such as the Justice Advisory Group. It is also a function of the long-term support given to underlying issues of weak governance and public administration that hamper service delivery across all sectors.

At the same time there are a number of higher order issues affecting many of the activities in this subsector. These can be attributed largely to the following factors:

> constraints associated with particular aid modalities (for example, the law and justice and border management components of Papua New Guinea's Strongim Gavman Program, which rely on deployments of technical assistance to in-line positions and, as such, are grappling to achieve the right balance between capacity replacement and longer term capacity development objectives)

> the political externalities and complexities of particular operating environments (for example, Fiji's Law and Justice Program, which following the coup of December 2006 was transformed into a Community Justice Program, and East Timor's Law and Justice Development Program, the implementation of which has been significantly affected by ongoing political fragility)

> uncertainties associated with the impending strategic review or changes in operational policy (for example, RAMSI and the Strongim Gavman Program).

The evolving mandate of Australian whole-of-government partners as they expand their engagement in supporting development efforts is another factor affecting overall performance in this subsector. This is particularly the case in relation to the current array of policing programs in the Pacific, due to the imminent transition from AusAID management to AFP management. The Attorney-General's Department is also increasing its operations across the Pacific, both through participation in specific initiatives such as the Strongim Gavman Program in Papua New Guinea, as well as through a variety of institutional linkages relating to issues of regional interest such as money laundering, extradition, mutual assistance and model legislation.

As for AusAID's current law and justice initiatives, and consistent with the overall trend for governance activities, quality reporting has indicated that monitoring and evaluation, as well as sustainability, are areas of weakness across AusAID's law and justice portfolio. A range of strategies is needed to address these concerns—for example, to improve processes and tools, particularly the availability of performance data, needed to properly assess the effectiveness of Australia's law and justice initiatives and the aid program's contribution to results. This will require further attention be given to the availability of performance data within partner countries, as well as an increased focus on quality assurance, performance monitoring and evaluation processes as part of the management arrangements for the aid program. This is

critical to ensure that Australian assistance to law and justice is strategically targeted and positioned more clearly in support of broader development objectives.

Attention is also required to deepen whole-of-government engagement in order to support greater strategic coherence and sectoral integration, and to better coordinate the emerging aid modalities of Australian implementing partners at the bilateral level and, in the case of the Pacific, on a regional basis. This requires whole-of-government planning to support agreed short, medium and longer term objectives and the use of aid modalities that recognise and more clearly address the different development contexts and capacity development needs across the law and justice sector within stable, fragile, conflict and post-conflict settings. It also suggests the need for more consistent and ongoing performance monitoring and reporting across AusAID and its whole-of-government partners. Broader strategic guidance would also add value.

Developing civil society

What does AusAID do?

A view of civil society common among many donors is that of organisations—of voluntary associations independent of the state. A further view treats civil society as a realm of public activity—a social arena between the state and the family or individual. Support for the former has traditionally been through technical support and organisational development. New approaches also recognise the importance of fostering and strengthening the enabling environment between government and civil society, particularly for good governance outcomes.

AusAID's engagement uses different approaches for different objectives, depending on the circumstances and environment. Programs identified as directly enhancing civil society do not constitute the entirety of AusAID's engagement with civil society; many programs not identified by the label of 'civil society support' have social accountability approaches embedded within their work. An example of this is the second phase of the PNG Electoral Support Program (considered a 'political governance' program in this context), which included support to civil society for voter awareness and monitoring of the 2007 national elections.

Under the recently established Better Governance and Leadership Initiative—which encompasses a range of approaches designed to increase the ability of citizens to participate in decisions that affect their lives, to influence and act on how development challenges are met and to hold governments and other institutions to account—AusAID has begun to establish a framework for civil society support aimed at improving governance. It has three themes: accountability, access to information, and leadership. Activities are interrelated and often mutually dependent, and some programs reside under multiple themes.

Accountability   There is a range of strategies used to strengthen the accountability of government to citizens. Examples of activities include public expenditure tracking, participatory budgeting, monitoring the delivery of public services, citizen report cards and community-based participatory monitoring. Strengthening civil society organisations directly to undertake this work is an important component. In a number of countries where the capacity of the state is weak, civil society organisations work directly with government to provide services to citizens. Examples of AusAID activities include the PNG Church Partnership Program ($26 million for 2003–09) and the Philippines–Australia Community Assistance Program, which has a component to build demand for better governance ($1.08 million for 2007–09). An example of the activities under way in the Philippines is Australia's support to

Road Watch, a coalition of citizen and road user groups working to strengthen the voice and influence of citizens in ensuring transparency and proper use of public funds for roads.

Access to information   For civil society to be in a position to influence and engage with government, information on the activities of government and on citizens' rights and responsibilities must be freely available. By investing in quality journalism and media infrastructure, AusAID is increasing access to information about government processes and service delivery. Examples of this work include Australia's regional Pacific Media Assistance Scheme ($836 000 for 2007–09) and the Timor Leste Media and Communications Program ($1 million for 2007–09).

Civic education provides civil society with an increased awareness of what should be expected from government, and how civil society organisations can work together for improved development outcomes. Civic education can incorporate voter education, but is broader than this alone. An example is the work to develop a civics and governance component to add to the BRIDGE (Building Resources in Democracy, Governance and Elections) Project ($600 000 for 2007-09).

Leadership   Working with and increasing the pool of leaders at all levels in the community committed to good governance principles supports civil society by improving the enabling environment within which it operates. The new Pacific Leadership Program ($10.1 million for 2007–09), supported by research and analysis on leadership and good governance, is building on current momentum in the region to build demand for better governance by responding to Pacific islanders' own priorities—youth, women and the private sector.

Community development, including small grants and microfinance   Of the 28 civil society initiatives, 14 fall into this category. Together they comprise 58 per cent of the total multi-year value of civil society programming. Many of these initiatives commenced prior to the new tripartite 'building demand for better governance' framework, and have evolved, beginning as programs of small grants and developing into larger community development schemes, sometimes raising issues about the suitability of objectives. In addition, much civil society and community development work does not have an explicit governance focus, consisting of programs such as microfinance schemes, with an example being the Vietnam Capital Aid Fund for Employment of the Poor Microfinance Expansion Project ($7 million for 2000–08).

Performance and results

To usefully discuss the performance of activities across the broad range of civil society engagements focused on governance, it is necessary to do so under two headings: that of direct support to civil society and organisations including community development programs; and that of improving the enabling environment.

A common lesson drawn from across the range of activities is the need to be realistic about what can be achieved. Recent research commissioned by AusAID indicates that working with civil society on governance is slow, complex, incremental, iterative and a reflexive process dependent on extensive relationship building. Programs and their objectives, indicators and outcomes sit within complex social domains such as governance (in its broadest sense), social cohesion and empowerment. This further highlights the need for effective monitoring and evaluation and learning systems to recognise and build on success.

Direct support

Direct support to civil society generally takes the form of small-grant programs, usually competitive in nature, and often linked to capacity-building activities intended to strengthen the ability of civil society organisations to undertake work and relate with government. While civil society support and community development activities report success in meeting objectives at the activity level and positive outcomes for communities involved, difficulties exist in developing an understanding of their contribution to and performance against higher order objectives. This is due in part to a lack of monitoring and evaluation mechanisms to undertake this, and in part to a lack of clarity within the programs themselves as to what their higher level objectives are and how these link to country strategy objectives.

Examples of difficulties with monitoring and evaluation mechanisms can be found in the Australian Community Development and Civil Society Strengthening Scheme and the Islam and Civil Society programs in Indonesia, the Community Support Program in Solomon Islands, and the PNG Church Partnerships Program. Reporting for each of these programs outlines difficulties in relating activity and program impacts (which are often well captured) to higher level objectives.

Improving the enabling environment

AusAID's work in improving the enabling environment for civil society takes a number of forms, including increasing access to information through working with the media and civic education, supporting participatory planning processes, and working with leaders and government to encourage participation by civil society in policy dialogue, improving public sector management of service delivery and contributing to acceptance of the rule of law. This work is supported by research and analysis.

Timor-Leste Leadership and Communication Capacity for National Renewal Program

In partnership with the World Bank, the Timor-Leste Leadership and Communication Capacity for National Renewal Program is working towards improving the capacity of civil society organisations and the media to engage with government, and promote peace and reconciliation efforts. This is being achieved through small grants to national and international civil society and non-government organisations, as well as a leadership and communication training program that involves a series of workshops and a mentoring program.

Success

Through working with and bringing together all levels of national leaders—from grassroots and civil society, to national elected leaders—the project is seen as a valuable and strategic initiative, helping to lessen the potential for a confrontational 'them and us' stance to be further embedded.

For improvement

Encouraging the involvement of leaders at higher levels will greatly enhance the ability of the program to meet its objectives.

Implementation of the Pacific Leadership Program was delayed due to internal political instability in Fiji, the host country of the Pacific Islands Forum Secretariat—a key Pacific Leadership Program partner. Political factors impacted on a number of programs, highlighting difficulties in working on the enabling environment for civil society. However, the development of the Pacific Leadership Program itself was an example of good practice in engaging civil society. The program underwent a rigorous design process that engaged with a

wide range of stakeholders to ensure that the program would be welcomed and would be effective. Quality-at-entry ratings were uniformly high.

Explanation

Overall, the performance of AusAID's civil society activities varies. Civil society programs made up an estimated 20 per cent of governance expenditure in 2007–08. These programs were assessed as performing best in implementation progress, followed by achieving objectives. Monitoring and evaluation and sustainability were generally rated lower. Evidence at the community level indicates the programs are making a positive contribution. There are good examples of civil society and community development programs using participatory planning to encourage grass-roots development. Work at the level of the enabling environment is crosscutting, and appears to be having early success.

However, demonstrating the contribution of civil society programs to improving governance and to the ultimate goal of reducing poverty remains problematic. Calls for better methods of monitoring and evaluating civil society programs are common across many of Australia's programs. Programs have tended to measure activities and processes rather than outcomes and impacts or demonstrate how these programs contribute to AusAID's support at a country or sectoral level. AusAID has acknowledged this and is undertaking research to provide a practical guide on the characteristics of high-quality monitoring and evaluating systems for community engagement programs, including assessment and promotion of gender equality.

Improving democratic processes

What does AusAID do?

Improved democratic processes first appeared as one of the subsectors of governance in the 2003–04 Ministerial Budget Statement. Its inclusion coincided with growing domestic concern about the deteriorating security situation in Solomon Islands and more generally about the character of political governance across the Pacific. It also coincided with a growing body of international analysis providing evidence of the limited efficacy of efforts to strengthen the capacity of governments where the political economy and the incentive structures remained unaltered.

Democratic processes account for 5 per cent of total governance programming and make up the smallest of the governance subsectors. Activity is concentrated in several areas.

Supporting elections and electoral processes, and voter education Electoral support and voter education are the predominant activities in value and range, spanning a large number of countries from Africa and Pakistan to Tonga, and a spectrum of activities from broad institutional strengthening of electoral machinery to minor inputs around an electoral event, and from nationwide voter education to training for a small group of journalists in the lead-up to a national election. Implementing partners for significant projects include the United Nations Development Programme (UNDP) in Cambodia and East Timor and the Australian Electoral Commission in Papua New Guinea and Solomon Islands.

Parliamentary strengthening is limited to a few countries, generally in partnership with the UNDP, and is directed largely towards building the capacity of parliamentary secretariats, strengthening the operation of parliamentary committees and providing development for

parliamentarians. Smaller inputs are made through the Centre for Democratic Institutions and the Australian Parliament.

Strengthening accountability institutions The institutions involved are supreme audit offices, ombudsmen, leadership code commissions and corruption commissions. In some instances, the activity forms part of a law and justice program (for example, in Papua New Guinea) or an economic governance program.

Media development Several national broadcasters are receiving support for infrastructure and/or technical skills, including in Cambodia, Papua New Guinea, Vanuatu and Solomon Islands. Less often, support is provided to independent media, as in East Timor and Solomon Islands. Media development activity is often part of a larger multi-donor activity—for example, with the World Bank in Cambodia and with USAID in East Timor.

Advancing women in leadership Some very recent initiatives are addressing the lack of women as leaders. All are in the Pacific, where women have the lowest rate of election to national political office globally.

Core funding is provided to a few of bodies supporting the development of democratic processes: the Centre for Democratic Institutions, the UN Democracy Fund and the Partnership for Democratic Governance.

Much of the activity on democratic processes is small scale—under the $3 million minimum for QAI assessments—and much is implemented through partnerships with multilateral organisations, whole-of-government agencies, and regional and international non-government organisations.

Performance and results

Approaches to improving democratic processes are substantially guided by the country context and the orientation of country strategies and are likely to benefit from a detailed policy framework. Democratic governance has greatest prominence in the country strategies for Indonesia, East Timor and the countries of Melanesia, although elements of associated programming—most especially, forms of electoral support—are scattered across many of the countries where AusAID is working.

The performance of the larger electoral strengthening initiatives is mixed. Assistance with electoral events and broad civic education has yielded more tangible results than the more challenging strengthening of institutions. Multi-donor UNDP projects in Cambodia and East Timor achieved qualified results. East Timor's 2007 elections were administered in accordance with the constitution and assessed as free and fair, with 81 per cent voter turnout and no violence, although project inputs, including voter and civic education, the training of polling officials and the passage of electoral laws were delivered behind schedule. The Cambodia project is assessed as having contributed to a reduction in political violence but made only modest progress in improving the enabling environment and strengthening the management capacity for free and fair elections at the national and local levels. The project's design is considered to have been overly ambitious and was unable to attract sufficient donor interest for full implementation.

The PNG Electoral Support Program has a broad remit to plan, prepare and support elections, and a key focus in 2007 was the national elections. Within the Government of Papua New Guinea, a coordinated approach in the lead-up to the elections meant the elections were fully funded from the national budget and logistical support for the event, including the mobilisation of 4000 police, was more coordinated. A wide-ranging voter education program

Solomon Islands Parliamentary Strengthening Program

The Solomon Islands Parliamentary Strengthening Program commenced in 2004 and was recently extended to 2012 following a very positive evaluation in 2007. It has equipped members of parliament to better understand and perform their roles through a highly acclaimed training program that has been exported to other Pacific countries. It has also improved the tools available to members to perform their oversight role by expanding the Parliamentary Secretariat and increasing its skills, strengthening of the parliamentary research capacity (including the library and secretariat) and revitalising the parliamentary committee system. In addition, the program has re-established parliamentary scrutiny of national accounts, which had been largely dormant for more than 20 years. The program has also drawn in other partners, including the Centre for Democratic Institutions, the New South Wales Parliament and the Commonwealth Parliamentary Association to extend its reach and legitimacy.

included training for 4000 civil society representatives as trainers and the provision of face-to-face training to more than 750 000 people. Overall election management also improved significantly. A new ward-based electoral roll, improved Electoral Commission planning, secure ballot papers, consistent counting procedures and devolved provincial budget management all contributed to the outcome. However, the pressure to deliver a robust electoral event meant that capacity building was sacrificed for a more hands-on approach by advisers. After the election, the emphasis returned to institutional strengthening.

The results of the three main parliamentary projects—implemented in partnership with the UNDP in Solomon Islands, East Timor and Papua New Guinea—were highly variable. Broadly the same factors shaped performance in each case: the strength of support and commitment of the parliamentary speaker and other principals, the quality and skills of the project manager, and the strategic orientation of the work plan. Where these factors are aligned, as in Solomon Islands, the results can be impressive.

The only directly designed parliamentary activity not executed in partnership with the UNDP is the relatively minor parliamentary subcomponent of the Africa Governance Facility, where a regional organisation was selected as the implementing partner. Although AusAID is a relatively small player in the region, the decision was taken not to join a donor pool with the United Kingdom's Department for International Development and the UNDP, as participation in this mechanism was seen as marginalising the comparative value of AusAID contributions.[14] Although the medium-term review of the parliamentary activity is positive, achievements are largely limited to fairly basic outputs related to activity start-up, which itself faltered in some of the target countries. More substantial outputs included support for the development of nine constituency offices and the strengthening of 28 offices in Zambia, and the establishment of a public participation unit in Eastern Cape, South Africa, to increase the sensitisation of communities to the need to participate in public hearings.

Assistance for strengthening accountability machinery is generally small scale. An exception is the Solomon Islands Accountability Program, which supports the Office of the Auditor-General, the Ombudsman's Office and the Leadership Code Commission, and their interface with the wider elements of the national integrity system. While progress against some elements of the program has been lacklustre, results in the audit area are outstanding— a product of strong leadership by the Auditor-General and his astute positioning of the office.

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14   Mid Term Review Report of the AusAID African Governance Facility, May 2007, pp. 20, 28, 36.

During the first four years of the program, office staffing was rebuilt to 29 (from two when RAMSI was deployed), 10 special audits in revenue-sensitive areas were completed and referred to Parliament for consideration, a 20-year auditing backlog of national and provincial accounts was almost up to date, and serious corruption was exposed, leading to police investigation and charges.

Explanation

AusAID's performance in this area largely reflects international experience and the complexity and sensitivity of many of the issues in delivering what may be described as variable outcomes. Across the four QAI categories this subsector performed best in implementation progress and achieving objectives, with the majority of activities rated as good quality. With respect to monitoring and evaluation and sustainability, activities attained similar results. In practice, while there are some impressive individual initiatives characterised by strong internal leadership, many of the remainder are delivering largely operational outcomes without evidence of fundamental institutional change.

While the implicit driver of activity in this subsector is strengthening the institutions that act as a check on executive government, the character of programming suggests that this is not necessarily well understood. As a result, activity is frequently small scale and project based, and opportunities to take a more systemic approach are at times missed. Australia is, however, increasingly working to address this. For example, Australia is working to avoid electoral activity that is concentrated around the conduct of an electoral event rather than where the real impediments to enfranchisement are embedded in the electoral system itself, such as the integrity of the electoral roll, the procedures for voter registration and for voting, and the rules governing campaigning.

However, the Australian experience in working in the democratic and political governance subsector remains broadly consistent with international patterns:

> [A]ssistance is still not sufficiently adapted to the challenging contexts of democratisation processes which are often either stuck, or at risk of meltdown. It is too standardised, still frequently focuses on elections rather than on wider structural and institutional changes, and seeks results too quickly. Moreover, harmonisation and alignment among a rather fragmented field of actors and more rigorous and comprehensive assessments of 'what works' are urgently needed to share experiences and lessons more systematically and improve current practice.[15]

The activities assigned to the democratic processes subsector align closely with work to strengthen leadership and build demand for better governance, which sits largely within the civil society subsector of governance work. The separation is an artificial one as both are broadly working towards the same goals of strengthening accountability and responsiveness of government, irrespective of whether state or non-state actors are the medium of engagement.

Combating corruption

What does AusAID do?

Corruption is a symptom of poor governance; it thrives in environments where bureaucratic processes are opaque, oversight of executive and administrative action is limited, and the rule

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[15]   Lise Rakner, Alina Rocha Menocal & Verena Fritz, *Democratisation's third wave and the challenges of democratic deepening: assessing international democracy assistance and lessons learned*, Working Paper, Overseas Development Institute, August 2007, p. v.

of law is weakly embedded. Corruption has a substantial negative impact on economic growth and development and is a major constraint to the achievement of the Millennium Development Goals. It also jeopardises the achievement of the conditions necessary to give effect to commitments under the Paris Declaration on Aid Effectiveness, most notably to increase the use of partner country systems.

Corruption has been elevated to a crosscutting issue and, as a result, measures to deal with it have gained greater weight and momentum in the Australian aid program and across the Australian Government in recent years. The focus on anticorruption measures is supportive of whole-of-government efforts to help partner countries address corruption in the Asia-Pacific region and globally. This focus is also consistent with the efforts of other donors and international organisations to increase awareness about anticorruption and its link to improved governance and increased aid effectiveness.

The policy for Australian development assistance on anticorruption released in March 2007[16] was developed though extensive whole-of-government collaboration with key Australian government departments and agencies, including the Attorney-General's Department, which has domestic responsibility for anticorruption measures. The policy provides a framework for planning, resourcing and reviewing anticorruption activities on a country and regional basis. An additional $16.7 million was provided in 2007–08 to support the implementation of high-priority anticorruption planning and targeted activities in the Asia-Pacific region. This included support for work in the six focus countries—Indonesia, the Philippines, East Timor, Papua New Guinea, Solomon Islands and Vanuatu—and contributions to key regional and global anticorruption initiatives and partnerships. This support was in addition to, and built on, existing governance assistance through the Australian aid program that is focused on improving transparency and accountability.

The policy on anticorruption requires that AusAID update all country strategies to include an Anti-Corruption Action Plan where required. This plan is based as much as possible on partner governments' own plans and priorities, and is strongly coordinated with other donors and other stakeholders. Where partner governments do not have plans of their own in place, AusAID will support efforts towards their development. The six focus country programs are undertaking analysis of the key drivers and costs of corruption and the political, economic and social dynamics affecting corruption in their specific countries. This analysis is contributing to the development of action plans, which will guide the Australian aid program's priorities and embed anticorruption measures in the program.

The first round of action plans has been informed by AusAID's Office of Development Effectiveness, *Assessment on anti-corruption approaches in Australia's aid program*, drawing on lessons from Papua New Guinea, Indonesia and Solomon Islands. Key lessons and recommendations include the positioning of anticorruption objectives within broader aims of improving government service delivery and achieving the Millennium Development Goals.

AusAID's approach to working with partner government's systems needs to consider fiduciary risks that can arise from using these systems. Robust internal measures should be in place to ensure the protection of Australian aid funds while promoting stronger development outcomes. These outcomes can include increased national ownership, improved accountability and transparency to protect all expenditure, improved public financial management at the national and/or sector level and improved capacity of the sector agencies.

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[16]   AusAID, *Tackling corruption for growth and development: a policy for Australian development assistance on anti-corruption*, Australian Agency for International Development, Canberra, March 2007.

Performance and results

The overall performance and results of the agency's increased focus on dealing with corruption is still too early to measure. Initial results include:

> greater importance placed on anticorruption analysis and planning by program areas

> ongoing dialogue with some partner countries around issues of transparency and accountability

> greater integration of anticorruption approaches into broader sectoral programming, particularly in the infrastructure sector

> the placement of a number of dedicated AusAID staff in country to focus on anticorruption issues

> increased efforts to foster key global and regional anticorruption partnerships.

While these initial developments are promising it is recognised internationally that anticorruption efforts need to use long-term and multifaceted approaches, because anticorruption work is fundamentally about changing the underlying causes of corruption. Corruption is also difficult to measure. AusAID will need to continue to work with international partners to develop better measures of corruption and its impact on development.

Good practice examples of anticorruption activities

Indonesia: working to address corruption at the local level

The Australian program Local Governance and Infrastructure for Communities in Aceh was initiated as a post-tsunami governance rehabilitation program focused on the subdistrict and village level in Aceh. The program has strengthened service delivery and governance through activities that place an emphasis on building 'active communities and responsive government'. Australia supports committed officials to establish 'one-stop shops' to deliver government services at the subdistrict level. Through this initiative, communities affected by the tsunami are now able to obtain information and services related to housing allocations, approval for welfare assistance, and registration of births, deaths and marriages more cheaply, quickly and more transparently than ever before. The system is so successful that subdistrict governments throughout Aceh are using their own funds to replicate these reforms.

The Philippines: working with partners to improve transparency in the road sector

Procurement in the road sector remains one of the biggest corruption challenges in the Philippines. In partnership with the World Bank, the Australian Government is supporting the implementation of the second phase of the National Roads Improvement and Management Program. Australian technical assistance is strengthening corporate business processes, service delivery mechanisms and financial management systems in the Department of Public Works and Highways. Australia is also supporting Road Watch, an independent group composed of government, development partners and civil society organisations, to ensure transparency in the procurement systems of the department, thus minimising collusion and bid-rigging. The World Bank partnership allows AusAID to advance its anticorruption agenda with the Government of the Philippines through the bank's loan assistance conditionality. The road partnership provides a context for joint anticorruption efforts that can serve as a model for ensuring good governance in the road sector.

Rating and explanation

Given that the anticorruption policy and initiatives have been in existence for a little over a year it is difficult to assign an overall rating at this stage. Anticorruption-related activities that fall within the existing governance program have been rated elsewhere in this chapter.

Quality of governance activities

Overall assessment of the governance portfolio

Clearly there are some major success stories within the governance portfolio of activities. In many ways AusAID has demonstrated an innovative approach to governance programming, as exemplified by the LOGICA program, the Vanuatu Governance for Growth Initiative and the Solomon Islands Parliamentary Strengthening Program. Results for other activities are, however, more mixed.

Performance overall may be improved by clear strategic guidance that ties the diverse but interconnected governance portfolio together and supports governance work within other sectors. Governance will have an important role to play across the aid program's sectors and in scaling up ODA. Further improvements in performance can be expected as the aid program gives increasing attention to analysis of local context, such as governance assessments, and clarifies its approach to technical assistance.

The assessment of governance initiatives, based on QAI ratings, is broadly consistent with the assessment of overall results against the notional objectives for the governance sector. For each of the five objectives discussed in 'Performance of governance activities', the assessments were that strong wins were often balanced out by varied performance. Progress in terms of implementation and meeting objectives was generally good, while activities tended to fall short on monitoring and evaluation and sustainability. Half of all initiatives were assessed as requiring improvement in implementation and in achieving objectives, and around three-quarters of all initiatives were assessed as requiring improvement in monitoring and evaluation and in sustainability of outcomes. This performance is not inconsistent with international experience over the past decade and reflects the difficulties in attributing outcomes to inputs involved with governance.

Relative performance of economic governance and public sector management categories

Economic governance initiatives, on average, perform slightly better than public sector management initiatives. This pattern only weakly mirrors the trend reported by the World Bank and others of public financial management activity significantly outperforming civil service and administrative reform. A recent World Bank evaluation of public sector reform[17] found that about two-thirds of all countries that borrowed for financial management showed improvement, whereas civil service and administrative reform had improved in fewer than half of the borrowing countries.

Importantly, the evaluation observed that government ownership for public financial management projects was usually good because the main counterparts—the ministries of

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[17] World Bank, Independent Evaluation Group, *Public sector reform: what works and why,* Washington, DC, 2008.

finance—had a clear interest in them.[18] In contrast, the most common reason for failure of civil service and administrative reforms was the lack of political commitment.[19] Arguably, many public management reform programs are driven largely by donors. Other studies have highlighted the inefficacy of transplanting alien models of civil service reform designed for implementation in highly developed countries if there is little understanding of or fit with the political and cultural context of the recipient country.[20]

Relative performance of civil society and political governance categories

On average, initiatives classified as civil society tracked worst and initiatives classified as political governance tracked best in QAI ratings. This would seem to reflect the relative complexity of the initiatives themselves and the contexts in which they are being implemented. Many of the poorly performing civil society initiatives are in post-conflict or other fragile settings, and much of the work with civil society involves slow, incremental change that is difficult to measure and to embed. The best rated political governance initiatives, on the other hand, generally involve more tangible outcomes. Most are focused on strengthening electoral processes, with the measure of success being a smooth and untroubled electoral event.

Relative performance of law and justice category

Overall, law and justice work tracked well against the other categories of governance assistance. It is also an area with large and increasing whole-of-government input, which has necessitated close coordination and will continue to influence performance. An integrated approach to law and justice activities is generally producing better results among larger programs, while the choice of modality continues to influence the effectiveness of outcomes, including sustainability.

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18   World Bank, p. 73.
19   World Bank, p. 54.
20   Verena Fritz & Alina Rocha Menocal, 'Developmental states in the new millennium: concepts and challenges for a new aid agenda', *Development Policy Review*, vol. 25, no. 5, pp. 454–5, 2007, states: 'More than $4 billion of aid was spent on "improving government administration" in 2005, according to the OECD's aid database. However, a general perception is that such "public sector reforms", as well as capacity-building efforts more generally, have fallen short of expectations … At least in part, this seems to be due to excessively standardised and insufficiently innovative and tailored approaches. For example, while some innovative thinking has gone into the reform of public financial management and into decentralisation, fresh perspectives on civil-service and core public-administration reform have been particularly scarce in recent years—especially in terms of thinking beyond the fashions of the "New Public Management", which originated in and was primarily designed to meet the reform needs of highly developed countries.'