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Executive summary

This report summarises the performance of the Australian aid program in 2013–14. It also reviews early progress in implementing the Government's new development policy and performance framework, which were launched in June 2014.

The development policy, *Australian aid: promoting prosperity, increasing stability, reducing poverty*, outlined a new approach to driving economic growth and reducing poverty in the Indo-Pacific region, aligned to the Government's broader economic diplomacy and security agenda. The policy was accompanied by a new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*. The framework set out a rigorous approach to assessing performance throughout the aid program, including by strengthening the links between performance and funding in order to deliver better results and value for money for Australian taxpayers.

Chapter 1 reviews initial progress towards the 10 strategic targets set in *Making Performance Count* to assess the performance of the aid program as a whole. While implementation of the new performance framework is not yet one year old, the aid program is demonstrating good progress in meeting these targets. For example, the aid budget is already showing a stronger focus on the Indo-Pacific region and new Aid Investment Plans are being developed for country and regional programs. Some targets will take concerted effort to achieve given their level of ambition. This includes the important target on promoting gender equality and empowering women and girls.

Chapter 2 summarises the performance of country and regional aid programs. Overall, country and regional programs performed well against their strategic objectives in 2013–14, although differences in performance between and within regions remain. While each program faced challenges unique to its circumstances, there are some common areas for improvement. These included the need to better address gender equality issues and improve the monitoring and evaluation of aid investments.

The performance of global programs in 2013–14 is assessed in Chapter 3. Programs providing core funding to multilateral organisations and Australian non-government organisations (NGOs) yielded strong development results across a range of areas. Through these investments, Australia was also able to leverage important reforms aimed at improving partner organisations' effectiveness and efficiency, an increased focus on the Pacific region and integrating gender considerations into the planning and implementation of their activities. Independent evaluations confirmed that investments in scholarship and volunteer programs were effective in building the capacity of organisations and training future leaders, as well as strengthening people-to-people links and goodwill with regional neighbours.

Chapter 4 examines the performance of the Australian aid program across the six priority investment areas outlined in the development policy. Aid investments produced strong results in all areas, although their effectiveness in the areas of governance and gender equality could be further improved.

Introduction

As part of the new performance framework for the Australian aid program, *Making Performance Count*,¹ the Government committed to the publication of an annual *Performance of Australian Aid* report. This inaugural report summarises the performance of the Australian aid program in 2013–14.

The Government's new development policy, *Australian aid*,² affirms the purpose of the aid program as 'promoting Australia's national interests by contributing to sustainable economic growth and poverty reduction'. To achieve this, the aid program will focus on driving private sector and human development in the Indo-Pacific region through investments in six priority areas:

- infrastructure, trade facilitation and international competitiveness;
- agriculture, fisheries and water;
- effective governance: policies, institutions and functioning economies;
- education and health;
- building resilience: humanitarian assistance, disaster risk reduction and social protection; and
- gender equality and empowering women and girls.

The policy also highlights the importance of innovation, transparency and linking funding decisions more closely to performance.

As the development policy and performance framework were released towards the end of 2013–14, this report reflects an aid program that is changing to respond to the Government's new policy agenda. A number of notable reforms are underway or have already been achieved. These include: the successful integration of the former AusAID with DFAT; the release of performance benchmarks for country and regional aid programs, providing a clearer basis for measuring performance in 2014–15; preparation of new Aid Investment Plans to align country and regional aid programs with the new development policy; and an increased focus of Australia's aid effort in the Indo-Pacific region through the 2014–15 budget process.

Outline of this report

This report is divided into four chapters and two annexes.

Chapter 1 reports on the 10 strategic targets established under the new performance framework, which provide the basis for assessing the performance of the aid program as a whole. As the strategic targets were not in place for most of 2013–14, this chapter primarily includes information on baselines and initial steps taken to meet the targets.

Chapter 2 summarises the performance of country and regional aid programs, which represented 55 per cent of total aid spent in 2013–14. The analysis is organised into four regional groups: East Asia; Pacific; South and West Asia; and Africa, the Middle East and other regions.

¹ *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, 18 June 2014

² *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, 18 June 2014

Key results and achievements from major global programs in 2013–14 are highlighted in Chapter 3. This includes core funding provided to key multilateral organisations and Australian NGOs.

Chapter 4 assesses the performance of the aid program across the six priority areas of the development policy and identifies emerging issues and trends.

The report also includes a summary of the major activities and achievements of official development assistance (ODA) appropriated to other Australian Government departments and agencies (Annex A).

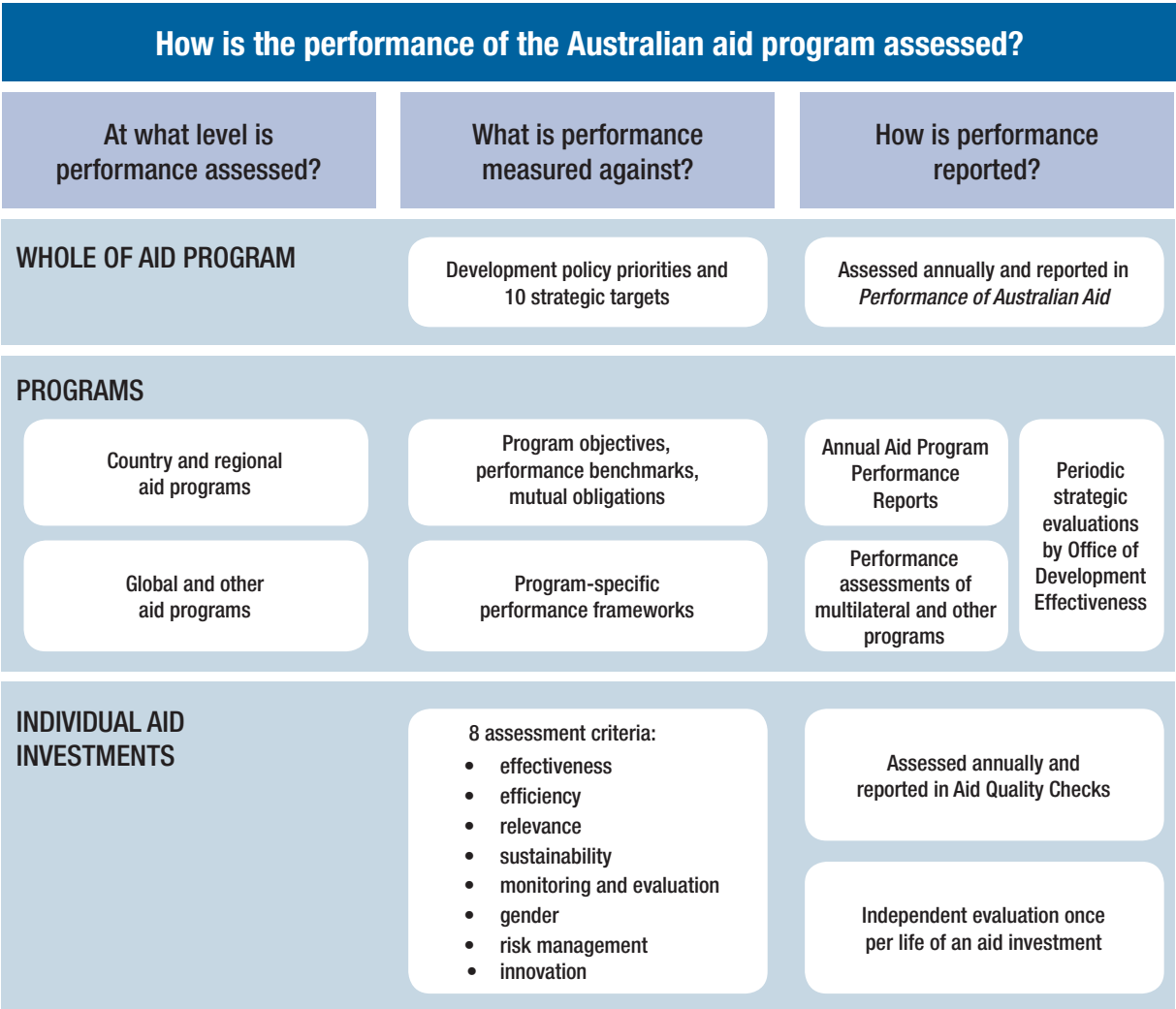
The performance information in this report has been quality assured and verified by the Office of Development Effectiveness (ODE), under the guidance of the department’s Independent Evaluation Committee. Their comments are at Annex B.

Approach to assessing performance in the aid program

The analysis in this report draws on performance assessments undertaken at three levels of the aid program:

- whole of aid program level;
- bilateral (country and regional) and global programs; and
- individual aid investments.

Figure 1: Performance assessment in the Australian aid program



At the whole of aid program level, alignment with government policy directions and progress against the 10 strategic targets in *Making Performance Count* are assessed and reported annually in *Performance of Australian Aid* reports.

At the program level, the approaches to performance assessment are tailored to the characteristics of different programs.

For country and regional aid programs, performance is assessed each year and published in Aid Program Performance Reports (APPRs). To ensure the assessments made are contested and robust, all APPRs are peer reviewed and approved by senior management. The ODE also conducts an annual independent quality review of APPRs. Judgements about performance are made against program objectives contained in existing strategy documents for each country or regional program, and expressed as one of three ratings: progress towards objectives is on track; progress is at risk (less than expected); or progress is not on track. In 2013–14, all 28 programs for which an APPR was required completed and published their APPRs on the Department of Foreign Affairs and Trade (DFAT) website. In future, assessments of program performance will also consider progress against performance benchmarks and mutual obligations to be set out in new Aid Investment Plans.

The performance of global and other programs is currently assessed through a range of program-specific performance frameworks. For example, the Australian NGO Cooperation Program (ANCP) provides funding to accredited Australian NGOs. The performance and results of the program are assessed and reported annually through the ANCP's Monitoring, Evaluation and Learning Framework.

In line with strategic target 7 (see Chapter 1), *Working with the most effective partners*, DFAT is currently developing a new multilateral performance assessment process. The new system will assess the performance of key multilateral organisations which receive core funding from Australia. This year's *Performance of Australian Aid* report draws on existing performance reports from multilateral partners as well as other sources, such as the Multilateral Organisation Performance Assessment Network (MOPAN).

At the third level are individual aid investments, most of which are grouped under country and regional aid programs. The quality and performance of aid investments with a total value of \$3 million or greater are assessed each year and recorded in Aid Quality Checks (AQC's). As part of this process, each aid investment is rated as performing satisfactorily or unsatisfactorily on a six-point scale against eight assessment criteria. To ensure performance assessments in AQC's are robust and contestable, they are subject to peer moderation. The ODE also undertakes an annual spot check of the quality of AQC's. In 2013–14, AQC's were prepared for 542 eligible aid investments, representing a compliance rate of 99 per cent. All aid investments with a budget of \$10 million or more are also required to undergo an independent evaluation at least once in their lifetime.

Performance information generated at the individual aid investment level feeds into assessments of program performance, which in turn provides the basis for assessing the performance of the aid program as a whole.

To ensure that the department's reporting on the performance of Australian aid is rigorous, credible and supported by robust evidence, the ODE, under the guidance of an Independent Evaluation Committee, undertakes strategic evaluations of particular programs or thematic areas and provides independent oversight of departmental aid performance assessment systems. A list of evaluations undertaken by ODE in 2013–14 is at Annex B.

Chapter 1

Performance against strategic targets

Making Performance Count identified 10 strategic targets to assess the effectiveness of the aid program and ensure it is delivering on key Government policies and priorities. The 10 strategic targets reinforce the shifts required to implement the policy directions set out in Australia's development policy. As the strategic targets were not in place for the aid program in 2013–14, this section includes baseline information and outlines initial progress. The first full annual reporting against the 10 strategic targets will be in next year's *Performance of Australian Aid* report.

Target 1: Promoting prosperity

Promote economic development by increasing Australia's aid for trade investments to 20 per cent of the aid budget by 2020

The Government announced in the new development policy that Australian aid would be used as a catalyst to promote economic growth and poverty reduction, including through an emphasis on aid for trade. Aid for trade helps developing countries improve their capacity to trade, which drives economic growth and provides opportunities to build livelihoods and increase income. The World Trade Organization (WTO) estimates that, on average, every dollar spent on aid for trade increases recipient country exports by an additional \$8. By assisting developing countries to address constraints to trade, Australia is helping build prosperity in the region. Some of Australia's largest trading countries today were once major recipients of foreign aid.

Australia's reporting of aid for trade is consistent with the Organisation for Economic Co-operation and Development (OECD) definition and includes investments focused on economic infrastructure (such as transport, energy and communications), trade facilitation, agriculture, fisheries, industry and mining. A small proportion of Australia's governance expenditure is also covered.

Figure 2: Aid for trade expenditure by investment priority area (2013–14)

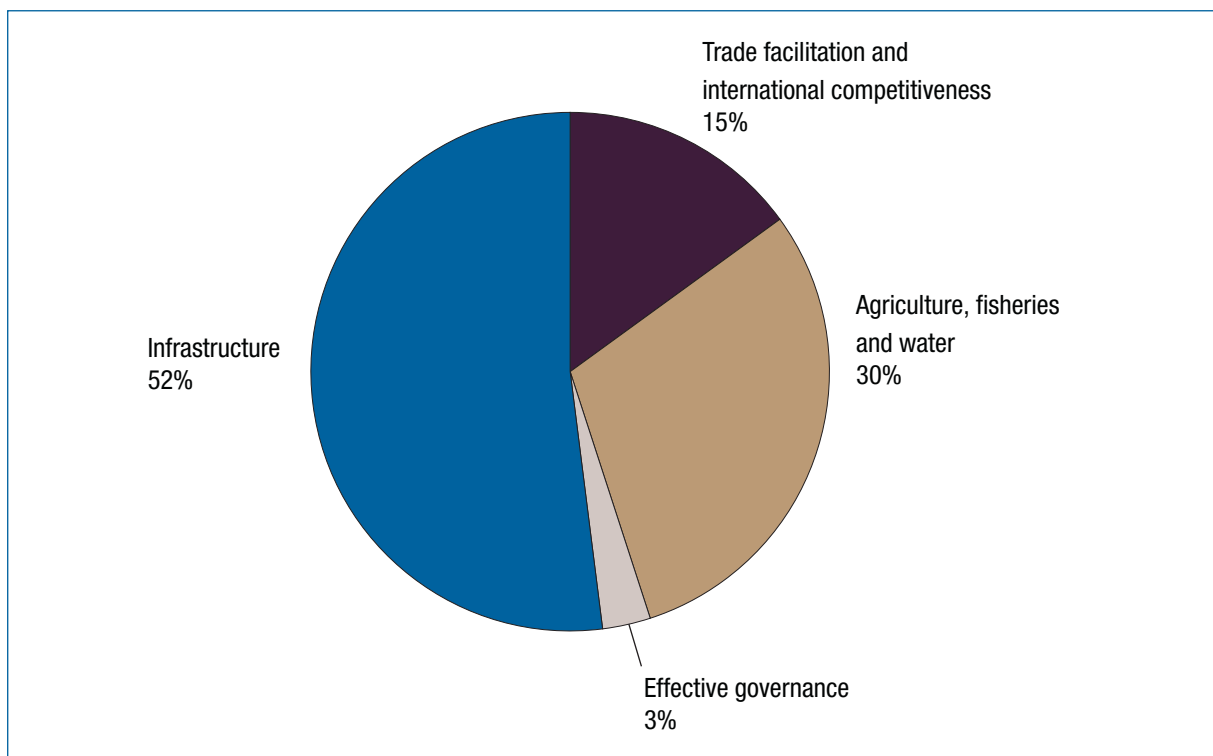
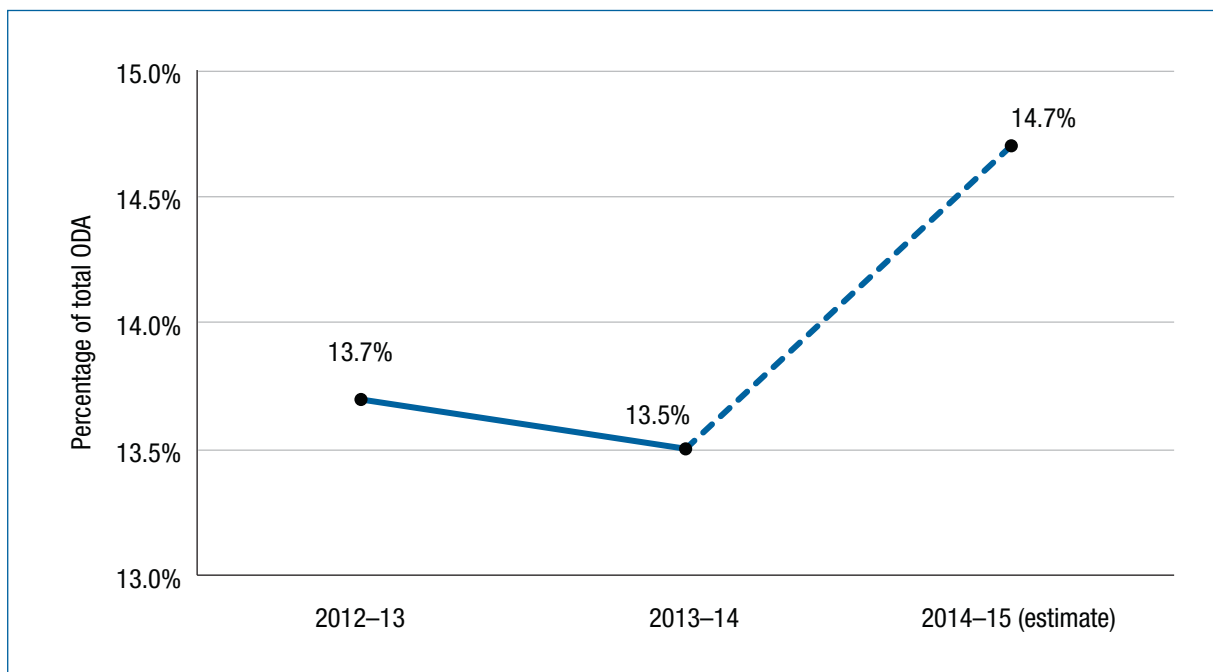


Figure 3: Aid for trade expenditure as a percentage of total ODA



This target requires that the Australian aid program lifts its expenditure on aid for trade to at least 20 per cent by 2020. Over the last nine years, the average proportion of the aid budget spent on aid for trade was 13.8 per cent. The estimated expenditure on aid for trade in 2013–14 was \$675 million, equivalent to approximately 13.5 per cent of total ODA. It is estimated that this will increase to approximately 14.7 per cent of total ODA in 2014–15. If realised, this would demonstrate good initial progress in meeting the 20 per cent target. Achieving this re-orientation over the next six years will require a concerted focus, given the time it takes to design and implement new programs, particularly in areas such as economic infrastructure.

Significant new investments in aid for trade include Australia's Global Trade Integration Facility (launched in July 2014, \$60 million over four years) which will help developing countries participate in international trade. One of the first activities under the Facility is a contribution to the World Bank's Trade Facilitation Support Program, which will help developing countries simplify and streamline cross-border procedures and reduce the cost of doing business. In Papua New Guinea (PNG), on 1 December 2014 Australia commenced a second phase of the Transport Sector Support Program (\$400 million over five years) to help improve transport infrastructure.

Target 2: Engaging the private sector

All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes

The Australian Government's development policy for the aid program focuses on two outcomes: strengthening private sector development and enabling human development. The policy recognises that private sector-led growth has the greatest potential to reduce poverty sustainably and lift living standards in the region. The private sector generates 90 per cent of jobs, funds 60 per cent of all investments and provides more than 80 per cent of government revenues in developing countries. Encouraging private sector-led growth in developing countries contributes to Australia's broader economic diplomacy efforts to deliver greater prosperity for Australia, the region and globally.

In 2014, the Joint Standing Committee on Foreign Affairs, Defence and Trade held an inquiry into the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region. DFAT made a comprehensive submission to the inquiry, documenting the types of investments being implemented to promote private sector growth. The Committee is expected to report in 2015 and DFAT will consider the Committee's findings once they become available.

This target will ensure that opportunities to engage with the private sector or promote private sector-led growth are explored in the design of all new aid investments, not only those with a focus on economic development. Engagement with the private sector may include consultation during the design of new investments, co-financing arrangements, public private partnerships and participation in governance arrangements and joint evaluation activities. Promoting private sector-led growth includes investments that increase employment, incomes, productivity and trade and reduce regulatory burdens. New guidelines have been developed to help DFAT staff involve the private sector in the design of new investments.

Australia's work with the Government of Indonesia to improve health outcomes in Papua is a good example of how this target is being met. The department is exploring different ways of leveraging private sector engagement in the delivery of health services in the preparation of a program to improve primary health care in Tanah Papua. DFAT is seeking to strengthen partnerships with private sector health service providers as well as large firms, such as mining companies, to extend health services to remote areas, prevent diseases and improve workforce health.

Target 3: Reducing poverty

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

This target requires all country and regional programs to have Aid Investment Plans in place by July 2015. New Aid Investment Plans will be informed by analysis of constraints to growth and set out the strategic policy direction and rationale for the choice of Australian aid investments in each country and region. They are the key mechanism through which the aid program will be reshaped to deliver on the Government's policy priorities set out in *Australian aid: promoting prosperity, reducing poverty, enhancing stability*. Aid Investment Plans describe where, why and how Australian aid will be delivered and the expected results to be achieved in a country or region. They present a line of sight from Australia's national interests, strategic priorities and objectives to expected outcomes.

Aid Investment Plans will outline how Australia's aid investments will promote private sector-led growth and enable the poor to participate and share in the benefits of greater economic prosperity. This includes consideration of ways to enable more disadvantaged members of society, such as people with disabilities, to access the same opportunities as others and improve their quality of life.

Aid Investment Plans also contain performance benchmarks and mutual obligations (see strategic target 6) tailored to the circumstances of each country or region. Performance against the strategic objectives in an Aid Investment Plan, as well as its performance benchmarks and mutual obligations, are reviewed annually through Aid Program Performance Reports.

Aid Investment Plans are informed by consultations with partner governments and important stakeholders, including civil society and the private sector. Consultations on these plans are currently taking place both in Canberra and in partner countries. For example, in October 2014 DFAT organised a consultation forum with representatives from the private sector, NGOs, managing contractors and academia on the development of Aid Investment Plans for the Pacific.

Target 4: Empowering women and girls

More than 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation

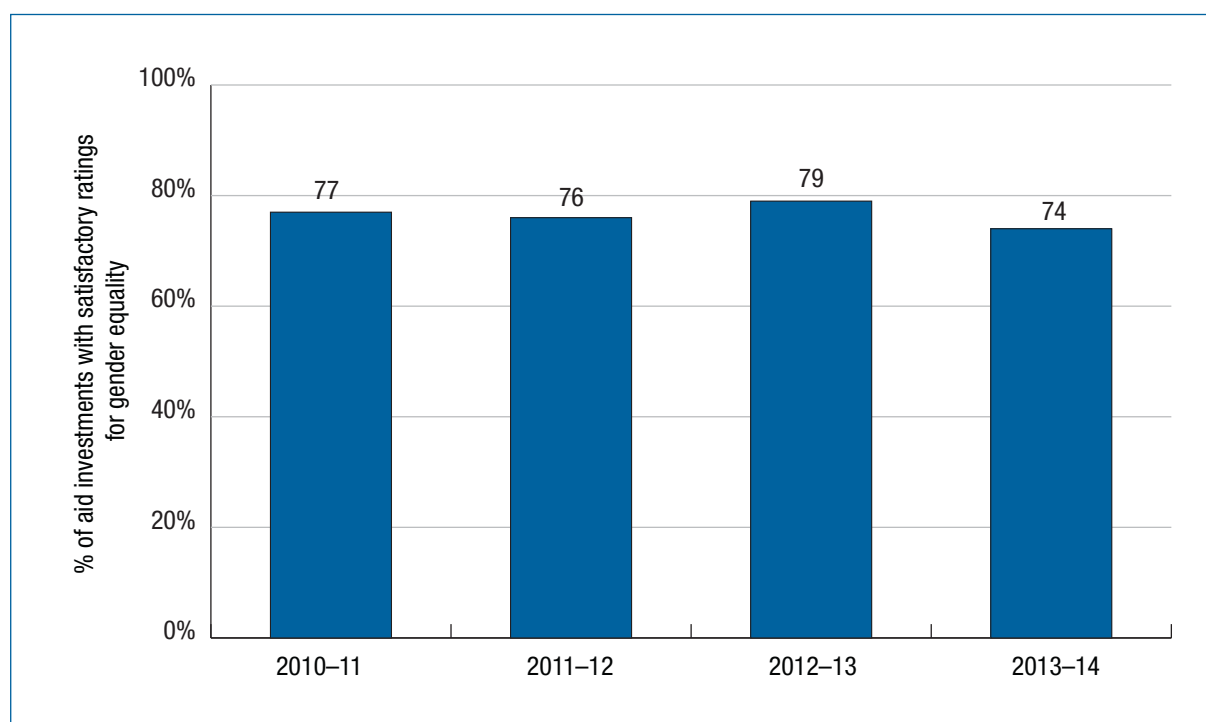
Gender inequality persists in the Indo-Pacific region. It is a drag on economic growth and efforts to reduce poverty, as well as being a concern in its own right. Removing barriers that prevent women from having the same access as men to education, economic opportunities and productive inputs can generate and accelerate broad productivity gains. According to the World Bank, global gender inequality creates an average income loss of 13.5 per cent, including losses due to gaps in occupational choices of about 5 per cent and losses due to labour force participation gaps of about 8.5 per cent. It is estimated that every 1 per cent increase in the proportion of women with secondary education boosts a country's annual per capita income growth rate by 0.3 percentage points.

The Government's development policy includes gender equality and empowering women and girls as one of six investment priority areas. This recognises that specific targeted investments are important for addressing barriers to gender equality. In addition, *Making Performance Count* established a target on gender equality to apply across all other sectors, embedding a best practice twin track approach.

This target measures how well Australia's aid investments address gender equality issues during implementation, regardless of their focus. Data to track progress against this target is drawn from the results of DFAT's annual Aid Quality Checks. Reflecting the Government's commitment to effectively address gender equality, the criteria for future gender assessments have been strengthened. They assess whether an aid investment has identified relevant gender equality gaps and opportunities, is effectively managing risks to gender equality and is achieving expected gender equality outcomes. The criteria also

assess if sex disaggregated data is collected and whether sufficient skills and budget exist to support the gender equality related activities of an investment.

Figure 4: Percentage of aid investments with satisfactory ratings for gender equality



In 2013-14, 74 per cent of investments were assessed as satisfactory against the gender equality criterion. Achieving this target will be made even more challenging by the greater focus envisaged in economic infrastructure, a sector in which the aid program has historically performed significantly less well in promoting gender equality outcomes. A recent evaluation from the Office of Development Effectiveness noted that *“Australia has had less success integrating gender equality into its key economic sector investments (agriculture, rural development, transport, energy, trade and business and banking) compared to sectors like health and education.”*³

To achieve the 80 per cent target, sustained attention by DFAT staff and improvement in staff capacity will be required. A new strategy is being developed to give effect to the Government’s focus on gender equality and empowering women and girls. The strategy will also support DFAT staff to achieve this ambitious target.

Target 5: Focusing on the Indo-Pacific region

Increase the proportion of country program aid that is spent in the Indo-Pacific region to at least 90 per cent from 2014-15

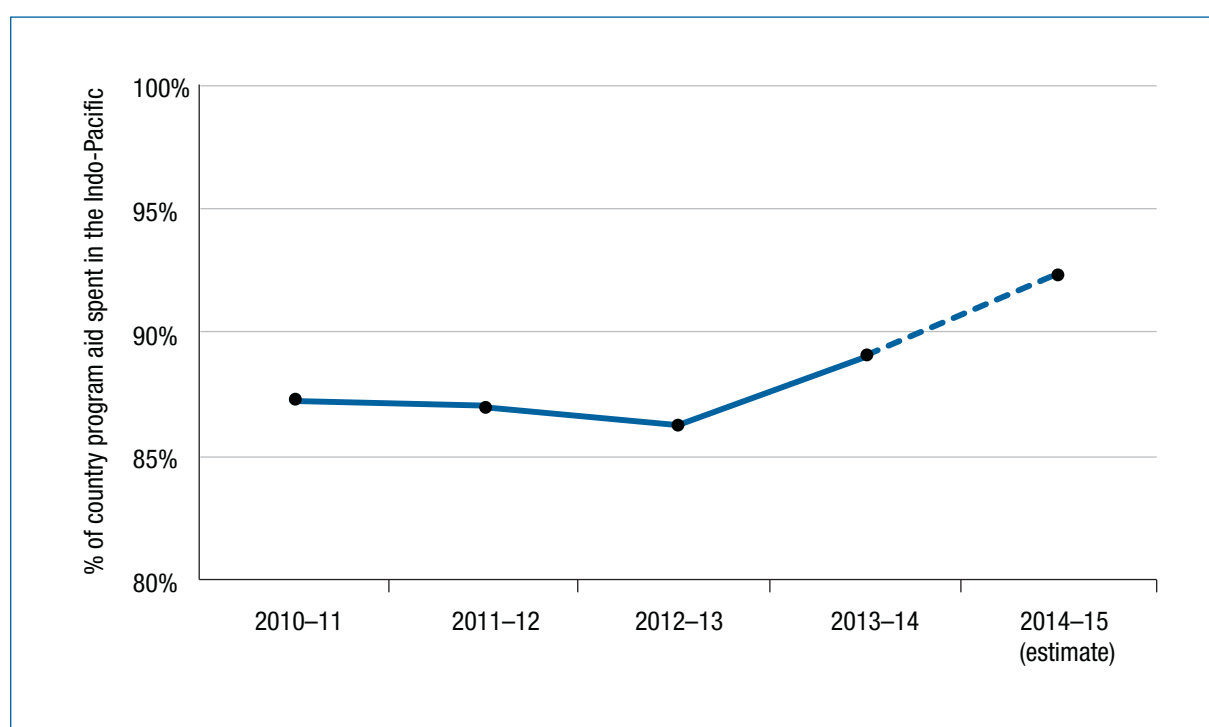
A key objective of the Government’s development policy is to increase the aid program’s focus on the Indo-Pacific region. This is where Australia can make the most difference in promoting economic growth and reducing poverty. The Australian aid program is recognised internationally for its leading role in the region, particularly in the Pacific (including PNG) and South East Asia. The regional focus of Australia’s aid is more important given that two-thirds of the world’s poor—some 800 million people—live in the Asia Pacific region, yet they receive less than one-third of global aid. A focus on the Indo-Pacific region is also a

³ Smart Economics: Evaluation of Australian aid support for women’s economic empowerment, ODE, August 2014.

natural expression of Australia's national interest. Stronger growth, prosperity and stability in the Indo-Pacific region are of direct benefit to Australia.

This target measures the proportion of country programmable aid that is spent in countries in the Indo-Pacific region. This includes bilateral and regional aid expenditure, as well as some global and cross regional aid that can be attributed to countries in the Indo-Pacific region. For example, humanitarian assistance earmarked to particular countries is included in country programmable aid, but core funding to international humanitarian agencies and multilateral development agencies is not included. For the purpose of measuring progress against this target, the Indo-Pacific refers to developing countries in the Asia Pacific (including South and West Asia), in the Indian Ocean and those bordering the Indian Ocean in East and Southern Africa. This definition broadly aligns with the membership of key regional organisations including the Indian Ocean Rim Association, the Association of Southeast Asian Nations (ASEAN) and the Pacific Islands Forum.

Figure 5: Percentage of country programmable aid that is spent in the Indo-Pacific region



This target aims to ensure that the proportion of country programmable aid spent in the Indo-Pacific region reaches at least 90 per cent and is maintained at that level. In 2012-13, aid expenditure in the Indo-Pacific region was 86 per cent of country programmable aid. This increased to just under 90 per cent in 2013-14. In the 2014-15 aid budget, around 92 per cent of country programmable aid was allocated to the Indo-Pacific region.

Target 6: Delivering on commitments

From July 2015, progress against mutual obligations agreed between Australia and its key partner governments and organisations will form part of program performance assessments

Mutual accountability for shared development outcomes is a long-standing and internationally recognised principle of development effectiveness. Partner government commitment and resources are crucial to the success of Australia's aid investments. If partner governments fail to follow through on commitments to undertake essential reforms or invest insufficient resources in priority development areas, it is unlikely that Australia's aid investments will achieve their intended results or be sustainable. While Australia will be held to account for the performance of its aid investments, mature partnerships are needed with partner governments based on agreed joint responsibilities.

Mutual obligations represent the contribution of partner governments towards shared development outcomes. They reflect the reform or budget commitments made by partner governments that are of particular relevance to Australia's aid investments. Mutual obligations will be outlined in Aid Investment Plans (see strategic target 3) and assessed in annual Aid Program Performance Reports. As an interim step, 2014 Aid Program Performance Reports began to report on the performance of partner governments in areas relevant to Australia's aid investments.

Mutual obligations will also be identified for partner organisations receiving core funding from the Australian aid program. These will be identified in strategic partnership agreements and assessed regularly through high-level consultations and other governance and performance management processes. Progress against mutual obligations of partner organisations will also be part of the strengthened systems used to assess the performance of the aid program's key delivery partners (see strategic target 7).

Target 7: Working with the most effective partners

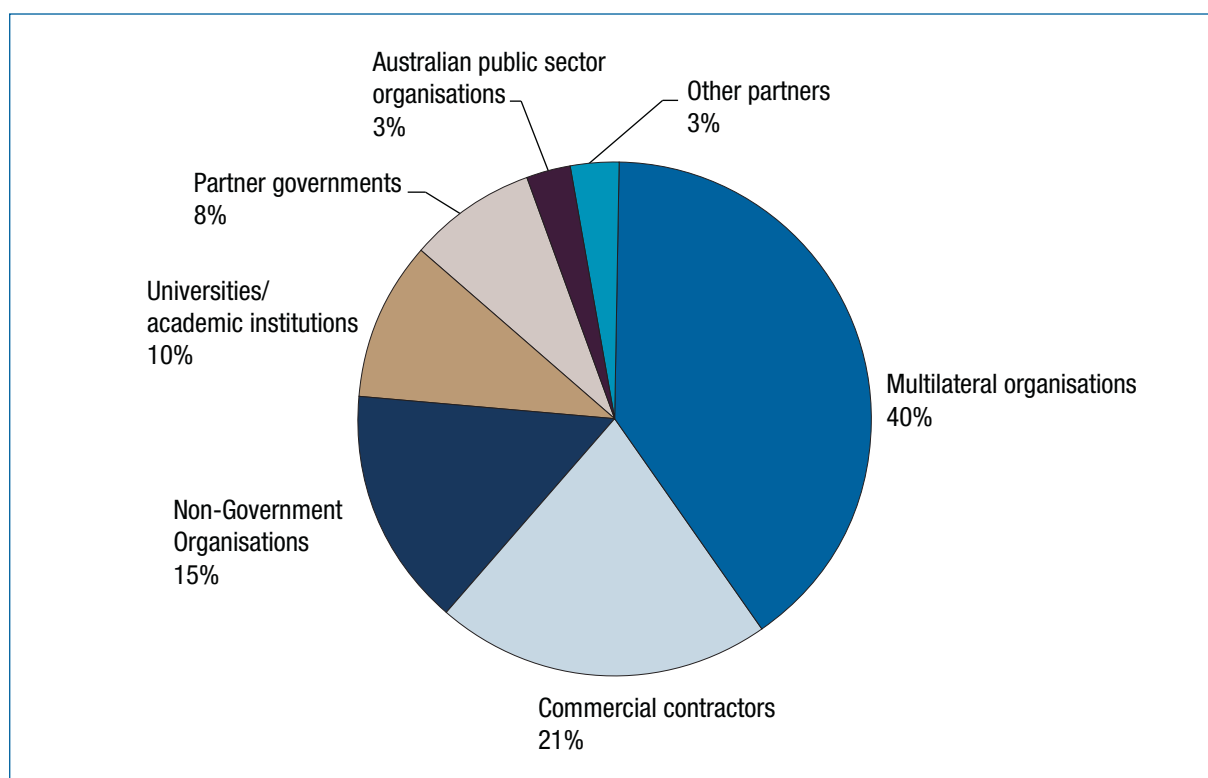
By July 2015, design and apply new systems to assess the performance of the aid program's key delivery partners and ensure stronger links between performance and funding

In order to ensure Australia's aid investments are achieving value for money, the aid program needs to work with the most effective delivery partners. To do this, robust systems are needed to track partner performance. The systems currently in place provide some relevant information, but more can be done to assess past performance in a consistent way and take performance into account in funding decisions.

In 2013–14, 76 per cent of DFAT's administered budget was delivered through agreements with commercial contractors, multilateral organisations, and NGOs. This target commits DFAT to review and strengthen the systems used to assess the performance of these partners by July 2015.

From early 2015, the performance of key delivery partners in implementing aid investments will be assessed against a set of standardised criteria. Information drawn from partner performance assessments will inform procurement and/or partner selection decision making. For ongoing investments, the new partner performance assessments will improve early detection and remediation of underperformance.

Figure 6: DFAT administered ODA in 2013–14 by delivery partner type⁴



For multilateral organisations receiving core funding from the Australian aid program, a strengthened Multilateral Performance Assessment process is being developed. This will provide performance information to feed into multi-year funding decisions and help harmonise Australia's assessment process with those of other countries. The new approach will take into consideration the extent to which multilateral partner programs are aligned with Australia's aid priorities, deliver sustainable results and represent value for money.

For NGOs receiving funding for specific purposes, performance information will inform competitive selection processes for new aid grants. For Australian NGOs receiving funding from the ANCP, new partner performance assessments will complement and build on the ANCP's existing Monitoring, Evaluation and Learning Framework (MELF).

For the aid program's commercial suppliers, the aid contractor performance framework is being strengthened to link performance and payment more strongly, for example by placing a portion of management fee 'at risk' based on contractor performance assessment ratings and extending the use of payment-by-results. Greater emphasis will be placed on performance information in tender evaluations for new contracts.

These changes are being developed in consultation with the aid program's partners.

⁴ Excludes DFAT departmental expenditure and ODA appropriated to other Australian Government departments and agencies

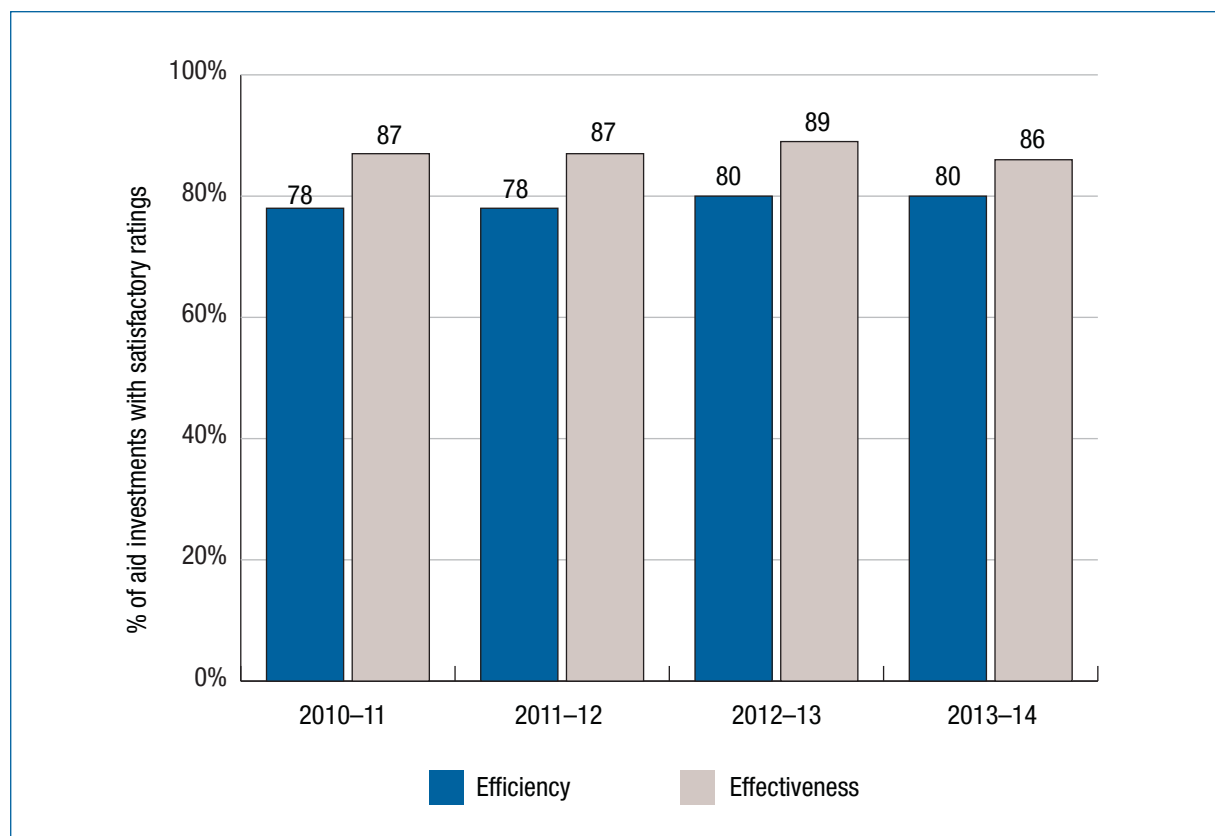
Target 8: Ensuring value for money

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

Value for money is critical to maximising the development impact of every taxpayer dollar spent on aid. Many of the places where the aid program works are difficult environments with high operational risks. Ten of Australia's 15 top partner country aid recipients are considered to be fragile or conflict-affected. To maximise development impacts in such environments, value for money needs to be appropriately embedded into all aid management policies and practices.

This target measures how well Australian aid investments achieve value for money during their implementation. Data to track progress against this target is drawn from the results of DFAT's annual Aid Quality Checks, in particular whether investments are assessed as satisfactory against AQC effectiveness and efficiency criteria. While the aid program has rated highly for effectiveness over the past four years, a concerted effort will be needed to improve efficiency scores for aid investments.

Figure 7: Percentage of aid investments with satisfactory ratings for efficiency and effectiveness



This target also signals a tougher approach to underperforming investments. If the aid program is to remain effective, then it needs to engage more directly with risk and be more innovative. This means accepting that not all aid investments will deliver the returns hoped for. Where aid investments are assessed as underperforming, strategies to improve performance will be overseen by senior management. If performance does not improve within 12 months, investments will be cancelled.

Improving an underperforming aid investment

The *Balochistan Early Childhood Development Project* in Pakistan commenced in 2010 with a focus on expanding access and improving the quality and delivery of early childhood education in Balochistan Province, particularly for girls. Activities included teacher training, classroom construction and educating families in the community on the importance of early childhood education. The project experienced several challenges in implementation, largely due to an insecure operating environment, which delayed the commencement of critical parts of the project, such as school construction.

The investment was considered underperforming for two consecutive performance reviews. In response, Australia established a remediation plan in consultation with the implementing partner that outlined the issues, actions required, roles and responsibilities and timelines for the remediation. Australian staff in Pakistan worked closely with the partner to improve the performance of the program, including making representations to the Balochistan Government to help resolve issues with approvals and construction permits and making amendments to the design and management of the program.

Over time, Australia's close engagement with the partner and oversight of the program to address implementation constraints resulted in significant improvements in the performance of the investment. The program, which operates in 75 schools (including 48 girls' schools) is now achieving good results. 392 teachers have been trained (55 per cent of whom are female) and over 9,900 children (including 78 per cent girls) have been provided with access to early childhood education classes. As a consequence of Australia's close engagement, the project has achieved additional benefits. For example, classrooms which are being built will now be seismic resistant, providing local communities with safe shelters during earthquakes. In addition, the Balochistan Government has agreed to allocate budget resources to maintain the buildings and fund the salaries of early childhood development teachers following the completion of the project.

In 2013–14, the department contracted 1,916 advisers to support the delivery of the Australian aid program. All of these advisers were engaged in accordance with the requirements of the Aid Adviser Remuneration Framework.⁵ The framework promotes transparency of adviser pay rates and other remuneration allowances based on professional discipline categories and job levels. It encourages a more rigorous selection process where performance history is assessed before pay offers are made to preferred candidates.

In 2013–14, the average remuneration packages (daily/monthly rates, applicable allowances and essential support costs)⁶ paid to long term and short term advisers represent a 24 per cent and 38 per cent saving respectively, when compared to packages paid prior to the introduction of the framework in 2011.

⁵ The Framework only applies to advisers who are contracted commercially and internationally. An adviser is defined as an individual who provides advice on the strategic direction and/or implementation of the Australian aid program.

⁶ Allowances include mobility and special location costs. Support costs include housing, mobilisation, security, insurances and airfares, as applicable.

Target 9: Increasing consolidation

Reduce the number of individual investments by 20 per cent by 2016–17 to focus efforts and reduce transaction costs

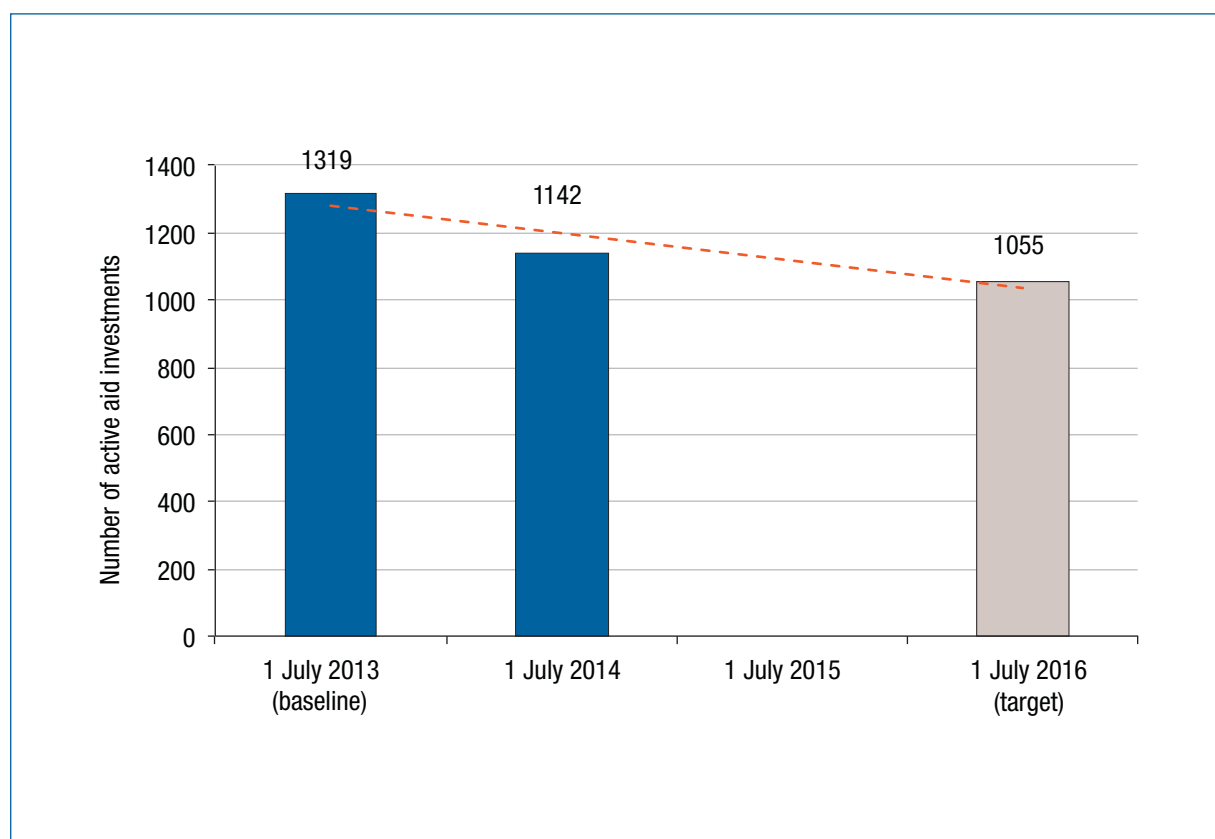
Focusing on fewer, larger aid investments is critical to ensuring the effectiveness and efficiency of the aid program. According to analysis conducted by the ODE, *“Investments above \$50 million are rated best across all criteria. This suggests that performance appears to improve as investment value increases.”*⁷

Not only does consolidation improve effectiveness, it also reduces transaction costs and paperwork, so that DFAT staff can focus their attention on the most significant and highest risk investments. Increasing consolidation also reduces the burden on partner governments and key delivery partners.

This target measures the total number of active investments managed by the aid program. On 1 July 2013, there were 1,319 active aid investments. This was the size of the portfolio of aid investments the Government inherited when it came into office. In order to achieve this target, the number of aid investments needs to reduce by 264 by 1 July 2016.

The aid program is currently on a good trajectory with respect to this target. On 1 July 2014, there were 177 fewer active aid investments. However, achieving greater consolidation may become more challenging as lower priority investments are discontinued and as new investments are introduced to implement the Government’s new policy priorities.

Figure 8: Actual and projected progress on consolidation of aid investments



7 Office of Development Effectiveness, “2014 Review and Spot Check of Quality at Implementation Reports”, September 2014.

Target 10: Combatting corruption

Develop and implement new fraud control and anti-corruption strategies for all major country and regional programs by July 2015

Combatting fraud and corruption is critical to safeguarding Australian aid and ensuring that taxpayer dollars are used for their intended purpose and serve their intended beneficiaries. Fraud and corruption are also barriers to economic growth and the effective delivery of essential services. According to the World Bank, over US\$1 trillion is paid in bribes each year. Corruption adds up to 10 per cent to the total cost of doing business globally.⁸ In developing countries, the risk and incidence of fraud and corruption is often high.

By their nature, aid programs operate in fragile, often dangerous and corrupt environments. Appropriate mechanisms need to be in place that mitigate the risks of fraud and corruption, but also support the achievement of the objectives of the Australian aid program. DFAT has a policy of zero tolerance towards fraud and corruption. In order to effectively implement this policy, this target requires that all major country and regional aid programs develop and implement new fraud control and anti-corruption strategies.

The strategies will identify the risks and incidence of fraud and corruption of greatest relevance to the delivery of Australian aid. They will detail the controls and measures the Australian aid program will adopt to safeguard aid funding and outline support to be given to local efforts to reduce fraud and corruption in partner countries. New fraud control and anti-corruption strategies will be developed covering all major country and regional aid programs. Guidelines on developing these strategies have been finalised and work is underway to have the strategies in place by July 2015.

⁸ World Bank News – The Cost of Corruption, 8 April 2014.

Chapter 2

Country and regional program performance

This chapter summarises the performance of Australia's country and regional aid programs, which constituted around 55 per cent of total ODA expended in 2013–14 (\$2,755 million). Key performance trends, results and areas for improvement are highlighted for programs, organised into four regional groups: East Asia; the Pacific; South and West Asia; and Africa, the Middle East and other regions.

East Asia

Context

In 2013–14, the East Asia region continued its recent trend of stable economic growth and remained one of the fastest growing regions in the world. However, the rate of GDP growth softened in many countries in 2014, largely reflecting country-specific factors such as fiscal stabilisation and weaker commodity export prices in Indonesia, flat global demand, slowing growth in China, natural disasters in the Philippines and soft domestic demand in Vietnam⁹. Efforts to strengthen regional economic integration through ASEAN continue, though progress has been mixed.

While the region has seen impressive achievements in the number of people lifted out of poverty over recent decades, much remains to be done. Over 200 million people in the region still live on less than US\$2 a day. In most of the countries where the aid program works, over 40 per cent of the population live below the poverty line¹⁰ and income inequality remains high.¹¹ Regional progress towards the Millennium Development Goals (MDGs) is mixed, with recent data suggesting that only 10 of the 16 MDG targets reported on were likely to be achieved by the target end date of 2015.¹²

East Asia is of significant and growing importance to Australia's national interest. There are strong economic, political, social and security ties between Australia and its neighbours in the region. East Asia represents Australia's largest trading region, making up 56 per cent of trade in goods and services in 2013.¹³ Investment by Australian firms in the region has more than doubled over the past decade. Australia's links with the region will be further strengthened through trade agreements reached with China, Japan and Korea and the commencement of the New Colombo Plan in 2013–14.

Around 26 per cent of Australia's total aid budget (\$1,355 million) was spent in the East Asia region in 2013–14 (see Table 1). This was the largest share by region and reflected a slight increase of 5 per cent from the previous year's estimated expenditure (\$1,283 million). Aid was delivered through eight country programs and one regional program, with two thirds of the regional expenditure occurring in Indonesia, Philippines and Vietnam. Indonesia was the largest aid program within the region and the Australian aid program as a whole, reflecting its strategic importance to Australia and the scale of the development needs in the country. Figure 9 provides a breakdown of total aid spent in 2013–14 by investment priority areas.

9 Asian Development Outlook 2014—Update, ADB—<http://www.adb.org/sites/default/files/ado2014update-highlights.pdf>

10 Defined as people living on less than US\$2 a day. Countries include Cambodia, Indonesia, Laos, Philippines and Vietnam.

11 Poverty and Equity Databank, World Bank—<http://povertydata.worldbank.org/poverty/region/EAP>

12 MDGs 2014 progress chart for Southeast Asia region, UN—http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2014/Progress_E.pdf

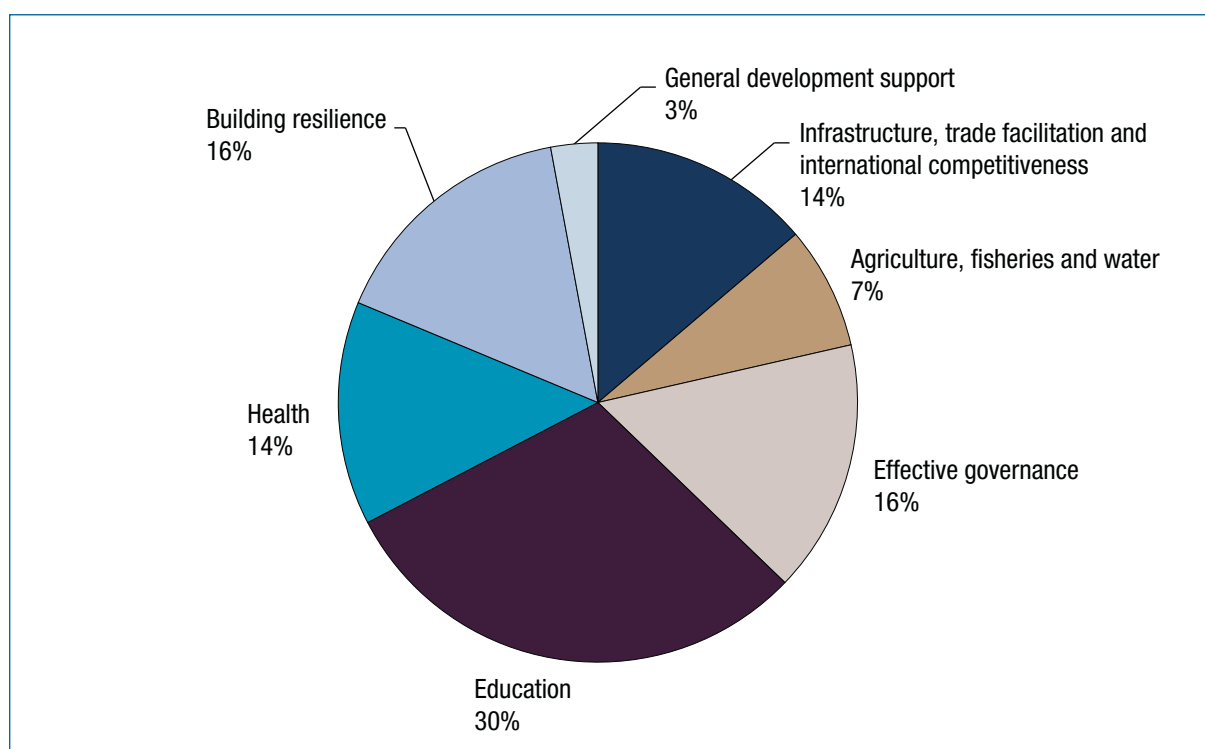
13 Australia's trade with East Asia, DFAT, 2013—<http://dfat.gov.au/publications/stats-pubs/Australia-trade-with-east-asia-2013.pdf>

The top three investment priority areas by share of expenditure were education (30 per cent), effective governance (16 per cent) and building resilience (16 per cent).

Table 1: Total ODA to East Asia by country program, 2013–14

Country Program	2013–14 (\$m)
Indonesia	581.1
Philippines	182.6
Vietnam	138.9
Timor-Leste	108.1
Burma	91.8
Cambodia	86.9
Laos	58.5
Mongolia	15.9
East Asia Regional	91.5
East Asia Total	1,355.3

Figure 9: Total ODA to East Asia by investment priority, 2013–14



Program quality

The proportion of program objectives in East Asia assessed as being on track rose from 62 per cent in 2012–13 to 79 per cent in 2013–14 (Figure 10). The number of objectives rated as on track increased particularly in the Indonesia program, where progress ratings increased against around a third of the program's objectives compared with the previous year. Where programs were not on track to meet particular objectives, a variety of factors were involved, such as the time needed to reach agreement on new programs with the government of Timor-Leste and social safeguards for infrastructure in Cambodia.

Figure 10: Performance against program objectives: East Asia, 2013–14

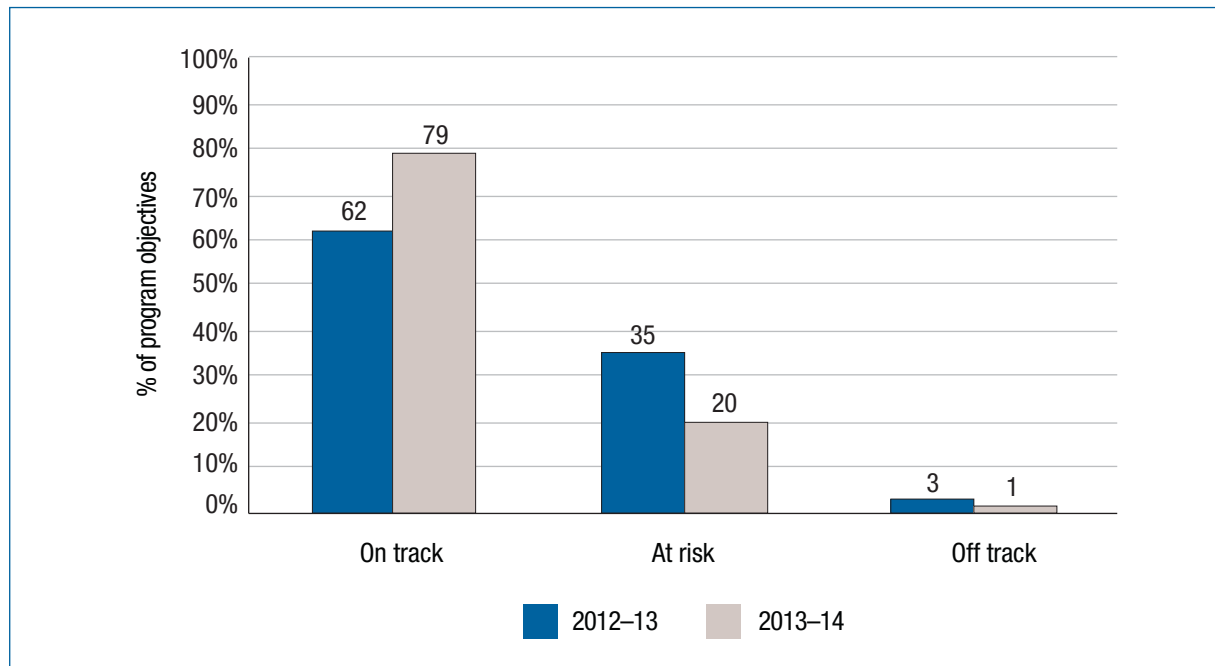
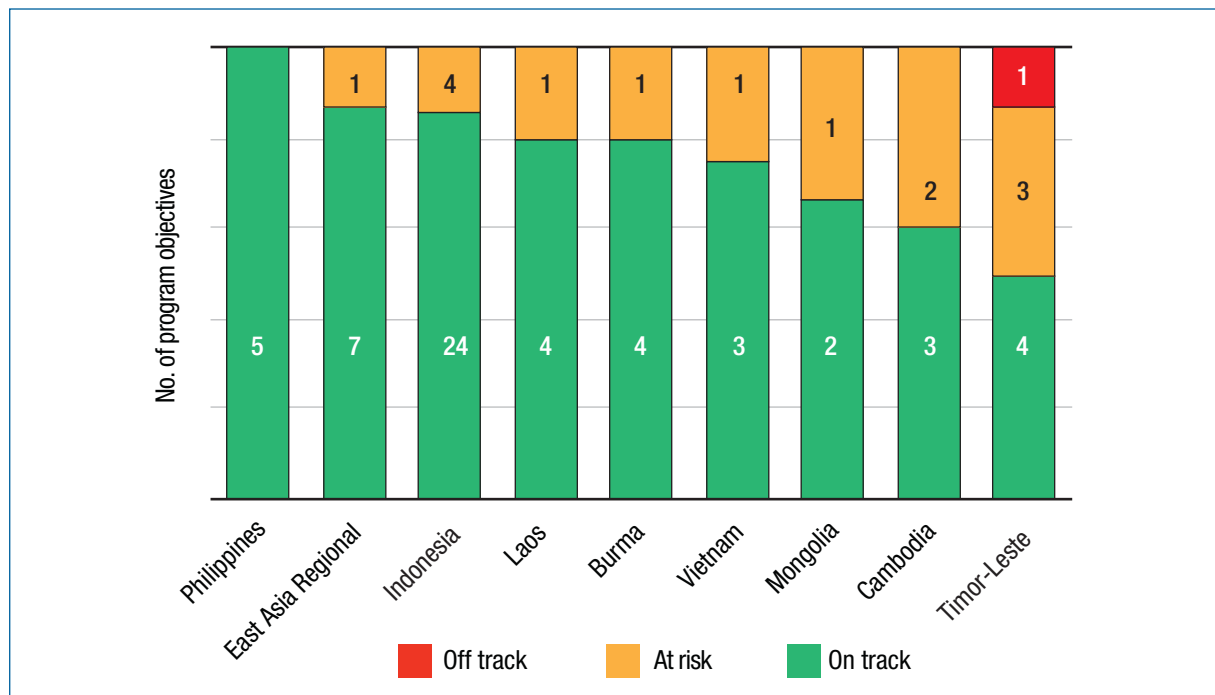
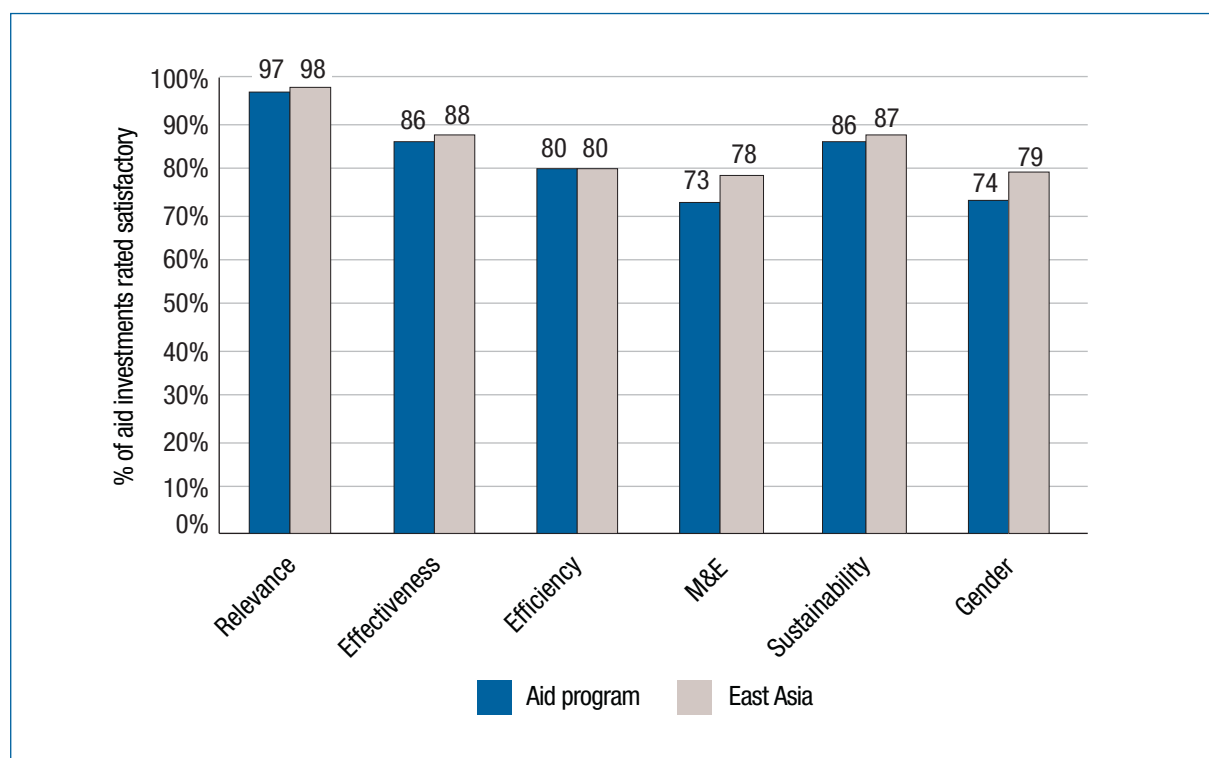


Figure 11: Performance against program objectives by country / region: East Asia, 2013–14



Overall, the performance of individual aid investments in East Asia was mostly above the average performance for the aid program as a whole (Figure 12). The majority of aid investments were found to be highly relevant, effective and likely to result in sustained benefits beyond their completion. However, more needs to be done to ensure aid investments put in place better systems to monitor and evaluate results and more effectively promote gender equality during implementation.

Figure 12: East Asia aid investment performance, 2013



Analysis of performance

Australian aid investments were mostly effective in supporting economic development through **infrastructure, trade and private sector development**. In Vietnam, construction on the Cao Lanh Bridge commenced following a ground-breaking ceremony in October 2013. Once completed in 2017, the bridge will service 170,000 daily users and better connect markets in the Mekong Delta to the rest of Southeast Asia. Australia's investment in the Public Private Partnerships Centre has helped the Philippines Government award seven new infrastructure projects and leveraged a volume of private sector financing 200 times the size of the initial investment. Despite these successes, aid investments in this sector across the region were rated as the least efficient of all six investment priority areas. Efficiency will need to be addressed in 2014–15 to ensure the Government's strategic target on value for money is achieved. Ongoing resettlement issues with the rehabilitation of railway infrastructure in Cambodia also highlighted the importance of effective social safeguard policies.

Innovation

Finding innovative ways to solve big development problems is a priority for Australia's aid program.

One big problem is the fact that women are missing out on the global mobile revolution. In low and middle income countries, women are 21 per cent less likely to own a mobile phone than men, resulting in a gender gap of 300 million women and a US\$13 billion missed market opportunity.

Australia is taking an innovative approach to help close this gender gap. Through a partnership with GSMA, USAID and Visa—*Connected Women*—seed funding is being provided to catalyse the mobile technology industry to better serve poor women. The approach is delivering impressive results.

In Indonesia, *Connected Women*'s support has led Indosat to introduce a new service for poor women that has reached nearly 2 million women since 2011.

In Burma, *Connected Women* has supported mobile operator Ooredoo to develop Burma's first maternal health smartphone app, maymay. The app improves women's access to health professionals by allowing users to access a database of information on the location and contact details of health workers and clinics. Using this app, women can access reliable maternal health information, be connected with a local midwife and view the location of their nearest health clinics.

Programs such as *Connected Women* form a vital part of the Australian Government's efforts to promote innovation throughout the aid program. Extending the benefits of low cost mobile phone technology to poor people is a successful approach to supporting economic growth and poverty reduction in our region.

Performance in the area of **agriculture, fisheries and water management** was strong, with over 90 per cent of aid investments assessed as effective, efficient and satisfactorily addressing gender equality issues during implementation. In Timor-Leste, investments in seed research and development by DFAT and the Australian Centre for International Agricultural Research (ACIAR) have led to 43,000 rural households using improved seed varieties, leading to better crop yields and nutritional outcomes. In Cambodia, Australia's aid has delivered seven new irrigation schemes enabling 4,221 rural households to double the number of crop harvests per year, and cleared over 2,400 unexploded mines, releasing land for agriculture and reducing the number of people killed or disabled by two-thirds compared to the previous year. Australian technologies and expertise in water resource management were also deployed effectively to strengthen cross-border governance of water resources in the Mekong River basin.

Australian aid aimed at strengthening **governance and critical state institutions** also performed well, with almost 85 per cent of investments on track to meet their intended objectives. For example, Australian assistance to Indonesia's tax agency led to the adoption of reforms to strengthen tax enforcement and add to the taxpayer base, which will improve revenues collected and enhance fiscal stability in Southeast Asia's largest economy. Independent evaluations of two NGO investments in Vietnam and Laos found that the impact of NGO programming can increase by integrating ongoing technical and policy dialogue between the Australian Government and partner governments. In the Philippines, President Aquino publicly acknowledged Australian support to the peace process during the signing of the peace agreement between the Philippines Government and the Moro Islamic Liberation Front in March 2014.

Education and health investments represented almost half of total aid expenditure in East Asia for the year. These investments performed strongly on effectiveness and addressing gender issues, as well as catalysing broader, systemic changes. In Burma, Australia's input into a comprehensive review of the education sector is helping to inform the government's education policy and planning. The government has funded a threefold increase in education expenditure and the recruitment of 50,000 new teachers.

In Indonesia, Australia's use of an innovative performance-based grants approach to tackle waterborne diseases enabled 494,000 people to gain access to safe water and leveraged local government financing of up to 65 per cent for every household connection. This success has drawn strong interest from the Indonesian Government, which is now looking to adopt the model as a way to finance local government services. Investments in strengthening the capacity of regional health systems to tackle pandemic health and biosecurity threats also produced solid returns, with an outbreak of foot and mouth disease in Burma successfully contained.

While aid investments in the education and health portfolio performed well overall, there remains room for improvement. Four aid investments in Indonesia and Timor-Leste were assessed as having unsatisfactory performance through DFAT's annual Aid Quality Check process. The reasons for this reflected the challenging trade-offs in working through partner government systems to strengthen their capacities, as well as performance issues with contracted delivery partners.

Aid investments aimed at helping communities to **respond to and recover from shocks**, both natural and economic, also performed well in 2013–14. A key focus during the year was the **humanitarian response** to super-typhoon Haiyan which struck the Philippines in November 2013, claiming at least 6,300 lives and devastating towns, homes and livelihoods in the Eastern Visayas. Australia contributed \$41 million to provide immediate and life-saving assistance to over 3 million people. Australia also deployed a 37-member Australian Medical Assistance Team and put up a mobile field hospital in Tacloban where 3,281 patients were treated and 238 surgeries were performed. The Royal Australian Air Force fielded 230 missions that transported over 1,800 metric tonnes of relief goods, ferried 200 officials and humanitarian workers, and evacuated at least 3,300 survivors. Over 500 personnel of the Australian Defence Force joined operations to clear debris and to repair 16 schools in and around Ormoc, Leyte, allowing 15,000 children to go back to school. In Indonesia, policy assistance to the Vice President's National Team for Accelerating Poverty Reduction helped the Indonesian Government to approve a package of social protection measures to offset the impacts of a reduction in fuel subsidies, freeing up much-needed budgetary resources while also preventing over 6 million people from falling into poverty.

Several significant aid investments focused on gender equality commenced or were designed in 2013–14, including investments tackling violence against women in Timor-Leste and Cambodia, and the flagship women's empowerment program in Indonesia, *MAMPU*. Aid investments in East Asia performed above the average for the total aid program in addressing **gender equality** issues, with 79 per cent of investments doing this to a satisfactory level. Nearly all programs in East Asia noted challenges with setting focused gender objectives in the design of aid investments, monitoring gender-related impacts and weaknesses in staff knowledge and skills that need to be addressed. Aid investments in economic areas were generally less likely to address gender issues satisfactorily during implementation than those in non-economic areas.

Strengthening future performance

Analysis of program performance in East Asia in 2013–14 suggests a number of areas for improvement. Better engagement with partner governments is required on performance issues, particularly in relation to on-budget support to partner governments. Providing aid directly to partner governments can strengthen ownership and reduce the burden of fragmented approaches to donor financing. However, a trade-off in this approach is increased fiduciary and implementation risk. The new performance framework for the aid program requires programs to develop fraud control and anti-corruption strategies by July 2015, which will help mitigate such risks.

A number of country programs in East Asia rely heavily on certain groups of delivery partners in the implementation of those programs. For example, a high proportion of Australia's aid programs in Vietnam, Burma and Cambodia were delivered through multilateral organisations such as the World Bank and UN agencies. The performance of these delivery partners was thus a key factor in the performance of Australia's aid investments and programs.

As noted in Figure 12, 78 per cent of aid investments in East Asia had satisfactory monitoring and evaluation arrangements in place. Monitoring and evaluation has been a challenge in previous years, reflecting gaps in skills and knowledge among staff and difficulties collecting data in developing country contexts. Considerable efforts are being made to strengthen monitoring and evaluation systems. In Timor-Leste, as a result of on-the-job staff mentoring and stronger quality assurance of delivery partners, the average percentage of monitoring and evaluation standards met by investment designs has increased from 16 per cent to 74 per cent since 2011.

A stronger effort is also needed to ensure previous management responses are actioned. By June 2014, programs in East Asia had fully implemented 63 per cent of management lessons identified in annual aid performance assessments compared to 70 per cent for the previous year. Around 130 management responses have been identified for 2014–15. These focus on: enhancing engagement with partner governments on their domestic reform agendas; increasing the effectiveness of existing aid investments; strengthening systems to manage the performance of aid investments; and realigning the portfolio of aid investments in each country to meet the priorities of the Government's new development policy.

Pacific

Context

High rates of overall growth in the Pacific region in recent years, driven by the expansion of the resource-based sectors of PNG, mask weaker performance in other economies. The small size, limited natural resources, distance from larger markets and vulnerability to natural disasters of Pacific island states pose major challenges to the development of the private sector, trade and economic growth. Corruption, political instability and weak public sector administrations significantly compound the economic, social and security challenges facing the region. The financial benefits from PNG's mining and petroleum assets have not yet translated into improved living standards for the majority of its citizens. Despite 14 years of consecutive growth, PNG has one of the lowest levels of GDP per capita in the region.¹⁴ In 2013, PNG was ranked 157 out of 187 countries in the Human Development Index. Over two million people in PNG remain poor and/or face hardship.

Only the Cook Islands and Niue are on track to meet all of the MDGs in the Pacific. Over half of the countries in the region are on track to achieve universal primary education; however, the quality of education remains a serious concern, with many students finishing school without basic literacy and numeracy skills. PNG and the Solomon Islands are not on track to meet any of the MDGs by 2015. Most Pacific countries face a crisis in non-communicable diseases (NCDs) with the rates of smoking and diabetes among the highest in the world. Melanesia faces a double burden of NCDs and the health issues related to poverty such as poor maternal and child health, tuberculosis and malaria. Globally, one in three women who have been in a relationship has experienced physical and/or sexual violence by their partner. This figure is as high as two in three women in some Pacific countries. The Pacific also has the lowest rates of women in political leadership of any region in the world. Women comprise less than 5.4 per cent of parliamentarians compared to a global average of around 21.8 per cent.¹⁵

The stability and prosperity of Australia's neighbours in the Pacific is strongly in the national interest and the region accounted for 21 per cent of Australian ODA in 2013–14 (see Table 2). Australia is the leading donor in the Pacific and accounts for more than half of all international aid. In the Pacific, the three top investment priority areas by share of expenditure were effective governance, education and health (see Figure 13). These three sectors accounted for 73 per cent of the aid budget in the region and are necessary foundations for stronger economic performance for current and future generations of Pacific islanders. PNG, the Solomon Islands and the Pacific regional aid programs accounted for 74 per cent of total ODA in the Pacific.

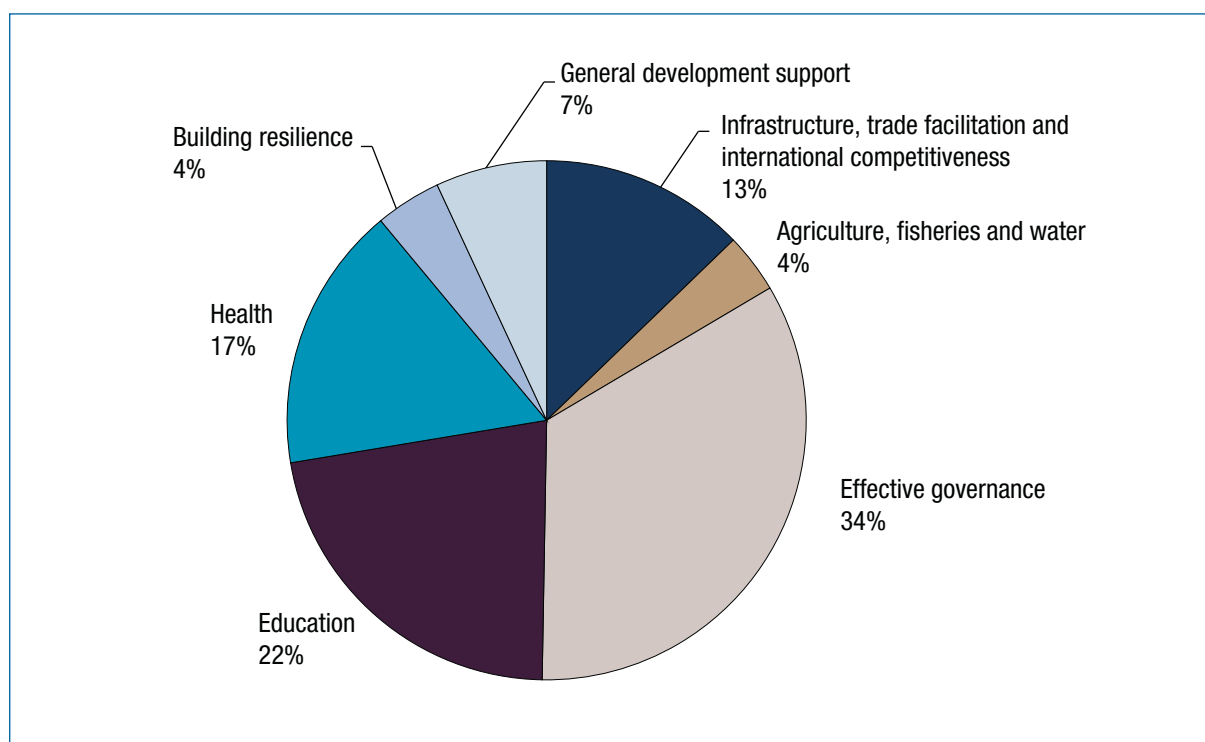
¹⁴ Pacific Economic Trends: Four Drivers of Change – Asian Development Bank Outlook 2014

¹⁵ Pacific Women in Politics, 2014 – <http://www.pacwip.org/women-mps/national-women-mps>.

Table 2: Total ODA to Pacific by country program, 2013–14

Country Program	2013–14 (\$m)
Papua New Guinea	502.4
Solomon Islands	183.3
Fiji	62.7
Vanuatu	60.7
Samoa	38.6
Kiribati	32.3
Tonga	29.5
Nauru	22.2
North Pacific	13.1
Tuvalu	9.5
Cook Islands	4.5
Niue and Tokelau	4.4
Pacific Regional	107.0
Pacific Total	1,070.0

Figure 13: Total ODA to Pacific by investment priority, 2013–14



Program quality

Just over half of the country and regional aid program objectives in the Pacific were rated as on track, a slight increase on the previous year (see Figure 14). The Pacific region has a higher proportion of at-risk ratings than the average across the aid program as a whole.

For the top three programs by value in the Pacific, the proportion of program objectives assessed as on track increased from 32 per cent in 2012–13 to 46 per cent in 2013–14.

Figure 14: Performance against program objectives: Pacific, 2013–14

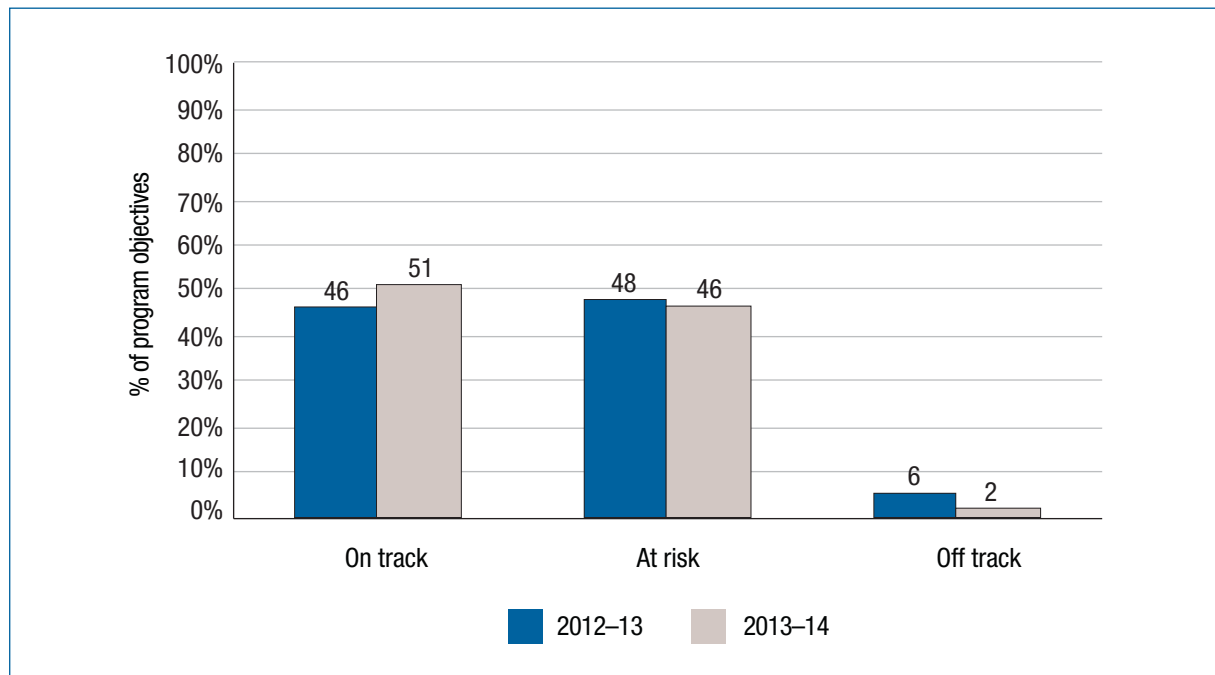


Figure 15: Performance against program objectives by country / regional program: Pacific, 2013–14

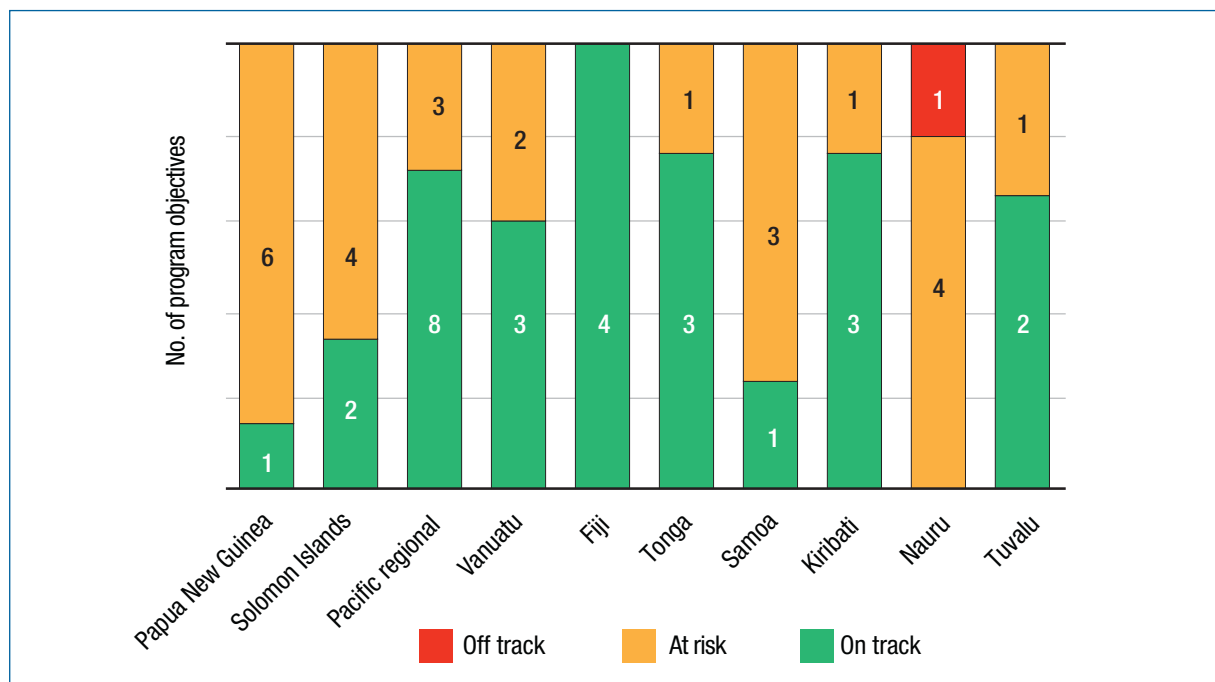
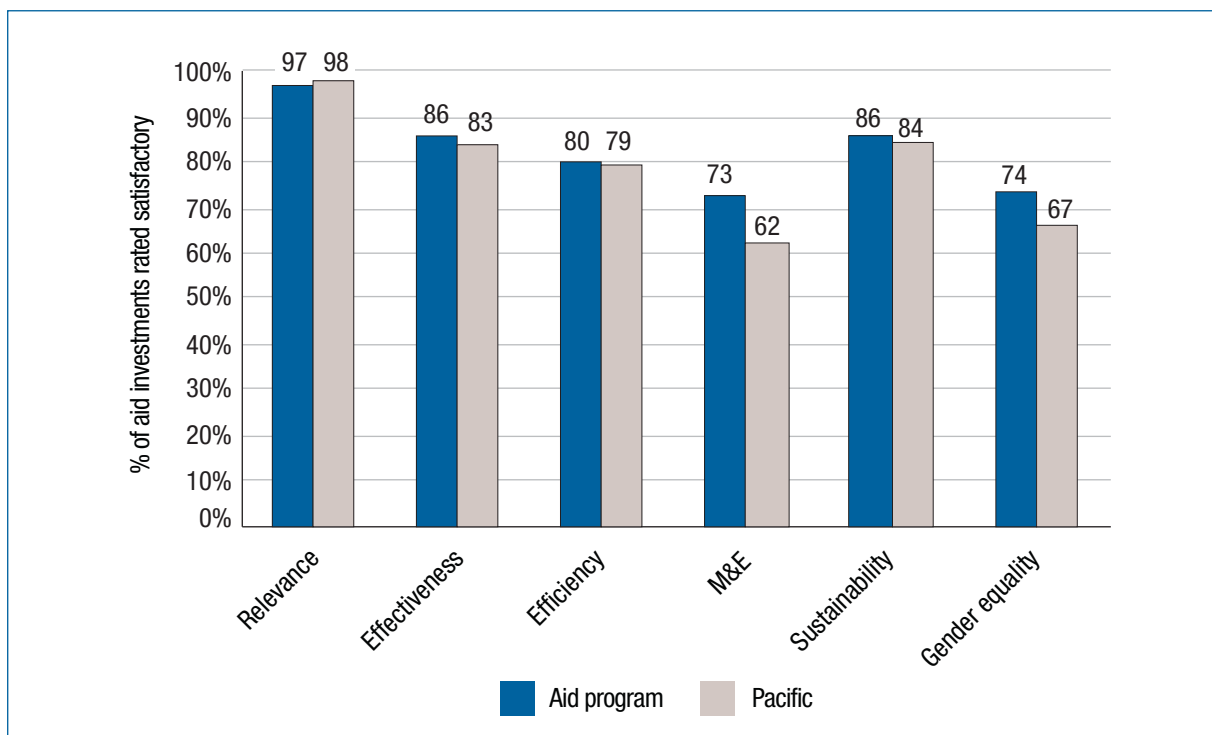


Figure 16: Pacific aid investment performance, 2013



Australia's individual aid investments in the Pacific were assessed as highly relevant, effective and sustainable. Investments rated lowest for monitoring and evaluation and gender equality (see Figure 16). Monitoring and evaluation ratings in the Pacific are considerably lower than the average for the aid program as a whole, particularly in PNG where fewer than half of investments had satisfactory monitoring and evaluation arrangements in place.

Analysis of performance

In 2014 Australia undertook an assessment of its aid portfolio in PNG. The key outcome was recognition of the need to focus the aid program more heavily on **private sector-led growth**, including through support for investments to reduce the constraints to business and to help PNG foster trade and investment.¹⁶ The review recommended reprioritising 30 per cent of the aid program to focus on private-sector led growth and **aid for trade**, increasing effective partnerships with the private sector and increasing the program's focus on Bougainville. The review also recommended clear, realistic performance benchmarks to assess performance and to drive mutual accountability. The review set the future direction of Australian aid in PNG, which will be articulated in a PNG Aid Investment Plan in 2015.

¹⁶ A New Direction for Australian Aid in PNG: Refocusing Australian aid to help unlock PNG's Economic Potential, 2014 – <http://aid.dfat.gov.au/Publications/Pages/png-aid-assessment-summary-paper.aspx>

Performance-linked aid in the Pacific

Core Economic Working Group—Solomon Islands

Since 2009, Australia has linked the payment of performance-linked aid to the Government of Solomon Islands' achievement of a key set of economic and financial reforms. These reforms are jointly agreed on an annual basis by the *Core Economic Working Group*, of which Australia is a member.

The *Core Economic Working Group* assesses each year the extent to which agreed reforms have been achieved. Where reforms are fully achieved, this triggers payment of performance-linked aid in full the following year. Where reforms have only been partially achieved, donors, including Australia, take into account the effort made by the Solomon Islands Government and the extent to which external factors impacted on its capacity to implement reforms in determining whether full or partial payments will be provided.

In 2013, the Joint Review Mechanism of the *Core Economic Working Group* found that only half the agreed reforms had been met in that year. Consequently, Australia made a partial payment of \$1.5 million out of a possible \$3 million. Australia and the Solomon Islands Government discussed key barriers to reform and agreed where to focus their efforts to improve results in the coming year.

Medical Supply Reform in Papua New Guinea

In 2011, Australia and PNG endorsed a performance-linked aid approach to medical supply reform. This approach was designed to address inefficient procurement and distribution of medical supplies, resulting in high levels of medical supply stock-outs in health facilities.

In recognition of the Government of PNG's cancellation of two compromised tenders for medical supply kits in 2010, Australia assisted PNG in the procurement and distribution of medical supply kits to over 2,700 health facilities over 2011-2013. An independent evaluation by the Burnet Institute in 2013 found that the procurement and distribution of quality-assured medical supply kits in 2012-13 resulted in:

- Approximately 50 per cent greater availability, especially in high poverty districts; and
- An almost 50 per cent reduction in amoxicillin stock-outs in 2012, which has been estimated to have averted up to 834 child deaths due to pneumonia.

Subsequently, in the Australian Government's view, the Government of PNG did not fully meet its more recent target to manage an internationally-competitive tender process for procurement of quality-assured medical supply kits. As a result, Australia advised it would not fund the distribution of medical supplies resulting from this tender process. The Governments of PNG and Australia are continuing discussions on opportunities to outsource procurement and distribution of medical supply functions as a long-term solution.

In 2013–14, 73 per cent of Australia's expenditure in **infrastructure** in PNG was directed to the National Priority Roads Network, supporting the maintenance of 2,705km of PNG's most economically important roads in twelve provinces including the autonomous region of Bougainville. A visual survey of the entire network was mobilised in 2013 to improve data on road conditions. Australia also played a significant role in recent aviation and maritime policy reforms, including upgraded screening at Port Moresby airport and increased safety equipment. Challenges and risks in PNG's infrastructure sector include financing, procurement and implementation capacity constraints, which make the development of a pipeline of tender-ready projects problematic.

In Solomon Islands, Australia supported the work of the Central Bank of Solomon Islands (CBSI) and the National Financial Inclusion Taskforce (NFIT) **to increase access, usage, quality and impact of financial services**. Three commercial banks, Westpac, BSP and ANZ, received funding to extend their mobile phone and branchless banking services into rural areas. This collaboration helped the NFIT to achieve its target of enabling an additional 70,000 people to access appropriate and affordable financial services almost two years ahead of the scheduled deadline of 2015. By June 2014, a total of 103,595 people have been able to access banking services, including at least 30,000 women, and the number of financial access points increased to 478 access points across the country. In Samoa and Fiji, the Pacific Financial Inclusion plan improved access to financial services for over 300,000 poor men and women, and to financial education for over 200,000 students (48 per cent female).

Australia established new partnerships with businesses in the Pacific, including partnerships with Westpac and Carnival Australia. These partnerships leverage skills and resources of these partners to make a positive impact on development in the region. For example, since it was signed in 2013, Carnival partnership outcomes have included:

- bottled water, sourced from Vanuatu, being rolled out across the P&O Cruises fleet;
- Vanuatu coffee introduced as a speciality “single origin” coffee on the P&O Cruises fleet; and
- P&O Cruises fleet displaying local handicrafts pre-approved to pass Australian quarantine laws.

Australia is playing a leading role in promoting **gender equality** in the Pacific. The Pacific Women Shaping Pacific Development program, a ten year investment across 14 Pacific Island countries, aims to improve political, social and economic opportunities for Pacific women. As part of the program, Australia has worked with UN Women and the local government in Port Moresby to improve produce markets to increase women’s safety and their income. Over 200 women stall holders in Gerehu Market now use electronic banking and their savings have doubled since January 2014. There has also been a substantial reduction in crime and violence reported at Gordons Market since the establishment of a police unit in September 2013. In Fiji, 12,000 women accessed an Australian funded service providing pregnant women with voluntary counselling and confidential testing for sexually transmitted infections. Women were also assessed for risk of gender-based violence, mental health issues and non-communicable diseases. Through the Pacific Islands Law Officers Network, Australia is supporting Solomon Islands, Samoa, Kiribati and Tonga to identify challenges to implementing national laws aimed at reducing high rates of sexual and gender based violence. While investments specifically addressing gender inequality in the Pacific achieved good results, gender equality outcomes were less effectively addressed in economic growth, infrastructure and trade, governance and agriculture. Sixty-seven per cent of investments in the Pacific were rated as effectively addressing gender equality, well below the average for the aid program as a whole.

In support of **more effective governance** in the Pacific, Australian assistance helped strengthen law and justice systems, combat corruption, hold credible elections, strengthen democratic systems and improve the capacity of the public sector. Australia assisted with the implementation of successful elections in Fiji, through support to the Fiji Elections Office and leading a multinational observer group, marking the country’s formal transition to democracy. Australia also assisted the Solomon Islands in preparing for its successful national elections in 2014. Australian aid helped the Solomon Islands National Statistics Office to produce data to support evidence-based policy and decision-making. The program is on track to complete the analysis and dissemination of Household Income and Expenditure Survey (HIES) results in 2014. Field operations for the HIES were completed on time and under budget, with more than 4,600 households surveyed across all 9 provinces in 2013. Australia’s Attorney General’s Department delivered an interactive course on legal policy development to more than 100 Pacific law and justice officials from 13 countries to complement the department’s work on regional law reform and strengthening governance processes.

As the largest bilateral **education** donor in all but one (Tonga) of Australia's Pacific partner countries, Australia is expanding opportunities for Pacific Islanders to participate in quality education and training. In PNG, Australian funding created 144,628 extra school places and in rural Fiji 400 classrooms were built, enhancing learning and teaching environments. Over 5,200 teachers were trained across the Pacific region. Learning outcomes were supported through initiatives such as the multi-country Pacific Benchmarking for Education Results (PaBER) program, aimed at improving the literacy and numeracy levels of Pacific children. Regional investments are contributing to enhanced economic opportunities. Recent research has confirmed impressive employment outcomes for the Australia Pacific Technical College, with 96 per cent of all graduates employed. Australian funding for the University of the South Pacific supports internationally-recognised higher education, with the 2013 Graduate Destination Survey confirming that 60 per cent of graduates had found employment within four months of graduation.

In Tonga, DFAT has supported a re-configuration of primary **health** care to include much greater attention to the prevention and control of non-communicable diseases, which represent by far the biggest health challenge in Tonga as in much of the Pacific. Initial analysis by the Tongan Health Ministry suggests this investment is already making a difference with an early indication that the rates of complications associated with diabetes (such as sepsis, which often leads to amputation) are reducing.

RAMSI¹⁷ investments (except policing) were transitioned into Australia's bilateral development program with the Solomon Islands, representing a shift to a longer term approach to promoting development and growth.

Australia responded swiftly to assist Solomon Islands meet immediate **humanitarian** needs including safe drinking water, emergency shelter, sanitation and hygiene following severe flooding in April 2014. Ongoing support included critical repairs to infrastructure such as roads and bridges.

Strengthening future performance

A common performance issue identified across Pacific country and regional aid programs is the quality of monitoring and evaluation of aid investments. This is being addressed in a number of ways. The Vanuatu, Pacific Regional, Fiji and Tuvalu programs participate in a program that strengthens their capacity to ensure credible performance information is generated and used to inform decision making. The PNG program has initiated a capacity building program to improve data collection, enhance program performance assessment and apply and share lessons learned internally and with partners more effectively.

Further opportunities to promote and effectively monitor cross-sectoral priorities, such as gender equality, disability-inclusive development and disaster resilience, are being identified. All Pacific programs will focus on more effectively addressing gender equality throughout all investments.

¹⁷ Regional Assistance Mission to Solomon Islands. RAMSI was formed in 2003 to help lay the foundations for long-term stability and prosperity in the Solomon Islands, following a long period of serious civil unrest.

South and West Asia

Context

Economies in South and West Asia have achieved remarkable rates of economic growth over the last 20 years. This has accompanied a decline in poverty, with the proportion of the region's population living below US\$1.25 per day falling from 54.1 per cent in 1990 to 24.5 per cent in 2011.¹⁸ In recent years (2003–12), the regional GDP growth rate stood at a yearly average of over 7 per cent, before dropping to below 5 per cent in 2013. Stronger growth is forecast for 2014.¹⁹

Despite a trend of overall poverty reduction, development in South and West Asia has not been uniform and the region remains home to 44 per cent of the world's people living on less than US\$1.25 a day. Millions more people in the region live on the margins of poverty and are vulnerable to shocks.²⁰ Progress towards the MDGs is also varied: Sri Lanka is on track to meet all MDGs by 2015, assuming it continues to make progress on nutrition, and Bangladesh is on track to halve extreme poverty by 2015. In contrast, Pakistan is likely to meet only two MDGs (combat HIV/AIDS and ensure environmental sustainability) by next year. Afghanistan is currently on track to achieve education and maternal health MDGs by 2020, though the development gains achieved over the last decade are threatened by ongoing conflict and instability. Bangladesh, Sri Lanka and Nepal have made solid progress towards gender parity in primary education. However violence against women, limited economic outcomes for women and gender inequality more broadly remain widespread and hold back the region from achieving its full productive potential.

South and West Asia, as a key part of the Indian Ocean region, is of increasing importance to Australia's strategic and economic interests. The region is marked by its young and growing population of over 2 billion people, with a rapidly expanding middle class. Australia is actively strengthening its engagement and cooperation with South and West Asian nations around common interests such as trade—including pursuing a free trade agreement with India—maritime safety and security through regional bodies, including the Indian Ocean Rim Association.

Australia spent \$435 million in South and West Asia in 2013–14, or 9 per cent of Australia's total ODA. Of this, 72 per cent was spent in Afghanistan, Bangladesh and Pakistan (see Table 3). As a medium sized donor to the region, Australia continued to prioritise assistance to sectors where it is most likely to leverage improved development outcomes. Australia's expenditure priorities were: education (33 per cent); effective governance (15 per cent); agriculture, fisheries and water (15 per cent); and health (13 per cent). Spending on infrastructure, trade and international competitiveness represented 6 per cent of ODA to the region in 2013–14 (see Figure 17).

18 Poverty and Equity Databank, World Bank – <http://povertydata.worldbank.org/poverty/region/SAS>

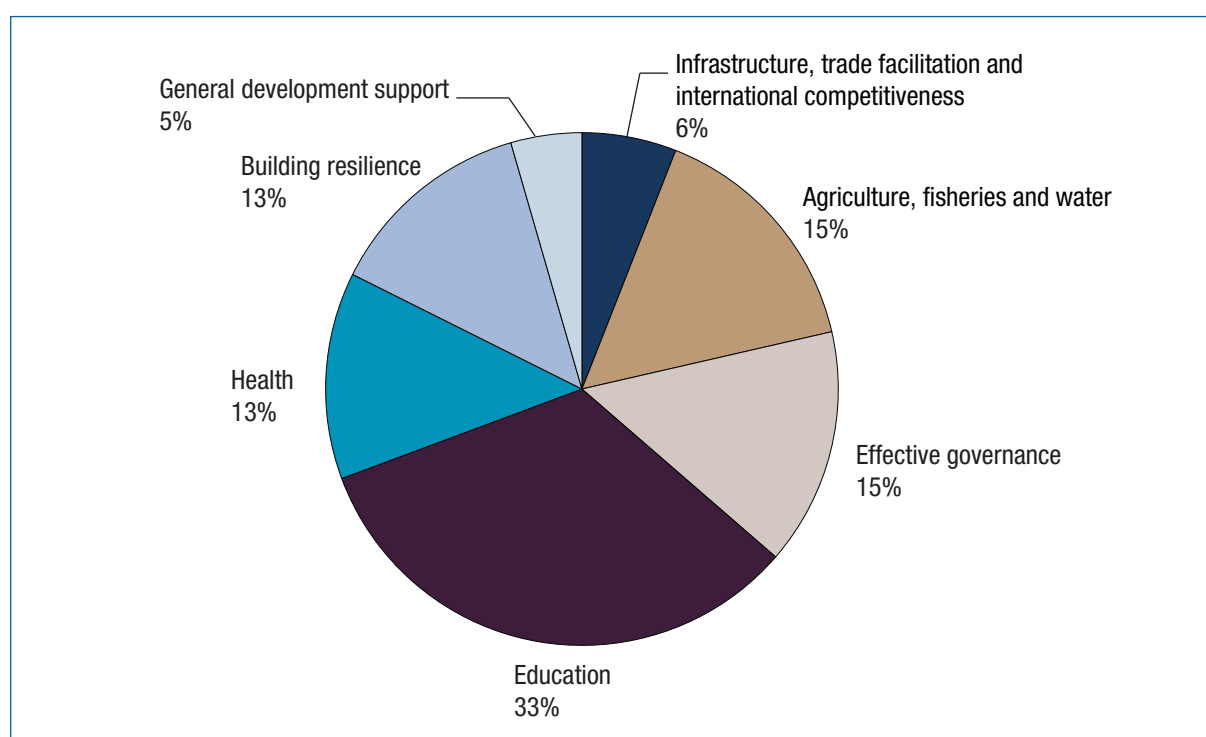
19 South Asia Global Economic Prospects, World Bank, 2014 – http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2014b/GEP2014b_SAR.pdf

20 World Development Report 2014: Risk and Opportunity—Managing Risk for Development, World Bank, 2013

Table 3: Total ODA to South and West Asia by country program, 2013–14

Country Program	2013–14 (\$m)
Afghanistan	148.4
Bangladesh	85.5
Pakistan	78.7
Sri Lanka	40.6
Nepal	32.7
Bhutan	14.3
Maldives	7.1
South and West Asia Regional	28.1
South and West Asia Total	435.3

Figure 17: Total ODA to South and West Asia by investment priority, 2013–14



Program quality

Consolidation of investments in the aid program in South and West Asia has contributed to a reduction in the overall number of program objectives being pursued in the region over the past five years. In 2013–14, the proportion of program objectives on track was 73 per cent (see Figure 18), up from 38 per cent the previous year. This significant increase is partly explained by a recalibration of performance assessments. For example, the Afghanistan program more realistically took into account the challenging operating environment when assessing performance. As shown in Figure 19 below, objectives rated as at risk in 2013–14 were in Pakistan, Sri Lanka and the South and West Asia regional programs.

Figure 18: Performance against program objectives: South and West Asia, 2013–14

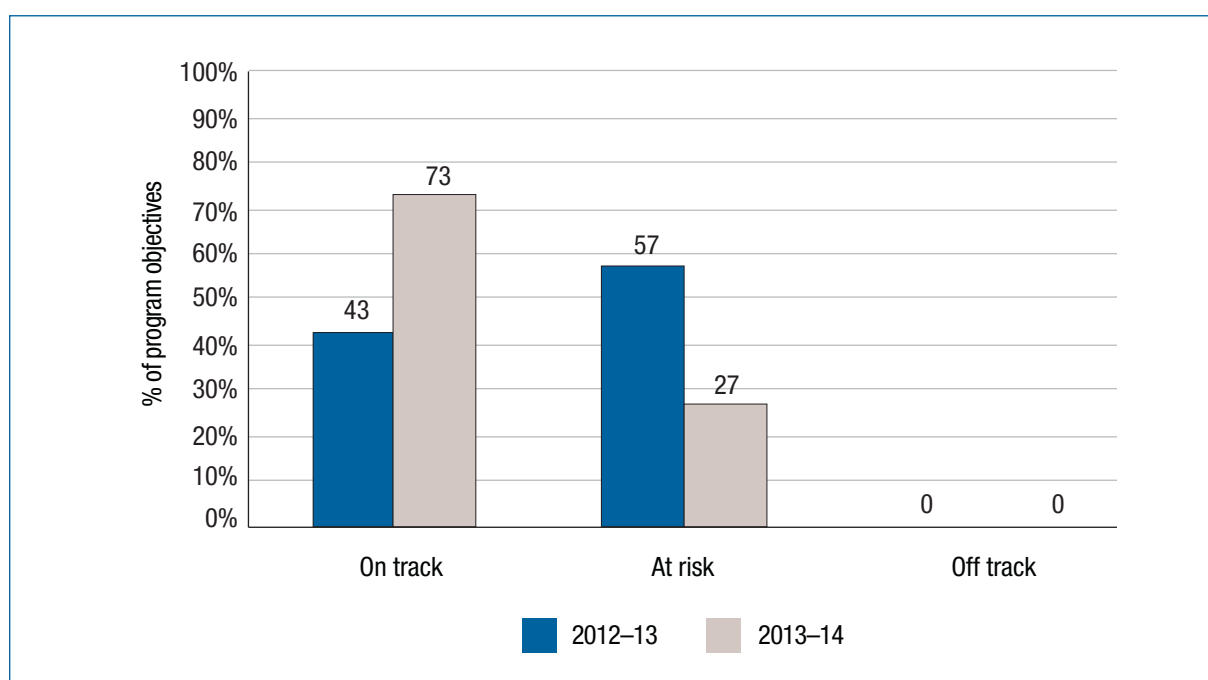
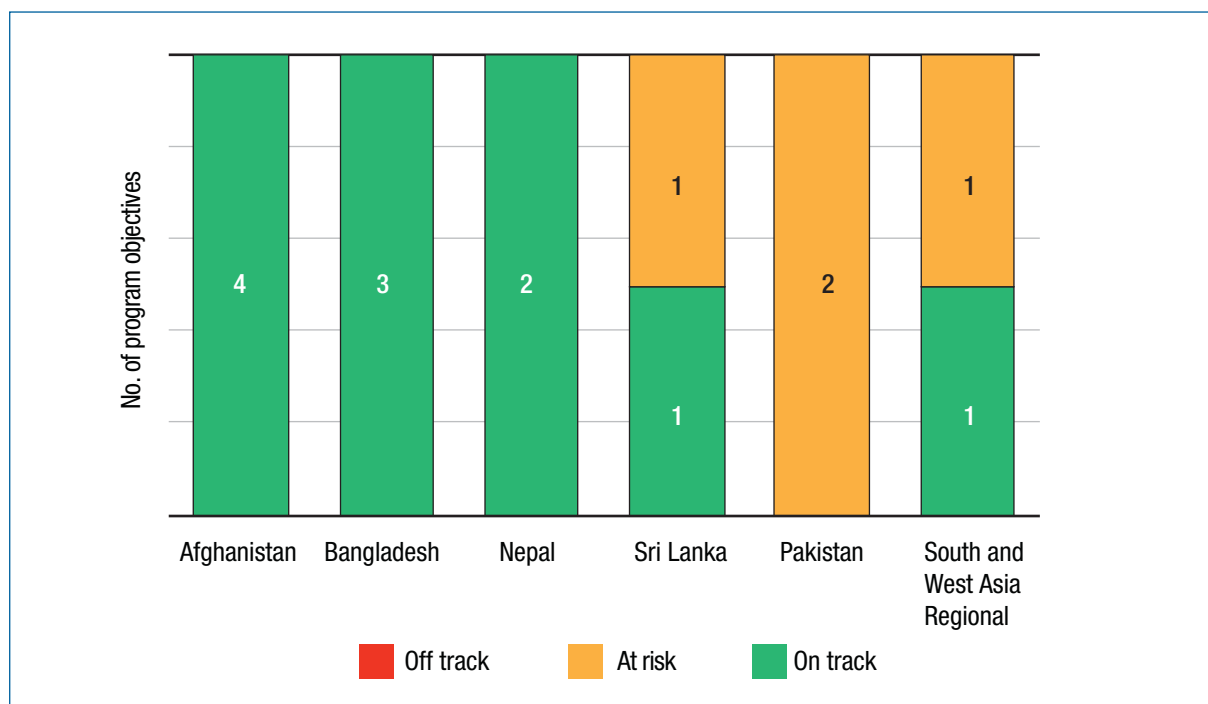
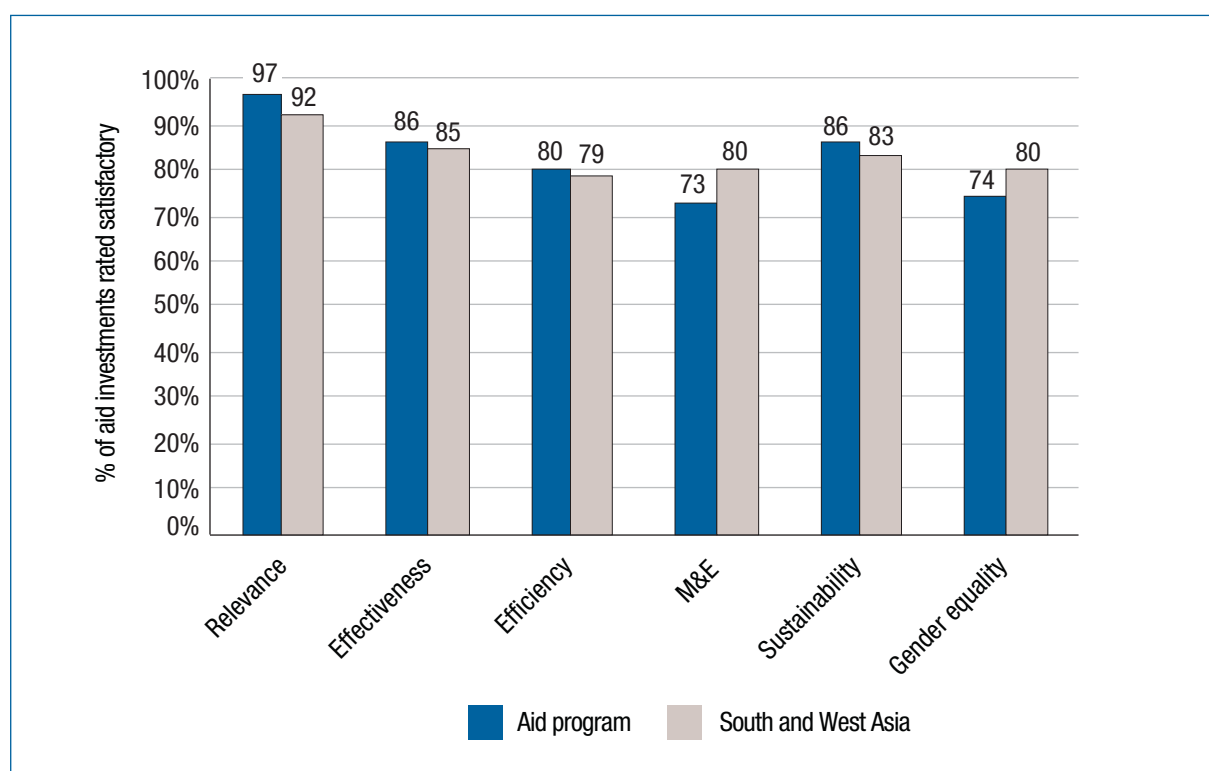


Figure 19: Performance against program objectives by country / region: South and West Asia, 2013–14



Individual aid investments in South and West Asia performed strongly overall, rating particularly highly for monitoring and evaluation and gender equality relative to the aid program average (see Figure 20). Issues requiring closer attention include improving engagement with multilateral and other delivery partners, especially around the quality and consistency of performance information and the promotion of gender equality. Monitoring and evaluation also remains an ongoing challenge in areas where security issues and travel restrictions limit access to investment sites, such as in Afghanistan and Pakistan.

Figure 20: South and West Asia aid investment performance, 2013



Analysis of performance

Aid programs in South and West Asia largely sought to achieve strong **education and health** outcomes by investing in partner government and multilateral donor programs. This approach yielded good results overall, with some variability across the programs. Australian funding and advocacy contributed, for example, to a second National Student Assessment in Bangladesh to track data on teacher quality, and to an agreement to reform the end of primary school exams to measure competence rather than rote learning. Australia's strategic partnership with the local Bangladesh NGO BRAC was effective in delivering access to quality health and education services for people who would not otherwise have them, including antenatal care and delivery, family planning, tuberculosis identification and basic curative services in 47 of 64 provinces. Australian aid supported Save the Children's Children of Uruzgan program in Afghanistan, which despite a challenging operating environment, provided community based education classes to 6,715 children (including 960 girls) and over 112,000 clinical consultations (including over 95,000 females). Capacity constraints within provincial governments, however, affected progress of investments in Pakistan, including a major investment in primary education. Australia is working closely with relevant provincial governments to address these constraints and progress education reforms. To further pursue consolidation, and building on Australia's historically strong leadership role in education, the Bangladesh program will focus on the education sector and withdraw Australian support from the Government of Bangladesh's health sector program.

Performance of investments in **agriculture, fisheries and water** were mixed. Progress was made in establishing relationships with implementing partners as part of the 12-year Sustainable Development Investment Portfolio, which aims to improve regional cooperation around water, food and energy security issues. In Pakistan, CSIRO worked with the government to develop a prototype model to manage water in the Indus River basin, and Australian support enabled over 33,000 farmers (including around 7,920 women) to access new agricultural technologies and practices. In Uruzgan province, Afghanistan, Australia supported the National Area-Based Development Programme, administered by UNDP, to increase the size

of, and access to, arable land by constructing retaining walls, flood protection walls, bridges and wells. In contrast, two regional investments—the South Asia Food Security and Nutrition Initiative and Water and Sanitation Initiative India—were rated unsatisfactory on five out of six quality criteria in 2013–14 and will not receive further Australian funding.

Investments in **infrastructure and regional economic integration** were marked by modest achievements and delays in 2013–14. Following delays for a second consecutive year to securing agreement allowing Australian support, funds were released through the North East Local Services Improvement Project in Sri Lanka for public infrastructure works, including access roads, market places and drainage systems. The design and partner selection for the South Asia Regional Trade Facilitation Program was also delayed.

Investments specifically **addressing gender inequality** achieved some positive results. In Pakistan, all 1,100 women who were granted small loans in Khyber Pakhtunkhwa increased their incomes. In Sri Lanka 250 permanent houses were constructed for female-headed households and women were trained as masons, as part of Australia's support for the UN-Habitat's Permanent Housing Reconstruction Project. In Afghanistan, Australian funding to UN Women enabled services to be provided to almost 1,400 women and girl survivors of violence. Progress was also made on integrating gender outcomes into the regional Sustainable Development Investment Portfolio. For example, ACIAR prepared a strategy to target women farmers in the portfolio of activities to be delivered over the next decade. In Bangladesh, however, a review found that the education sector program needed to do more to incorporate ways for women to demand and shape services. There was also recognition across several programs that more active efforts are required to improve the capacity of women to engage with a variety of Australian-funded activities.

Aid programs in South and West Asia operate in some challenging environments. Given this, programs have progressively focused on **effective governance** investments that respond to practical needs. These include contributions to the running of the 2014 presidential elections in Afghanistan, which assisted the first democratic transition of power in the nation's history. As part of its efforts to support Afghanistan through parallel security, political and economic transitions, Australia also fulfilled its commitment to strengthen Afghan Government systems under the Tokyo Mutual Accountability Framework (TMAF) by providing 50 per cent of Australian ODA on-budget, predominantly through the World Bank-managed Afghanistan Reconstruction Trust Fund. Australia continued to support public financial management initiatives and innovative projects including the trial of electronic, tablet-based Citizen Report Cards in Sri Lanka to measure public satisfaction with local service delivery.

Investments to **reduce the risk of disasters and vulnerability** to shocks delivered solid results. In Afghanistan 700 mines and 7,000 explosive remnants of war were cleared. A 22,500 metric tonne silo near Kabul, built primarily with Australian funds, was inaugurated in 2013 as part of a country-wide Strategic Grain Reserve initiative, marking a milestone in food security in Afghanistan. Other Australian partnerships with the World Food Programme provided relief to over 278,000 people in humanitarian crises in Pakistan and emergency food relief for Bhutanese refugees in Nepal.

Strengthening future performance

Overall, aid programs in South and West Asia are building on existing strengths and addressing performance weaknesses. The programs fully actioned 58 per cent of management responses identified in 2012–13 program performance assessments as of June 2014. The introduction of a new development policy and alterations to forward budgets meant a significant portion of the previous year's management responses were no longer relevant and were not actioned. In line with the policy, new Aid Investment Plans will further consolidate aid investments and place greater emphasis on private sector development, aid for trade and growth-focussed activities.

Action is also required to improve the quality of Australia's engagement with, and influence on, multilateral delivery partners. This is in line with the Government's strategic target to work with the most effective partners and link funding more closely with performance. Similarly, programs identified the need to strengthen the level and quality of their policy dialogue with partner governments, part of which will also involve establishing clear mutual obligations. A further focus in 2014–15 will be consolidating the progress programs have made on integrating gender equality outcomes into aid investments in the region.

Africa, Middle East and other regions

Context

Notwithstanding some remarkable rates of economic growth and improvements in governance since 2000, there continue to be substantial development, security and economic challenges facing the Middle East and Africa. Where economic growth has taken place, it has not been equal or broad-based, leaving many millions of people in poverty. Continuing political instability, insecurity and humanitarian crises threaten to undo recent development gains. Many sub-Saharan African nations are unlikely to meet most of the Millennium Development Goals and 48 per cent of the population still live on less than US\$1.25 a day. In the Palestinian Territories, 26 per cent of the population live in poverty.

The Australian Government is increasing the focus of the aid program on the Indo-Pacific region (see Chapter 1), which includes some Indian Ocean island countries and those along the eastern seaboard of Africa. However, Australia's primary focus will be on Asia and the Pacific. This acknowledges that there are many other donors with a primary focus on Africa, the Middle East, Latin America and the Caribbean. According to UNDP, overall ODA flows to sub-Saharan Africa alone were equal to around US\$42.2 billion in 2012, one third of total ODA globally.

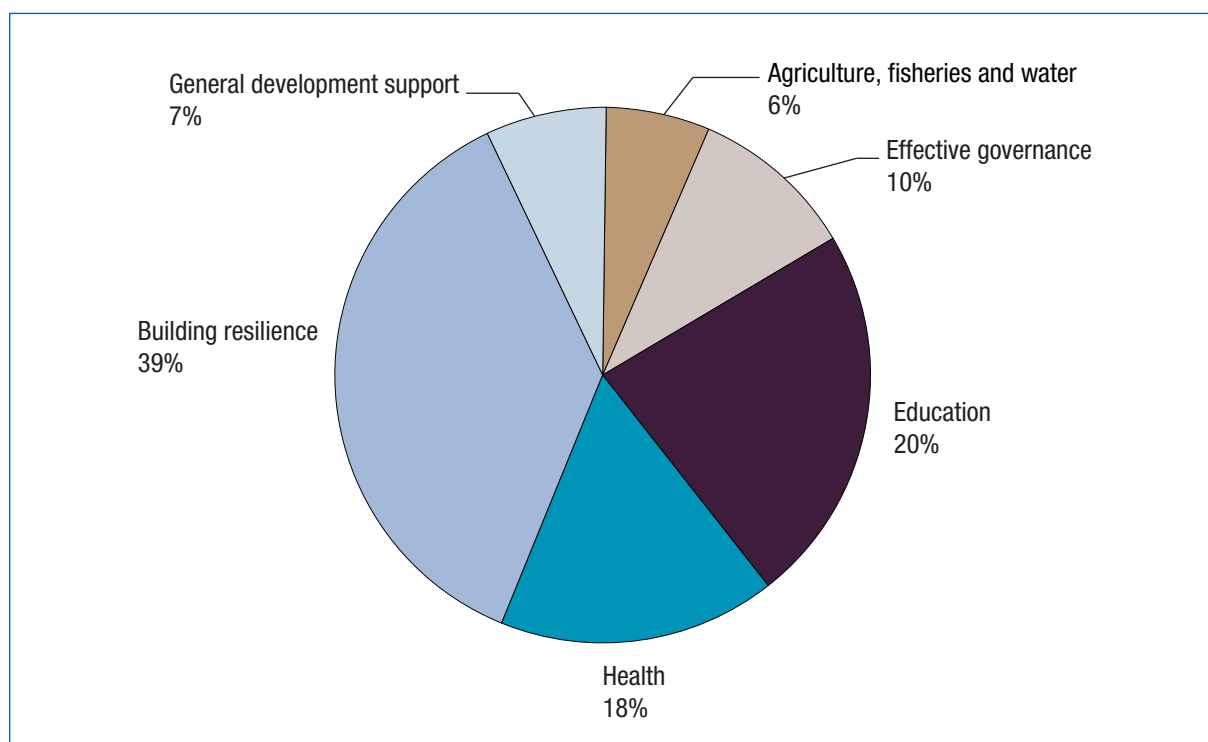
In 2013–14, Australian ODA to Africa, the Middle East, Latin America and the Caribbean was approximately \$422.5 million, accounting for around 8.3 per cent of Australia's total aid budget (see Table 4). Australian country program aid to Latin America and the Caribbean is being phased out and the sub-Saharan Africa program budget was reduced by \$76 million. Australia will maintain two aid programs in 2014–15, covering assistance to sub-Saharan Africa and the Palestinian Territories in addition to ongoing humanitarian contributions, for example to people affected by conflict in Syria and Iraq.

Table 4: Total ODA to Africa, the Middle East and other regions, 2013–14

Program	2013–14
Sub-Saharan Africa	264.3
Middle East and North Africa	77.4*
Palestinian Territories	55.0
Latin America	18.3
Caribbean	7.5
Total	422.5

*Includes \$53.7m in response to the Syrian crisis

Figure 21: Total ODA to Africa and the Middle East by investment priority, 2013–14



Program quality

In 2013–14, the two continuing aid programs in the Middle East and Africa (Palestinian Territories and Africa regional programs) performed well and achieved significant results. The proportion of program objectives rated on track increased on the previous year (see Figure 22).

Figure 22: Performance against program objectives by country / region: Africa and the Middle East, 2013–14

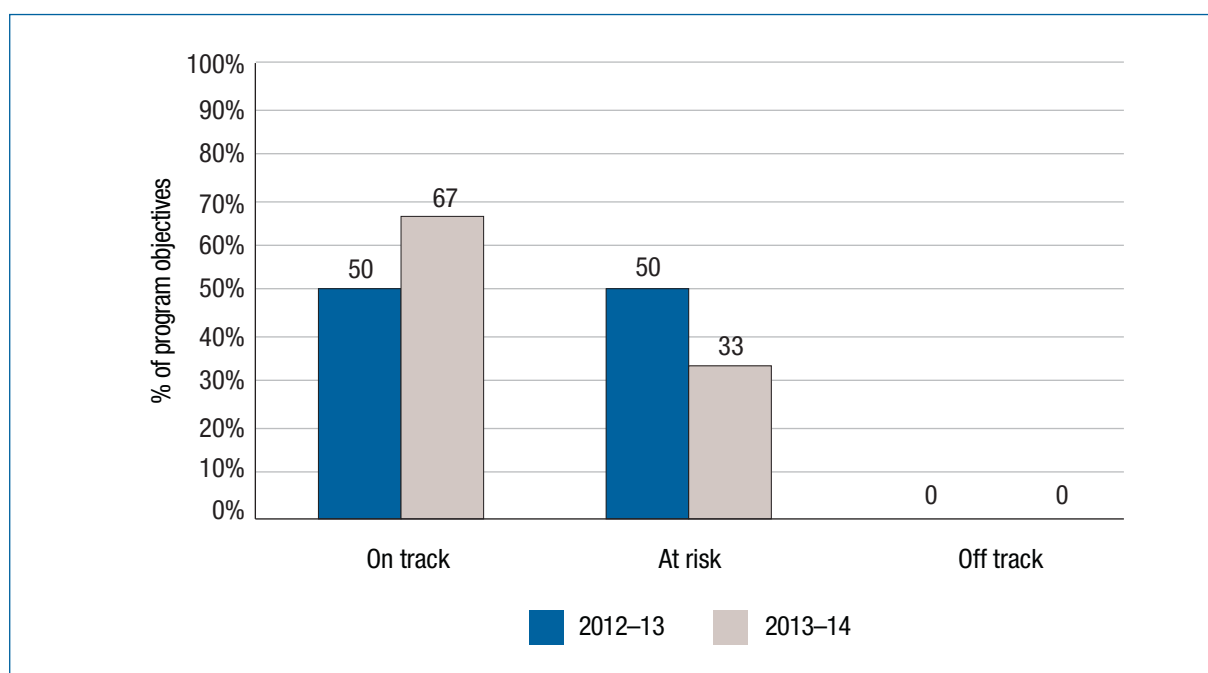
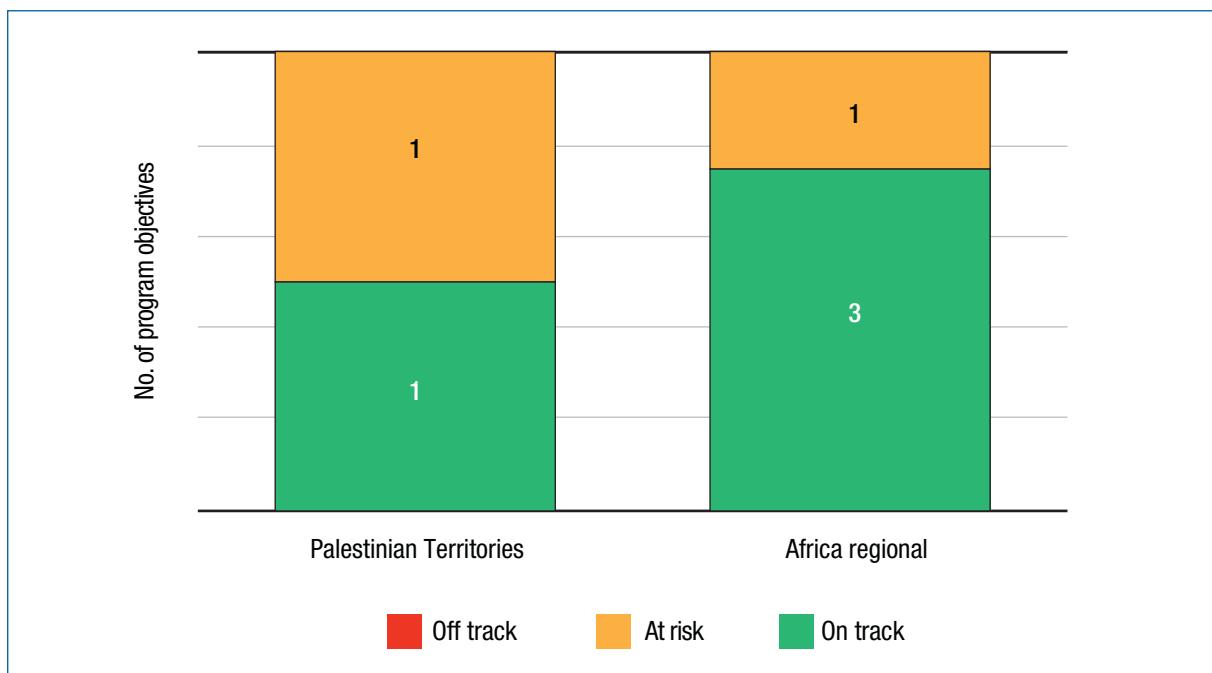
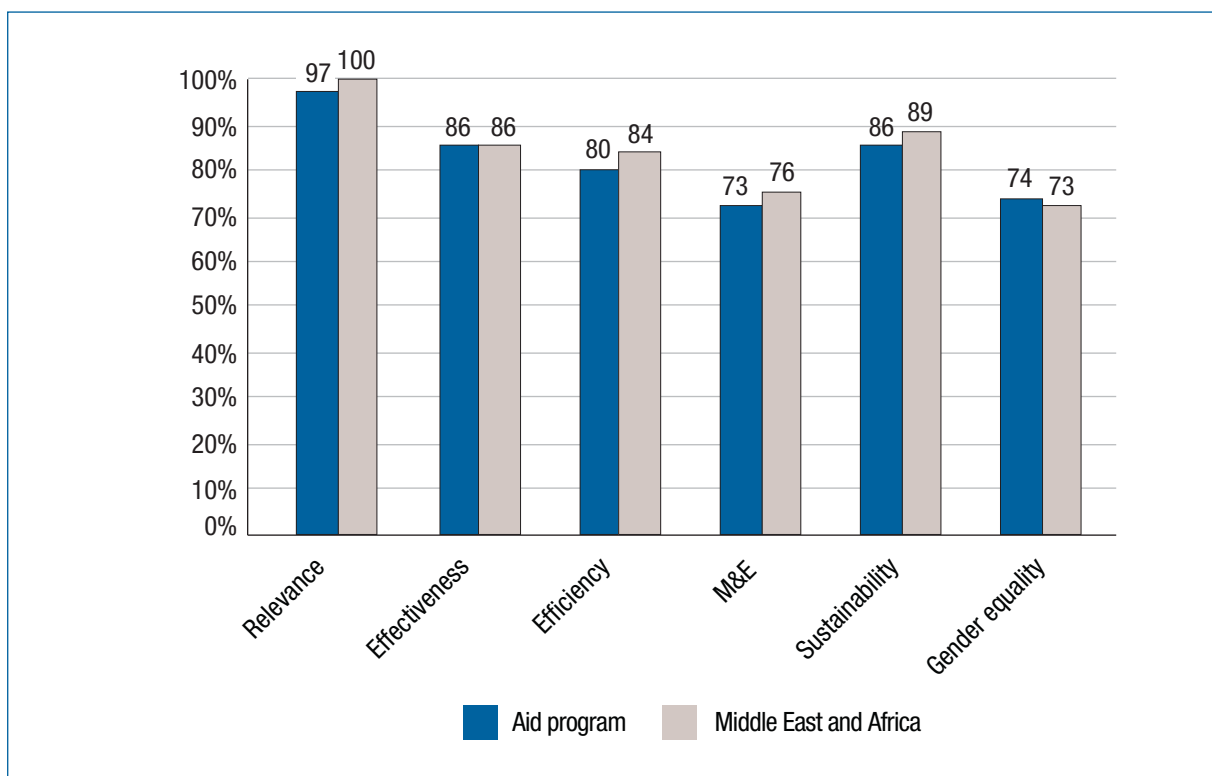


Figure 23: Performance against objectives by program: Africa and the Middle East, 2013–14



Likewise, the performance of individual aid investments showed similar levels of quality to previous years and the rest of the aid program (see Figure 24). Gender equality and monitoring and evaluation remain areas requiring improvement for the sub-Saharan Africa program. Despite ongoing work with implementing partners in this area, of the 29 investments assessed in 2013, seven recorded unsatisfactory ratings in gender equality and seven in monitoring and evaluation.

Figure 24: Africa and Middle East aid investment performance, 2013



Analysis of performance

Responding to humanitarian crises and building resilience are important features of the Africa and Middle East aid programs, representing around 39 per cent of the total aid budget to these regions (see Figure 21). In 2013–14, Australia responded to ongoing and deteriorating humanitarian situations in Syria and its neighbouring countries, and in Somalia, South Sudan, the Central African Republic, Sudan, the Democratic Republic of Congo, Iraq, the Palestinian Territories and Yemen. In sub-Saharan Africa, Australian assistance provided over 3.5 million instances of life saving support through food security, nutrition, water, sanitation and hygiene and protection. In the Palestinian Territories, Australia supported the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to provide health services for over 3 million refugees.

Australia's assistance was delivered through effective humanitarian partners, including the UN Office for the Coordination of Humanitarian Affairs (OCHA), International Committee of the Red Cross (ICRC), World Food Program (WFP) and UNRWA. For example, 20 per cent of Australia's annual payments to UNRWA are based on an assessment of performance against five criteria.²¹ UNRWA has consistently scored 90 per cent or over in these assessments.

The Syria conflict is the biggest humanitarian, peace and security crisis facing the world today. Around 10.8 million people inside Syria are in need of humanitarian assistance, while more than 3 million have fled to neighbouring countries. In 2013–14, Australia provided \$53.7 million in response to the crisis which helped deliver monthly food assistance for up to 4 million people inside Syria and emergency relief items for more than 1.4 million people in neighbouring countries. It also assisted with educational support for nearly 2.5 million children affected by conflict and contributed to regional immunisation campaigns that vaccinated more than 22 million people against polio and measles.

Australian investments in building **effective governance** showed improved performance compared to previous years. Significant results included increased government capacity within the mining sector in 24 African countries, supported through the Australian Africa Partnership Facility and Australia Awards. Australia supported partner governments to update mining codes in 14 countries, delivered governance training to 1,632 public servants and improved resource revenue taxation by \$22 million in Liberia and an additional \$20 million in Ghana. With Australian support, mining operations across 13 countries have increased use of local businesses to supply goods and services, benefiting local economies. DFAT also leveraged the two major annual Africa mining-focussed conferences (Africa Down Under in Perth and Mining Indaba in Cape Town) to share relevant Australian experience in developing sustainable extractive industries. In **agriculture**, CSIRO worked with local research partners in East Africa to tackle bioscience challenges in animal health, crop productivity and human nutrition. The investment has helped develop a thermo-stable vaccine for ovine rinderpest disease for sheep and goats, improved cavy breeding and housing practices and improved aflatoxin detection/control.

Australia's investment in the Palestine Reform and Development Plan (PRDP) helped to build the Palestinian Authority's **public financial management** capacity and to fund basic services and social protection for vulnerable groups. A comprehensive Public Expenditure and Financial Accountability report carried out by the World Bank in June 2013 found 'significant progress' related to the transparency and control of the public financial management system, which is relatively strong by regional standards. With support from Australia and other like-minded partners, the Palestinian Authority increased domestic revenue collection by 17 per cent in 2013.

Good progress was maintained in the Palestinian Territories on **health and education**. An Australian funded UNICEF water and sanitation investment rehabilitated water and sanitation facilities in 75 schools, benefitting 32,652 pupils (half of whom were girls). This number is expected to rise to 173 schools, benefitting 85,508 children by the end of 2014. All new facilities include units for people with disability.

21 Results performance; value for money and due diligence; timely and accurate reporting; Australian profile; and responsiveness.

The combination of reductions in the aid budget to Africa and delays to implementation with some investments, including the Hunger Safety Net Program in Kenya, led to less than expected progress on improving health outcomes in the Sub-Saharan Africa program. Nevertheless, important results were realised in other investments with Australia contributing to an additional 375,000 people having increased access to safe water, an additional 143,000 people having increased access to basic sanitation and 452,000 people increasing their knowledge of hygiene practices. The Australia Africa Community Engagement Scheme contributed to achievement of these results. An independent mid-term review of the scheme conducted in June 2014 highlighted the early successes of the Australian NGOs and their in-Africa partners in targeting women and people with disability. The review also recommended that the NGOs strengthen their focus on value for money and monitoring and evaluation frameworks.

DFAT commissioned an independent evaluation of the Latin American and Caribbean development programs. The report found that Australia met all Ministerial commitments made to the region in 2009 and 2010. It also found that Australia developed a reputation as a reliable development partner that adds value and as a source of innovation in the resources sector within a relatively short timeframe.

Strengthening future performance

A key challenge for the Sub-Saharan Africa program is to consolidate and focus its investments on fewer sectors and countries where Australia can make the most difference. In future, the program will focus predominantly on East and Southern Africa. Program objectives will be further refined and articulated in a new Aid Investment Plan to be released in 2015. It will be important that future designs put in place effective monitoring and evaluation arrangements in countries where DFAT has limited personnel available to monitor investments directly.

The Palestinian Territories remains a significant aid program for the Australian Government, with a slight increase in ODA from \$55.04 million in 2013–14 to an estimated \$56.5 million in 2014–15. However, without progress on a lasting peace agreement, there will be some limits to the effectiveness and sustainability of Australia's aid investments. While the program will continue to support the Middle East peace process, the development of a new Aid Investment Plan is an opportunity to consider how best to improve the performance of Australia's aid in a complex environment.

Chapter 3

Global program performance

In addition to country and regional programs, aid funding is also provided through a number of global programs. This includes core contributions²² that are provided annually to multilateral development agencies such as the World Bank and UNICEF. Australia's contributions to these organisations, together with those from other donors, allow them to leverage additional resources and pursue agreed priorities at a scale that would not be possible for Australia to achieve by itself. As discussed in Chapter 1, Australia is currently reviewing the systems used to assess the performance of these organisations (see strategic target 7). In the future, this will provide more relevant information on the effectiveness of these organisations and the extent to which their work aligns with Australia's priorities.

The section below describes a selection of the results and achievements from Australia's core funding to organisations that have a multisectoral focus. Multilateral organisations with a specific sectoral or thematic focus are discussed in the context of the aid program's sector and thematic performance in Chapter 4.

This chapter also reports on the performance of the Australia Awards program, the funding provided to Australian NGOs under the Australian NGO Cooperation Program (ANCP) and the Australian Volunteers for International Development Program (AVID).

Development Banks, UN Funds and the Commonwealth

World Bank Group

The World Bank Group is Australia's largest multilateral development partner. In 2013–14, Australia provided \$218 million in core funding to the World Bank Group's International Development Association (IDA) which provides concessional lending to the world's 82 poorest countries. The World Bank Group achieved significant results in 2013–14, as outlined in its Corporate Scorecard. A selection of results made possible by Australia's contribution to IDA include providing: over 140,000 individuals and firms with increased access to financial services; over 1 million people with essential health services; over 118,000 people with improved access to water; and over 41,000 people with sanitation facilities.²³

While Australia's contribution to IDA amounts to only around 2 per cent of its total budget, further funding was also provided through country and regional programs for specific purposes. The non-core spend for the World Bank in 2013–14 was approximately \$265 million. Australia uses its position on the World Bank board to promote key Government priorities, including: ensuring a strong focus on the Indo-Pacific region, particularly the Pacific Island countries; achieving measurable development results that represent value for money; better unifying the arms of the World Bank Group to advance private sector development; and improving the World Bank's effectiveness in fragile and conflict-affected states.

The World Bank has placed an increasing focus on partnerships with Australia in the Indo-Pacific region. With Australian encouragement, the World Bank has rapidly increased the value of its operations in Pacific Island countries in recent years, from less than \$200 million per year to over \$450 million per year.

²² Core funding refers to financial support that covers basic 'core' operational and administrative costs of an organisation and is not earmarked to specific activities.

²³ These results are *pro rata* based on the proportion of Australia's contribution to the total funding provided to the World Bank and Asian Development Bank.

The World Bank also delivers on key sectoral priorities for Australia. For example, the World Bank is the world's largest provider of aid for trade assistance and is an important partner for Australia through its trade facilitation programs. Australia also advocated for a strengthened commitment to gender outcomes with the World Bank. During the 17th replenishment negotiations of IDA in 2013, World Bank management agreed to intensify efforts to address gender issues and strengthen the consideration of gender in results reporting.

Asian Development Bank (ADB)

Australia is the fifth largest shareholder of the ADB and is represented on the ADB board. In 2013–14 Australia contributed \$101.1 million in core contributions to the ADB's Asian Development Fund (ADF). Some of the results of Australia's contribution to the ADF include: supporting developing countries in the Asia-Pacific region to provide over 40,000 individuals with increased access to financial services; implement legal reforms resulting in over 8,000 new loans; provide new or improved education facilities for around 327,000 students; increase access to safe water to over 180,000 individuals; and construct almost 600 kilometres of roads.²⁴ Australia also provided approximately \$76.6 million of non-core funding to the ADB in calendar year 2013.

Australia is providing additional funds to the ADF subject to satisfactory progress on a range of key reforms. A review of ADB activities against these key areas found that the organisation had made strong and timely progress against its commitments to improve project performance, enhance its business model, effectively implement safeguards, and leverage co-financing operations and private sector development. The ADB also showed particularly good progress on its commitment to working in fragile and conflict-affected states.

The ADB's annual corporate scorecard continues to show a strong track record of internal reform and improving operations. A recent mid-term review of the ADB's corporate plan, *Strategy 2020*, found its directions and focus remain robust, although with scope to strengthen some aspects. An action plan was adopted at the 2014 Annual Meeting to take reforms forward.

Australia and the ADB are exploring ways to strengthen the partnership in the areas of private sector development and aid for trade. The ADB has a strong track record in supporting the private sector, particularly to address the large infrastructure gaps in Asia and the Pacific.

UN Children's Fund (UNICEF)

The Australian Government contributed \$34.1 million in core funding to UNICEF in 2013–14. Amongst a range of global development outcomes achieved in 2013–14, UNICEF vaccinated almost 36 million children against measles, provided drinking water to 4.3 million households and gave 2.5 million children in emergency situations access to learning, safe community spaces and psychological support. UNICEF focussed on addressing violence against children in over 137 countries, including partnering with the UN Population Fund (UNFPA) to end female genital mutilation, working to end child marriage and providing technical support in a number of areas including the provision of child helplines and special police facilities.

UNICEF's new Strategic Plan 2014-17 seeks to address many of the programming and governance reform issues important to Australia, including a stronger focus on results measurement and reporting, and stronger linkages between humanitarian and development programming. In tackling Ebola, UNICEF has set new records in the amount of essential medical supplies it has been able to deliver to West Africa. Australia will continue to work with UNICEF to ensure high service standards are also delivered in the Pacific.

²⁴ These results are *pro rata* based on the proportion of Australia's contribution to the total funding provided to the ADF.

In 2015 Australia will agree on a new Partnership Framework with UNICEF. The Partnership will set the strategic direction for the Australia-UNICEF relationship globally and establish mutual obligations aligned to Australia's priorities. Australia will seek enhanced cooperation with UNICEF to deliver results for children in the Indo-Pacific, including a focus on disability, women and girls and engaging with the private sector. UNICEF continues to innovate, including developing new ways to engage business on fundraising and program delivery.

UN Development Programme (UNDP)

The Australian Government provided \$20.7 million in core funding to UNDP in 2013–14. Together with other donor funds, Australia's contribution helped UNDP achieve a range of significant development results, such as: the creation of almost 6.5 million jobs (over half for women) in 109 countries; the provision of enhanced social protection in 72 countries; the delivery of life-saving anti-retroviral treatment to one in seven of all people receiving HIV/AIDS treatment worldwide; support for freer and fairer elections in 68 countries (including registering 3.4 million new voters in Afghanistan—35 per cent of them women); improved access to justice and legal aid in 117 countries; and assistance to 36 countries to meet their international human rights obligations.

UNDP's Strategic Plan 2014–17 seeks to address many of the programming and governance reform issues identified as Australian priorities, including a continued focus on fragile, conflict-affected and transition states and a strengthened results framework. Australia will continue to work with UNDP on implementing its Strategic Plan. UNDP's major reform process is building the capacity of regional hubs, such as Bangkok, to support better program and policy outcomes in the Indo-Pacific. In 2014 UNDP achieved the highest ranking according to the Aid Transparency Index, recognising significant improvements in UNDP's approach to disclosure and transparency.

In 2015 Australia will establish a new Partnership Framework with UNDP. That agreement will set the strategic direction for the Australia-UNDP relationship globally, enabling a closer alignment of work programs and agreement on mutual obligations. Australia will seek enhanced cooperation with UNDP to deliver results in the Indo-Pacific, including in fragile and conflict-affected states.

The Commonwealth

In 2013–14 Australia provided approximately \$11.9 million in assistance to the Commonwealth Foundation, the Commonwealth Youth Programme, the Commonwealth of Learning and the Commonwealth Fund for Technical Cooperation. The aid program supported the Commonwealth People's Forum in Sri Lanka in November 2013 to engage civil society with Commonwealth leaders on global development issues, including poverty reduction. Australia's support for the Commonwealth of Learning (which promotes education and distance learning) contributed to the Lifelong Learning for Farmers initiative, which strengthened the livelihoods of 177,000 farmers, 65 per cent of whom were women, in poorer sections of rural societies.

Commonwealth development programs, including those overseen by the Commonwealth Secretariat (ComSec), have in the past faced governance and programming challenges. ComSec, having recently agreed a new Strategic Plan, is strengthening its focus on results based management, which Australia supports. Australia welcomed ComSec's appointment of a new Deputy Secretary-General for Corporate Affairs in early 2014, who will be critical in driving through the corporate reforms required for effective implementation of ComSec's Strategic Plan.

Australia Awards

The Australia Awards are a whole-of-government initiative bringing together scholarships and fellowships offered by DFAT, the Department of Education and ACIAR. The Australia Awards are a key pillar of the aid program, helping to meet the long term human development needs of Australia's developing country partners. In 2013–14, the aid program offered around 4,450 new Australia Awards to 113 countries with over 6,000 awardees in Australia at any one time. Over 80 per cent of Australia Awards recipients come from the Indo-Pacific region. The Australia Awards program expensed an estimated \$362.5 million in 2013–14. Over 1,930 students successfully completed their studies in 2013–14 (a 98 per cent success rate).

Figure 25: Australia Awards: by region

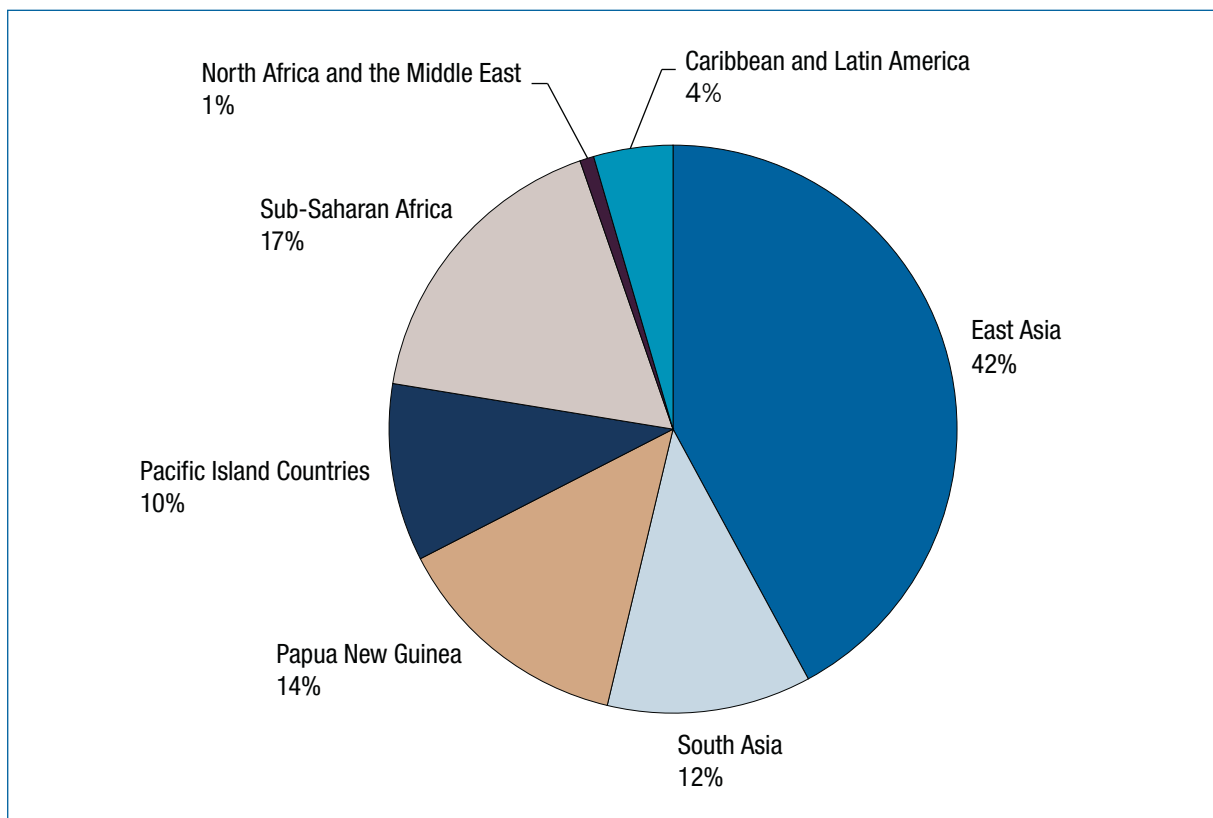
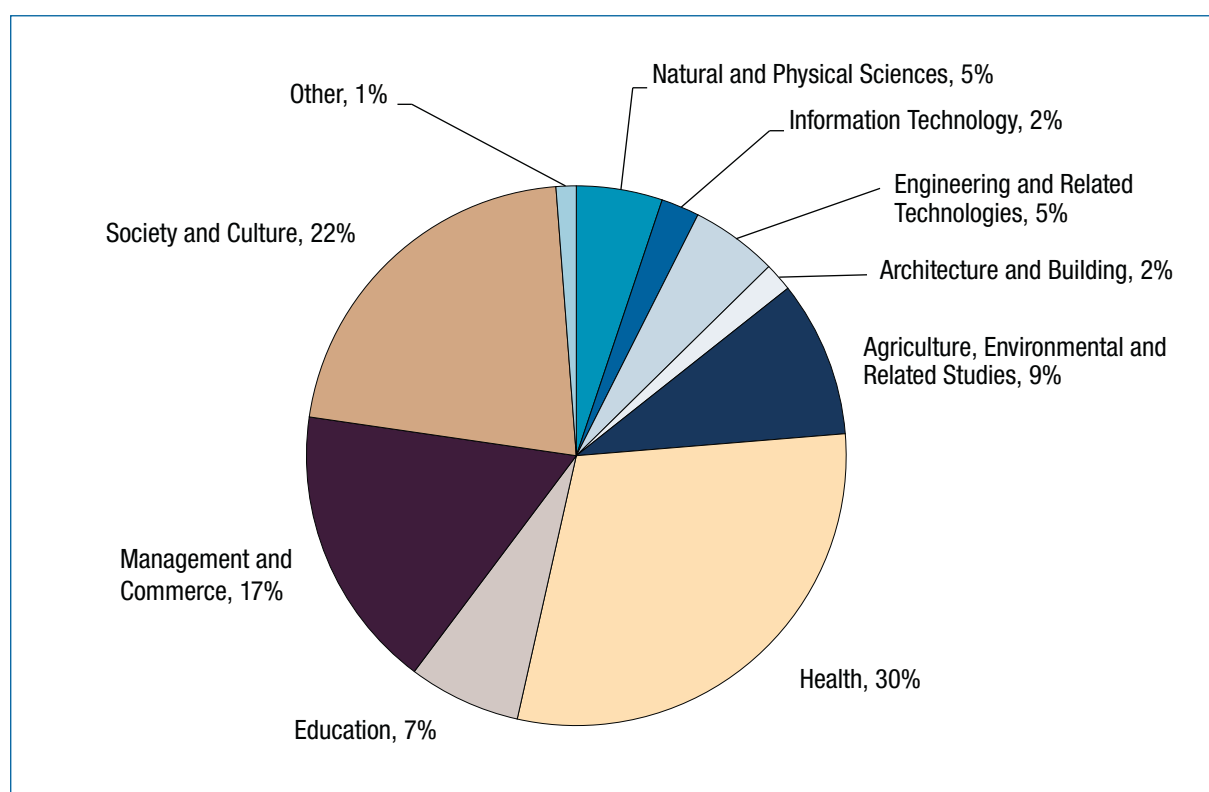


Figure 26: Australia Awards (long-term scholarships) fields of study



Australia Awards Checks

Delivering a high quality awards program is a priority for DFAT. This year, DFAT conducted two audits on contracted Australian education institutions, with all recommendations agreed to and subsequently implemented by the institutions. DFAT's Internal Audit Branch also undertook an audit of three Australia Awards Fellowships Program institutions, with recommendations resulting primarily for institutions, but also DFAT's management of Fellowships to be addressed in 2014 and 2015.

Consistent with previous years, almost all students (97 per cent) advised that they were satisfied with their scholarship in 2013. Around 90 per cent of ongoing students reported that they were satisfied with the entitlements and other assistance they received from the Australia Awards program. The three most influential drivers of overall satisfaction amongst new arrivals are satisfaction with institution services and facilities, satisfaction with preparation for coming to Australia and ability to cope with financial issues.

People-to-people links

The Australian Government has long recognised the importance of engagement with alumni and the establishment and maintenance of people-to-people links. DFAT supports alumni and alumni associations by holding professional development and networking opportunities at Australian overseas missions. DFAT will continue to strengthen alumni relations through the establishment of the planned Australian Government funded scholarship alumni network, which will disseminate and facilitate communications between alumni, on-award scholars and government agencies. This will complement the people-to-people links established through the Government's New Colombo Plan.

DFAT continues to track the development contributions made by alumni and the linkages they maintain with Australia. In 2013 tracer studies were conducted in PNG, Solomon Islands, Tuvalu, Nauru and Kiribati.

Findings indicate Australia Awards make an overall positive impact on alumni knowledge and skills and those alumni are making substantive contributions to development in their countries.

Investing in future leaders

In 2004, Nepali citizen and Australia Awards scholar Madhu Marasini, graduated from the Australian National University (ANU) with a Masters of International and Development Economics. A decade later, Madhu is now Chief/Joint Secretary International Economic Cooperation Coordination Division of the Ministry of Finance in Nepal, leading the direction of foreign aid to finance development projects in Nepal's prioritised sectors. He also continues to promote the benefits of the Australia Awards and, in his role as a high-achieving alumnus, recently participated in the selection of 39 Nepali Australia Awardees for the 2014 intake.

Australian Non-Government Organisation Cooperation Program

The Australian Non-Government Organisation Cooperation Program (ANCP) recognises the unique strengths that Australian NGOs bring to development activities and Australia's overall efforts to reduce poverty. In 2013–14, ANCP supported 44 accredited Australian NGOs, and hundreds of their developing country partners, to support over 600 community development activities in over 50 countries. These activities directly benefitted more than 21 million people, of which 56 per cent were women. Eighty-five per cent of projects contributed to supporting private sector development, improved gender equality or people with disability.

Australians are a generous people and donate nearly \$1 billion each year to NGOs working on overseas development.²⁵ DFAT recognises these contributions by providing \$131 million to ANCP projects. NGOs use ANCP funding to leverage additional funding from philanthropic organisations, the private sector and other donors for poverty reduction.

In order to receive ANCP funding, Australian NGOs must undergo a rigorous up-front accreditation process which assesses the organisational capacity, operational systems and development approaches of Australian NGOs against standard criteria. Each NGO must gain accreditation every five years in order to continue to receive funding. During 2013–14, seven Australian NGOs gained accreditation. A fourth NGO failed to pass accreditation and one NGO lost accreditation.

Australian NGOs work closely with the private sector, governments, local community groups and disabled people's organisations. On average, for every Australian NGO funded under the ANCP, 36 in-country partners directly participated in projects. These diverse community linkages, often developed over many years, are one of the known strengths of the ANCP. A meta-evaluation of the ANCP in 2013 highlighted strengths in the NGOs' consultative processes and use of innovative and targeted participatory methodologies, most notably when working with vulnerable and marginalised groups. A 2014 Thematic Review is examining how Australian NGOs address gender equality and women's empowerment in ANCP supported projects in Timor-Leste and Vanuatu. A report will be released in 2015.

Some of the results of ANCP funding in 2013–14 include: more than 950,000 people gaining access to safe water and basic sanitation; 2.4 million people having greater awareness of gender equality, women's equal rights and issues related to violence against women; 5.2 million people gaining improved access to essential medicines and health commodities including HIV treatment; 280,000 people increasing incomes; and 1.3 million people gaining access to financial services.

²⁵ According to the *ACFID Statistical Survey 2014*, total revenue from Community Funds was \$957,234,916 (61% of total revenue), as calculated by the sum of all donations, gifts, legacies and bequests received by ACFID Members and 14 non-ACFID member organisations.

The ANCP is currently developing a new performance framework and program logic to align with the Government's development policy. This work will be informed by an evaluation currently underway by the Office of Development Effectiveness which will assess the relevance, effectiveness and efficiency of the program and propose recommendations for improving the program's design and management.

Australian Volunteers for International Development Program

In 2013–14, more than 2,000 dedicated and skilled Australians funded by the Australian Volunteers for International Development (AVID) program worked as volunteers in over 1300 host organisations across 43 countries. Through their efforts, they made an effective contribution to Australian and partner government development objectives as well as contributing to Australia's public diplomacy objectives. This finding was confirmed by an independent evaluation of the AVID program by the Office of Development Effectiveness published in January 2014.²⁶

The evaluation found that Australian volunteers strengthened the capacity of their host organisations and their staff and that their expertise and professionalism were highly valued (87 per cent of host organisations satisfied or very satisfied). Host organisations were almost universally appreciative of the professionalism, experience, flexibility and team work demonstrated by Australian volunteers. The AVID program compared favourably to volunteers from other countries or paid technical advisors in terms of value for money. The volunteer placements developed strong people-to-people links and generated goodwill towards Australia. The evaluation also found that Australian volunteers personally benefitted from their volunteering experience, bringing new skills and experiences back to Australia.

With a total expenditure of \$55 million in 2013–14, the AVID program mobilised more than 1,000 new volunteers. More than 83 per cent of volunteer assignments were in the Indo-Pacific. Countries receiving the highest number of Australian volunteers were Indonesia (197), Cambodia (162), Vietnam (140), Timor-Leste (132) and Fiji (127). Around 85 per cent of returned volunteers recorded high levels of satisfaction with their assignments and 73 per cent with their host organisations.

In 2014–15, DFAT will continue to collaborate with the AVID delivery partners—Australian Red Cross, Australian Volunteers International and Scope Global—to further improve the program by strengthening policy alignment and program management, and improving cost effectiveness. This includes finalising the consolidation of AVID into a single program following the retirement of the Australian Youth Ambassadors for Development brand in June 2014. It will also achieve better value for money by reducing the number of countries involved in the program from 43 to around 35 focused on the Indo-Pacific region.

²⁶ Evaluation of the Australian Volunteers for International Development (AVID) Program, Office of Development Effectiveness, Department of Foreign Affairs and Trade, January 2014.

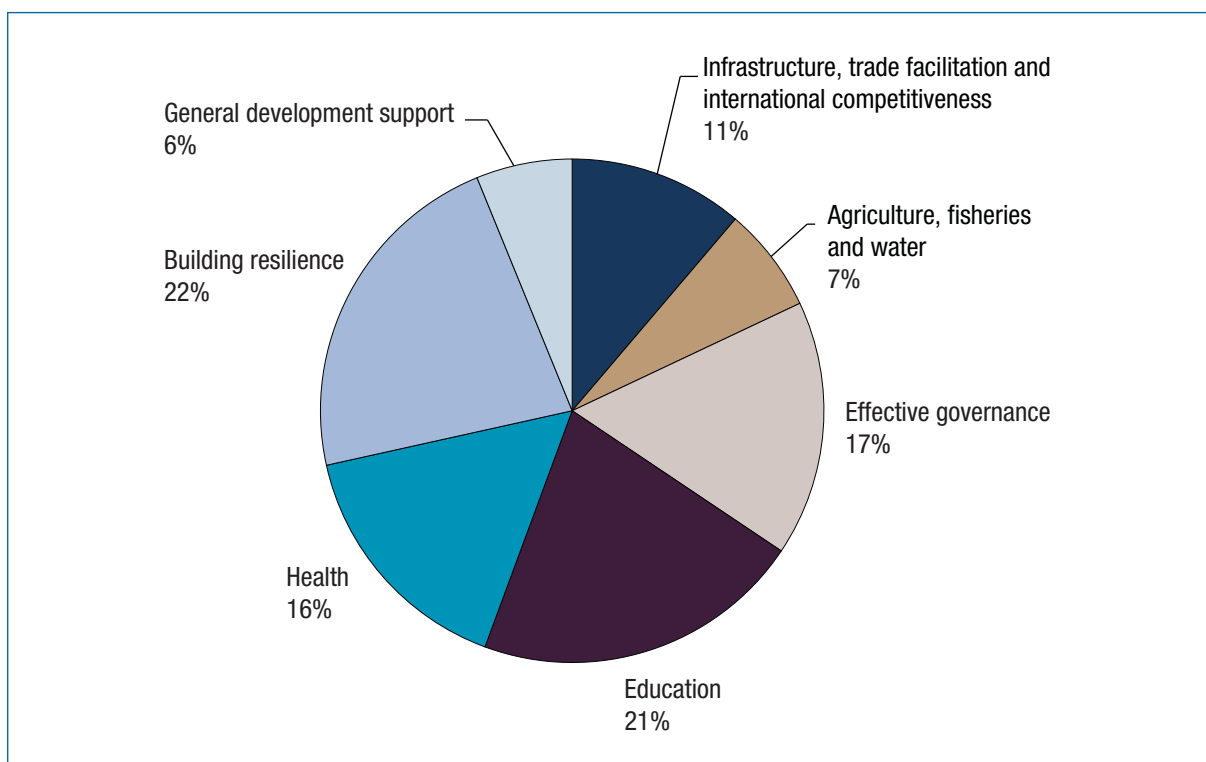
Chapter 4

Sector and thematic performance

This chapter brings together performance information for the six priority areas of investment under the Australian Government's new development policy. Results on how specific country and regional programs are performing against these areas are provided in Chapter 2. The analysis in this chapter draws on emerging issues and trends in sector and thematic performance across country and regional Aid Program Performance Reports and relevant sector and thematic evaluations.

Sector and thematic strategies are being developed for priority areas to inform investment decisions, strengthen effectiveness of programming and promote coherence across the aid program. Progress against these strategies will be reviewed annually and will feed into future Performance of Australian Aid Reports. Figure 27 below provides a snap-shot of the current breakdown of investments against key priority areas in 2013–14, noting that the balance of investments will shift as programs align with the sector and thematic priorities introduced with the release of the development policy in June 2014. A concerted effort will be required to respond to the focus in the development policy and performance framework on increased private sector engagement, innovation and gender equality across each priority area of investment.

Figure 27: Estimated ODA by investment priority area, 2013–14



Infrastructure, trade facilitation and international competitiveness

Australia invested \$529 million or 11 per cent of ODA in 2013–14 in infrastructure, trade facilitation and international competitiveness to help partner countries achieve sustained economic growth.²⁷ In 2013–14 Australian aid investments addressed infrastructure constraints to economic growth through improved market access, promoted regional trade and integration and removed impediments to private investment in infrastructure.

The Philippine Public Private Partnerships (PPP) Centre is an example of successful collaboration between governments, donors and the private sector. Australia has committed \$30 million to the centre which has already helped develop over US\$1 billion worth of road, school and health infrastructure projects. More projects (up to around US\$7 billion) are in the pipeline, representing a solid return on Australia's aid investment. Support by Australia and other donors is complemented by contributions by the Philippines Government of around US\$44 million.

Australia is also supporting trade facilitation reforms which reduce the cost of trade, including by minimising cumbersome border processes and improving production standards. In the Mekong region, training of customs officials and establishing one common set of cross-border paperwork has helped reduce processing times for cargo trucks by up to 70 per cent.

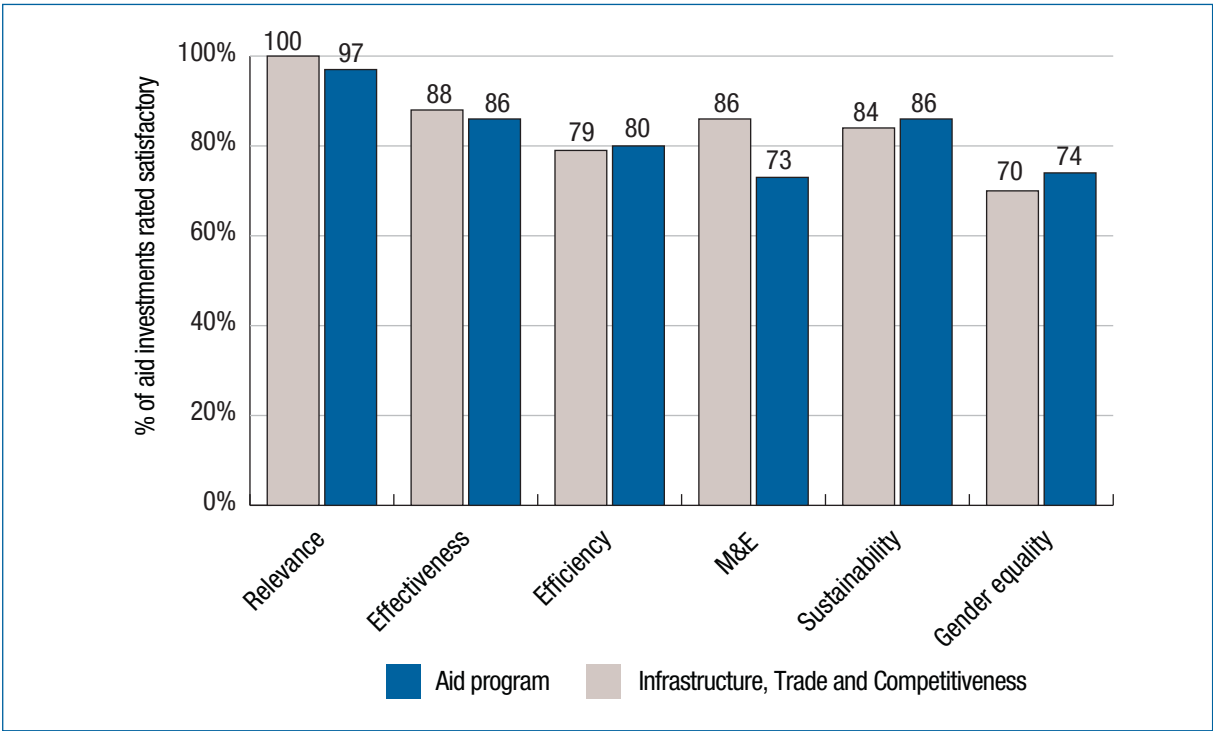
As an area of increased focus under the development policy, there are opportunities to improve the impact of investments by adopting more integrated approaches to infrastructure and trade facilitation procedures and practices. One example is mutual recognition of transport licencing arrangements in cross border infrastructure projects. Poor maintenance of existing infrastructure assets remains an issue in the region. Australia has used incentive based programs to increase partner government investment with some success, and will look to further strengthen links between funding and fulfilment of partner government obligations. There is also room to improve the regulatory environment in a way that encourages investment, competition and innovation.

For this investment area, gender equality scores are lagging behind the average Aid Quality Check score across the aid program and are 10 per cent below the 80 per cent target set for all aid investments. The independent ODE evaluation *Smart economics: Evaluation of Australian aid support for women's economic empowerment* noted that trade and transport infrastructure initiatives could do more to explore entry points for gender equality in design and implementation.²⁸ The evaluation highlighted some good practice examples where the introduction of gender analysis has served to identify effective approaches to tackle gender and trade issues. For example, Australia collaborated with the World Bank to strengthen the gender focus of activities under the Laos Trade Development Facility. This resulted in the introduction of a new enterprise fund scheme in 2013 to offer finance and business expansion services to both male and female entrepreneurs in small and medium enterprises, with specific targets for reaching women.

²⁷ See also the discussion of strategic targets 1 and 2 of the aid program performance framework in Chapter 1.

²⁸ Office of Development Effectiveness, *Smart economics: Evaluation of Australian aid support for women's economic empowerment*, August 2014, page 38–44

Figure 28: Infrastructure, Trade and International Competitiveness Investment Performance, 2013–14



Infrastructure accounted for \$425m of Australian ODA in 2013–14. Infrastructure investments will play an important role in meeting the new aid for trade target for the Australian aid program. Key risks in this sector include managing complex projects and planning for the longer lead times required to adequately design projects. An increased focus on infrastructure will also require a dedicated effort to ensure women receive the economic benefits from these investments. The development of an infrastructure strategy and guidance will help program areas make informed investment decisions, including by identifying some of the risks inherent in infrastructure development that program managers will need to mitigate. The strategy will also set out approaches to promote gender equality (emphasising the importance of upfront gender analysis).

Effectively integrating gender equality in transport investments

The *Solomon Islands Road Improvement Project Phase 2* (2010–2013) supported the Solomon Islands Government to maintain roads and bridges across the country to give people living in rural areas reliable transport access to markets and essential services. The investment demonstrated effective ways to integrate gender equality in roads projects and the tangible results that can be achieved for women and men.

The investment systematically addressed gender equality from the design phase to completion by promoting opportunities for women’s employment. Gender goals and objectives were included in the design and a gender action plan was developed based on gender analysis. Participation by women in community consultations was a key requirement. The project provided equal wages to female and

male workers and required contractors to hire a minimum of 30 per cent women on road maintenance crews. Skills training was provided to women's groups and strategies were implemented to encourage women's involvement in business opportunities. The monitoring and evaluation system used gender-sensitive indicators on employment and income. Women represented 40 per cent of the labour hired through the 10 maintenance contracts that were awarded creating over 21,178 person days of employment. Women were also among the managers and lead business partners of contractors.

Australia is now working in partnership with the Solomon Islands Government and the Asian Development Bank to leverage these successes and replicate the approach in future transport infrastructure investment in the Solomon Islands.

Agriculture, fisheries and water

Australia invested \$319 million or 7 per cent of ODA in the agriculture, fisheries and water sectors to help improve food security and sustainable use of resources in the Indo-Pacific region. Australian ODA in agriculture, fisheries and water is provided primarily through DFAT and ACIAR. It is delivered through programs that seek to address constraints to value chain development, enhance productivity and promote policy and institutional reform, in collaboration with Australian and international partners.

Australian ODA investments in agriculture focus on the Indo-Pacific region and are increasingly used to strengthen market linkages and leverage private sector funds. This trend recognises that private sector investment in agriculture in developing countries far outweighs ODA funding and that Australia's private sector development programs are highly effective at delivering results for poor women and men. For example, the Australian-Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture in Indonesia, and the Market Development Facility in Pakistan, Timor-Leste and Fiji, leverage private sector investments that create new economic opportunities for the poor. This includes enabling poor women and men to access markets for agricultural inputs, sell produce, gain employment and generate income. In 2013–14, the Cambodia Agricultural Value Chain program leveraged \$800,000 in private sector investments, enabled over \$20 million worth of additional rice to be grown and increased the incomes of 13,000 female and male farmers.

Australia will continue to strengthen its agricultural investments through the Food Systems Innovation initiative, a partnership between DFAT, ACIAR and CSIRO, which builds staff capacity in market-driven development. Australia also supports global programs that drive productivity improvements and foster innovation such as the Global Agriculture and Food Security Program, the Consultative Group on International Agricultural Research and AgResults.

Australian Centre for International Agricultural Research

ACIAR's bilateral investments in international agricultural research partnerships have generated a fivefold benefit since 1982 and continue to improve trade and economic growth in partner countries. For example:

- In four Mekong countries, ACIAR scientists are seeking to help control major insect pests in eucalypts using local biological control agents.
- In Papua New Guinea, ACIAR has helped women vegetable producers to access new market opportunities by providing business knowledge and skills.
- DFAT and ACIAR are working in partnership in Timor-Leste to increase yields of key crops by selecting and distributing improved varieties of superior genetic quality. There are now 43,000 households across Timor-Leste using these improved seed varieties. The program could be enhanced by widening the focus to address other factors limiting agricultural productivity in Timor-Leste farming systems, such as agronomic practices. This will be taken into account during design of a new phase of assistance to commence in 2016.

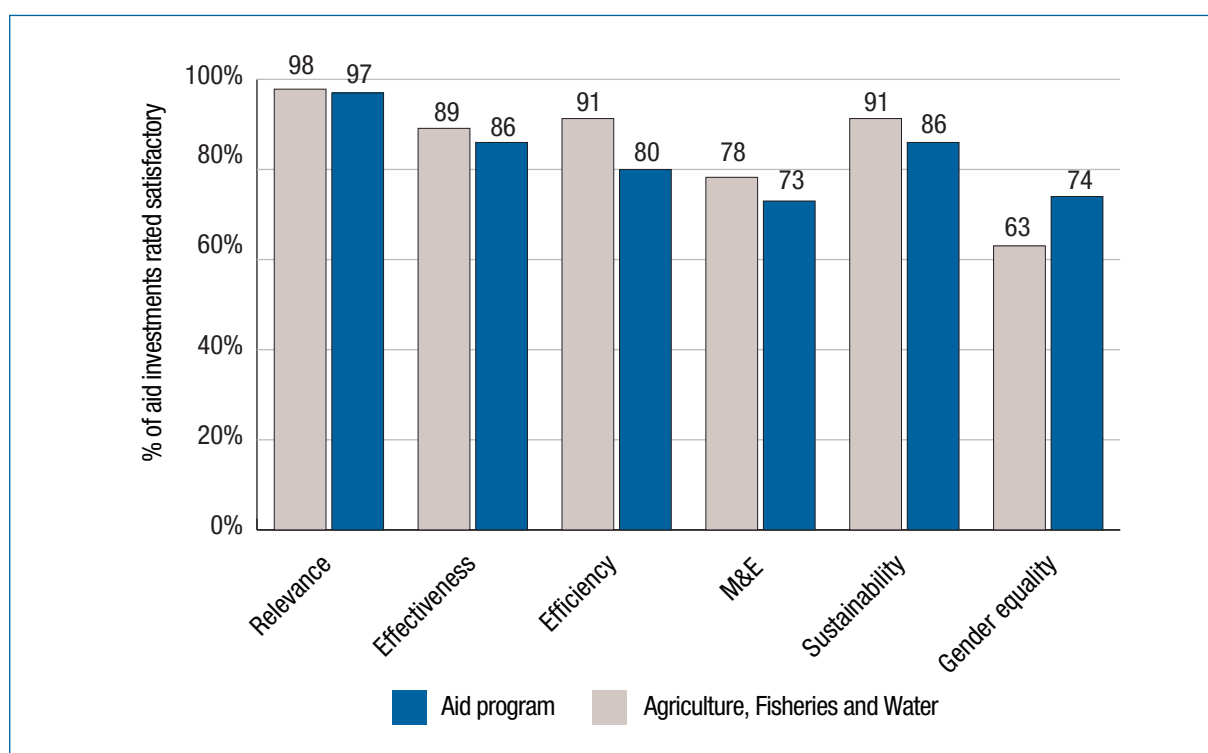
Faced with increasing demand and declining resources, the need for effective and sustainable management of global fish stocks and their environments is of critical importance. In 2013–14 Australian assistance to Pacific regional fisheries to promote onshore investment has resulted in increased Pacific island government revenues of over US\$250 million (up from US\$100 million in 2011) and continued growth is predicted. Australian support for updated stock assessments will underpin a push for stronger regional action to promote sustainable fishing practices. To help address growing food security issues, ACIAR commenced a four year community-based fisheries management initiative. Australia is also exploring other illegal, unreported and unregulated fishing, aquaculture and 'Blue Economy' initiatives in the Indo-Pacific region.

Water resources in the Indo-Pacific are under increasing pressure due to competing demands from agriculture, industry, electricity generation, urbanisation, growing populations and the impacts of climate extremes. As a result, there has been growing interest in Australia's water resources management experience, especially in India and China where Australia has agreed partnerships. For example, in the Mekong River Commission and in Mekong countries, Australian water modelling technology, eWater Source, is being selectively applied and is already demonstrating its utility to water resource planning in the Mekong Basin.

ODE's 2014 evaluation *Smart economics: Evaluation of Australian aid support for women's economic empowerment* found that more needs to be done to integrate gender equality into key economic sector investments. An examination of six agricultural investments highlighted the need to better integrate gender approaches in agricultural program design and strengthen monitoring and evaluation to capture outcomes relating to women's economic empowerment.²⁹ These findings are also reflected in the 2014 assessment of individual aid investments. Investments in agriculture, fisheries and water score 11 per cent below the aid program average for addressing gender equality. The new strategic framework for Australia's investments in agriculture, fisheries and water recognises the critical links between gender equality and development outcomes in these sectors. Women's economic empowerment will be a high priority, with future investment designs to include strategies to support women to overcome barriers to economic empowerment, to identify market interventions that benefit women and improve access to productive resources, financial services and business skills. Practical guidance will be provided to support program managers to more effectively address gender equality issues in investment design and implementation.

29 Smart economics: Evaluation of Australian aid support for women's economic empowerment, ODE, August 2014

Figure 29: Agriculture, Fisheries and Water Investment Performance, 2013–14



Effective governance: policies, institutions and functioning economies

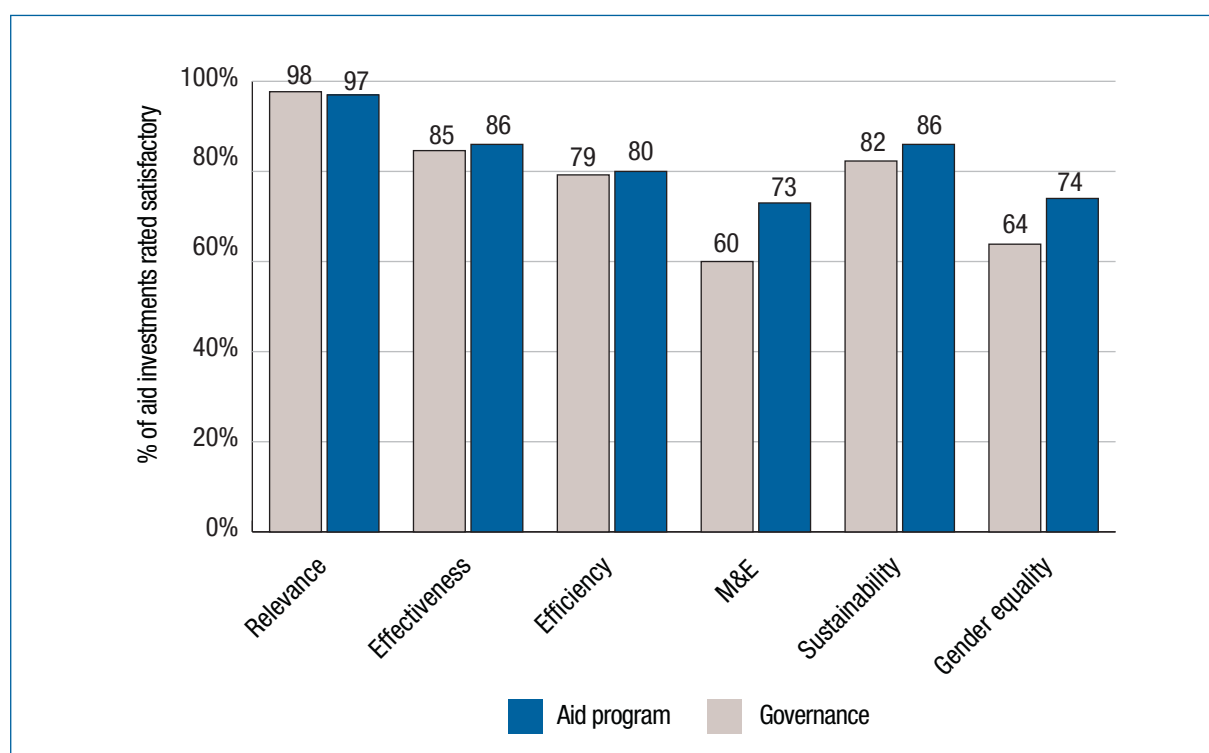
Australia invested \$774 million or 17 per cent of ODA to support measures to improve governance in developing countries. Investments in effective governance helped partner governments, the private sector and civil society to build institutions that have a direct role in promoting stability, inclusive economic growth and poverty reduction. Capable institutions contribute to more informed, evidence-based and inclusive policy making and foster an enabling environment for functioning economies.

Effective governance is important for improving overall effectiveness in aid delivery, because it underpins all other priorities. It not only describes a sector, such as law and justice, but is also a term used to describe how states function. Australia's assistance has focused on institutions that support political and social accountability, as well as those that foster inclusive economic growth, including core financial management institutions.

Australia's efforts have included a significant focus on fragile and conflict-affected states, where 60 per cent of Australia's bilateral aid was directed in 2013–14. Conflict reverses the gains achieved through economic development and can set a country back decades. Promoting stability and long-term development in these environments requires action to address the drivers of conflict, and coordination of Australia's security, diplomatic and aid strategies.

In 2013–14 Australia's governance assistance has: trained over 50,000 public servants and over 14,000 police and law and justice officials; strengthened the management of Indonesia's electoral system, including through training 1,598 election officials on election operations in the lead up to the 2014 elections; and catalysed reforms by assisting the Philippine Government implement the treasury single account, resulting in savings of \$10 million through the rationalisation of domestic bank accounts.

Figure 30: Governance Investment Performance, 2013–14



Australia’s investments in governance have yielded good development results, but can perform better. For example, 2014 aid quality data shows that only 64 per cent of existing governance investments effectively address gender during implementation—the second lowest ranked sector and 16 per cent lower than the strategic target of 80 per cent. Monitoring and evaluation is also an area that requires further attention, falling 13 per cent behind the aid program’s average investment score.

Building effective institutions is a long-term endeavour and measuring results is notoriously difficult. An ODE evaluation of Australian law and justice programs, for example, found “a tendency for individual programs to set objectives that are too ambitious, too generalised and not well adapted to the specific country context”.³⁰ It is therefore important to be realistic and modest about what can be achieved (particularly in conflict-affected states) and align investments with principles of mutual accountability.

Interventions which are technically sound but not politically feasible are unlikely to bring about sustainable reform. A 2014 ODE report *Learning from Australian aid operational evaluations* found that “helping our partners to deliver reforms is rarely a technical matter alone but requires a close understanding of the local context and the incentives of all stakeholders and the broader political economy”.³¹ DFAT will ensure that all investments are informed by an assessment of the political, economic and social factors promoting or blocking change, and, where appropriate, are designed to be incremental, adaptive and innovative in approach.

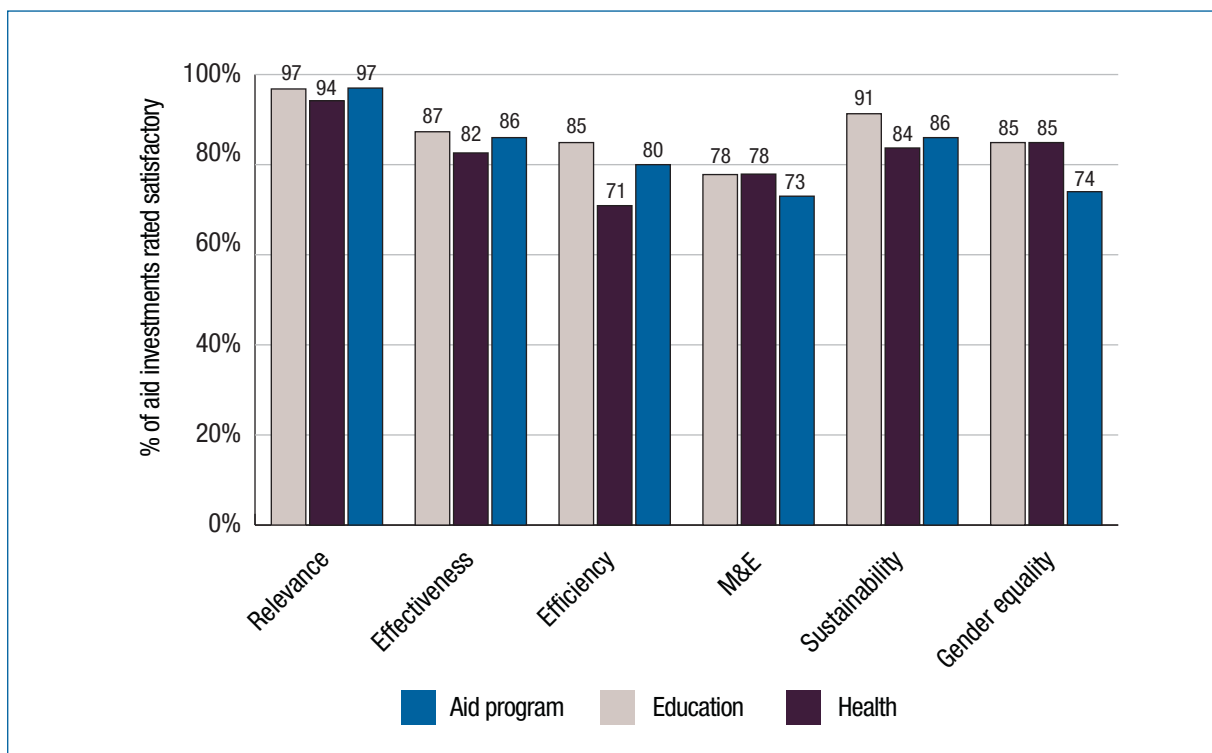
Building the capacity of partner government agencies is critical to effective and sustainable development, but it is also a complex process. Previous experience has highlighted the importance of ensuring local ownership and designing interventions that take local context into account. Future aid investments should take a more nuanced and context-specific approach to capacity development, being explicit about where programs are substituting in-line positions to maintain state functionality, while in other places playing a more catalytic role in supporting broader institutional reform efforts.

³⁰ Office of Development Effectiveness, *Building on Local Strengths: Evaluation of Australian law and justice assistance*, 2012.

³¹ Office of Development Effectiveness, *Learning from Australian aid operational evaluations*, 2014

Education and health

Figure 31: Education and Health Investment Performance, 2013–14



Australia invested \$1 billion or 21 per cent of ODA in **education** in 2013–14 including \$362 million for Australia Awards (which is covered in the previous chapter). Investments in education build the skilled workforce needed to reduce poverty and stimulate prosperity. Australia’s global, regional and bilateral investments are focused on addressing the key challenges of education access, participation and quality. In 2013–14 Australia supported bilateral education programs with 21 countries throughout the Indo-Pacific: building more than 9,000 additional classrooms; training over 100,000 teachers and providing more than 4.6 million textbooks to improve education quality; and enabling almost 1.4 million more children to enrol in schools across the region. In the Philippines, Australian funding for culturally relevant teaching and learning materials in local languages is improving the learning of 124,500 indigenous and Muslim children, including children with disabilities. Australian education assistance also contributed to countries recovering from conflict benefiting around 2.5 million children across Syria, Iraq and Yemen and directly supporting 179,523 students (48 per cent of whom were girls) to access higher quality education in the conflict affected border provinces of Pakistan.

Global Partnership for Education

Australia's largest multilateral partner in education is the Global Partnership for Education (GPE), which aims to improve access and quality of basic education for children in developing countries. Australia's support for GPE contributes to improved education outcomes in 59 developing countries, including increases in student enrolments, improved primary school completion rates (especially by girls) and domestic funding for education. Since 2003 GPE has assisted almost 22 million children to enrol in school. Australia is a member of the GPE Board and has been influential in improving GPE's governance structure, performance effectiveness and engagement in the Indo-Pacific region. In 2013–14, Australia contributed \$70 million to GPE. In June 2014, the Australian Government announced it would continue its strong support for GPE, by pledging \$140 million for GPE's new four-year replenishment period (2015–18).

An emerging challenge is in the area of education quality. In the Pacific, only around 30 per cent of year six students are performing at the expected level. Learning outcomes in Indonesia are well below regional averages in key subjects, despite almost universal coverage of primary schooling. Two thirds of grade four children in Timor-Leste cannot read at a minimum standard. This is an area of increased focus for Australian assistance. DFAT support for early grade reading assessments, regional literacy and numeracy testing, and benchmarking of quality systems is providing data and diagnostics which guide strategic interventions to improve learning outcomes in partner countries. DFAT is conducting an evaluation of Australian investments in teacher training to better support teacher effectiveness, a key factor in supporting child learning.

In 2013–14 Australia invested \$751 million or 16 per cent of ODA in health, including in basic water, sanitation and hygiene (WASH). The majority (62 per cent) of this funding is bilateral support to countries in Australia's region to deliver better health and WASH services. Australian assistance is focusing on strengthening health systems to improve maternal and child health and address communicable diseases. In 2013–14, nearly 900,000 additional births were attended by a skilled birth attendant, including 97,000 women in the poorest regions of Indonesia where the number of women delivering in hospitals supported by Australia tripled from 490 to 1,490 per month.

Investments in water, sanitation and hygiene also contribute to better health, particularly through reduction of diarrheal disease—the second leading cause of deaths for children under five. In 2013–14, the Australian aid program enabled over 2 million people to gain increased access to hygiene and over 1 million to gain increased access to basic sanitation. Australian assistance has provided 2.9 million people with increased access to safe water. In Timor-Leste, 41 additional schools and 12 health clinics gained access to improved water supply and 45 communities have benefited from hygiene and sanitation programs; and in Vietnam, 109,000 people gained access to safe water and 177,000 to basic sanitation.

The Australian Government is taking a leadership role in regional efforts to reduce malaria, with the establishment of the Asia-Pacific Leaders Malaria Alliance (APLMA). At the East Asia Summit (EAS) in November 2014, leaders committed to the goal of an Asia Pacific free of malaria by 2030. The APLMA co-chairs, Australia and Vietnam, agreed to present a plan for achieving this goal at the next EAS.

International health partners funded by Australia include the UN (WHO, UNFPA, UNAIDS and UNICEF), the development banks and global health funds (the Global Fund to Fight AIDS, TB and Malaria and Gavi, the Vaccine Alliance). International organisations, which receive 38 per cent of Australian ODA spent on health, complement Australia's bilateral aid programs through their: technical expertise; ability to work at scale; greater scope for trialling innovative approaches; ability to leverage additional funding; and setting of global standards for best practice. Australia works to ensure coherence between these international health development organisations, avoiding fragmentation and inefficiency within country health sectors. Australia

also works with these organisations to adapt their approaches and business models to respond to the specific health and development challenges facing the Indo-Pacific region, such as health security threats and the growing burden of non-communicable diseases.

Global Water and Sanitation Initiative

In 2013–14 DFAT commissioned an independent mid-term evaluation of the \$112 million Water and Sanitation Initiative Global Program (2009-2016) that funds global water, sanitation and hygiene programs delivered through a range of multilateral agencies including: UNICEF; the World Bank; the Water Supply and Sanitation Collaborative Council; and the World Health Organisation. The evaluation found the investment to be well-balanced, working with effective partners to support Australian aid program priorities. Recommendations from the evaluation included that DFAT needs to engage more actively, but in fewer partnerships, and should better align the work of global partners to the Indo-Pacific region. The need for improvements in sharing and application of new knowledge with country programs was also highlighted. These research findings will inform DFAT's future engagement in global partnerships, with a focus on enhancing engagement in the Indo-Pacific region and opportunities to leverage other investments.

Australia's contribution to the Global Fund to Fight AIDS, TB and Malaria in 2013–14 helped provide antiretroviral therapy for 36,000 people with HIV/AIDS, treat 30,000 people with tuberculosis and distribute one million bed nets to prevent malaria. Each dollar Australia has contributed to the Global Fund has leveraged more than a ten-fold investment in the Asia-Pacific region. This includes US\$100 million to combat drug resistant malaria in the Mekong, in support of APLMA. To stimulate rapid progress and greater impact, the Global Fund established an Innovation Hub in 2014, and is pursuing results-based financing, including in countries in the Indo-Pacific region.

In 2013–14, DFAT provided \$63 million to the World Health Organization (WHO) for core activities and regionally targeted programs. Australia's partnership with WHO has resulted in stronger technical capacity to support countries of the Pacific region. Building on its country level presence and technical expertise, WHO continues to play a key role in tackling challenging health issues facing the Indo-Pacific region and assisting countries to prevent and manage communicable disease outbreaks.

In 2013–14, Australia contributed \$53 million to Gavi, the Vaccine Alliance, which supported the immunisation of 1,536,000 children globally. Australia has been a strong advocate for ongoing support to countries in the region which, due to rising per-capita incomes, are no longer eligible for Gavi's vaccine and financial support. This includes Indonesia, Papua New Guinea and Timor-Leste where health systems are poorly placed to manage routine vaccination programs without Gavi support. In 2013–14, 18 countries in the Indo-Pacific region received Gavi support, with approximately 34 per cent of Gavi disbursements going to the region.

Gavi is also a leader in developing innovative financing instruments for development. Australia supports the International Finance Facility for Immunisation (IFFIm), which converts long term donor pledges into immediately available cash resources by issuing bonds on capital markets. To date, IFFIm has raised US\$4.5 billion for Gavi's immunisation programs. Australia has made a long term funding commitment to IFFIm of \$250 million over 20 years (2010-2030), including \$5 million in 2013–14. Australia is the fifth largest donor to IFFIm.

The UNFPA received \$24 million from Australia in 2013–14 to help developing countries in the Asia-Pacific region to reduce maternal mortality and meet international and national health and gender equality commitments. With Australian assistance, UNFPA also provided vital health and hygiene support and supplementary feeding for pregnant and lactating women following Typhoon Haiyan in the Philippines.

In 2014–15 Australia provided \$7 million to UNAIDS. Australia assumed the Chair of the UNAIDS Program Coordinating Board in 2014 and has worked to ensure that HIV/AIDS remains a focus for the post-2015 development targets.

A growing challenge is the need to respond to the increase in NCDs which are overtaking communicable diseases as the leading cause of death globally. In the Pacific, NCDs now account for 70 per cent of deaths, many of which are premature (before the age of 60) and preventable. Australia's health ODA will maintain a core focus on strengthening health systems to address the double burden of NCDs and communicable diseases, as well as strengthening efforts to address regional health security threats such as drug-resistant tuberculosis and malaria.

Building resilience: humanitarian assistance, disaster risk reduction and social protection

In 2013–14, Australia provided \$1,049 million or 22 per cent of ODA in humanitarian assistance, disaster risk reduction, social protection and climate change investments. These investments saved lives, reduced economic and development losses and reduced vulnerability to crises. Australia responded to 25 major emergencies in this period, including Typhoon Haiyan in the Philippines and flooding in Solomon Islands, and provided life-saving assistance to over 13 million people through Australia's humanitarian partners. Standby arrangements with the private sector, Australian NGOs and multilateral partners enabled the Government to deliver effective responses in rapid onset and protracted crises. This was supported by the deployment of 50 Australian Civilian Corps specialists to 17 countries to assist partners prevent, prepare for, stabilise and recover from disasters and conflict.

Improving resilience is critical in the Indo-Pacific region, where poverty and vulnerability is widespread. The region is the most disaster affected in the world—some 75 per cent of global fatalities from natural disasters occur here.³² Australia has invested in disaster risk reduction in over 26 countries and is increasingly integrating disaster resilience and climate resilience across the aid program. This included Disaster Risk Reduction (DRR) investments totalling \$124 million and climate-proofing of over \$150 million worth of infrastructure projects in the Indo-Pacific region. Australia also supported partner governments to establish or reform social protection systems that reduce vulnerability and unlock the economic potential of poor people. In 2013–14 Australia enabled an additional 3.6 million poor people to receive cash, food and other transfers by supporting governments in the Indo-Pacific region to improve the effectiveness, efficiency and reach of their social protection systems.

In 2013–14 Australia played an active role in processes leading toward the Post-2015 Framework for Disaster Risk Reduction and the 2016 World Humanitarian Summit. In these and other forums Australia supports approaches that strengthen resilience, promote innovation and increase engagement of the private sector. Australia also made effective use of its seat on the UN Security Council to advance critical humanitarian policy issues, including facilitating delivery of humanitarian assistance to Syria.

Australia continued work to reform the humanitarian system to improve its efficiency and effectiveness. Leveraging long term partnerships with multilateral humanitarian organisations, Australia is able to push for greater coordination, accountability, innovation and preparedness among key partners. Improving the international response to sexual and gender based violence and disability inclusion in emergencies has also continued to be a priority for the Government.

Australia's capacity for humanitarian response is enhanced by drawing on partnerships with effective global organisations such as WFP, the United Nations High Commissioner for Refugees (UNHCR) and the ICRC. Australia contributed \$112 million towards WFP's operations in 2013, which enabled food assistance to be provided to almost 1.8 million people. As a member of the WFP Executive Board, Australia continued to press for improvements in WFP's approach to gender issues in emergencies and an

³² *Asia Pacific Disaster Report 2012, UNESCAP*

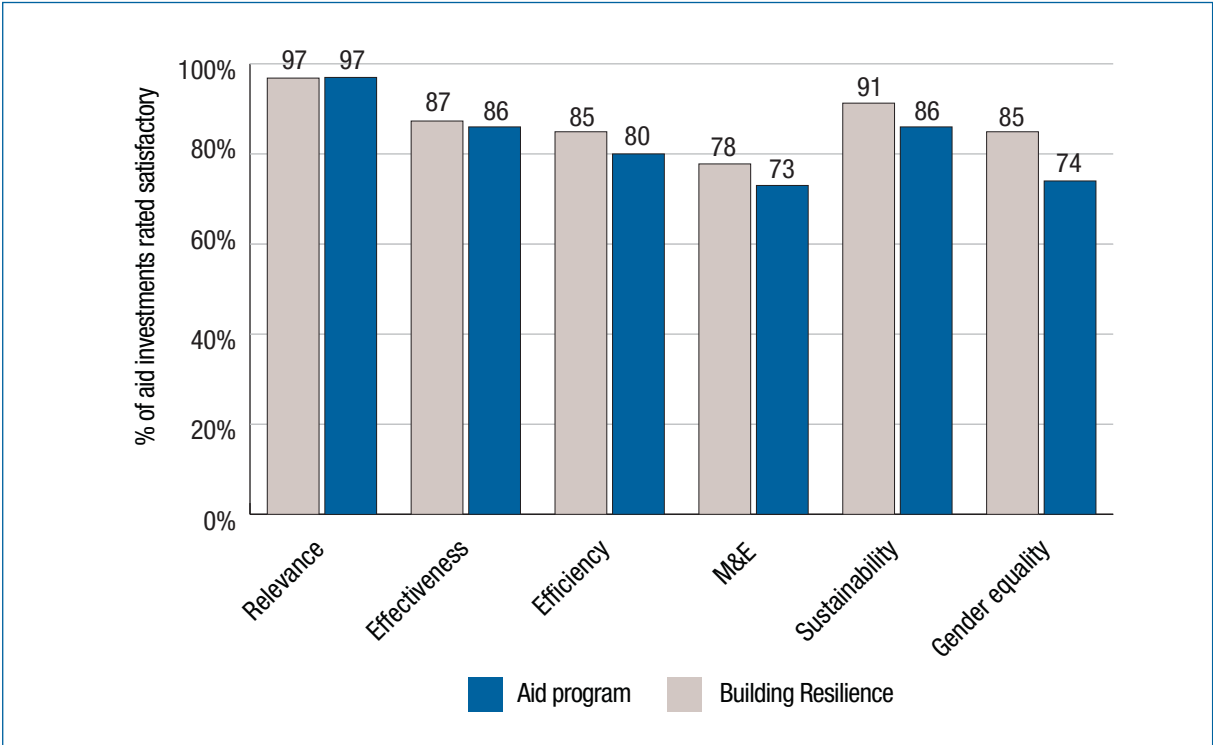
increased focus of WFP operations in the Indo-Pacific. Australia will continue to support WFP to increase the use of innovative measures to reach more people with food assistance in more effective and efficient ways, including through cash transfers and the use of mobile technologies.

In 2013–14 Australia provided \$39.8 million to the United Nations High Commissioner for Refugees (UNHCR), helping the organisation to provide shelter, food, water, health care and humanitarian protection to 39.7 million refugees and other persons displaced by armed violence or natural disasters across 123 countries. Australia will continue to engage closely with UNHCR to improve protection and assistance to vulnerable people, including for displaced persons with a disability.

Australia’s contribution of \$42 million to the ICRC in 2013–14 assisted the organisation to provide protection and assistance to populations affected by armed conflict and promote adherence to international humanitarian law. Australia’s engagement with ICRC will continue to support efforts to strengthen the international response to sexual and gender based violence in emergencies.

Australia reviews its own performance in delivering humanitarian assistance, including through post-crisis After Action Reviews and independent evaluations such as the ODE Evaluation of Australia’s response to the Horn of Africa Humanitarian Crisis 2011, which was released in June 2014. Australia also reviewed progress against its 2011 Humanitarian Action Policy Commitments. As a result, Australia is developing a formal approach to monitoring and evaluating humanitarian programs, including ways to improve disaggregation of data by sex and age as well as reporting on measures to increase accountability to affected populations by partner agencies. Australia is also developing more integrated approaches to slow onset and protracted crises. Furthermore, Australia is developing a new humanitarian strategy which will build on the lessons learnt over recent years.

Figure 32: Building Resilience Investment Performance, 2013–14



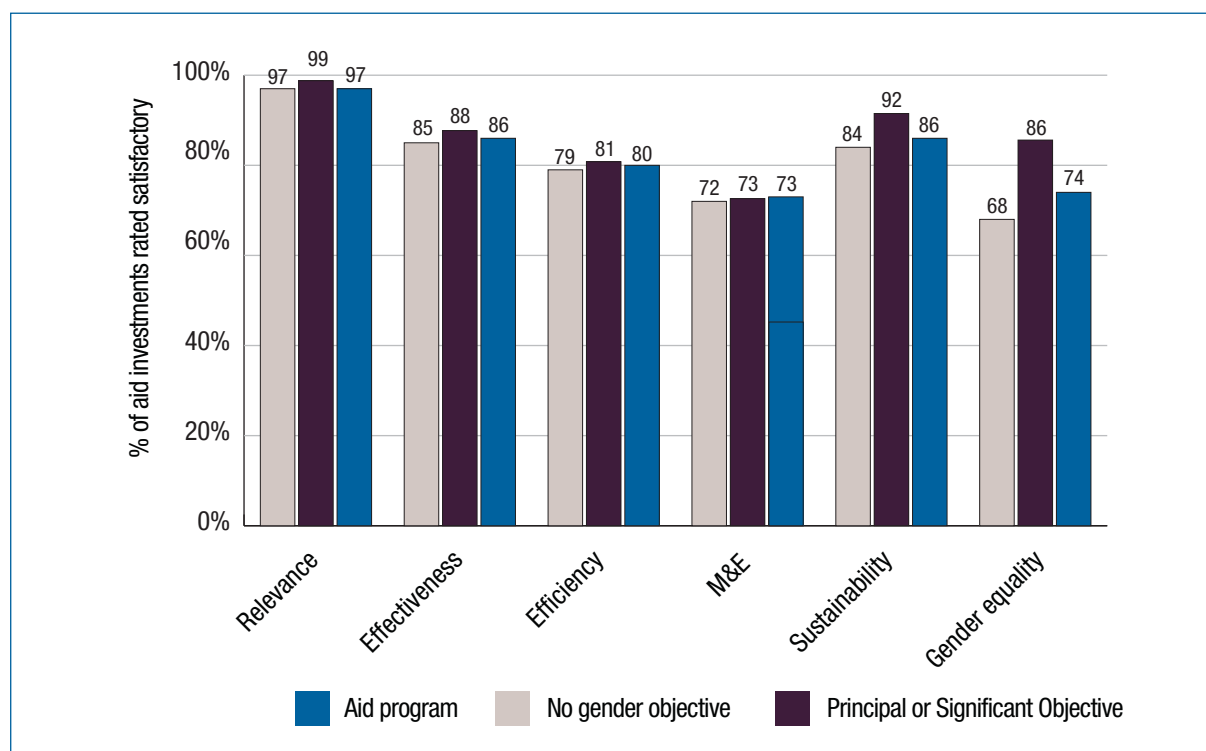
Gender equality and empowering women and girls

In 2013–14, 55% of DFAT’s country, regional and global aid investments by value across a range of sectors had a principal or significant objective of promoting gender equality and women’s empowerment, acknowledging the significant benefits that flow to whole communities from women’s participation and greater equality. Throughout 2013–14, Australia played an active role in promoting gender equality and the empowerment of women and girls, including: advancing equal access to health and education; promoting women’s economic empowerment; enhancing women’s roles in decision-making, leadership and peacebuilding; and ending violence against women. Australia’s Ambassador for Women and Girls was integral in supporting this agenda and actively promoted Australia’s aid programs to advance gender equality.

Most of the aid program’s investment in gender equality is integrated within other sectors, and health and education are the sectors that perform the strongest. An analysis of 2013–14 country and regional Aid Program Performance Reports shows that efforts are underway to promote gender equality across DFAT’s aid program, including by strengthening performance benchmarks and reporting progress on gender equality and women’s empowerment.³³

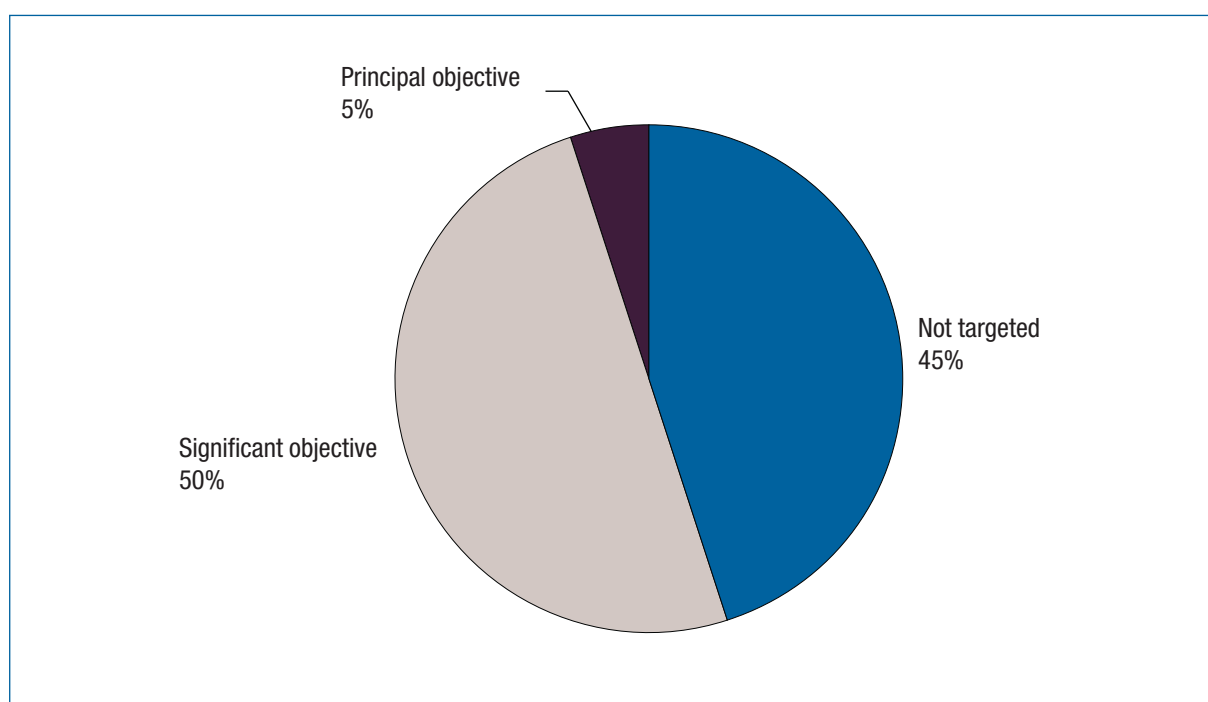
Specific investments in strengthening women’s voice in decision-making, leadership, peace-building, ending violence against women and girls and women’s economic empowerment are important to address persistent barriers and constraints. 2013–14 saw an increase in investments specifically targeting gender equality. This included a significant scaling up of the Pacific Women Shaping Pacific Development program, and new programming to address violence against women in Cambodia, Afghanistan and Pakistan. Results included helping over 66,000 women survivors of violence access critical services such as emergency shelters, counselling and legal advice in countries such as Bangladesh, Sri Lanka, Cambodia, Timor-Leste, Papua New Guinea, Fiji, Solomon Islands and Vanuatu. Australia helped 1,441 women in Pakistan establish small businesses and increase their monthly incomes, in partnership with the Government of Pakistan and other donors.

Figure 33: Gender Equality Investment Performance, 2013–14



33 See also the discussion of strategic target 4 of the aid program performance framework in Chapter 1.

Figure 34: Proportion of DFAT ODA by value with gender equality objectives, 2013–14



Australia is a strong advocate for gender equality in development. Australia is currently Co-chair of the OECD-DAC Gender Network and a major partner of UN Women, providing \$8 million in core-funding in 2013–14. UN Women’s Strategic Plan 2014–17 closely aligns with the Australian Government’s priorities for promoting gender equality and women’s empowerment, including a continued focus on women’s leadership, women’s economic empowerment, ending violence against women and integrating women, peace and security. Australia’s 2013–14 contribution helped UN Women to deliver direct program support in 96 countries, focused on ending violence against women (85 countries), women’s leadership and participation (71 countries) and women’s economic empowerment (67 countries). In 2013, for example, UN Women supported the National Capital District Commission in Port Moresby, Papua New Guinea to create safer marketplaces by forming associations of market vendors, who are predominantly women, and introducing cashless payment methods that cut the risks of theft.

Australia commenced its first term as a member of the UN Women Executive Board in January 2013 and in 2014 took up the position of Vice President on the Bureau of the Executive Board. Australia is using its term on the Board to increase the profile of issues facing women in the Pacific and advocate for a stronger results focus by UN Women.

Through its membership of the Multilateral Organisation Performance Network (MOPAN), Australia is joining with other donor country members to support an assessment of UN Women. The assessment will consider the organisational effectiveness and the results achieved by UN Women. Australia will use this assessment to inform a new Partnership Framework with UN Women in 2015. The agreement will set the strategic direction for the Australia-UN Women relationship globally, enable us to agree mutual obligations and ensure alignment between Australia’s and UN Women’s interests and work programs.

Smart economics: evaluation of Australian aid support for women's economic empowerment

The Office of Development Effectiveness' evaluation *Smart economics: evaluation of Australian aid support for women's economic empowerment* released in August 2014 found that Australia's efforts to address gender equality in economic programming compare well to other OECD donors, and good practice examples were found across the sectors examined. For example, a Bangladesh microfinance project reached more than 52,000 women and resulted in women taking greater control over assets, increased household decision-making and reduced violence against women. In Vanuatu, technical and vocational training programs linked to Australia's efforts to increase economic opportunities saw 91 per cent of women who completed training report increased profits after one year. Yet good practice examples were the exception, not the rule. The evaluation concluded that Australian aid can do more to strengthen its efforts to promote gender equality and women's empowerment in economic sectors. Gender equality is considered as a principal or significant objective in only 30 per cent of all investments in aid for trade sectors such as infrastructure, trade facilitation and agriculture. There are real opportunities available to Australia to enhance women's contributions to business and economic growth and support efforts to reduce barriers to women's workforce participation. This includes helping to address restrictive social norms and lack of access to childcare. DFAT agreed to all four recommendations aimed at strengthening Australia's efforts to overcome barriers to women's economic empowerment and to invest strategically in economic pathways for women:

- **Strategic economic sector investments:** DFAT should invest more strategically in all economic sectors.
- **Gender equality strategies and economic diplomacy:** DFAT should articulate clear commitments for gender equality and women's economic empowerment in its program strategies, program designs and economic diplomacy efforts.
- **Capacity, resources and incentives:** DFAT should build the capacity of the Australian aid program to implement existing policy relating to the inclusion and empowerment of women in the economic sectors.
- **Performance and evaluations:** DFAT should improve monitoring and evaluation in the economic sectors to capture results for women.

Annex A

Official Development Assistance delivered by other government agencies

Whole of government support for the aid program

Department of Immigration and Border Protection

ODA expenditure in 2013–14: \$396.6 million

The Department of Immigration and Border Protection (DIBP) funded a range of projects and initiatives to: strengthen border management and migration management capacity in the region and internationally; support the voluntary return of displaced migrants to their home countries where possible; and promote the stability of displaced populations by providing care and management services. These services included: accommodation and food; health and social protection; vocational and livelihood training; and education. Projects were delivered globally including in Afghanistan, Indonesia, Iran, Malaysia, Pakistan, Papua New Guinea and Sri Lanka.

Australian Federal Police

ODA expenditure in 2013–14: \$130.7 million

Australian Federal Police (AFP) programs supported police development in partner police agencies to enable the delivery of legitimate, responsive and accountable policing in support of the effective rule of law. AFP programs included: the Pacific Police Development Program, which undertook development programs in Nauru, Papua New Guinea, Samoa, Tonga and Vanuatu; the Timor-Leste Police Development Program, which focused on enhancing the capability of front-line policing services of the Policia Nacional de Timor-Leste; and the Cybersafety Pasifika Program, which equipped police in various Pacific countries with the knowledge and resources to educate their communities in all aspects of cyber safety.

The AFP also focussed on development of the community policing capability of the Royal Papua New Guinea Constabulary, supported the development of a credible policing capability in the Royal Solomon Islands Police Force and supported the refurbishment of forensics facilities in Pakistan and the training of Pakistan law enforcement authorities. AFP Transnational Crime Unit Network advisors focused on enhancing coordination and cooperation between Pacific countries to combat transnational organised crime.

Australian Centre for International Agricultural Research

ODA expenditure in 2013–14: \$94.1 million

Through its partnerships in agricultural research for development, ACIAR has generated new knowledge and technologies and built greater human capacity and capability. In this way its partnerships support better decision-making and deliver sustainable solutions. ACIAR managed a number of programs in the Indo-Pacific region and in the Middle East.

In Papua New Guinea ACIAR's research partnerships found better ways to improve the livelihoods of women smallholder vegetable producers by helping them to improve their business knowledge and skills, develop their financial literacy and open new market opportunities. In Vanuatu smallholder cocoa farmers

partnered with Australian chocolate makers through ACIAR's Pacific Agribusiness Research for Development Initiative. In Burma a multidisciplinary program has been commissioned with DFAT encompassing animal health and production, intensification of rice and legume crops and adoption of technology by smallholder farmers on the central dry zone and the Ayeyarwady Delta. In four other Mekong countries scientists are seeking to control pests of eucalypts. One in particular, a wasp native to Australia, forms galls in trees overseas. Work continues to find local biological control agents, with a view to also controlling this pest in Australia.

Department of Education

ODA expenditure in 2013–14: \$27.5 million

The Department of Education managed the Endeavour Scholarships and Fellowships, which focus on developing education and research links between individuals, institutions and countries. They provide opportunities for recipients to undertake short or long term study, research or professional development in a range of disciplines across the Indo-Pacific region. The scholarships and fellowships are allocated on the basis of a competitive merit process.

The Endeavour Scholarships and Fellowships target the best and brightest students, researchers and professionals from both developed and developing countries. In 2014–15, the Endeavour Program will continue to develop ongoing educational, research and professional linkages between individuals and institutions in Australia and selected partner regions and countries.

Treasury

ODA expenditure in 2013–14: \$27.1 million

Treasury supported international financial institutions that make significant contributions to development outcomes including: the Asian Development Bank; the World Bank; and the International Monetary Fund. Treasury provided direct technical assistance to build the capacities of the Treasuries and Ministries of Finance in Papua New Guinea, Solomon Islands and Indonesia.

A range of agencies in the Treasury portfolio assisted in training financial regulators and central bank officials in partner countries. These agencies include the Australian Securities and Investments Commission, the Australian Competition and Consumer Commission, the Reserve Bank of Australia, the Australian Bureau of Statistics, the Australian Taxation Office and the Australian Prudential Regulation Authority.

Department of Agriculture

ODA expenditure in 2013–14: \$9.2 million

The Department of Agriculture granted \$50,000 to the OECD to support a research study into the agricultural policy of Vietnam, with the aim of building Vietnam's capacity and involvement in OECD processes. The Department of Agriculture also continued to provide training to governments and abattoir workers in countries importing Australian livestock as part of the Improved Animal Welfare Program, including Indonesia, Malaysia and the Philippines. Training on the handling and slaughter of livestock was provided in accordance with international animal welfare standards.

Department of Health

ODA expenditure in 2013–14: \$8.0 million

The Department of Health's contribution to official development assistance is primarily through the WHO. The department's annual assessed contribution to WHO enables Australia to participate in the World Health Assembly and technical forums and shape regional and global health priorities. The Department of Health also supports capacity building efforts on global health issues including through country programs in developing countries with targeted voluntary contributions.

The department engages with other multilateral bodies such as the United Nations Office of Drugs and Crime (UNODC). In 2013–14, funding to the UNODC supported the development of the Early Warning Advisory on New Psychoactive Substances, which provides an international database for the analysis and reporting of trends on new psychoactive substances and serves as a repository for information on these substances. Bilateral cooperation is also an important component of the department's official development assistance. Memoranda of Understanding are in place to facilitate technical cooperation with developing countries.

Department of Employment

ODA expenditure in 2013–14: \$6.4 million

The Department of Employment managed the implementation of the Seasonal Worker Program, which provided opportunities for workers from the Pacific and Timor-Leste to earn Australian wages, remit money to families and communities and develop skills and employment experience.

The Department of Employment provided core funding of \$9.9 million to the International Labour Organization (ILO) and manages Australia's engagement with the ILO on international labour issues, including: managing the Government's reporting requirements under ratified ILO Conventions; considering ratification of ILO Conventions as and when required by the Government; engaging in the ILO's technical assistance activities in the Asia-Pacific region; and representing Australia at key international meetings including the annual ILO International Labour Conference.

Attorney-General's Department

ODA expenditure in 2013–14: \$4.3 million

The Attorney-General's Department (AGD) worked with partner countries throughout the Indo-Pacific region, including PNG and Indonesia, to: develop and improve capacity and technical expertise in law and justice agencies; help combat organised crime and corruption including through assistance to 'follow the money'; strengthen legal frameworks on people smuggling and human trafficking; improve domestic crime and policing laws; and build the capacity of police and other law and justice officials. As part of its work through the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime, AGD led the development of Policy Guides on Criminalising Migrant Smuggling and Trafficking in Persons which are designed to identify and address legal loopholes that people smugglers and traffickers abuse to evade justice. AGD also worked closely with portfolio agency partners including the Australian Federal Police and the Australian Transaction Reports and Analysis Centre.

Department of Infrastructure and Regional Development

ODA expenditure in 2013–14: \$4.9 million

The Department of Infrastructure and Regional Development (DIRD)'s Indonesia Transport Safety Assistance Package assisted Indonesia to regulate and promote transport safety in accordance with applicable international standards and contemporary safety management practices. DIRD provided:

technical assistance; capacity building; and advice on improved governance and safety management practices and procedures.

Department of Defence

ODA expenditure in 2013–14: \$1.9 million

The Australian Defence Force (ADF) supported humanitarian assistance and disaster relief after Typhoon Haiyan made landfall in the Eastern Visayas region of the Philippines. The Royal Australian Air Force provided air logistic support to the Australian Medical Assistance Team, transporting essential medical personnel and equipment from Darwin to Ormoc in the Philippines. A follow-up recovery support force focused on humanitarian assistance activities in the vicinity of Ormoc and the surrounding area. The Navy's HMAS Tobruk transported ADF personnel and equipment to the region and then distributed humanitarian supplies to remote islands.

Army personnel repaired 16 schools and more than 180 classrooms, removed 1,302 cubic metres of debris, repaired 78 roofs, conducted hazard reduction and plumbing works, assisted the redeployment of non-government organisation personnel, supported the World Food Programme distribution centre and provided assessments in support of the United Nations and Philippines Government recovery effort.

Department of Communications

ODA expenditure in 2013–14: \$1.7 million

The Department of Communications provided funding to the International Telecommunication Union (ITU), the United Nations specialised agency responsible for international cooperation in the use of telecommunications and the radiofrequency spectrum. Australia's funding to the ITU assists developing countries in the Asia-Pacific region in the development of communications policy and regulation, including through training programs and expert advice.

The Department of Communications supported the development of roadmaps for the transition to digital television broadcasting, advised on the development of universal service mechanisms in national regulation and continued support for assistance in the use of ICTs for emergency communications and disaster relief.

Department of Finance

ODA expenditure in 2013–14: \$1.0 million

The Department of Finance worked with central agency counterparts in partner countries including Papua New Guinea, Indonesia and the Solomon Islands to develop and improve capacity and technical expertise in budget processes and public financial management systems, such as for procurement and financial reporting. This assistance supports: more efficient management of public resources; efficient and effective service delivery—with long-term flow-on effects such as fiscal stability—and improved public service delivery capacity.

Additional Australian government agencies delivering aid include: ACT Government; Australian Bureau of Statistics; Australian Customs and Border Protection Service; Department of the Environment; Department of Industry; Department of Social Services; Northern Territory Government; Reserve Bank of Australia; South Australian Government; Tasmanian Government; Victorian Government; and Western Australian Government.

Annex B

Independent Evaluation Committee and Office of Development Effectiveness Assessment

The Independent Evaluation Committee (IEC) commends efforts, reflected in the *Performance of Australian Aid* report (PAA), to communicate the priorities and report on the effectiveness of the aid program. This inaugural PAA shows that the targets in the Government's new aid reporting framework—*Making Performance Count*—already appear to be driving considerable change in the aid program.

The report provides a clear articulation of how DFAT intends to measure progress against the government's 10 strategic targets for the aid program. It draws appropriately on existing performance assessment instruments and data, in particular in its assessment of country and regional programs. These instruments, when taken together with the new assessment mechanisms currently being developed (as outlined in the report), should constitute a credible and effective overall system for managing and reporting on the performance of Australian aid. With robust systems, both the Australian Government and people can be confident that trends reported against targets are genuine reflections of performance and that areas where performance is lagging will be identified for remedial action.

Since the establishment of the IEC in 2012, an important part of our role has been to oversee the work program of the Office of Development Effectiveness (ODE), including its work in quality assuring DFAT's aid performance assessment systems. With the launch of *Making Performance Count*, our role now includes supervision of the work behind the attached statement, which summarises ODE's independent analysis of the assessments contained in the first PAA. We look forward to our continued involvement in this endeavour.

Jim Adams
Chair
Independent Evaluation Committee



Office of Development Effectiveness

The following assessment relates to the Office of Development Effectiveness' (ODE's) role to quality assure and verify the statements made in the inaugural *Performance of Australian Aid* report (PAA). In general the PAA is a well-structured and credible document that makes good use of available evidence.¹ Some sections are more descriptive than analytical, such as those relating to the performance of multilateral partners and other government departments. However, we recognise that several new performance assessment systems are currently under development, which will yield additional performance information and strengthen the evidence base for future PAAs.

Just as the aid program targets can and should change, ODE's role, and the form and content of our quality assurance work with regard to the PAA will naturally evolve. Being the inaugural PAA—issued less than a year after the release of *Making Performance Count*, and before the passing of deadlines set for achieving a number of the targets—our detailed comments focus largely on the aspects of the PAA that relate to the mainstays of ODE's annual quality assurance work: the spot-check of aid quality checks (AQC's); and the quality review of aid program performance reports (APPRs). It also reflects the advice of the Independent Evaluation Committee, which oversees ODE's work, and has endorsed this assessment.

AQCs are an internal program management tool, which assess the performance of individual aid investments. Their ratings are the basis for assessing performance against two of the new high level targets: *empowering women and girls* and *value for money*. As noted in the PAA, AQC ratings also indicate which individual investments are performing poorly, and will be subject to the stricter new cancellation policy.

Each year ODE spot-checks a random sample of AQCs to assess whether the ratings in them on six aid quality dimensions—relevance, effectiveness, efficiency, sustainability, gender equality and monitoring and evaluation (M&E)—are sound indicators of investment quality. As in previous years' assessments, the 2014 AQC spot-check found that AQC ratings are a reliable indicator of the quality of the aid program. Eighty-three per cent of ratings in our 2014 sample of reports were deemed robust, a figure which is consistent with previous years' results.

Having said this, ODE continues to find that AQCs are more accurate indicators of performance on some aid quality dimensions than others. Gender equality ratings, which are used to measure performance against the target on *empowering women and girls*, have been less reliable than ratings on most other criteria over the past two years. In 2014, 74 per cent of investments were rated at a satisfactory or above level for their performance on gender equality: six per cent short of the 80 per cent target. However, the 2014 AQC spot-check found that 22 per cent of investments overestimated how effectively they were addressing gender issues. This is an improvement on the previous year's comparable figure of 25 per cent overrated investments; but still places gender equality ratings among the least reliable. These figures together highlight the work required not only to achieve the gender

¹ Including appropriate references to findings of recent ODE evaluations. See below for a list of recently published ODE evaluations.

target, but also the need to improve the accuracy of gender equality ratings so they provide a stronger gauge of performance. ODE notes that a particular feature of APPR reports this year was their focus on gender equality, which shows that programs are responding well to the challenge of improving results in this area.

As noted in the PAA, another AQC criterion that has shown relative weakness over time is M&E. It has consistently been the lowest rated of all quality criteria since AQC reports were established in 2008. In 2014, 27 per cent of investments self-rated their M&E systems as performing less than satisfactorily (the average since 2008 has been 29 per cent). More positively, M&E ratings look to be increasingly robust, demonstrating a better awareness among investment managers of what good quality M&E should look like. In 2014, 91 per cent of M&E ratings were found to be robust, making these ratings the most robust of all six quality criteria. A combination of stable ratings and improvement in robustness (albeit not yet statistically significant) supports the view that the quality of M&E in aid investments is improving. Given that investments' M&E systems provide key data from which investment performance is managed and reported on, further improvements to M&E are fundamental to supporting sound aid management.

APPRs assess the performance of country and regional programs and are an important measure of performance in the new performance framework. The analysis and ratings of the 28 APPRs completed in 2014 are one of the main data sources for the chapter assessing the performance of country and regional programs in this year's PAA. In future years, APPRs will be used to report progress against country and regional program-level *performance benchmarks*, and *mutual obligations* with key partners, which will be articulated in the new country and regional Aid Investment Plans by July 2015.

Each year ODE reviews all APPRs, assessing the quality of the information presented, and whether progress ratings are justified by evidence. Overall, ODE's 2014 review found the reports to be good quality. While one or two of the reports painted an overly rosy picture, most provided frank and balanced performance assessments. As in previous years, the 2014 review emphasises the link between robust performance assessment and high quality Performance Assessment Frameworks (PAFs).

This year's APPR review noted an increase in green ratings for progress against program objectives that is out of step with changes recorded in previous years, and with historical trends in AQC ratings.² We caution against putting significant weight on year-on-year comparisons of APPR ratings, especially given the long timeframes usually associated with achieving substantial development results. ODE analysis shows that the increase in green ratings is likely to have more to do with factors such as changing of objectives and/or indicators of progress—in some cases making them more realistic—than any significant improvement in the overall program. To allow better understanding of change in country and regional program performance, it will be important to ensure consistency in indicators and interpretation of progress over time.

Looking forward, ODE's quality assurance work will continue to focus on performance measures that are the most difficult to accurately measure. While some of the targets in *Making Performance Count* rely on quantitative reporting, with only limited room for error (e.g. the proportion of country program aid spent in the Indo-Pacific region), others leave more room for interpretation—and present a higher risk of inconsistent interpretations between programs, and over time. In addition to the targets that depend on judgements made in APPRs and AQCs discussed above, this includes, for example:

2 In 2011-12, 45 per cent of all APPR ratings awarded were green. This rose to 50 per cent in 2012-13, and then jumped to 68 per cent in 2013-14. The greatest single improvement in the proportion of AQC reports giving satisfactory ratings, on any criteria, was four per cent in the last four years. Only one improvement bigger than this has been recorded since the AQC system was introduced and this only reversed an equivalent deterioration in ratings the year prior to it occurring.

- The *existence* of fraud control and anti-corruption strategies is straightforward to monitor, but less so their *effectiveness* in combatting corruption. Over time it will also be important to ensure lessons learned on both strategies and implementation are made broadly available to staff.
- While it will be relatively straightforward to monitor the number of boxes ticked on whether new investments *consider* new ways to promote private sector growth or engagement, the *credibility* of these efforts will be important, as will learning through our own experiences and those of our partners. ODE supports the stated commitment of DFAT's Private Sector Development Section to audit the quality of efforts to incorporate private sector engagement into new investment designs, and encourages rigour and contestability in this assessment process.
- As noted in *Making Performance Count*, it is intended that progress against program level performance benchmarks will inform annual budget allocations. Programs' performance benchmarks will therefore need to be consistent and measurable, appropriately capturing the most important dimensions of country and regional programs' performance.³

The establishment of performance targets provides a clear direction to staff about what is important. Without vigilance, however, there is a risk that they will drive positive bias in performance assessment. To counteract this risk, ODE reviews of APPR and AQC reporting highlight the importance of maintaining and supporting a culture of internal contestation over performance judgements as lying at the foundation of robust performance assessments. ODE will continue to play its role in maintaining this culture, and recommends that it continues to be prioritised across the department.

ODE Evaluations Published in 2013–14

January 2014:	Evaluation of Australian Volunteers for International Development (AVID)
January 2014:	2013 Quality Review of Aid Program Performance Reports
January 2014:	Lessons from Australian Aid—2013 Report on Independent Evaluation and Quality Assurance
June 2014:	Evaluation of Australian aid to Timor-Leste
June 2014:	Evaluation of Australia's Response to the Horn of Africa Humanitarian crisis, 2011 Evaluation Report
June 2014:	Evaluation of the Quality of Australian Aid Operational Evaluations
June 2014:	Learning from Australian Aid Operational Evaluations
August 2014:	Smart Economics: Evaluation of Australian aid support for women's economic empowerment

Evidence Reviews

March 2014:	Teacher Quality
March 2014:	Women's Leadership
March 2014:	Child Nutrition

³ ODE's 2014 APPR quality review analysed the characteristics and quality of the initial (temporary, one-year) performance benchmarks identified by programs in their APPRs, which are a precursor to the longer term (four-year) benchmarks that will be included in Aid Investment Plans. ODE found that the initial benchmarks were of variable quality, with the better quality benchmarks likely to be derived from high quality PAFs.

List of acronyms

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADF	ADB's Asian Development Fund
AFP	Australian Federal Police
AGD	Attorney-General's Department
ANCP	Australian Non-Government Organisation Cooperation Program
ANU	Australian National University
APLMA	Asia Pacific Leaders Malaria Alliance
APPR	Aid Program Performance Report
AQC	Aid Quality Check
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
AVID	Australian Volunteers for International Development Program
BSP	Bank of South Pacific
CBSI	Central Bank of Solomon Islands
ComSec	Commonwealth Secretariat
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Department of Foreign Affairs and Trade
DIBP	Department of Immigration and Border Protection
DIRD	Department of Infrastructure and Regional Development
DRR	Disaster Risk Reduction
EAS	East Asia Summit
GDP	Gross Domestic Product
GPE	Global Partnership for Education
HIES	Household Income and Expenditure Survey
ICRC	International Committee of the Red Cross
IDA	World Bank Group's International Development Association

IEC	Independent Evaluation Committee
ILO	International Labour Organization
IFFIm	International Finance Facility for Immunisation
MDG	Millennium Development Goal
MELF	Monitoring Evaluation and Learning Framework
MOPAN	Multilateral Organisation Performance Assessment Network
NFIT	National Financial Inclusion Taskforce
NGO	Non-Government Organisation
OCHA	UN Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development
PaBER	Pacific Benchmarking for Education Results
PNG	Papua New Guinea
PPP	Public Private Partnership
PRDP	Palestine Reform and Development Plan
RAMSI	Regional Assistance Mission to Solomon Islands
TMAF	Tokyo Mutual Accountability Framework
UNDP	United Nations Development Programme
UNHCR	UN High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNODC	United Nations Office of Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene
WFP	World Food Program
WHO	World Health Organization
WTO	World Trade Organization
UNAIDS	Joint United Nations Programme on HIV/AIDS

