Uniform Standards for Australia's Aid Program:

Guidance on Implementation

Suite of Standards for Implementation in 2013

This is a working document, which will be updated regularly to take into account feedback as well as new policies and practices.
This version was last updated in June 2013.

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Notes on the use of this handbook

This handbook is for the use of Australian Government agencies delivering Official Development Assistance (ODA). All agencies must implement each of the agreed uniform standards for the planning, delivery, monitoring and reporting of ODA.

The first section provides some important general information about Australia's aid program and global efforts to reduce poverty. This is intended to provide context for Australia's aid program for officers across government who deliver aid.

The second section provides non-prescriptive, detailed guidance designed to support agencies in implementing the agreed uniform standards. The guidance is largely based on AusAID processes, but has been amended to take account of existing processes within other Government agencies.

In cases where agencies have their own direct appropriations of ODA, those agencies can determine how each of the standards will be applied to that ODA, and may use the guidance in this handbook in determining how best to implement the standard.

On the other hand, where agencies deliver aid from AusAID's funds on behalf of AusAID, those agencies must comply with AusAID directives.

This handbook is not intended to be a comprehensive description of Australia's aid program. For more information, agencies are encouraged to visit the AusAID website (www.ausaid.gov.au), follow the links provided throughout this document, and interact with AusAID's GovDex portal for whole-of-government aid delivery.

List of abbreviations

AAS Standing Offer	Aid Advisory Services Standing Offer
AFP	Australian Federal Police
AMA	Australian Multilateral Assessment
ANAO	Australian National Audit Office
Annual Review	*Annual Review of Aid Effectiveness*
APPR	Annual Program Performance Report
'Blue Book'	Ministerial Budget Statement for Official Development Assistance
CAPF	Comprehensive Aid Policy Framework
CPRs	Commonwealth Procurement Rules
DESC	Development Effectiveness Steering Committee
MDGs	Millennium Development Goals
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD DAC	Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee
QAI	Quality at Implementation report

Introduction

Uniform standards will help agencies coordinate their approach to aid by focusing on shared strategic goals, taking a common approach to managing for results, improving understanding of risk management and value for money in an aid context, and increasing accountability across the aid program. Uniform standards have been developed in consultation with all agencies delivering Official Development Assistance (ODA).

The Development Effectiveness Steering Committee (DESC) has agreed that uniform standards for the following matters will be in place from January 2013:

1. Alignment with the *Comprehensive Aid Policy Framework*
2. Performance management, evaluation, results and reporting
3. Value for money
4. Multilateral assessments
5. Risk management
6. Fraud control
7. Transparency
8. Australian Government branding of aid.

The standards will be applied by all Australian Government agencies responsible for delivering ODA. Each standard will ensure a consistent approach, while acknowledging that agencies have their own management systems in place.

The DESC has agreed that the principle of proportionality will be applied to the implementation and reporting of uniform standards, which means that the resources and effort invested in applying the standards are proportionate to the scale and risk profile of the program. Uniform standards will not be applied retrospectively to projects that agencies have under contract.

Agencies will report on implementation of uniform standards through the *Annual Review of Aid Effectiveness* published each year.

Applying the same standards to Australia's total ODA investment across agencies will allow the Government, the Parliament and the public to see clearly what results the aid program is achieving and how continual improvement in organisational performance will maximise results. This will enable the Government to make more informed investment decisions and improve the effectiveness of Australia's aid program.

Section 1: The development and aid context

1. Millennium Development Goals

In 2000, member states of the United Nations agreed to work towards eliminating global poverty and hunger, to improve health, gender equality, education, and environmental sustainability and to create a global partnership for development. This commitment produced the eight Millennium Development Goals (MDGs) — agreed targets to reduce poverty by 2015. The MDGs are as follows.

- Eradicate extreme hunger and poverty
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDs, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

The Australian Government's commitment to the implementation of the *MDGs* underpins our aid program.

2. Global context

Australia is a member of the OECD Development Assistance Committee (DAC), which comprises the world's 25 main aid donors. The DAC defines and monitors global standards in key areas of development. It is mandated to:

"... promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction, improvement of living standards in developing countries, and a future in which no country will depend on aid."

As a DAC member, Australia has participated in a number of high-level forums working towards improving development effectiveness across the globe. Three key decisions to come out of these forums over recent years were the *Paris Declaration*, followed by the *Accra Agenda for Action*, and the *Busan Partnership for Effective Development Cooperation*.

Paris Declaration (2005)

The Paris Declaration outlines a practical and action-focused roadmap to enhance the quality of aid and its impact on development. It includes the following five principles for making aid more effective.

1. Ownership: *Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.*

2. Alignment: *Donor countries align behind these objectives and use local systems*.

3. Harmonisation: *Donor countries coordinate, simplify procedures and share information to avoid duplication.*

4. Results: *Developing countries and donors shift focus to development results and results get measured.*

5. Mutual accountability: *Donors and partners are accountable for development results.*

Accra Agenda for Action (2008)

The Accra Agenda was intended to strengthen and deepen implementation of the Paris Declaration and set the agenda for accelerated progress towards the targets set in 2005. It proposes the following three main areas for improvement.

> **Ownership:** *Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid co-ordination and more use of country systems for aid delivery.*
>
> **Inclusive partnerships:** *All partners - including donors in the OECD Development Assistance Committee and developing countries, as well as other donors, foundations and civil society - participate fully.*
>
> **Delivering results:** *Aid is focused on real and measurable impact on development.*

Busan Partnership for Effective Development (2011)

Busan examined progress towards implementing the aid effectiveness principles agreed at Paris and identified actions to improve further the quality, transparency and effectiveness of development cooperation. Australia particularly welcomed the agreement to establish a new mechanism for international dialogue on aid effectiveness, the Global Partnership for Effective Development Cooperation, which reflects the changing context of aid and development, including the increasing importance of emerging donors such as China and Brazil.

What is Official Development Assistance and who decides?

Official Development Assistance (ODA) is defined by the DAC as:

"those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are:

i. ***provided by official agencies**, including state and local governments, or by their executive agencies; and*
ii. *each transaction of which:*
   a) *is administered with the promotion of the **economic development and welfare of developing countries as its main objective**; and*
   b) *is **concessional in character** and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)."*

For the DAC's detailed explanation of this definition, see the Factsheet: Is it ODA?

In the case of contributions to multilateral organisations that are not earmarked (in other words, they are 'core contributions'), the DAC has made an assessment as to what proportion of the activities of specific multilateral organisations can be considered ODA, see Annex 2 List of ODA-eligible international organisations.[1]

[1] Contributions to multilateral organisations that are earmarked for a specific purpose, sector, region or country are termed 'non-core contributions'.

Using the DAC's definition and guidelines, AusAID assesses which activities of the Australian Government can be classified as ODA and provides this advice to other Government agencies.

Who are the donors and who are recipients?

A donor is any official agency that provides ODA as defined by the DAC. The traditional donors are considered the members of the DAC; however, there are a number of emerging donors with increasing influence in the development context. These emerging donors are often referred to as BRICS – Brazil, Russia, India, China, and South Africa – and are currently not members of the DAC.

The DAC List of ODA Recipients shows all countries and territories eligible to receive ODA. These consist of low- and middle-income countries, based on gross national income per capita as published by the World Bank. The list also includes all of the Least Developed Countries as defined by the United Nations (UN). There are a number of countries that are both significant providers and recipients of ODA, for example Turkey and Thailand.

3. Australia's Official Development Assistance

Independent Review of Aid Effectiveness

The Government commissioned the *Independent Review of Aid Effectiveness* in November 2010. This was the first independent review of the aid program conducted in 15 years. The Independent Review examined the effectiveness and efficiency of the Australian aid program, and found that Australia has a good aid program and is an effective performer by global donor standards.

The Independent Review made 39 recommendations to improve the structure and delivery of the aid program. Recommendation 30 stated:

> *"A 'whole-of-ODA approach should be strengthened by creating uniform standards across government departments to planning, delivery, monitoring and reporting, overseen by the Development Effectiveness Steering Committee (DESC)."*

The Government's Aid Policy

The Government welcomed the Independent Review's outcomes and has agreed to all 39 recommendations. Based on the Independent Review's findings, the Government outlined its aid policy in *An Effective Aid Program for Australia: Making a real difference – Delivering real results*.

The aid policy states that the fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia's national interests by promoting stability and prosperity both in our region and beyond. We focus our effort in areas where Australia can make a difference and where our resources can be deployed most effectively and efficiently.

The Comprehensive Aid Policy Framework

Based on the aid policy, the Government developed the Comprehensive Aid Policy Framework (CAPF) - a four-year plan for how, why and where Australian aid will be spent from 2012-13 to 2015-16. The CAPF forecasts expenditure of all government agencies involved in delivering Australian aid overseas, has informed the 2012-13 and 2013-14 aid budgets, and will inform future Aid Budgets to 2015-16.

The rolling, four-year budget strategy provides indicative regional and global aid allocations based on an assessment of the most effective use of our ODA. This assessment is based on four aid allocation criteria outlined in the CAPF: poverty, national interest, our capacity to make a difference, and the scale and effectiveness of our current programs.

Australia's strategic goals

The CAPF sets out five strategic goals, which are reinforced by 10 objectives.

Saving lives

- Improving public health by increasing access to safe water and sanitation.
- Saving the lives of women and children through greater access to quality maternal and child health services.

Promoting opportunities for all

- Enabling more children, particularly girls, to attend school.
- Empowering women to participate in the economy, leadership and education.
- Enhancing the lives of people with disabilities.

Sustainable economic development

- Improving food security by investing in agricultural productivity, infrastructure, social protection and the opening of markets.
- Improving incomes, employment and enterprise opportunities for poor people.
- Reducing the negative impacts of climate change and other environmental factors on poor people.

Effective governance

- Improving governance in developing countries to deliver services, improve security, and enhance justice and human rights for poor people; and to improve overall effectiveness in aid delivery in partnerships between host governments and aid agencies.

Humanitarian and disaster response

- Enhancing disaster preparedness and delivering faster, more effective responses to humanitarian crises, given the increased frequency and impact of natural disasters in recent decades.

Focus on results

The Government's aid policy has a strong focus on achieving results and maximising the impact of aid on the lives of poor people. The CAPF introduced a three-tiered results framework, which provides the structure for planning and tracking the results of the aid program and its effectiveness:

- Tier 1 Results: Progress against the Millennium Development Goals
- Tier 2 Results: The contribution of Australian aid against the program's strategic goals
- Tier 3 Results: Operational and organisational effectiveness.

The CAPF sets out 30 'headline results' (or 'headline indicators') that the Australian aid program has committed to deliver between 2012-13 and 2015-16. The headline results are to be reported each year through the *Annual Review of Aid Effectiveness*. The headline results do not attempt to capture everything Australian aid does, and are part of a broader results framework. However, reporting against headline results will be central to demonstrating Australia's contribution to development in a way that can be aggregated across programs and inform reporting on agency effectiveness.

Who delivers Australia's aid

Australian Government partners

AusAID is the lead agency responsible for managing Australia's overseas aid program. AusAID works closely with partner Australian Government agencies to deliver the aid program. Aid delivered by whole-of-government partners can be funded in two ways: through direct appropriation of ODA to an agency, or from AusAID funds transferred to an agency for particular activities.

The **Development Effectiveness Steering Committee (DESC)** is a high-level, cross-agency body with responsibility for overseeing whole-of-government coordination of Australia's ODA expenditure, advising the Government on major ODA strategy, and whole-of-ODA effectiveness. The introduction of uniform standards is being overseen by the DESC. The DESC is chaired by the AusAID Director General, with membership comprising deputy secretaries of the central agencies (PM&C, Treasury and Finance) and DFAT, as well as the AusAID Deputy Director General responsible for the aid budget.

Additional information on whole-of-government aid delivery can be found here.

Multilateral Partners and Civil Society

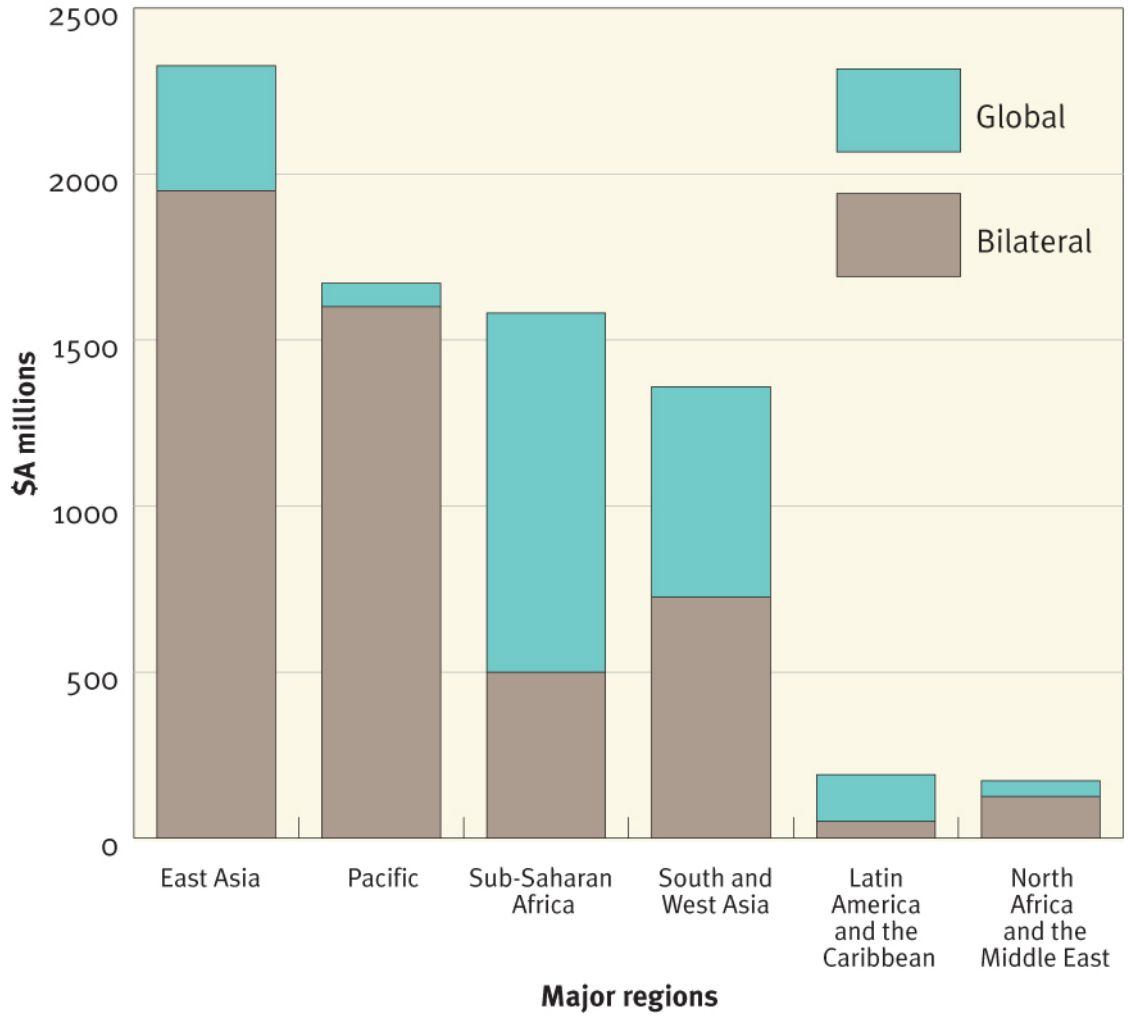
Multilateral organisations like the UN or World Bank extend the reach of Australia's aid program as their large size enables them to undertake projects on a scale that would not be possible for donors such as Australia, and in places where Australia does not have a presence.

Civil Society Organisations like the Australian Red Cross and World Vision maximise the impact and reach of Australian aid and are an essential part of the Australian aid program. The AusAID NGO Cooperation Program supports accredited Australian non-government organisations (NGOs) to implement development programs that complement our aid program.

Where Australia delivers aid

Australia's aid program focuses on the Asia Pacific region. We are internationally recognised for our leading role in the region, particularly in Papua New Guinea and the Pacific. Our aid is even more important given two-thirds of the world's poor—some 800 million people—live in the Asia Pacific, yet they receive less than one third of global aid. Australia also provides assistance to Africa, the Middle East, Latin America and the Caribbean. Our aid to Africa has increased significantly in recent years and now represents around five per cent of the aid program.

Projected bilateral and imputed global program expenditure for major regions in 2015–16. Source: *Australia's Comprehensive Aid Policy Framework to 2015-16* (published May 2012). These estimates are indicative only and continue to be subject to annual budget processes.



Australian Government reporting to the global community and Australian public

The aid program maintains a very high standard of transparency and accountability for the benefit of the Australian taxpayer and our development partners globally. Some key avenues for reporting are outlined below.

OECD DAC Peer Review

- As a member of the OECD DAC, Australia's aid program is subject to a peer review every four to five years. The most recent peer review was completed in May 2013.

AusAID's Office of Development Effectiveness and the Independent Evaluation Committee

- The Office of Development Effectiveness (ODE) at AusAID builds stronger evidence for more effective aid. ODE draws its evidence from in-depth evaluations and reviews of Australian aid, analysis of AusAID performance systems, and collaborations with leading international think tanks and research organisations. The ODE is overseen by the Independent Evaluation Committee, which strengthens the independence and credibility of the ODE's work.

Annual Review of Aid Effectiveness

- The *Annual Review of Aid Effectiveness* reports both to the Australian Government and the public on the progress of the aid program against the headline indicators detailed in the CAPF. The Annual Review also informs development of the rolling four-year aid budget strategy. The Annual Review is compiled from the input of the nearly 60 Government agencies delivering the aid program. The 2011-12 *Annual Review of Aid Effectiveness* public report was released in January 2013.

Budget Blue Book

- Each year, the Minister for Foreign Affairs releases the Ministerial Budget Statement for ODA (the 'Blue Book'). This includes the Budget highlights, information about country, regional and global programs and information about other Government agencies' ODA appropriations. Additional information on agencies' ODA expenditure can be found in Annual Reports and Portfolio Budget Statements (www.budget.gov.au).

Section 2: Uniform standards for the Australian Aid Program - 2013

The aid policy, *Effective Aid*, recognises the value of harnessing the specific experience, skills and knowledge of Australian Government agencies to help reduce global poverty and improve prosperity and stability. The policy also recognises the need to strengthen a whole-of-Australian Government approach, and commits the Government to create uniform standards for the planning, delivery, monitoring and reporting of Australia's total aid program. The development and implementation of uniform standards is being overseen by the DESC.

The DESC has agreed an initial suite of uniform standards for implementation from 2013. These standards (shown in the following table) are a mix of policies and processes relating to aid that will apply to all Australian Government agencies delivering ODA. The initial suite of standards draws upon the policies and processes currently applied or in development within AusAID, and has been amended to take account of existing processes within other Government agencies.

All Australian Government agencies delivering ODA must implement each of the agreed uniform standards, as laid out in the following table and in the blue boxes in this section.

- Agencies that have their own direct appropriations of ODA can determine how each of the standards will be applied to that ODA. The remainder of the text in this section is non-prescriptive guidance designed to support those agencies with their own direct appropriations to determine how best to implement the standards. These agencies will report on their implementation of uniform standards annually through the *Annual Review of Aid Effectiveness*. This aims to minimise the reporting burden placed on agencies.

- AusAID funds delivered by other agencies will be aligned to uniform standards as part of funding agreements. Agencies that deliver aid from AusAID funds under agreements with AusAID will need to meet AusAID's requirements and will not be required to report separately for the Annual Review.

The principle of proportionality should be applied to the implementation and reporting of uniform standards, which means that the resources and effort are proportionate to the scale and risk profile of the program.

Agreed uniform standards for implementation in 2013

	Standard	Definition
1.	Alignment with the Comprehensive Policy Framework (CAPF)	*Agencies will align their aid programs and New Policy Proposals with the Government's Comprehensive Aid Policy Framework.*
2.	Performance Management, Evaluation, Results and Reporting	*Agencies:* – *will conduct systematic and regular evidence-based assessment and reporting on the performance and quality of programs and activities at design, implementation and completion stages* – *will focus on results in all stages of the aid cycle (planning, delivery, monitoring and reporting), including working collaboratively with other agencies, where relevant, to strengthen a results focus, and applying lessons learned to improve the focus on results for investment* – *should subject programs and activities to an evaluation at least once during their lifetime* – *will use the OECD Development Assistance Committee (DAC) criteria to inform the approach used for evaluating aid programs and activities, alongside any other critical questions defined by the agency that are important to delivering improved performance* – *will commit to taking action to improve or cancel any activity that is found to be performing unsatisfactorily over a period of two or more consecutive annual assessments.*
3.	Value for Money	*Agencies will work to ensure value for money in their procurement activities, including the engagement of advisers and contractors.*
4.	Multilateral Assessments	*Agencies will use the Australian Multilateral Assessment (released in March 2012) and subsequent Annual Multilateral Performance Scorecards to inform and regularly review their decisions on investment delivered through multilateral agencies.*
5.	Risk Management	*Agencies will implement risk management arrangements for their aid activities that are appropriate to the value and risk profile of the activity.*
6.	Fraud Control	*Agencies will take a zero tolerance approach to fraud in the aid program and establish appropriate systems to control fraud.*
7.	Transparency	*Agencies will:* – *be open about their aid investments, the rationale for investments, and results* – *communicate this information in a timely manner and accessible format.*
8.	Australian Government Branding of Aid	*Agencies will ensure that Australian aid initiatives overseas are branded with the Australian Aid identifier in the most appropriate manner.*

Standard 1. Alignment with the Comprehensive Aid Policy Framework

Agreed Definition

Agencies will align their aid programs and New Policy Proposals with the Government's Comprehensive Aid Policy Framework (CAPF).

Importance of aligning with the CAPF

The Comprehensive Aid Policy Framework (CAPF) is the Government's framework for its total aid expenditure, released on 8 May 2012. It provides a four-year rolling budget strategy for Australia's Official Development Assistance (ODA) that details how, why and where Australian aid will be spent to 2015-16 and the results that will be achieved with that investment. The CAPF will inform future aid budgets to 2015-16. All Australian Government agencies are required to align their new aid investments to the CAPF.

The CAPF enables the Australian Government and Australian aid recipients to plan and implement aid activities more effectively. This will deliver better results in lifting people out of poverty.

The fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia's national interest by promoting stability both in our region and beyond. We focus our efforts in areas where Australia can make a difference and where our resources can be deployed most efficiently and effectively.

Australia's Strategic Goals

The CAPF outlines five strategic goals in support of the Government's stated objective for its ODA, that is, to help people overcome poverty. These strategic goals are:

- saving lives
- promoting opportunities for all
- sustainable economic development
- effective governance
- humanitarian and disaster response.

A program in a given region/country is unlikely to contribute to all of these strategic goals but will instead focus on key sectors that represent the best returns on investment, especially if the country/region is one in which we are a relatively small player in development assistance.

Aid Allocation Criteria

The CAPF identifies the priority regions and countries for Australia's aid investment over the next four years, and describes the set of criteria on which the allocation of future aid investment is based:

- poverty
- national interest
- our capacity to make a difference
- the scale and effectiveness of our current programs.

These aid allocation criteria are a key component of the development of the Government's four-year rolling budget strategy for ODA.

CAPF Geographic Priorities

The CAPF proposed the following indicative geographic distribution for Australia's ODA program by 2015-16, subject to annual budget processes:

- over $1 billion to each of the regions:
    - East Asia (*reflecting medium growth in ODA)*
    - the Pacific (*medium growth*)
- between $500 million and $1 billion to each of the regions:
    - South and West Asia (*medium growth*)
    - Africa and the Middle East (*medium growth in North Africa and the Middle East, high growth in Sub-Saharan Africa*)
- under $500 million to the region:
    - Latin America and the Caribbean (*low growth*)
- over $2 billion to global partners, i.e. multilateral and non-government organisations (*high growth*)
- with bilateral aid to China and India to be phased out.

For our bilateral program, Indonesia and Papua New Guinea are forecast to remain our largest aid recipients by a significant margin, reflecting poverty needs and our very clear national interests. The next major recipients will include Solomon Islands, Afghanistan, Vietnam, Philippines, Bangladesh, Timor-Leste, Pakistan, Cambodia, Myanmar and Vanuatu.

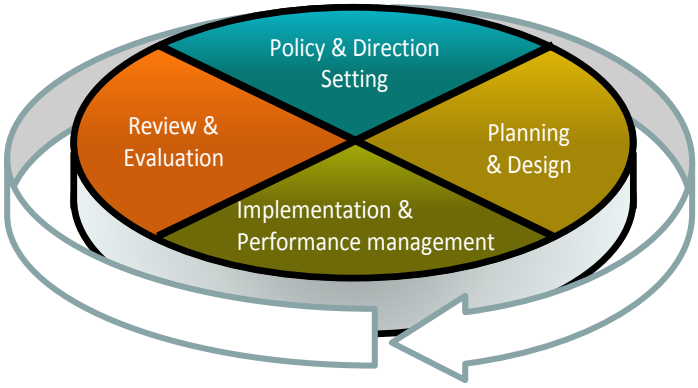
The CAPF in the Aid Management Cycle

Priorities identified in the CAPF help to drive:

- the focus of Official Development Assistance
- the planning and design of proposed new investments
- the implementation and performance management
- the review and evaluation of programs and investments.

In other words, the CAPF is a touchstone throughout the aid management cycle.

AID MANAGEMENT CYCLE



AusAID, as the Government's lead agency for aid and development, employs a range of mechanisms throughout the aid management cycle to align its aid investment to the CAPF, including the following whole-of-ODA mechanisms:

- **ODA budget strategy:** The CAPF includes a rolling, four-year budget strategy that encompasses all Australian Government ODA. The budget strategy provides indicative regional and global program aid allocations based on a whole-of-government assessment of the most effective use of our ODA. The estimates for the regional and global programs are determined by an assessment against the four aid allocation criteria.
- **Country situation analyses:** A situation analysis provides a summary of the key development issues and challenges and is intended to guide the best use of Australian ODA in a country.
- **Program strategies (country, regional, thematic):** A program strategy is a public document that sets out our strategic approach to aid delivery. It must:
    - communicate the clear intent of Australian aid and its contribution to a partner government's development priorities
    - ensure a strategic, selective, focused and coherent program
    - define expected program outcomes and result areas
    - accord with international aid effectiveness principles
    - acknowledge and seek to harmonise and coordinate our assistance with that of other development partners.
- **Annual Program Performance Reports:** An Annual Program Performance Report (APPR) is a public document that provides a frank assessment of how the country- or regional-level program has performed against its objectives and communicates the achievements of the program. APPRs are developed by AusAID country program areas in consultation with relevant whole-of-government partners.
- **The *Annual Review of Aid Effectiveness*:** The Annual Review examines the performance of Australia's whole-of-government aid program against the commitments made in the CAPF. It assesses the contributions of nearly 60 agencies. The Annual Review informs the Government's consideration of the four-year rolling budget strategy and includes release of a public document.

How will agencies align with the CAPF?

While other Government agencies are not expected to undertake all of the processes listed above, at a minimum, alignment with the CAPF means that Australian Government agencies will:

- ensure that new aid investment is allocated on the basis of the aid allocation criteria
- ensure that country- or regional-level aid investments, when developed or reviewed, align with the relevant program strategy
- ensure that investments through multilateral organisations meet Uniform Standard 4, *'Multilateral Assessments'*
- ensure that all aid investment delivers on one or more of Australia's five strategic goals
- track and report on results (including headline results) in line with these goals, as required under the *Annual Review of Aid Effectiveness*.

The extent to which all agencies delivering ODA align with the CAPF could be improved through greater engagement with one another throughout the aid management cycle, in instances where

agencies are working in similar or complementary sectoral and geographic areas. A more whole-of-government approach to aligning with the CAPF could be achieved by:

- agencies working more closely together as program strategies are developed or revised to ensure they reflect a whole-of-government viewpoint
- agencies working more closely together in the preparation of Annual Program Performance Reports to make them more whole-of-government documents.

While all agencies will have to meet the reporting requirements under the *Annual Review of Aid Effectiveness*, not all agencies would find it relevant to engage on other parts of the aid management cycle, e.g. where agencies provide small amounts of core funding to multilaterals. However, appropriate agency collaboration throughout the cycle could add significantly to the effectiveness of the aid program, e.g. through providing specialist expertise. Mechanisms to assist the coordination of effort across agencies with a view to increasing alignment with the CAPF should be part of ongoing discussions of agencies with aid and development interests.

Further information and assistance

The CAPF can be found here.

AusAID has developed frameworks and guidance material on implementing the aid policy and CAPF. This material can be used by Australian Government agencies to develop their internal guidance on delivering ODA on behalf of the Australian Government: *Implementing Australia's aid policy.*

Standard 2. Performance Management, Evaluation, Results and Reporting

Agreed Definition

Agencies:

- *will conduct systematic and regular evidence-based assessment and reporting on the performance and quality of programs and activities at design, implementation and completion stages*
- *will focus on results in all stages of the aid management cycle (planning, delivery, monitoring and reporting), including working collaboratively with other Government agencies, where relevant, to strengthen a results focus, and applying lessons learned to improve the focus on results of investment*
- *should subject programs and activities to an evaluation at least once during their lifetime*
- *will use the OECD Development Assistance Committee (DAC) criteria to inform the approach used for evaluating aid programs and activities, alongside any other critical questions defined by the agency, which are important in delivering improved performance*
- *will commit to taking action to improve or cancel any activity that is found to be performing unsatisfactorily over a period of two or more consecutive annual assessments.*

Importance of Performance Management, Evaluation, Results and Reporting

Performance management, evaluation and reporting are closely linked activities that help achieve results and deliver beneficial impact. All three serve the following purposes:

Management Reliable performance information is an important basis for sound decision-making. It assists managers and senior management to identify and manage risks, and provides sound evidence for decision-making.

Learning Performance management provides knowledge about aid effectiveness. This includes understanding what works, what does not work, for whom and under what circumstances. Performance management, evaluation, results and reporting seek out information about both successes and challenges in order to inform the ongoing improvement of aid delivery.

Accountability The Australian aid program has multiple accountabilities to Ministers, the Parliament, Australian public, beneficiary communities, implementing partners, and partner governments. Agencies are held accountable by these stakeholders for the delivery of an effective aid program.

Focusing on results from Australia's Official Development Assistance (ODA) is essential throughout the aid management cycle. Identifying results during the design of an activity provides a way to measure success during implementation and at completion.

The Government has committed to reporting all aid investment, including against the results framework of the Comprehensive Aid Policy Framework (CAPF – see Standard 1). This reporting is undertaken through an *Annual Review of Aid Effectiveness* across the whole of Australia's aid program. The Annual Review provides accountability to the Australian public and informs the Government's deliberations on the four-year strategy for the aid program.

What are Performance Management, Evaluation, Results and Reporting?

Performance management is the systematic and regular process of planning, monitoring and assessing performance of an aid activity. It requires that activities are well designed, with clear objectives and intended results. It should be based on clear evidence rather than opinion, be of an analytical nature rather than simply a statement of events, propose management responses to issues that are raised, and check that management responses have been put in place and are having the desired effect.

Evaluation is the systematic and objective assessment of an on-going or completed aid activity, its design, implementation and results. In the development context, evaluation refers to the process of determining the worth or significance of an aid activity.

It is a systematic and objective assessment of an aid activity, and is typically used to:

- assess and measure results, including unintended consequences
- draw on lessons learned to inform future directions of the activity or future activities

or may:

- assess the quality of an activity design
- assess the quality of implementation and management arrangements.

Results are the outputs, outcomes or impact (intended or unintended, positive and/or negative) of a development activity. The following definitions are based on OECD Development Assistance Committee definitions.

- **Inputs** The financial, human, and material resources used for the activity.
- **Outputs** The products, capital goods and services which result from an activity, may also include changes resulting from the activity which are relevant to the achievement of outcomes.
- **Outcomes** are the likely or achieved short-term and medium-term effects of an activity's outputs.
- **Impacts** are the positive and negative, primary and secondary long-term effects produced by an activity, directly or indirectly, intended or unintended.

Reporting is the regular, written analysis of:

- the achievement of progress, objectives and results, including reasons for delays or low rates of achievement, and where available, the longer term impact on people's lives
- lessons learned, challenges, opportunities and emerging issues.

It is important to note that reporting has two components, namely one focussed on current activities, and the other looking forward to inform future activities. Reporting should be undertaken for each activity. For the entire Australian aid program, reporting is undertaken through the *Annual Review of Aid Effectiveness*.

Implementing Performance Management, Evaluation, Results and Reporting

At a minimum, agencies must ensure that they meet the defined standard on performance management, evaluation, results and reporting as set out in the blue box at the beginning of this guidance. The components of the standard are set out below in boxes.

It should be noted that in meeting the standard, agencies should apply the principle of proportionality to their performance management, evaluation, results and reporting efforts. That is,

the amount of effort and resources dedicated to these activities should be proportional to the scale and risk profile of your activities. Agencies are best placed to judge what is appropriate for their aid activities.

Performance Management and Reporting

- *Agencies will conduct systematic and regular evidence-based assessment and reporting on the performance and quality of programs and activities at design, implementation and completion stages.*

The regularity of performance assessment will depend on the type, scale and risk profile of the activity. Activities delivered in country should have at least annual performance assessments, and those that are large, have a high risk profile or are delivered in a volatile context, such as investments in fragile and conflict-affected states, will require assessments more often.

For more detail on how to make judgments around the risk profile of an activity see the guidance on *Standard 5. Risk Management*. For assistance in making judgments on the performance of activities and tools to guide such decisions, see *Further Information and Assistance* below.

Agencies report their activities to AusAID through:

- six-monthly surveys regarding allocation and expenditure of Official Development Assistance (managed by AusAID's Budget Branch)
- as required under agreements with AusAID, where agencies deliver aid on behalf of AusAID (managed by the relevant AusAID program area)
- the *Annual Review of Aid Effectiveness*, where agencies have direct appropriations of Official Development Assistance (coordinated by AusAID's Whole of Government Branch).

Indicative Timeframes for Reporting

Month	**Process**
Feb - March	Progress and final reporting on activities by all agencies
March - April	Preparation of Annual Program Performance Reports by AusAID
End April	Completion of progress and final reports
April - May	Reporting by Agencies with direct appropriations for the *Annual Review of Aid Effectiveness*
June	Six-Monthly Survey of Official Development Assistance across Government
July	Annual Program Performance Reports completed for the previous Financial Year including results reporting
July to Sept	Preparation of Annual Review to government
October	Annual Review submitted to Government with update of rolling four-year budget and annual results
December	Six-Monthly Survey of Official Development Assistance across Government

- *Agencies will commit to taking action to improve or cancel any activity that is found to be performing unsatisfactorily over a period of two or more consecutive annual assessments.*

Managers should act to improve activity performance where performance is found to be unsatisfactory. Where the management response does not improve performance to a satisfactory level over a period of two or more consecutive annual assessments, the manager should escalate the issue internally. In cases where it becomes apparent that continuing to invest will not achieve the desired results, performance management and contractual arrangements should provide for closure of the activity.

Results

- *Agencies will focus on results in all stages of the aid management cycle (planning, delivery, monitoring and reporting), including working collaboratively with other agencies, where relevant, to strengthen a results focus, and applying lessons learned to improve the focus on results of investment.*

Agencies should state intended results as part of the design of an activity, monitor progress towards results, and measure and report on the achievement of results throughout the life of the activity. Where two or more agencies are operating in similar arenas, they will look for opportunities to improve results through collaboration. Agencies bring different skills, experiences and knowledge to aid initiatives, and they should seek to learn from each other to improve results. A body of related activities using the expertise available across Government is more likely to achieve lasting results than single, unconnected activities.

Headline results under the CAPF are those results for which data will be collated across Government, but are by no means the only results that are intended to be delivered through Australia's aid program. Headline results need to be tracked and consistently reported across Government. AusAID provides guidance and tools to assist agencies in this regard.

Evaluation

- *Agencies should subject programs and activities to an evaluation at least once during their lifetime.*

Evaluations may be carried out by the responsible agency or by an independent person or panel. It is often desirable to engage a mix of internal and external expertise in undertaking an evaluation. Whether an evaluation is carried out internally or externally, the agency should ensure that evaluators are appropriately qualified, trained and supervised. The scale, nature and independence of an evaluation should be proportionate to the scale and risk profile of the activity.

- *Agencies will use the OECD Development Assistance Committee (DAC) criteria to inform the approach used for evaluating aid programs and activities, alongside any other critical questions defined by the agency, which are important in delivering improved performance.*

The DAC criteria are internationally accepted criteria for evaluating aid. How the DAC criteria are applied will depend on the context for the activity and the agency's, often multiple, objectives for its aid activities. Agencies will determine how best to apply the DAC criteria. AusAID has some useful tools that may assist agencies in this task.

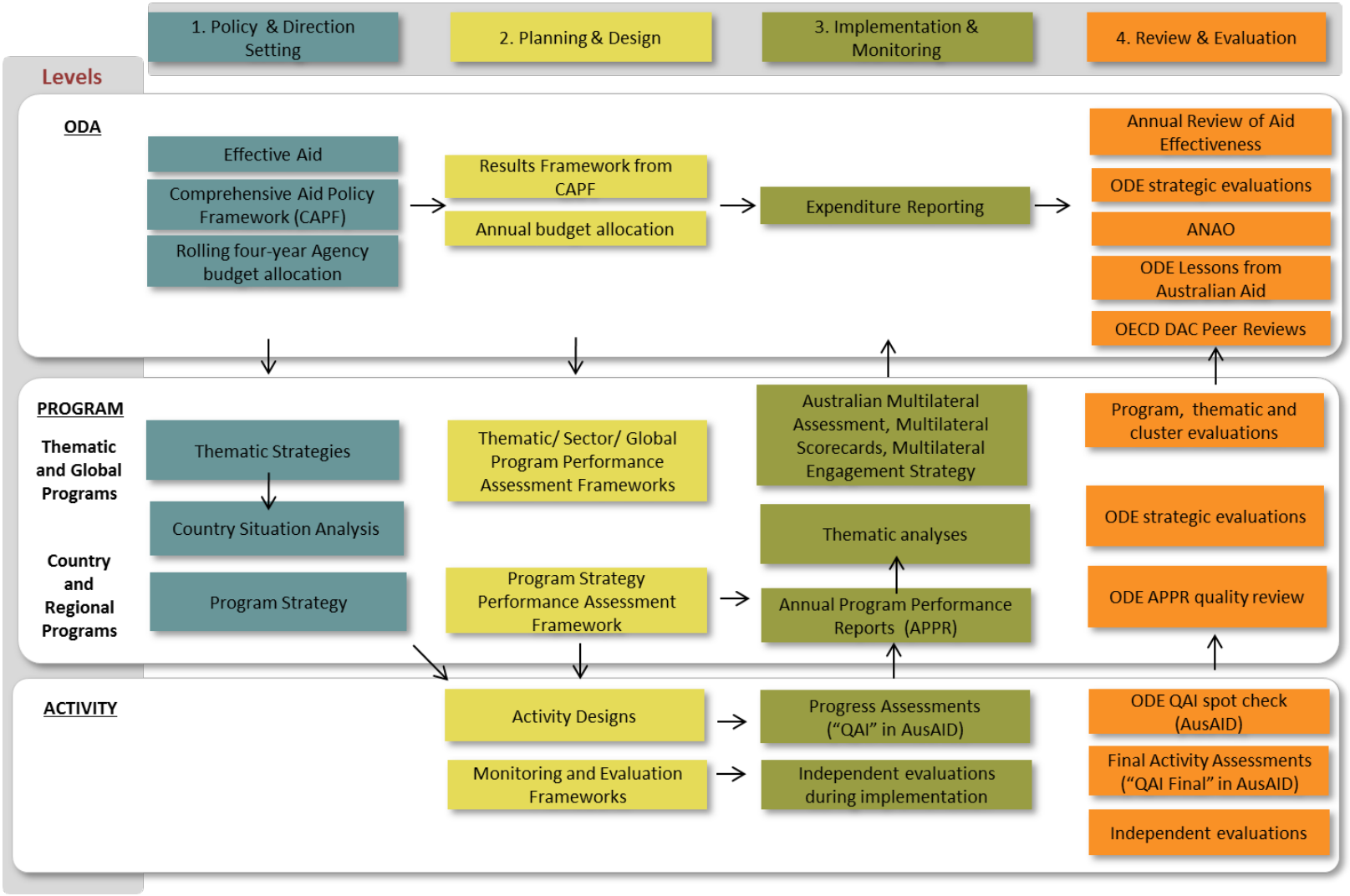
The DAC criteria are broadly as follows.

- Relevance: The strategy/activity is the most appropriate way to meet high priority goals that Australia shares with its development partners.
- Effectiveness: The strategy/activity is meeting or will meet its objectives, and is continually managing risk.
- Efficiency: The resources allocated by Australia and its partners are appropriate to the objectives and context, and are achieving intended results.
- Sustainability: Significant benefits will endure after Australia's contribution has ceased, with due account given to partner systems, stakeholder ownership and plans for phase out.
- Impact: An assessment of the positive and/or negative changes (directly or indirectly, intended or unintended) produced by the strategy/activity. The degree to which impact can be assessed will vary according to the nature and duration of the strategy/activity.

The diagram below indicates the mechanisms for managing performance, evaluation and reporting across the aid management cycle at three levels – whole-of-ODA, program (country, regional and thematic) and activity levels. The mechanisms at the ODA and program levels generally apply to all agencies, and the mechanisms at the activity level will be agency-specific.

AusAID coordinates the development of most of the mechanisms on behalf of the Australian Government. Other agencies contribute to these mechanisms as appropriate, based on their aid activities and their interests in particular countries or themes.

Performance management, evaluation and reporting across the aid management cycle



ODE = Office of Development Effectiveness
ANAO = Australian National Audit Office

Further information and assistance

DAC evaluation criteria are available here.

For information on Australian ODA Program strategies, agencies are encouraged to visit the AusAID website or refer to AusAID's Govdex site for whole-of-government aid delivery.

AusAID also has a number of tools to support performance management, evaluation and reporting used for internal AusAID purposes. For more information on these tools, refer to AusAID's whole-of-government GovDex site.

Standard 3. Value for Money

Agreed Definition

Agencies will work to ensure value for money in their procurement activities, including the engagement of advisers and contractors.

As AusAID is currently further developing its internal policy on Value for Money associated with its aid program, this standard is proposed to focus on procurement only, based on the Commonwealth Procurement Rules, until the policy is delivered. This standard will be a high priority for further consideration during 2013, including consideration of the adviser remuneration framework and contractor and adviser performance assessments.

Importance of Value for Money

In *An Effective Aid Program for Australia*, the Government committed to taking a 'value for money' perspective that, by balancing effectiveness, efficiency and economy in decision making, will drive improvements across the Australia's aid expenditure. This focuses on results and returns for poor people, rather than just input costs.

What is Value for Money?

Under the *Commonwealth Procurement Rules*, agencies must work to ensure value for money in their procurement activities. Value for money in procurement is achieved by:

- encouraging competitive and non-discriminatory processes
- using Commonwealth resources in an efficient, effective, economical and ethical manner, not inconsistent with policies of the Commonwealth
- making decisions in an accountable and transparent manner
- considering the risks
- conducting a process that is commensurate with the scale and scope of the procurement.

Price is not the sole determining factor in assessing value for the money. Procurement decisions are based on an assessment of all the financial and non-financial costs and benefits of each proposal. A value for money assessment may include consideration of factors such as:

- fitness for purpose
- a potential supplier's experience and performance history
- flexibility (including innovation and adaptability over the lifecycle of the procurement)
- environmental sustainability (such as energy efficiency and environmental impact)
- whole-of-life costs.

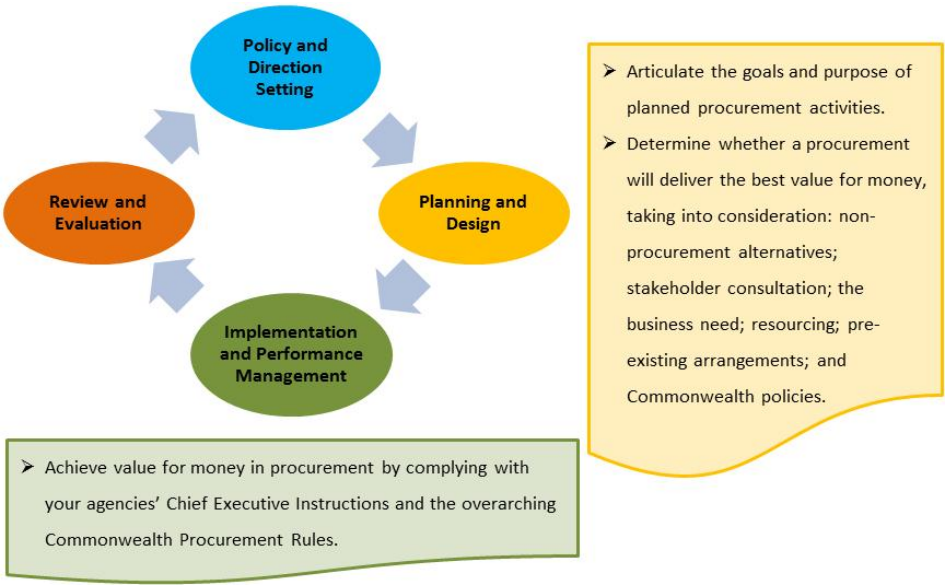
Implementing Value for Money

All departments and agencies subject to the *Financial Management and Accountability Act 1997* and relevant *Commonwealth Authorities and Companies Act 1997* bodies are required to comply with the 2012 Commonwealth Procurement Rules (CPRs). The CPRs represent the Government Policy Framework under which agencies govern and undertake their own procurement and combine both Australia's international obligations and good practice. Together, these enable agencies to design

processes that are robust, transparent and instil confidence in the Australian Government's procurement. The details of these procedures may vary from agency to agency, and are likely to be found in agencies' Chief Executive Instructions.

Agencies are encouraged to use AusAID's Adviser Remuneration Framework, which defines AusAID's policies and procedures for determining the remuneration of commercially contracted international advisers. The Framework requires that advisers are paid in accordance with the market-based remuneration rates and prescribed set of allowances outlined in this document. Benchmarked against other aid agencies and Australian labour market standards, the Framework ensures that adviser remuneration represents value for money and is appropriate to the type and level of technical expertise required for each particular task.

Value for Money in the Aid Management Cycle



Further information and assistance

The Commonwealth Procurement Rules can be found here.

AusAID has an Aid Advisory Services (AAS) Standing Offer covering 17 service categories that are key to the implementation of the aid program and provides streamlined access to a wide range of high quality advisers that are fully compliant with the Adviser Remuneration Framework. Agencies are encouraged to use this mechanism to contract advisers.

AusAID's Adviser Remuneration Framework can be found here.

Standard 4. Multilateral Assessments

Agreed Definition

Agencies will use the Australian Multilateral Assessment (released in March 2012) and subsequent Annual Multilateral Performance Scorecards to inform and regularly review their decisions on investment delivered through multilateral agencies.

Importance of Multilateral Assessments

Multilateral organisations achieve significant development results and are important partners for Australia's Official Development Assistance (ODA). Their reach, leverage, specialisation and other strengths play a critical role in helping Australia to meet its international development objectives. Around one-third of the aid budget is channelled through multilateral organisations.

An Effective Aid Program for Australia committed the Government to increasing aid investment delivered through multilateral organisations. It also stated that the Government would fund only those multilateral organisations capable of delivering results and demonstrating effective and efficient use of their resources. The Australian Multilateral Assessment (AMA) is a tool to help deliver on this commitment.

What are the Multilateral Assessments?

In March 2012, AusAID released the AMA, which assessed the performance of 42 multilateral organisations, including United Nations agencies, global funds and the multilateral development banks. An AMA will be undertaken once every five years.

The AMA outlines several key findings about the wider multilateral system including:

- coordination needs to be improved—both between multilateral organisations themselves, and among donors
- results management and reporting needs to continue to be supported and encouraged
- multilateral organisations need to give more attention to cost effectiveness and value for money in decision-making.

While effective multilateral organisations play an important role in responding to development challenges, Australia recognises that further improvement in their performance can be achieved. Multilateral performance is variable, with some organisations performing better than others, and with variations in performance within organisations, depending on the level of resources and staffing in particular countries. The AMA highlighted some areas of weakness common to many organisations in the multilateral system, including:

- the inability of some organisations to respond quickly and adjust to changing circumstances
- insufficient attention to monitoring and reporting on results and value for money
- the need for greater attention to partnerships and coordination
- the need for greater attention to the management of resources, including financial and human resources, allocated to work in countries of greatest interest to Australia.

In December 2012, AusAID released the first Multilateral Scorecards for the 42 multilateral organisations.

Multilateral Scorecards were developed and introduced in response to a recommendation in the AMA for an ongoing system to track the performance of Australia's multilateral partners delivering Australian ODA.

Multilateral Scorecards are rapid, desk-based assessments undertaken between AMAs that are designed to provide a one-page snapshot of performance. The scorecards focus on major developments since the previous AMA and address:

- broader global level results for each multilateral organisation
- any developments on organisational effectiveness
- Australia's engagement with each organisation and follow-up action items.

The AMA and scorecard findings will influence decisions on voluntary core funding for Australia's multilateral partners. However, other considerations also influence funding decisions, including:

- the organisation's need for additional funding and its ability to spend it effectively
- the prospects of current reform efforts leading to improved performance
- Australia's contributions compared to those of other donors.

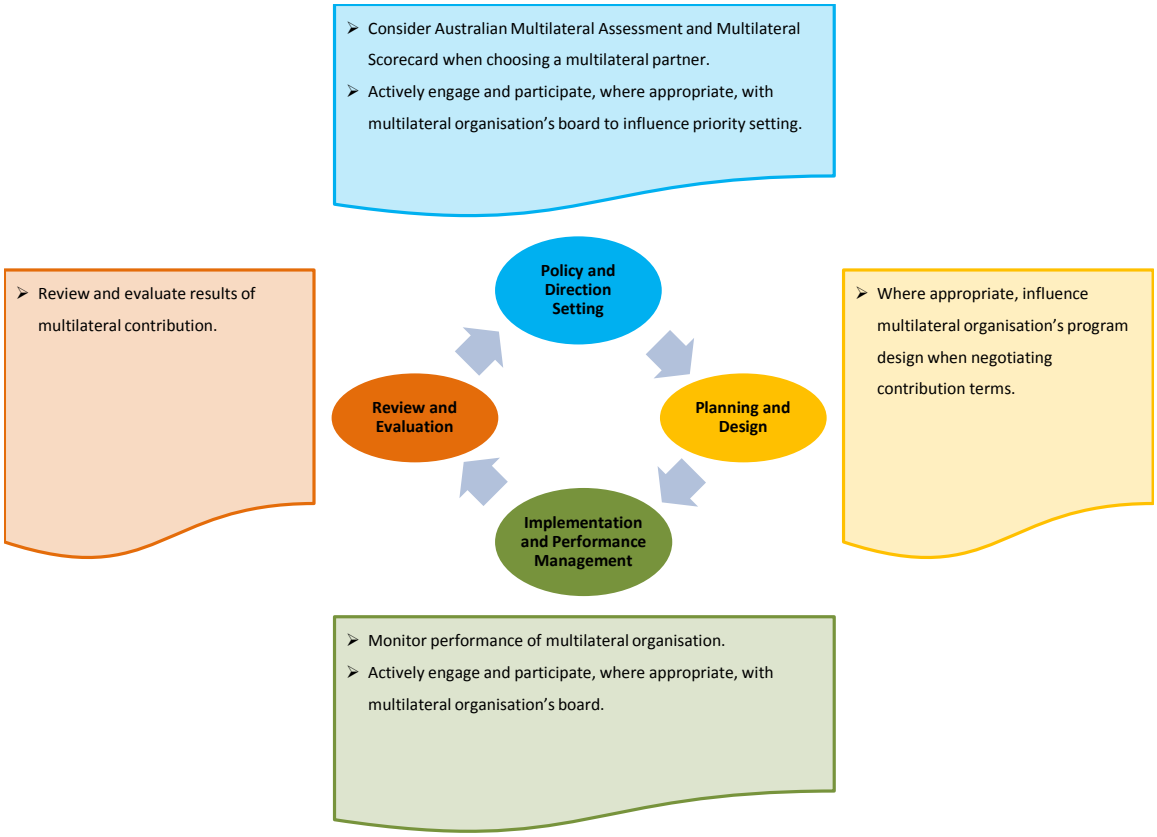
Implementing Multilateral Assessments

The multilateral assessments are highly relevant to Australian Government agency contributions to multilateral organisations and provide an opportunity to look at the results, relevance and organisational behaviour of the multilateral organisations. In some instances, when aid is not the main focus of an agency's activity and a multilateral organisation carries expertise in a field necessary to the implementation of a program, it may be appropriate that an agency fund a multilateral organisation despite a low rating on the AMA. On the other hand, an organisation may have received a high rating in the AMA, but an agency may have identified other risks regarding the contribution's non-ODA component. Judgments about the scope of the program and a consideration of all risks should occur alongside consideration of the AMA, and decisions and rationale should be recorded.

The AMA can also be used to assist agencies to identify the areas of strength or those to be targeted for improvement within their multilateral organisation. Agencies can then focus their efforts to influence the priorities and direction setting of their multilateral organisation to improve the performance and effectiveness of the aid investment channelled through multilateral organisations.

Contributions to multilateral organisations not included in the AMA still need to be reviewed regularly, in line *with Standard 2: Performance management, evaluation, results and reporting*. Agencies should determine the most appropriate assessment process for their contribution.

Multilateral Assessments in the Aid Management Cycle



Further information and assistance

AusAID has developed the Australian Multilateral Assessment and Multilateral Engagement Strategy to help focus on key areas of improvement with our multilateral partners.

Australian Multilateral Assessment

Multilateral Scorecards 2012

Multilateral Engagement Strategy

Many Australian Government agencies provide core contributions to multilateral organisations. "Core contributions" are funds that are spent at the discretion of the multilateral organisation. The OECD determines the proportion of core contributions that may be reported in whole or in part as ODA. For instance, 51% of core contributions to the Food and Agriculture Organisation may be reported as ODA. If you are unsure how much of your agency's core contribution to a multilateral organisation is ODA, see the OECD page for the *Annex 2 List of ODA Eligible Multilateral Organisations*.

Standard 5. Risk Management

Agreed Definition

Agencies will implement risk management arrangements for their aid activities that are appropriate to the value and risk profile of the activity.

Importance of Risk Management

Aid programs operate in inherently risky environments, requiring professional and robust management and documentation of risk. Risk management does not aim to eliminate risk, but rather to identify risk early and make sound decisions on how to manage risk. Risk management plays an integral role in achieving results and should be considered at all stages within the aid management cycle. Risks can be managed by building safeguards into our designs, developing robust risk documentation, monitoring through regular discussion and reviewing risk documentation regularly throughout program implementation.

What is Risk Management?

Risk management identifies risks against clearly stated business objectives and then analyses the likelihood and consequences of those risks to determine a risk rating. The risks are then evaluated and mitigation treatments are considered to reduce the level of risk to an acceptable level.

Risk management should be integrated between the different levels within an agency (including enterprise and middle-management level and program/activity level) using both a top-down and bottom-up communication model. In the context of Official Development Assistance (ODA), the risk management focus is aimed at the program and activity levels; however, risk management should inform higher levels of management if deemed necessary.

Agencies' risk management frameworks should be underpinned by international best practice on risk management. The key principles are as follows.

Objective-based risk management: Everyone who has responsibility for achieving an objective also has the responsibility for managing the risks associated with that objective and the controls to manage those risks.

Accountability: It is expected that staff will manage risk within the scope of their business activities and escalate significant risks that require manager- or executive-level attention as part of a positive risk culture. An active communication flow that supports both a bottom-up and top-down approach is encouraged.

Active management of risk: Risk management is more efficient and effective when integrated with other management activities. The active management of risk encourages risk conversations and should align a number of different business processes such as security, occupational health and

safety, fraud control, audit and so on. Risk management should enable evidence-based decision-making and be able to withstand internal and external scrutiny.

Implementing Risk Management for ODA

Aid programs require comprehensive risk management and due diligence processes and should consider a wide range of cross-cutting issues including fraud control, child protection, environmental safeguards and reputational damage to the Australian Government.

When looking at options for meeting developmental objectives, agencies should assess the benefits of engaging with risk to maximise the risk/benefit equation and should not simply choose the lowest risk option. The idea is to apply risk management rather than risk aversion. Australian ODA operates in many difficult environments. A sensible approach to risk management is required to guard against risk while delivering programs and assistance to those poor people who need it.

Agencies are likely to have risk management frameworks and plans/registers in place. However, the extent to which risk management arrangements are applied to aid programs will differ. To ensure that we achieve ODA results and meet the expectations of stakeholders, consistency in the way we approach risk management is desirable. Below are some of AusAID's requirements for assessing and managing risk in the aid program.

Using risk and value to inform good decision-making

When designing an aid activity, an *initial* risk appraisal should be carried out. This involves identifying the risks associated with the delivery of the activity against seven broad risk categories and then identifying the likelihood and consequence to calculate the risk rating using a risk assessment matrix.

The overall risk rating and consideration of the value of the activity can be used to inform a course of action for quality assurance purposes. This ensures that the appropriate amount of oversight and commentary is provided by the correct level of management (e.g. committee, working group etc.) prior to the design for an aid program being approved.

Individual agencies will need to determine what is a suitable course of action or quality assurance pathway for themselves, as this is dependent on each agency's risk tolerance levels (i.e. how much risk you are willing to accept). The value threshold will also need to be set by each agency (e.g. over $5 million = high value). Where a decision is made to engage with risk, management arrangements need to be more rigorous to help mitigate that risk.

Example Risk Assessment Tool (to be used in conjunction with agencies' own risk management processes)

Figure 1 – Categories of Risk: Example Risk Assessment Tool	Likelihood	Consequ-ence	Risk Rating
1. Operating environment: What impact might the operational or physical environment (political instability, security, poor governance, lack of essential infrastructure etc.) have on achieving the intended objectives/results?			
Description of impact:			
Proposed risk mitigation measures:			
2. Results: What is the risk that this investment will fail to achieve intended results or have negative unintended consequences? Would the failure to achieve the results in the proposed timeframe, or at all, affect the targeted beneficiaries directly? What level of impact would this have on beneficiaries?			
Description of impact:			
Proposed risk mitigation measures:			
3. Safeguards: Do any of the activities involved in this investment have the potential to cause harm relative to safeguard issues (child protection, displacement and resettlement, environment and disability)? If so, what level of impact would this have?			
Description of impact:			
Proposed risk mitigation measures:			
4. Fraud/Fiduciary: Is there a risk of fraud or that funds will either not be used for the intended purpose or will not be properly managed by a recipient individual, organisation or institution? If so, what level of impact might this fraud or loss/misuse of funds have both on our reputation and in terms of achieving objectives?			
Description of impact:			
Proposed risk mitigation measures:			
5. Reputation: Could any aspect of the implementation of this investment potentially cause damage to the reputation of the Australian Government? If so, what level of impact might this have?			
Description of impact:			
Proposed risk mitigation measures:			
6. Partner relations: Could any aspect of this investment, such as failure to achieve objectives, potentially damage Australia's relationship with key partners? If so, what level of impact might this have?			
Description of impact:			
Proposed risk mitigation measures:			
7. Other: Are there any other factors specific to this investment that would present a risk (e.g. this is a new area of activity or is an innovative approach)? If yes, please describe and rate the risk.			
Description of risk and impact:			
Proposed risk mitigation measures:			
Overall Indicative Risk Rating:			HIGH or LOW
Total Value of Activity $..... (threshold to be decided by agency)			HIGH or LOW

Risk Management Pathway Example

Use the overall risk rating and value derived from the initial risk assessment process (as outlined above) to determine a risk management pathway.

High Risk – High Value	**High Risk– Low Value**	→	**e.g. Upper level management/committee oversight and commentary**
Low Risk – High Value	**Low Risk – Low Value**	→	**e.g. Lower level management/working group oversight and commentary**

Example Risk Assessment Matrix

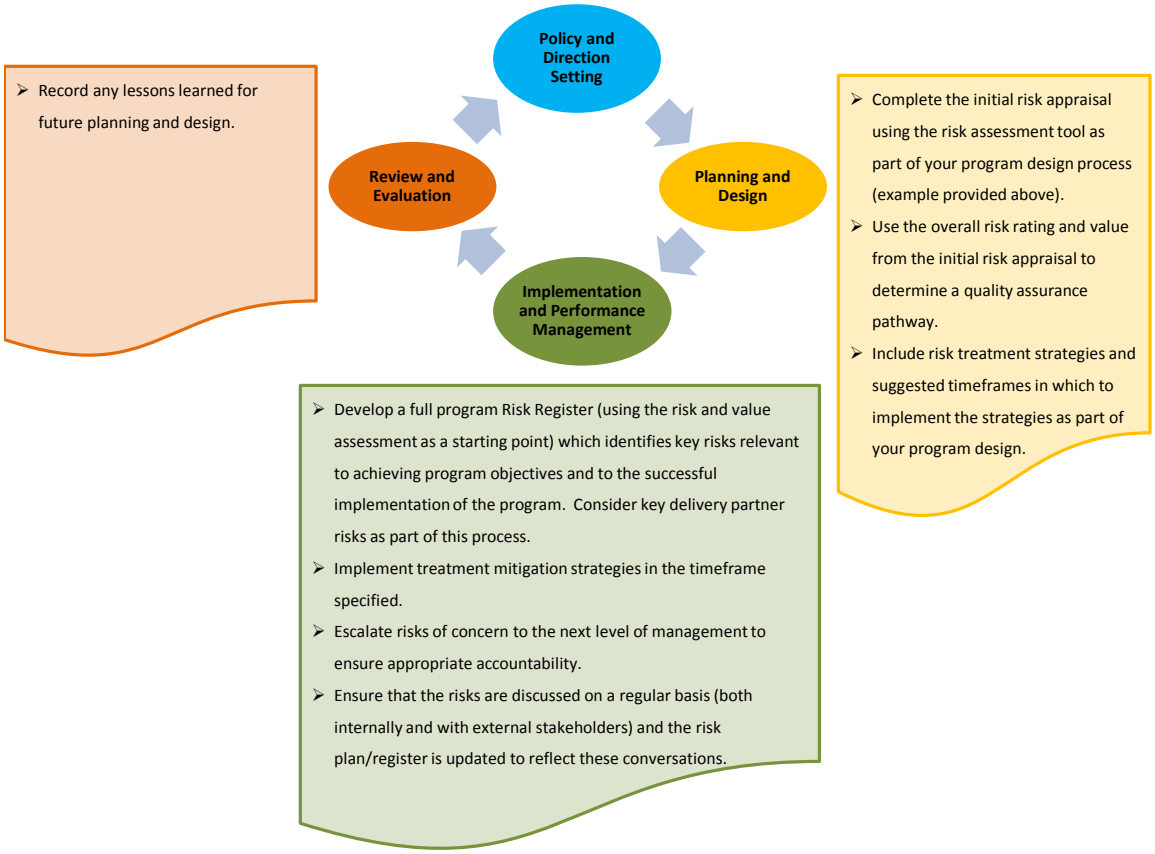
The majority of agencies will have a risk assessment matrix to analyse risk, which will have been designed in consideration of the agency's risk tolerance level. Individual agency matrices should be used to assess risk in the first instance (i.e. one size does not fit all).

An example of AusAID's risk assessment matrix (figure 2) is provided below. Additional information on consequence and likelihood descriptors can be provided upon request.

Figure 2 – Risk Assessment Matrix

Likelihood	**Consequences**				
	Negligible	**Minor**	**Moderate**	**Major**	**Severe**
Almost Certain	**Moderate**	**Moderate**	**High**	**Very High**	**Very High**
Likely	**Moderate**	**Moderate**	**High**	**High**	**Very High**
Possible	**Low**	**Moderate**	**High**	**High**	**High**
Unlikely	**Low**	**Low**	**Moderate**	**Moderate**	**High**
Rare	**Low**	**Low**	**Moderate**	**Moderate**	**High**

Risk Management in the Aid Management Cycle



Further information and assistance

AusAID has developed a Risk Assessment Tool and a Risk Register template supported by a comprehensive Risk Management Handbook, which provides a step-by-step guide to risk management in the aid context.

Standard 6. Fraud Control

Agreed Definition

Agencies will take a zero tolerance approach to fraud in the aid program and establish appropriate systems to control fraud.

Importance of Fraud Control

Australia's Official Development Assistance (ODA) includes thousands of aid activities across many countries. Many of these countries are inherently difficult environments in which to operate. Governance arrangements are often weak and attitudes towards accountability and transparency may not be as developed as those in Australia.

In such operating environments, there is a much higher risk of fraud than in Australia. For this reason, strong systems and procedures should be put in place for managing the delivery of Australian aid. Focus should be on managing the risk of fraud rather than being risk averse. Australia may still choose to operate in these environments but we must be prepared to take strong measures where fraud relating to Australian Government funds is detected.

What is Fraud?

The Commonwealth's definition of fraud set out in *the Commonwealth Fraud Control Guidelines 2011* is laid out below. Fraud cannot simply be due to a careless, accidental or an erroneous act. Fraud is:

> *Dishonestly obtaining a benefit, or causing a loss, by deception or other means.*

Fraud can be perpetrated by staff (internal fraud) or by persons external to the agency (external fraud), or by a combination of both. It can involve financial or non-financial incidents that have an impact upon an agency's operations and/or reputation.

Examples of tangible and intangible benefits from committing fraud against the Australian aid program include the following.

> Tangible benefits include misappropriation of Australian Government funds, e.g. forgery/altering cheque details.
>
> Intangible benefits include misuse of Australian Government funded assets, e.g. use of agency vehicles for personal purposes such as shopping by individuals who are not entitled to do so; and misrepresentation in a job application, e.g. falsifying qualifications or credentials.

Implementing Fraud Control

Agencies are likely to have their own fraud control plan in place. At a minimum, agencies should be compliant with the *Commonwealth Fraud Control Guidelines 2011*. Agencies should also take a

policy position of zero tolerance to fraud associated with delivery of their aid program, identify fraud risk associated with delivery of aid and put in place appropriate mitigation strategies. Fraud control activities should be appropriate to the value and risk profile of the program.

A zero-tolerance approach to fraud means that all attempted, alleged, detected and suspected fraud should be treated seriously. All possible steps should be taken to ensure that Australian taxpayer funds are protected from fraud and are used to improve the lives of the world's poor.

All staff (including contracted personnel), in Australia and overseas, are responsible for ensuring strong, robust and effective fraud control. All reports relating to fraud must be handled appropriately, in a professional manner, and in accordance with the *APS Code of Conduct* and relevant laws in the jurisdiction where the fraud occurs.

Zero tolerance to fraud means that in all instances of alleged, suspected or detected fraud the matter is investigated. After the completion of an investigation, unless approved by a person with appropriate delegation, agencies should:

- seek prosecution of offenders where appropriate. Cases involving a breach of Australian law should be referred to the Australian Federal Police. Overseas cases should be referred to the local authorities/police where a suspect has been identified for investigation and, where possible, appropriate prosecution sought
- seek the recovery of misappropriated funds or assets and the application of appropriate penalties.

Preventing Fraud

Agencies may seek to reduce the risk of fraud in the following ways.

- Implement a comprehensive Fraud Control Plan and Fraud Policy Statement that include fraud control policies and guidelines, which are regularly reviewed and updated.
- Implement a Risk and Fraud Management Plan for each overseas post, which is reviewed and updated annually.
- Provide fraud awareness training to staff, both in Australia and overseas. Training could also be provided to contractors, partner government and non-government organisations (NGOs) and implementing partners funded under the Australian aid program.
- Carry out due diligence checks on contractors, NGOs and others involved in the delivery of Australia's aid program.
- Design programs to minimise the risk of fraud.
- Through audit programs, examine compliance by major commercial contractors and NGOs with financial, contractual and activity management requirements, including fraud reporting and fraud management.

What do I do if I suspect fraud?

Key considerations in responding to potential fraud are:

- *report to, and seek guidance from, your fraud control area*
- *notify the appropriate senior levels of management*
- *proceed cautiously and treat information in a confidential manner.*

Fraud may be reported from outside or within an agency. Reports can vary in detail ranging from very detailed written advice to vague oral information, anonymous or even spurious allegations. In all cases, the matter should be recorded and appropriately managed by your fraud control area.

Once a report is received, your fraud control area would undertake initial assessment of the matter to determine if further investigation is appropriate.

If, after the initial assessment, there are no grounds for further investigation, senior management in the line area will be advised and the matter will be closed. However, if further examination is warranted, your fraud control area may designate a person or team, suitably skilled and empowered, to collect information and/or conduct an investigation. If needed, they may consult with relevant legal or other experts depending on the particular circumstances.

Your fraud control area should, in consultation with the Post/relevant area, develop an investigation plan to ensure that cases of attempted, alleged, detected or suspected fraud are appropriately investigated in order to bring the matter to an appropriate conclusion. Plans will evolve and change as further investigation and actions are taken.

Where the fraud occurs overseas, the investigation team should take into account jurisdictional and legal issues (e.g. those relating to employment), local customs and other relevant factors. AusAID may be able to assist in advising on such issues.

Proceeding with caution and confidentiality

Confidentiality is vital, given the sensitivity of the issues raised and as a practical matter to ensure effective management of attempted, alleged, suspected or detected fraud. It is important that the confidentiality of a person making an allegation and the privacy of any person under investigation is protected to the maximum extent possible.

Persons, against whom allegations are made, are presumed innocent until proven otherwise and are to be treated fairly and without discrimination.

In the case of alleged internal fraud, the alleged perpetrator may be advised and their duties temporarily varied. In other circumstances, it may be preferable to avoid alerting the suspect, as it could lead to the destruction of evidence or interference with the investigation.

Reporting to authorities

For investigations that identify an offender/s, the fraud should be reported to police and followed up with police at least twice within a minimum six months of initial reporting to police.

When reporting a matter to local police, it is essential that the date the report was made and the police reference number are recorded. The dates of any follow-up with police should also be recorded.

When, after appropriate steps, there is no likelihood of a positive outcome a recommendation can be provided to the appropriate manager that the case be closed.

An authorised manager can determine that a matter not be referred to police. Such action will only be taken if there is significant extenuating circumstance; for example, the safety of an informant will be put at risk.

Fraud investigations require specialist expertise, appropriate access, and should be undertaken independently under the guidance of your fraud control area. Depending on the circumstances, you may wish to engage suitably qualified investigators or seek assistance from others.

Referral to the Australian Federal Police (AFP)

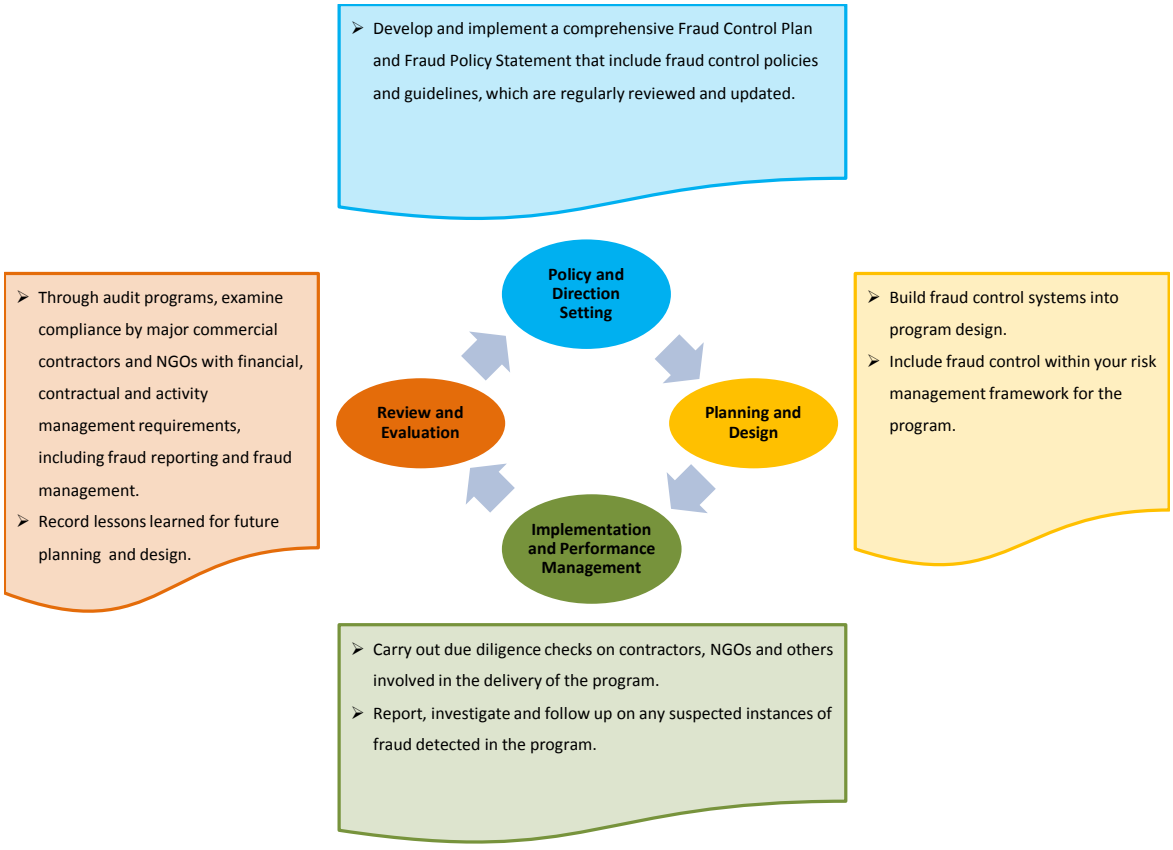
The AFP has the primary law enforcement responsibility for investigating serious or complex fraud against the Commonwealth. Agencies should refer all instances of potential serious or complex fraud offences to the AFP in accordance with the AFP referral process published on the AFP website www.afp.gov.au

Reporting of annual fraud rates to AusAID

The Government expects the aid program will be highly accountable in its identification and management of fraud.

For several years now AusAID has been reporting details on fraud – the number of cases and the potential losses arising – in its annual reports and on its website. As of July 2013, AusAID is seeking a similar level of information from all other Australian Government departments and agencies that deliver ODA to provide an annual whole of ODA perspective to the Australian public and Parliament.

Fraud Control in the Aid Management Cycle



Standard 7. Transparency

Agreed Definition

Agencies will:

- *be open about their aid investments, the rationale for investments, and results*
- *communicate this information in a timely manner and accessible format.*

Further information and assistance

AusAID has developed a fraud control policy and plan, as well as guidance for staff when dealing with fraud.

Commonwealth Fraud Control Guidelines

Fraud Control at AusAID information

AusAID Fraud Policy Statement

Importance of Transparency

The Australian public and the recipients of Australian aid have a right to know that Australian aid funds are spent effectively, achieve real results and help people to overcome poverty. Transparency is closely linked with accountability. With good information, taxpayers and aid recipients can hold governments accountable, leading to improvements to the decision-making processes about how aid is distributed across countries, regions and globally. Transparency also lowers the risk of corruption.

The Government is committed to increasing the amount of information available on Australia's Official Development Assistance (ODA) in a timely and user-friendly form for the Australian public and partner governments. Through our membership of the International Aid Transparency Initiative, Australia has joined international efforts to make more information available on aid programs.

What is Transparency?

Transparency is openness and communication about the strategic directions, programs and performance of Australia's ODA.

Implementing Transparency

This standard requires agencies to provide the public with timely and accessible information about their aid investments, the rationale for these investments, and their outputs and outcomes. Agencies may already be meeting this standard by providing such information, for example, on their websites and in their annual reports.

Options for further strengthening transparency across Australian ODA are being considered by an Interdepartmental Working Group on Transparency. This working group has focused on publishing online information about all agencies' aid programs on a single, easily accessible location on the AusAID website (and, where appropriate, linking back to the agency's own website). This fulfils part of the broader commitment of the Comprehensive Aid Policy Framework (CAPF) to publish

comprehensive, current and accessible information about what the aid program is doing and the results it is achieving.

Transparency in the Aid Management Cycle

Further information and assistance

AusAID has developed a Transparency Charter, which can be used by Australian Government agencies to develop their own guidance on transparency:

http://www.ausaid.gov.au/about/pages/transparency.aspx.

Standard 8. Australian Government Branding of Aid Investment

Agreed Definition

Agencies will ensure that Australian aid initiatives overseas are branded with the Australian Aid identifier in the most appropriate manner.

Importance of Branding

The Australian Aid Identifier was developed to provide a uniform branding for Australia's aid activities overseas. It provides strong and consistent recognition for Australia's role and contribution to aid, development and poverty reduction in developing countries. It also helps to strengthen the Government's commitment to transparency of the aid program.

Use of the Australian Aid Identifier emphasises that Australian aid is delivered by many agencies working together on behalf of the Australian people, rather than by any single agency or service. It is strongly associated with Australia, and cannot easily be confused with other national badges and logos.

What is Branding?

Branding is the use of the Australian Aid Identifier to acknowledge the contribution of the Australian Government to aid investment.

Each Australian Government agency has a logo as its primary logo. The use of these logos is governed by guidelines issued by the Department of the Prime Minister and Cabinet—see here. Most agencies already brand their aid activities using their primary logo. This guidance document discusses the Australian Aid Identifier as a whole-of-government branding of aid, which can be used in conjunction with agency primary logos.

The Australian Aid Identifier features Australia's national symbol, the kangaroo, accompanied by the words 'Australian Aid'. This is an example of the Australian Aid identifier:

Its colours—blue, red and white—match the shades of the Australian flag and wherever possible the Australian Aid Identifier should be reproduced in blue and red on a white background. If reproduction in colour is not possible, it may be used in black or in mono in any dark colour against a neutral background. If it is to be used on a dark background, it must appear in all white.

Implementing Branding

Visibility and recognition applies to project signage, publications, annual reports, events, websites, sponsorship materials, stationery, advertisements, clothing, merchandise, media releases, marketing

and promotional material, in backgrounds for speeches and interviews. Australia Awards do not come under Australian Aid branding as the program uses a separate whole-of-government brand.

Branding in humanitarian responses

Branding of humanitarian supplies is widespread among UN humanitarian agencies and non-government organisations as a means of garnering and retaining donor support, defining areas of operation and asserting influence upon the humanitarian agenda. In the case of Australian aid supplies, branding continues to be a communication tool for both domestic and international audiences.

Humanitarian supplies are branded with the Australian Aid Identifier wherever possible—either during production or post-production with the use of stencilling or stickers.

Examples in Australian Aid Identifier branding on humanitarian supplies include:

- World Food Programme food bags and other packaging
- tarpaulins
- supply boxes
- water bladders.

If branding items will cause delays to a humanitarian response, a waiver may be considered.

Exemptions

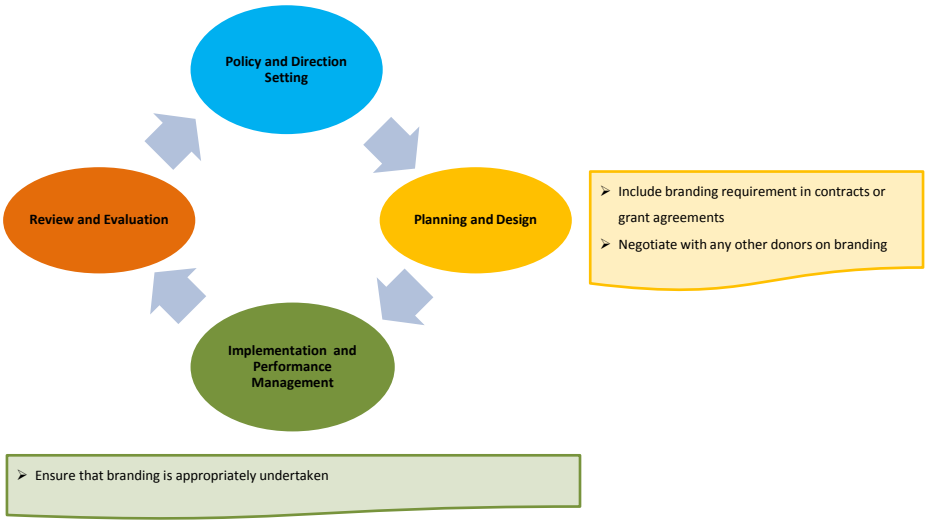
While all agencies have agreed to use the Australian Aid Identifier, there may be some occasions where the use of branding is not recommended. Exemptions may be considered where the use of the Australian Aid Identifier would:

- create unreasonable risk of injury or loss of life
- risk significant equipment damage or loss
- compromise the credibility or good reputation and standing of the Australian Government
- compromise or be perceived to impact the sovereignty of partner countries
- where the use of badges or logos would breach local laws or customs
- where branding would impair the working or proper function of equipment
- where branding would be inappropriate.

Examples include:

- placing Australian aid personnel and equipment at risk in war or conflict zones through being identified as Australian
- compromising the sovereignty of a partner country – e.g. branding courthouses or initiatives associated with a partner country's legal system
- inappropriate branding – e.g. on hygiene kits or condoms
- impairing the function of an item.

Branding in the Aid Management Cycle



Further information and assistance

AusAID has developed guidance on branding for Multilateral Organisations, NGOs and managing contractors. This guidance can be used by Australian Government agencies to develop their instructions to such organisations delivering ODA on behalf of the Australian Government:

http://www.ausaid.gov.au/about/Pages/logo.aspx#guidelines