

CHAPTER 7

Aid management



Australia's aid program is focused, practical, effective and efficient. The directions and initiatives in this White Paper build on a very strong base. However, the demands on AusAID, other agencies and departments in implementing this White Paper will be significant, not least in handling a doubling in aid volume. Many things will need to be done differently, and there are important new emphases. This chapter briefly highlights a number of aid management issues that will be central to ensuring that the Government's strategic framework for the aid program is delivered successfully and has a real impact on reducing poverty in the region.

AusAID will be producing a new corporate plan and Agency Business Plan to coincide with the release of this White Paper. The Agency Business Plan will set out *how* the White Paper will be delivered. The implications are significant, and AusAID needs the business processes and resources to meet the challenge.

7.1 Grant aid

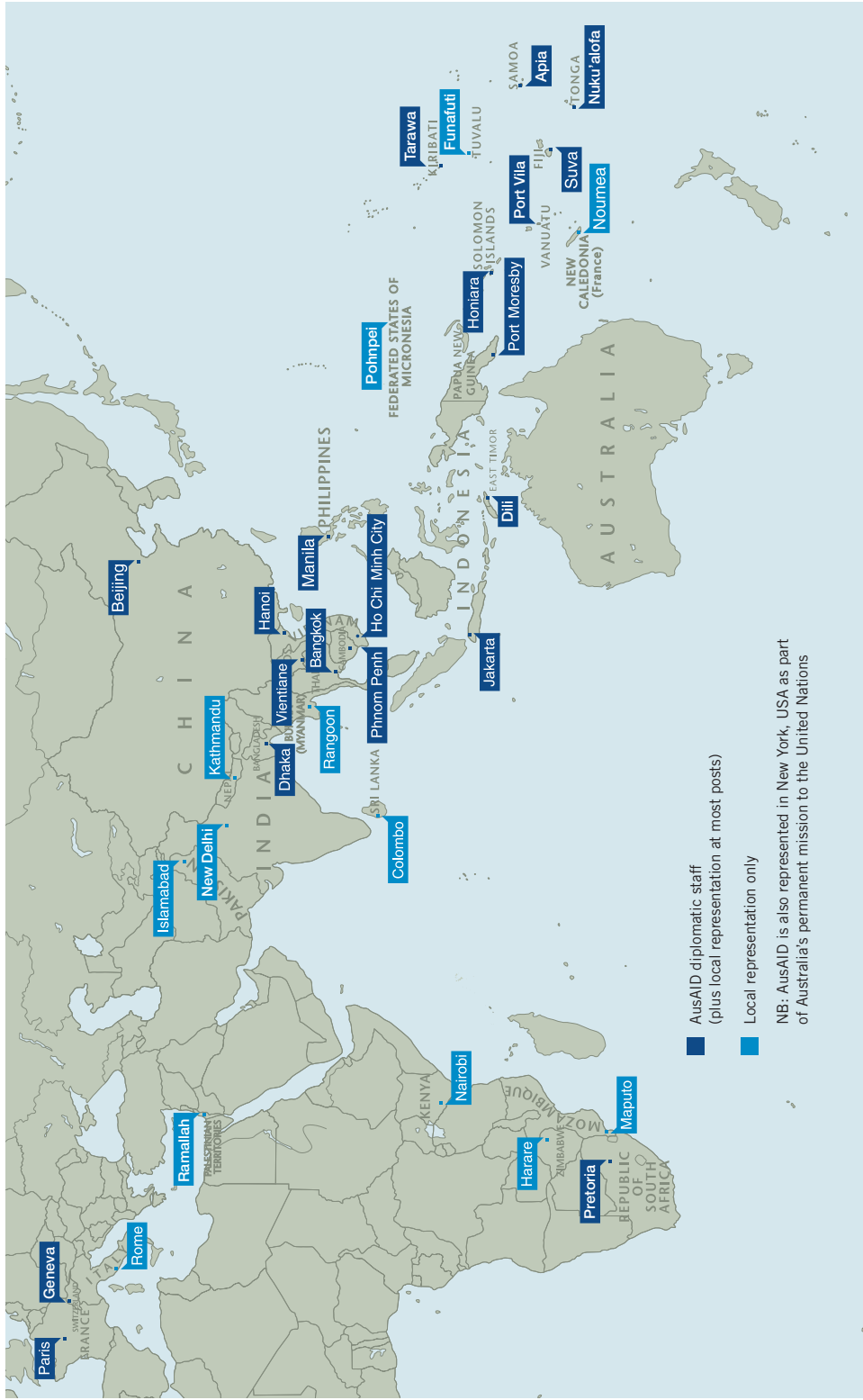
Since 1996, the Government has been quite clear that Australian aid is provided through grants, not commercially focused loans. Australia has recently introduced a development loan program as part of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD). This \$500 million program will support two key development priorities of the Indonesian Government: funding the rehabilitation of more than 2,000 kilometres of heavily trafficked roads in poor areas of eastern Indonesia, and the construction of 1,500 new junior secondary schools in poor, remote districts.

However, further loan programs are not envisaged unless, like AIPRD, they meet specific needs and demands in partner countries. Australia's membership of the World Bank and the ADB, and its significant contributions to the International Development Association, the Asian Development Fund and the Global Environment Facility, ensure that Australia is investing in no small measure in sensible development loan financing. As a bilateral donor, Australia's role has been to provide mainly grant funding and this will continue, not least because the economies of most of the principal aid partners in the region are fragile and it would be inappropriate to burden them with more debt. Under the Infrastructure for Growth Initiative (see Box 2 in Chapter 5), it is envisaged that Australian grant funds will be used to blend with IFI loans that have economic and social benefits and to enhance the quality of the loan (for example, by strengthening anti-corruption measures).

7.2 Resourcing

The Prime Minister's announcement of a doubling of Australia's ODA to around \$4 billion by 2010 poses a number of challenges, such as how to ensure such increases are applied effectively and not simply disbursed for the sake of being disbursed. Accordingly, 2006 and 2007 will be a period of program development and design, with major implementation of many of the initiatives outlined in this White Paper to follow sensible piloting. A straight-line increase in aid

MAP 4 Current AusAID overseas representation



volume to 2010 will not occur. AusAID will bear the primary responsibility for program development and will be resourced accordingly, although the departments of Foreign Affairs and Trade, Treasury, Finance and Administration, the Attorney-Generals, and Education, Science and Training will also be resourced to play important roles in the delivery of the White Paper initiatives. The AFP, through the International Deployment Group, will also require further resourcing for new program development and in order to place greater emphasis on capacity building within the region as well as on law enforcement.

This White Paper is not a budget document. All initiatives and funding requests will be processed through the normal budget process and will be assessed on their merits, taking into account overall aid effectiveness, as reported annually by the ODE, and other budget demands at the time.

7.3 Focus of aid delivery

The themes of this White Paper demand a greater level of policy engagement with partner governments by AusAID and other aid program actors, as well as a greater level of direct operational management. For example, to implement the strategies in health and education outlined in Chapter 5, there will need to be greater direct, field-based, policy engagement with partner governments and hands-on management of the programs. In Solomon Islands, AusAID and other Australian Government agencies are already directly involved in successfully implementing a challenging reform and development program under RAMSI, rather than simply contracting out all services to private contractors.

Accordingly, more Government-employed staff will need to be located overseas, especially in the priority areas of Indonesia, the Philippines, East Timor, the Mekong, PNG and the Pacific. This will build on the increases in field resourcing that has been occurring over recent years in efforts to improve effectiveness (Map 4 shows the current AusAID overseas representation). At the same time, a greater diversity of agencies and institutions (government, private sector, academic and community) will be engaged in delivering Australian aid. The Government does not underestimate the complexity of the future management arrangements. AusAID will have primary responsibility for providing overall coherence and coordination. The role of the ODE and the Development Effectiveness Steering Committee, which is covered in some detail in Chapter 6, will be important in this regard.

The increase in field-based resources and the complexity of program implementation will mean that further investments will be needed in communications and aid management systems and processes.

7.4 Skills

The Government's emphasis on performance and aid effectiveness throughout this White Paper will be reflected in all aspects of aid management. AusAID and members of other departments and organisations with responsibility for aid delivery will be expected to adopt a stronger performance culture and will be subject to continuous performance review. AusAID will be required to have a greater analytical capacity and a deeper knowledge of countries within the region in order to provide stronger insights into the binding constraints to growth and paths to reform.

AusAID will increase its knowledge and expertise in health, education, economic policy, infrastructure and the environment. Australian Government agencies, including AusAID, will increase their capacity-building expertise in anti-corruption measures, transnational threats and political governance.

7.5 Aid Advisory Council

In 1998, the Minister for Foreign Affairs established the Aid Advisory Council, comprising a number of eminent individuals from the public, private and non-government sectors.

The Council has played an important role in providing independent insights and advice on various aspects of aid policy, and was influential in the development of the Core Group Report in 2005. The Aid Advisory Council will continue to meet twice each year, with one meeting focused on the *Annual Review of Development Effectiveness*.

7.6 Communications

During the consultation process for this White Paper, observations were made that, while the Australian aid program was achieving impressive results, AusAID was not maximising the opportunities to capture its achievements and share information with the Australian public, stakeholders and development partners. To help overcome this, a clearer articulation of program goals and objectives will be important for the long-term, in-country support of aid programs. The RAMSI model is an excellent example of disseminating messages beyond the bureaucrats to the community, thereby gaining their support. Timely reporting on aid program achievements will also underpin support within Australia. There is an appetite in government and among the public for information on the impact that the Australian aid dollar is having. In addition to publishing evaluations and the *Annual Review of Development Effectiveness*, AusAID will be even more accountable to the Parliament for the application of an increasing aid budget, and will increase transparency and information sharing to a wider audience.

Australian aid is effective, and is making a real difference to countless people in the Asia-Pacific region. Through the implementation of this White Paper, in the coming decade it will have a greater reach and impact and will be more effective. The Australian public and the countries benefiting from the aid program can expect the Australian Government to be even more responsive, professional and accountable in delivering Australian ODA. The scale of the development challenges and the level of Australian investment in growth and stability in the region demand nothing less.

Abbreviations and acronyms

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AFP	Australian Federal Police
AIPRD	Australia Indonesia Partnership for Reconstruction and Development
AP6	Asia–Pacific Partnership on Clean Development and Climate
APEC	Asia–Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN+6	ASEAN members plus Australia, New Zealand, India, China, Japan and Korea
AusAID	Australian Agency for International Development
DAC	Development Assistance Committee (of the OECD)
ECP	Enhanced Cooperation Program
GDP	Gross domestic product
HIV/AIDS	Human immunodeficiency virus / acquired immune deficiency syndrome
IFI	International financial institution
LDC	Least developed country
MDG	Millennium Development Goal
NGO	Non-government organisation
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development
PNG	Papua New Guinea
PPIAF	Public–Private Infrastructure Advisory Facility
RAMSI	Regional Assistance Mission to Solomon Islands
SARS	Severe acute respiratory syndrome
US	United States
WHO	World Health Organization
WTO	World Trade Organization

Glossary of selected terms

Adaptation (to climate change)

Adjustments in practices, processes, or structures to offset the potential for damage or take advantage of opportunities created by a given change in climate. There is potential for developed and developing countries to enhance and/or acquire adaptive capabilities.

Capacity building

The process of developing competencies and capabilities in individuals, groups, organisations, sectors or countries which will lead to sustained and self-generating performance improvement.

Delegation of Responsibility

Delegating responsibility of aid funding to another donor agency or organisation, which acts as the agent for aid delivery.

Fragile states

States that face particularly difficult development prospects because of weak governance, policies and institutions. Fragility can be exacerbated by political, economic and/or social instability, including conflict. There is no definitive list of fragile states — many are fragile in only some respects and may move in and out of fragility.

Fragmentation

Occurs when more than one donor is actively funding activities, with each donor taking little account of what the others are doing and imposing its own procedures. The burden of this lack of coordination is heavy for developing country administrations that are already struggling to function effectively.

Donor harmonisation

Coordination by donors of their processes and procedures, so that the burden of this aspect of aid provision is borne by them rather than by developing partner countries.

Official Development Assistance

Funding that flows to the recipient countries listed by the OECD as developing countries and to multilateral organisations. ODA-eligible funding is provided by official agencies (including federal, state and local governments and their executive agencies); administered with the promotion of the economic development and welfare of developing countries as its main objective; is concessional; and conveys a grant element of at least 25 per cent.

Policy coherence

Term used to describe how developed country policies that impact upon development (trade, investment, aid, migration, etc.), work together to support development in developing countries.

