



**Australian Government**

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**Department of Foreign Affairs and Trade**

**Submission**

**Senate Foreign Affairs, Defence and Trade References  
Committee**

**Inquiry into Australia's overseas aid and  
development assistance program**

**7 February 2014**

## **Terms of Reference**

Australia's overseas aid and development assistance program in light of the Government's \$4.5 billion cut to international development assistance, with particular reference to:

- (a) Australia's ability to deliver aid against stated policy objectives and international commitments;
- (b) Australia's ability to maintain its international development priorities, including sectoral, regional, bilateral and multilateral international relationships;
- (c) the integration of AusAID into the Department of Foreign Affairs and Trade and the freeze in international development assistance funding;
- (d) any unintended consequences of these changes; and
- (e) any other related matters.

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## **Executive Summary**

- i. The Department of Foreign Affairs and Trade (DFAT) assumed responsibility for providing advice to the Government on aid policy and managing Australia's overseas aid program on 1 November 2013, following the abolition of the Australian Agency for International Development (AusAID) as an Executive Agency.
- ii. Integration will enable DFAT to better pursue Australia's national interests by ensuring closer alignment and mutually reinforcing linkages among the Government's aid, foreign affairs and trade efforts. Integration will deliver efficiencies and strengthen our capacity to pursue our national interests abroad.
- iii. Integration is being guided by a set of core principles. It is proceeding in a phased manner, with a view to having a final integrated structure in place by 1 July 2014. The Department will have a unified corporate structure, and integrated geographic, multilateral and thematic/economic policy functions.
- iv. A key issue in establishing the integrated structure is to ensure that appropriate program quality and aid management support and development expertise is maintained, both at the program level and centrally.
- v. The future staffing profile of the integrated department is not yet clear. Relevant factors include reductions in the aid budget and the staff savings which integration should deliver. Decisions on staffing levels will be finalised through the 2014-15 budget process.
- vi. While integration is being implemented, DFAT has ensured that Australia's aid program continues to be delivered with minimal disruption.
- vii. The Government has decided that Australia's Official Development Assistance (ODA) in 2013-14 will be approximately \$5 billion. Over the forward estimates, ODA will increase in line with the Consumer Price Index (CPI). At this level of ODA, Australia is still one of the ten largest bilateral donors globally and remains the largest bilateral donor in the East Asia-Pacific region.
- viii. The Government's objective for the aid program is to promote Australia's national interests through contributing to economic growth and poverty reduction. The aid program will be designed and implemented to support Australia's foreign and trade policy. Its geographic priority will be the Indo-Pacific region, especially the South Pacific and South East Asia.
- ix. On the basis of this objective, the Government's strategic direction, policy framework and priorities for Australia's bilateral, regional and global aid programs will be fully developed in the 2014-15 budget process.
- x. DFAT is implementing the Government's commitment to strengthening the effectiveness of the aid program, in particular by measuring it against clear and rigorous performance benchmarks. The Office of Development Effectiveness and Independent Evaluation Committee have been retained. Fraud and risk management will continue to be priorities.

## **Introduction**

1. On 18 September 2013, the Prime Minister announced that he intended to recommend to the Governor-General that AusAID be integrated into DFAT, enabling the aid and diplomatic arms of Australia's international policy agenda to be more closely aligned.
2. DFAT assumed responsibility for providing advice to the Government on aid policy and managing Australia's overseas aid program on 1 November 2013.
3. This followed the abolition of AusAID as an Executive Agency under the Public Service Act 1999 (PSA), by an Order issued by the Administrator of the Commonwealth of Australia, dated 17 October 2013 and commencing on 1 November 2013. AusAID was also removed as a prescribed agency from the Financial Management and Accountability Regulations.
4. On 1 November, all former AusAID staff - 1723 Australian Public Service (APS) employees and 624 locally-engaged staff overseas - became DFAT employees. AusAID's appropriations were transferred to DFAT under Section 32 of the Financial Management and Accountability Act 1997 (FMA Act).
5. Since 1 November, while the integration of AusAID into DFAT is being implemented, DFAT has ensured that Australia's overseas aid program continues to be delivered effectively and efficiently, and in line with the Government's priorities and its commitment to being a major player in international development assistance.

## **Aid Budget**

6. The Government has decided that Australia's Official Development Assistance (ODA) in 2013-14 will be \$5.042 billion (Attachments A and B). This represents a reduction of \$650 million on 2013-14 budget allocations and implements the savings announced by the Government on 5 September 2013 and by the previous Government in the 2 August 2013 Economic Statement.
7. DFAT has provided advice of the aid budget reprioritisation outcomes to all Australia's development partners and other stakeholders.
8. At ODA of approximately \$5 billion, Australia maintains the ability to deliver substantial bilateral, regional and global aid programs. Australia is one of the ten largest bilateral donors globally and remains the largest bilateral donor in the East Asia-Pacific region.
9. The Government remains committed to the goal of increasing Australia's ODA to 0.5 per cent of Gross National Income (GNI), when fiscal circumstances permit. In the former Government's 2008-09 budget, ODA was to increase to 0.5 per cent of GNI by 2015-16. This was deferred in the 2012-13 budget to 2016-17 and deferred again in the 2013-14 budget to 2017-18. The savings from the deferrals of the 0.5 per cent target and slower growth of the aid program under the former Government totalled \$5.7 billion.

10. The Government has committed that over the forward estimates Australia's ODA will increase in line with the CPI. This commitment recognises both the constrained fiscal situation in which the Government is operating (the submission of The Treasury has further information on the fiscal outlook) and that it is in Australia's national interests to continue to deliver a substantial aid program. It also provides budget predictability and reliability of aid funding for the Department and Australia's development partners, which in turn supports better planning and implementation of programs.

## **Aid Program**

### **Policy framework and priorities**

11. The Government's *objective for the aid program* is to promote Australia's national interests through contributing to economic growth and poverty reduction. The aid program will be designed and implemented to support Australian foreign and trade policy. Its geographic priority will be the Indo-Pacific region, especially the South Pacific and South East Asia.

12. Australia will also continue to be an effective and principled humanitarian donor, providing assistance in response to humanitarian crises in developing countries.

13. Integration will enable DFAT, on behalf of the Government, to better pursue Australia's *national interests* by ensuring closer alignment and more direct and mutually reinforcing linkages between the aid program and policy, and our foreign affairs and trade efforts.

14. As an open economy in the Indo-Pacific region, Australia's national interests are served by an effective aid program which, as part of overall international financial flows, helps shape and accelerate global and regional economic growth and poverty reduction, including through opening up trade, encouraging investment and creating jobs. Economic growth in our region also creates new markets for Australian goods and services.

15. Investing in the drivers of growth (such as education, infrastructure, access to finance, participation by women and health) is the best way to foster long-term sustained economic growth, which is essential to lifting people out of poverty.

16. The aid program complements our diplomatic and military efforts in support of Australia's national security interests. Aid promotes regional stability, responds to regional security problems and helps to prevent conflict. It helps address cross-boundary challenges, including transnational crime, terrorism, illegal and irregular people movement, and pandemics.

17. Effective aid also helps build relationships and facilitates access to decision-makers and policy advisers who are important to Australia's national interests.

18. On the basis of the aid program objective, the Government's strategic direction, policy framework and priorities for Australia's bilateral, regional and global aid

programs will be fully developed in the 2014-15 budget process. This work will be guided by:

- . a strong focus on Australia's geographic region;
- . consolidating the aid program, geographically and by sector, to reduce fragmentation and improve value for money for the Australian taxpayer; and
- . supporting those multilateral programs and organisations that are most efficient and effective and which contribute to development outcomes in Australia's geographic region.

19. It will also be guided by the Government's statements that its *priorities for the aid program* will include:

- (a) a strong contribution to building economic growth as an integral part of the Government's economic diplomacy agenda, including
  - an increased role and funding for 'Aid for Trade', including to foster open trading systems and support developing countries' connections to value chains
  - assistance in tackling infrastructure deficiencies that prevent developing countries from fully engaging in global markets
    - : for example, the Prime Minister's announcement on 8 October 2013 of a \$3 million contribution towards a pilot Public Private Partnership Centre in Indonesia to address infrastructure needs in the APEC region
  - support for increased private sector activity and helping to overcome the obstacles to private sector investment in infrastructure and other productive capabilities
  - encouraging and supporting effective governance, including good policies, effective institutions, functioning markets and reducing barriers to trade and investment;
- (b) education and training, including
  - a strong emphasis on skills and technical training that is designed to respond to labour market demand and, especially in the Pacific, enhance labour mobility
  - increased investment in educating women and girls
  - a stronger concentration of the scholarships program in the Indo-Pacific region, complementing the New Colombo Plan's outward bound scholarships program for Australian undergraduates (not aid-funded);
- (c) investing more in women and girls, with a focus on
  - increasing access to education
  - building women's leadership skills and opportunities, especially in our region
  - promoting women's economic empowerment and participation in the workforce

- tackling gender violence and preventing sexual violence in conflict
- supporting women's role in peace-building and conflict resolution.

### **Aid delivery**

20. Australia's aid program is delivered at the individual country level, at the regional level and through global programs. It is delivered through a range of partners, including partner governments, commercial suppliers, multilateral and regional organisations, global funds, Australian and international NGOs, other donors and other Australian government agencies that administer ODA.

21. Partners will continue to be selected on the basis of their ability to deliver value for money and the capabilities they can contribute to the achievement of the Government's aid objectives. Australian NGOs with a strong track record of effectiveness will continue to play an integral role in delivering Australian aid.

22. Since the abolition of AusAID, the delivery of Australia's aid program has continued with minimal disruption. Partner governments and delivery partners have been advised of the Government's decision to integrate AusAID with DFAT. The relationships with those partners have continued to function smoothly.

23. Reprioritisation of the aid budget will affect the delivery of a number of programs in a range of ways – including deferral, reduction or termination of funding and programs, and renegotiation of contracts and agreements with partners. DFAT is consulting extensively with partners and stakeholders on implementation of the reprioritisation.

### **Aid effectiveness**

24. The Government has stated its commitment to strengthening the effectiveness of the aid program, in particular by measuring it against clear and rigorous performance benchmarks.

25. A core integration principle is that effective and high quality aid is fundamental to advancing Australia's national interests and must be supported by a Department with the capabilities and systems to deliver a large and complex aid program and to be measured against clear benchmarks.

26. The aid program will be driven by a strong performance culture. This recognises the need to use taxpayers funds as effectively as possible. This performance culture will also apply to our development partners. The Minister has indicated her intention to introduce mutual obligations and mutual accountability between the Australian Government and our partner countries.

27. DFAT is developing for the Minister's consideration performance benchmarks that will provide additional assurance that the aid program is effective, efficient and achieving results. The benchmarks will promote greater value for money and increase transparency of aid expenditure. The aid program and the Department will be assessed annually against these performance benchmarks, with policy settings and



investments adjusted in line with the outcomes. Consultations on the proposed benchmarks are being held with key stakeholders, including partner governments, NGOs, industry, academia and other Australian government agencies with a role in delivering the aid program.

28. The Office of Development Effectiveness and Independent Evaluation Committee have been maintained as part of DFAT's governance and accountability structures.

29. The Department is also moving to improve the aid management system and will retain key processes to ensure aid effectiveness and manage risk appropriately. A new Aid Programming Guide is expected to be issued by the end of March 2014. An associated training program will be implemented, including for those DFAT staff, such as Heads of Mission, who now have additional responsibilities and accountability for the management of the aid program.

30. The Department will continue to strengthen the aid program's fraud management controls and systems. The policy of zero tolerance of fraud in the aid program will continue to be implemented.

31. DFAT's and the former AusAID's risk management frameworks will be integrated and a risk management policy developed to reflect the requirements of the integrated Department. In the interim, existing risk management policies continue to be implemented for the aid program and other areas of the Department's business.

### **Integration**

32. The key outcome of integration will be a transformed Department with the skills, resources and connections to implement foreign, trade and development policies and programs in a coherent, effective and efficient way that best serves Australia's national interests.

33. The integrated Department will be more than the sum of its parts. By bringing together former AusAID and DFAT, integration will deliver efficiencies in administration and allow for the best of approaches and systems to be adopted.

34. Integration will also increase the impact of Australia's foreign, trade and aid policies and programs. Effective Australian aid provides access and influence which can support foreign and trade objectives. At the same time, bringing the full weight of Australia's diplomatic resources to support development objectives provides the opportunity for greater influence and impact.

35. Pursuing Australia's national interest and supporting economic growth and poverty reduction are mutually reinforcing. Integration provides the scope for the Department to maximise these linkages.

## Integration principles

36. On 8 October 2013, the Secretary of DFAT issued a set of principles (as approved by the Ministers for Foreign Affairs and Trade) to guide the integration process, working towards a new structure for the Department by 1 July 2014. The principles are:

- . Australia's aid program will promote Australia's national interests through contributing to international economic growth and poverty reduction. It will be designed and implemented to support Australian foreign and trade policy. Its geographic priority will be the Indo-Pacific region, especially the South Pacific and South East Asia.
- . The outcome of integration will be a transformed Department that aligns and implements foreign, development, and trade policies and programs in a coherent, efficient and effective manner, in pursuit of Australia's national interests.
- . The Department will work closely with NGOs with a strong track record for effective aid delivery.
- . Effective and high quality aid is fundamental to advancing Australia's national interests and must be supported by a Department with the capabilities and systems to deliver a large and complex aid program and to be measured against clear benchmarks.
- . Recognising its implications for all staff, the integration will be undertaken with open and constructive communication with staff, with transparency and accountability, as well as in accordance with the legal and regulatory requirements for machinery of government changes.
- . The transformed Department (after transitional arrangements expire) will have unified people management, applying to all APS employees and to locally-engaged (overseas-based) staff.
- . In order to maintain aid policy and program management expertise, the department will have a development career stream/structure, with some positions in Canberra and overseas designated as requiring international development assistance skills.
- . The Department will have unified corporate, ICT, property and other enabling services, in Australia and overseas.
- . The balance of the Department's operations in Australia and overseas will be determined by how to pursue most effectively and efficiently Australia's foreign policy, economic/trade, and development interests and the resources available to do so.
- . The Department will have a strong unified culture focused on advancing Australia's foreign policy, economic/trade, and development interests with a high degree of professionalism, integrity and innovation, while maintaining accountability and risk management capability.

## Integration process

37. Integration is proceeding in a phased manner, with a view to having a final integrated structure in place by 1 July 2014.
38. The integration process is being managed by a Steering Committee comprising the Secretary and four Deputy Secretaries (including two from the former AusAID).
39. A major factor in all the Steering Committee's deliberations has been the need to ensure, in accordance with the integration principles, that its decisions result in a Department that aligns and implements foreign, development, and trade policies and programs and has the capabilities and systems to deliver a large and complex aid program.
40. A Task Force, including former AusAID staff, reports and provides recommendations to the Steering Committee. The terms of reference for the Task Force are at Attachment C. A list of the 13 Working Groups established to consider the range of operational, corporate, policy and program issues is at Attachment D.
41. The Working Groups, co-led by DFAT and former AusAID senior managers, provide collaborative forums for development of advice on integration for their areas of responsibility. The Groups have been the primary source of advice on integration strategies for their specialist areas. Some of those Working Groups have now concluded, with any remaining integration issues being implemented in the line areas.
42. There is considerable *staff engagement* in the integration process. Communication and consultation is an integral part of the integration process. The Steering Committee agreed on a Communications and Consultations Strategy and Implementation Plan, which is being implemented by the Steering Committee, Task Force and Working Groups. (Copies of the Strategy and key implementation activities are at Attachment E.)
43. Formal staff consultation occurs in the DFAT Workplace Relations Committee and former AusAID Consultative Forum (merged from January 2014), and with the CPSU in the Integration Consultative Committee which has been established.
44. Informal staff consultation is undertaken in a range of ways, including: weekly drop-in sessions to discuss issues with the Task Force; participation by the Task Force in Division and other staff meetings; video and teleconferences with staff at overseas posts; a Task Force email address (which also allows anonymous questions and comments); a weekly update by the Task Force; Frequently Asked Questions; and Fact Sheets.
45. A Change Management Plan has also been developed to support effective integration. A Change Management team is coordinating implementation of the Plan, and also of the Action Plan developed in response to the Capability Review of DFAT undertaken by the Australian Public Service Commission in 2013 (<http://www.apsc.gov.au/aps-reform/current-projects/capability-reviews/dfat>).

46. Staff are also being supported through the integration process, including through access to: information and opportunities to contribute to the process; staff psychologists; the Employee Assistance Program counselling services; change management workshops and training opportunities; and an integration seminar series.

47. The Steering Committee has agreed to a plan for monitoring staff well-being and engagement in 2014-15, including through a survey program.

## **Governance**

48. The Department's governance structure has been revised in line with integration and to reflect the Department's aid policy and program responsibilities. This is an interim structure, and will be further refined by 1 July 2014.

49. The Departmental Executive has been expanded to include as Deputy Secretaries the three former AusAID Deputy Directors General.

50. The former AusAID Strategic Programming Committee, which considers major aid investment and program planning decisions, and the Development Policy Committee, which considers key and emerging development policy issues, have been incorporated as part of the DFAT governance structure.

51. The Charter and membership of DFAT's Audit and Risk Committee have been changed to take account of aid program management and risks, with a former AusAID Deputy Secretary now chairing the Committee.

52. The Independent Evaluation Committee, which oversees the work program of the Office of Development Effectiveness, has been retained.

## **Departmental structure**

### ***Corporate services***

53. The first phase of integration focused on operationalising the principle that the Department will have unified corporate, ICT, property and other enabling services, in Australia and overseas.

54. An integrated Corporate Management Division, responsible for people and financial management and security issues, was established on 13 January 2014. Work is underway to implement unified human resources and financial policies and systems by 1 July 2014. Property services, in Australia and overseas, have also been integrated.

55. The management of ICT services was integrated on 1 November 2013. The integration of different ICT platforms, systems and applications is a major and complex exercise which will take time to complete. Given this is critical to the success of integration, progress is being monitored closely by the Steering Committee.

56. DFAT and former AusAID departmental and administered budgets will continue to operate separately for the remainder of the 2013-14 financial year, with a single budget to be implemented from 2014-15. The DFAT 2014-15 portfolio budget submission will incorporate the previously separate whole-of-government ODA budget submission.

### ***Geographic***

57. The Steering Committee has decided on a high level of integration of foreign policy, trade and aid functions at the geographic level. This is being implemented in Canberra through integration of the former AusAID geographic work areas with their DFAT counterparts.

58. A key issue in establishing the integrated structures is to ensure that appropriate program quality and aid management support and development expertise is maintained at the program level.

59. As of 6 February 2014, the Africa, Middle East, North Asia, Latin America and Caribbean work areas have been integrated. South East Asia, South and West Asia and the Pacific, which have the largest bilateral and regional programs, will be integrated by 1 July 2014.

60. Integration is also being implemented at those *posts* which manage aid programs and development partnerships. While aiming for a high degree of integration, including unified corporate services, there is no single template for this to be achieved, with options depending on local circumstances, staffing resources and the size and complexity of the aid program.

61. The Steering Committee has agreed on the allocation of responsibilities for the aid program between DFAT Canberra and posts. In broad terms, Canberra will be responsible for: aid strategy and policy direction; aid investment planning; quality assurance; and evaluation. Posts will be responsible for: managing the development relationship with the countries and institutions to which they are accredited; implementing and monitoring the aid program; and donor coordination.

### ***Multilateral and economic functions***

62. Multilateral functions are also being integrated. A Multilateral Development and Partnerships Division has been established, with responsibility for multilateral development partnerships, policy, analysis and finance, development banks and sectoral funds, and NGO and volunteers programs.

63. A Multilateral Policy Division has also been established, covering international organisations, human rights, gender, peace and conflict, sustainability and climate change, people-smuggling and the United Nations Security Council.

64. DFAT and former AusAID responsibilities and resources have also been integrated across economic and trade advocacy functions, business engagement, private sector development, and resources and infrastructure policy. This will

strengthen the Department's capacity to prosecute the Government's economic diplomacy agenda, including the contribution of 'Aid for Trade'.

65. Australia's G20 presidency has also been strengthened by the integration of DFAT's and former AusAID's G20 responsibilities and teams working on trade, international engagement and the G20 development agenda. DFAT chaired the first Development Working Group meeting of Australia's presidency in Sydney on 16-17 December 2013.

### ***Central aid management support and expertise***

66. As well as ensuring that aid capabilities and expertise are maintained within the geographic, multilateral and thematic/ economic policy work areas in Canberra and at posts, the Steering Committee has decided to retain a central group with responsibility for the oversight and integrity of the aid management system, and for providing policy and technical advice to ensure the coherence and quality of aid investments.

67. The Contracting and Aid Management Division is responsible for Departmental procurement (including aid), advice on aid implementation and program planning, aid risk and fraud management, monitoring project implementation and aid management training.

68. The Development Policy Division provides policy advice and specialist skills - including thematic expertise on education, health, governance and development economics - to support aid program strategy, design, implementation and review and continue to improve the aid program's effectiveness.

69. The Office of Development Effectiveness will continue to produce independent, high-level evaluations of aid program policies and strategies, development themes, and selected individual aid activities.

### ***Humanitarian***

70. The former AusAID's highly-regarded humanitarian capabilities, demonstrated most recently in the typhoon disaster in the Philippines, have been retained in the Humanitarian Division. This Division manages Australia's humanitarian policies, programs and capabilities in order to help prevent, prepare for and respond to disasters and humanitarian crises.

71. DFAT will work closely with other government agencies, especially Defence and Emergency Management Australia, to continue to be the lead responder to disasters in the Pacific Islands region, a major responder in South and South East Asia and to contribute to international efforts on disasters outside our region.

**Staffing profile**

72. As at 30 September 2013, a month before integration, DFAT and AusAID staff numbers were:

|                           | <b>DFAT</b>  | <b>AusAID</b> | <b>Total</b> |
|---------------------------|--------------|---------------|--------------|
| Australian Staff          | 2,521        | 1,724         | 4,245        |
| <i>Based in Australia</i> | 1,875        | 1,484         | 3,359        |
| <i>Based overseas</i>     | 646          | 240           | 886          |
| Locally Engaged Staff     | 1,771        | 651           | 2,422        |
| <b>Total</b>              | <b>4,292</b> | <b>2,375</b>  | <b>6,667</b> |

73. The AusAID staff numbers reflected an organisation that was recruiting and building capabilities in anticipation of delivering the previous Government's projected \$8 billion program. The aid budget has now stabilised at around \$5 billion.

74. The final staffing profile of the integrated department is not yet clear. A number of factors will impact on staff numbers:

- integration and any resulting duplication;
- reductions to the aid budget;
- the increased efficiency dividend;
- the work of the National Commission of Audit; and
- the Government's plan to reduce public servant numbers.

75. A DFAT-Department of Finance Working Group was established in December 2013 to provide advice to the Secretaries of DFAT and Finance on feasible options to reduce staffing levels commensurate with the aid program reductions and integration. The Secretaries will report to Ministers, with decisions on staffing levels to be finalised through the 2014-15 budget process.

76. The Department is seeking to manage prospective job losses as much as possible through natural attrition and a voluntary redundancy program. Pre-integration, DFAT's average natural attrition rate over the last 10 years was 5.7 per cent; in the 2012-13 financial year, it was 4.6 per cent. AusAID's natural attrition rate over the last five years was 6.6 per cent and in 2012-13 it was 5.6 per cent.

77. The voluntary redundancy program which was initiated on 15 November 2013 is still in progress and will continue until the end of this financial year. As at 6 February 2014, the Department has so far approved 26 formal offers of voluntary redundancy. The final number of voluntary redundancies that will be offered, and accepted, is not yet known. In the previous three financial years, the combined total of voluntary redundancies for pre-integration DFAT and AusAID was fifty-seven.

78. The Department also decided not to proceed with employment offers to 35 prospective graduate trainees recruited by AusAID, with 31 January 2014 as the date of effect of termination of their employment.

79. This decision was based on the fact that the circumstances which led to the offers of employment had changed significantly, including the abolition of AusAID, integration and significant cuts to the aid budget. In those changed circumstances, it

was not responsible to take on new recruits when there are existing staff, who have the relevant aid skills and experience, to be placed in the integrated Department. A number of these individuals have, with the support of the Department, been offered positions elsewhere in the APS.

80. In response to the APSC Capability Review, the Department has committed to developing a four-year (2015-19) workforce plan to build and maintain the required organisational capability and culture for the integrated Department. The need to maintain aid policy and program management expertise, including specialist sectoral and other skills, will be a focus of that plan.

81. DFAT's graduate trainee recruitment and the training program for 2015 and onwards will incorporate foreign, trade and aid policy training, and aid management and sector training.

### **Conclusion**

82. Good progress has been made in integrating the former AusAID's people, systems, aid policy and program responsibilities and capabilities into DFAT. The integration process is on track towards a final integrated structure by 1 July 2014, and to achieve the alignment of foreign, aid, and trade policies and program management required by the Government.

83. Integration will not finish with an integrated structure on 1 July. It will continue to be a work in progress for some time. In particular, the process of building a unified organisational culture will continue in the years ahead.

84. Despite the challenges and uncertainties of such a major Machinery of Government change, all DFAT staff have continued to carry out their duties professionally, effectively and with strong commitment to achieving results.

85. DFAT is well-placed to carry out its responsibilities to deliver Australia's large and complex aid program, in alignment with and support of foreign and trade policies.



**Attachment A**

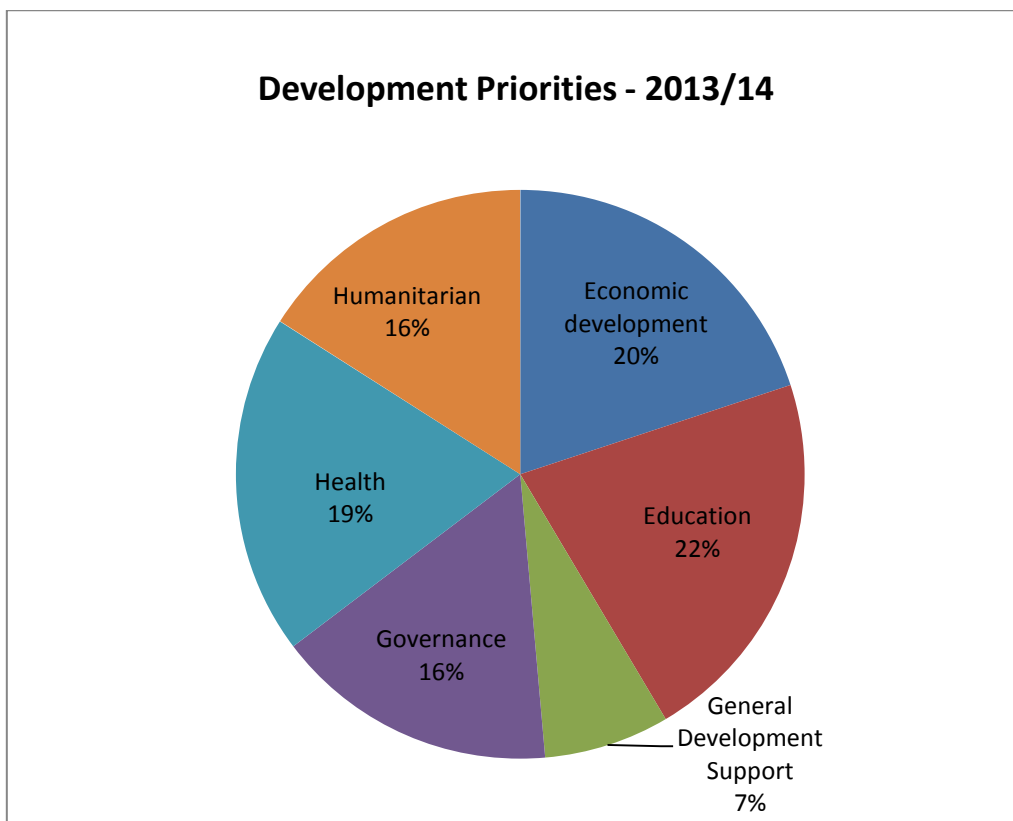
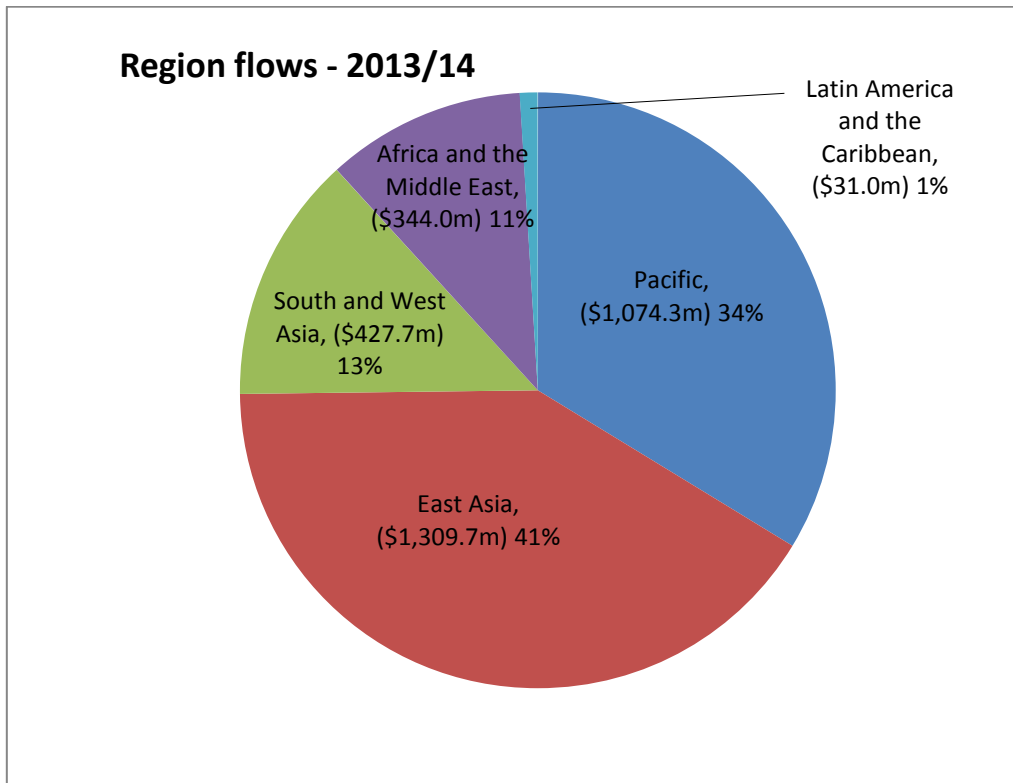
**Revised 2013-14 Aid Budget: Country, Regional and Global Programs**

|  | \$ m               |                              |
|--|--------------------|------------------------------|
| Country & Regional Programmes                    | 2012-13<br>Actuals | 2013-14<br>Revised<br>Budget |
| Papua New Guinea                                 | 448.5              | 448.5                        |
| Solomon Islands                                  | 102.7              | 90.4                         |
| Vanuatu  | 41.9               | 40.9                         |
| Samoa  | 26.1               | 23.1                         |
| Fiji   | 27.4               | 34.2                         |
| Tonga  | 16.2               | 17.2                         |
| Nauru  | 23.5               | 20.7                         |
| Kiribati   | 21.4               | 19.7                         |
| Other Small Pacific Islands                      | 19.0               | 14.9                         |
| Pacific Regional                                 | 194.2              | 172.6                        |
| <b>01. Pacific Total</b>                         | <b>920.8</b>       | <b>882.2</b>                 |
| Indonesia  | 484.7              | 532.4                        |
| Vietnam  | 103.9              | 95.0                         |
| Philippines                                      | 99.2               | 109.0                        |
| Timor-Leste                                      | 69.7               | 70.0                         |
| Cambodia   | 49.7               | 51.1                         |
| Myanmar  | 58.5               | 62.1                         |
| Laos   | 34.7               | 33.5                         |
| Mongolia   | 6.3                | 9.6                          |
| East Asia Regional                               | 70.8               | 63.9                         |
| <b>02. East Asia Total</b>                       | <b>977.4</b>       | <b>1,026.6</b>               |
| Afghanistan                                      | 132.9              | 130.9                        |
| Pakistan   | 63.3               | 64.0                         |
| Bangladesh                                       | 84.8               | 61.6                         |
| Sri Lanka  | 25.7               | 32.4                         |
| Nepal  | 15.1               | 15.2                         |
| Bhutan and the Maldives                          | 7.8                | 6.4                          |
| South and West Asia Regional                     | 22.6               | 22.4                         |
| <b>03. South &amp; West Asia Total</b>           | <b>352.1</b>       | <b>332.8</b>                 |
| Iraq   | 17.3               | 3.7                          |
| Palestinian Territories                          | 36.4               | 33.4                         |
| Middle East and North Africa                     | 64.3               | 29.7                         |
| Sub-Saharan Africa                               | 211.2              | 133.0                        |
| <b>04. Africa &amp; the Middle East Total</b>    | <b>329.2</b>       | <b>199.8</b>                 |
| Latin America & Caribbean                        | 15.8               | 15.1                         |
| <b>05. Latin America and the Caribbean Total</b> | <b>15.8</b>        | <b>15.1</b>                  |
| Australian Scholarships & Education              | 109.0              | 113.7                        |
| Health, Water and Sanitation                     | 38.0               | 59.5                         |
| Infrastructure & Rural Development               | 55.2               | 46.1                         |
| Governance                                       | 27.2               | 16.7                         |
| Climate Change & Environmental Sustainability    | 17.0               | 0.5                          |
| Disability & Gender                              | 29.0               | 25.0                         |
| Direct Aid Program (DAP)                         | 8.9                | 11.0                         |
| Office of Development Effectiveness              | 2.1                | 2.2                          |
| Other Cross-Regional Programs                    | 6.4                | 34.5                         |
| <b>06. Cross Regional Programs Total</b>         | <b>292.9</b>       | <b>309.1</b>                 |

## Attachment A

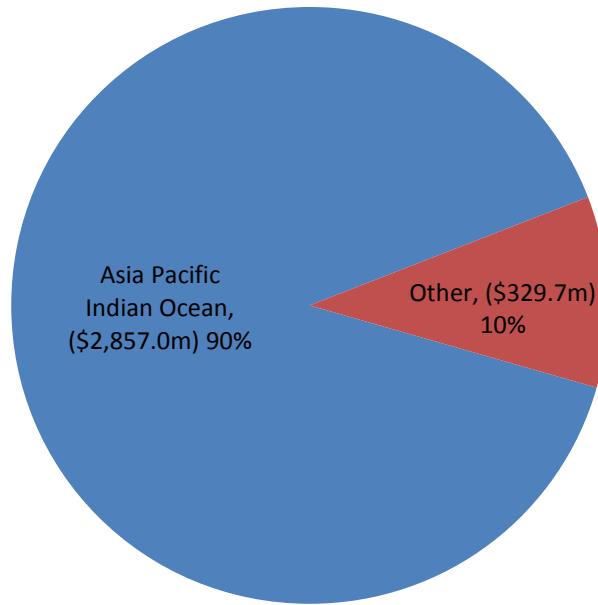
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|---|----------------------------|---------------------------------------|
| <b>Global Programmes</b>  | <b>2012-13<br/>Actuals</b> | <b>2013-14<br/>Revised<br/>Budget</b> |
| Humanitarian and Emergency Response   | 163.3                      | 137.4                                 |
| International Committee of the Red Cross  | 22.0                       | 22.0                                  |
| <i>United Nations Office for the Coordination of<br/>Humanitarian Affairs (UNOCHA)</i>            | 9.0                        | 9.0                                   |
| <i>World Food Programme (WFP)</i>   | 46.0                       | 46.0                                  |
| <i>United Nations Central Emergency Response Fund<br/>(UNCERF)</i>                                | 11.0                       | 11.0                                  |
| <i>United Nations High Commissioner for Refugees<br/>(UNHCR)</i>                                  | 19.0                       | 19.0                                  |
| <i>United Nations Relief and Works Agency for Palestine<br/>Refugees in the Near East (UNRWA)</i> | 15.0                       | 19.8                                  |
| <i>United Nations Peacebuilding Fund (UN PBF)</i>   | -                          | -                                     |
| <b>UN-Humanitarian Total</b>  | <b>100.0</b>               | <b>104.8</b>                          |
| <b>07. Humanitarian, Emergencies and Refugees Total</b>   | <b>285.2</b>               | <b>264.2</b>                          |
| <i>United Nations Development Programme (UNDP)</i>  | 20.7                       | 20.7                                  |
| <i>United Nations Children's Fund (UNICEF)</i>  | 34.1                       | 34.1                                  |
| <i>United Nations Population Fund (UNFPA)</i>   | 15.0                       | 15.0                                  |
| <i>United Nations Programme on HIV and AIDS (UNAIDS)</i>  | 7.2                        | 7.2                                   |
| <i>World Health Organization (WHO)</i>  | 20.0                       | 20.0                                  |
| <i>UN Women</i>   | 8.0                        | 8.0                                   |
| <i>Other UN</i>   | 9.2                        | 0.4                                   |
| <b>UN-Development Total</b>   | <b>114.2</b>               | <b>105.4</b>                          |
| Commonwealth Organisations  | 17.4                       | 12.0                                  |
| Contribution to Global Health Programs  | 129.3                      | 181.4                                 |
| Contribution to Global Environment Programs   | 74.6                       | -                                     |
| Contribution to Global Education Programs   | 30.0                       | 70.0                                  |
| Contribution to Other Global Programs   | 31.0                       | -                                     |
| <b>08. UN, Commonwealth &amp; Other International Organisations *</b>                             | <b>396.4</b>               | <b>368.8</b>                          |
| Global NGO Programs   | 107.9                      | 133.9                                 |
| Australian Volunteers Program   | 58.5                       | 55.3                                  |
| Development Effectiveness & Research  | 11.5                       | 10.3                                  |
| <b>09. NGO, Volunteer and Community Programs Total</b>  | <b>177.9</b>               | <b>199.4</b>                          |
| <b>Country &amp; Global Programs total</b>  | <b>3,747.8</b>             | <b>3,598.0</b>                        |

Revised 2013-14 Aid Budget Diagrams

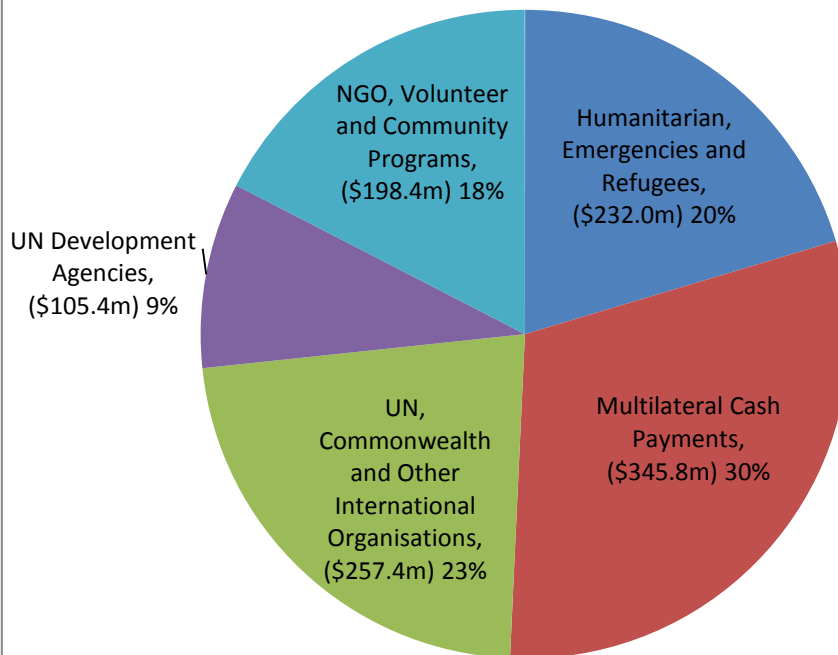


**Attachment B**

**Share to Asia Pacific Indian Ocean region - 2013/14**



**Global Programs - 2013/14**



## **DFAT-AusAID Integration Task Force**

### **Terms of Reference**

#### Objective

- The DFAT-AusAID Integration Task Force has been established to oversee the integration of DFAT and AusAID into a single department.
- The outcome will be a transformed Department that aligns and implements foreign, development, and trade policies and programs in a coherent, efficient and effective manner in pursuit of Australia's national interests.

#### Composition

- The Task Force comprises members from DFAT and AusAID, led by Jennifer Rawson. The senior member from AusAID is Rob Tranter.
- The Task Force will establish Working Groups comprising DFAT and AusAID staff to make recommendations to the Task Force on implementation of a range of corporate, operational, policy and program issues.
- The Task Force will convene a meeting of all the leaders of the Working Groups, on at least a monthly basis and more often if required, to discuss progress across the integration projects and ensure coordination and coherence in approaches.

#### Governance

- The Task Force will be responsible to a Steering Committee comprising the Secretary, Deputy Secretary Moraitis, Deputy Secretary Grigson, Acting Director General McDonald and Deputy Director General Dunn.
- The Task Force will report and make recommendations to the Steering Committee.
- The Task Force will inform the Audit and Risk Committee (ARC) on its work as requested by the Chair of the Committee.

#### Responsibilities and Duties

- The Task Force, in discharging its oversight role, shall consider and make recommendations to the Steering Committee on all issues relating to the implementation of integration.
- The Task Force will ensure all key stakeholders in Government are involved in the process.

## Attachment C

- The Task Force will develop a due diligence framework which will examine key aspects of AusAID's operations and functions (such as assets and liabilities, contractual arrangements and program and people management) in order to identify specific issues which need to be addressed.
- The Task Force will conduct risk management across the integration process.
- The issues that the Task Force will consider and make recommendations to the Steering Committee include:
  - a set of principles which will guide the integration process
  - a communication strategy to ensure employees are kept informed throughout the integration process
  - a people management strategy to ensure a smooth transition for all (AusAID and DFAT) staff, including officers on posting overseas and locally engaged/O-based employees overseas, as well as contractors
  - clarifying respective roles arising from the integration
  - ascertaining whether functions will transfer in their current form or in a modified form
- The Task Force will develop a work schedule/implementation plan for the integration process, including:
  - the integration of aid policy and program management into the single department
  - the integration of financial management services
  - the integration of staff into a unified people management system
  - the integration of information and communications technology platforms and systems
  - accommodation, in Canberra and overseas and the provision of property services
  - records management
  - physical, information and personal security in Canberra and overseas.

### Duration

- The Task Force is established initially for the period to 30 June 2014, working towards a new structure for the Department from 1 July 2014. The duration may be varied by the Steering Committee, depending on progress made in the integration.

## Attachment D

### Integration Working Groups

(Groups marked with an asterisk have concluded, with remaining integration issues to be addressed as part of line areas' business)

People management

Financial management

Information and communications technology

Records management

Property

Relocation sub-Working Group

Security

Aid management –procurement, quality and evaluation

Foreign / development policy and aid program management (Pacific)

Foreign / development policy and aid program management (Asia)

Multilateral issues (\*)

Humanitarian, crisis management and stabilisation (\*)

Parliamentary, media and public communications (\*)

Economic diplomacy and trade-aid issues (\*)

## Attachment E

# DFAT-AusAID Integration Communications & Consultation Strategy October 2013

## INTRODUCTION

This Strategy provides a framework for communication and consultation with staff on the AusAID-DFAT integration process. It also forms part of a broader change management plan aimed at supporting the move to one Department.

## BACKGROUND

On 18 September 2013 the Australian Government announced the integration of AusAID and DFAT.

A Task Force has been established to guide the integration process, led by Jennifer Rawson and Rob Tranter.

## AIMS

This Strategy will support the successful implementation of the integration process by ensuring:

- consistent and timely information is available to all staff on the integration process broadly, and on specific changes that affect their work and working environment
- effective consultation with staff on how the integration process will proceed – drawing on the experience, expertise, interests and ideas of individuals and work teams
- positive engagement of staff in the change process.

## PRINCIPLES

The following principles will inform the development of communications under this plan:

- communication will be regular, timely and sensitive
- simultaneous dissemination of information across all staff
- engagement with Posts, including Locally Engaged Staff (LES), is as important as engagement with Canberra based staff
- communication will be clear, straightforward, and avoid jargon or acronyms that are not universally understood
- honesty and transparency, including on challenging issues
- changes should be explained so staff understand what is changing, and why, when and how it will affect them.

## TARGET AUDIENCES

- Leadership (SES cohort and Heads of Missions (HOMs))
- Working Group co-leads and members
- Change champions (at a range of levels and locations)
- Staff in Canberra
- Staff at Post
- LES
- Staff and employee representatives (including unions)



## Attachment E

### OVERARCHING KEY MESSAGES

- The Government is bringing together diplomacy and development to strategically align Australia's foreign, trade and aid objectives.
- The aim is to improve the coherence, effectiveness and efficiency of prosecuting these objectives.
- An effective aid program is a continuing priority for the Government and fundamental to pursuing Australia's interests.
- The integrated Department will adopt the best practices of both organisations, resulting in a transformed and better Department. This will entail major change for staff, structures, processes and culture.
- The Secretary has outlined the principles that will guide the merger – these will underpin the integration process.
- It is important that we continue to work collaboratively, with respect and professionalism, as we become one workforce. The integration will entail challenges but also many new opportunities.
- Staff views, expertise and experience will help inform the integration process – consultation will be a critical part of the process.
- There will be regular, consistent and honest communication with staff.

### COMMUNICATIONS AND CONSULTATION RESPONSIBILITIES

The **Integration Task Force** will coordinate communications and consultation. The Task Force will be responsible for Department-wide messaging, the management of Integration Intranet pages and receiving and responding to questions through the central Integration Task Force mailbox. This will include the development of FAQs and other resources for staff to access.

The Task Force will engage with and be available to work units to discuss the integration process. This will include specific engagement with Posts, A-based staff and LES. The Task Force will also support the Secretary and senior managers in their communication with staff.

The Task Force has established **Working Groups** comprising DFAT and AusAID staff to make recommendations to the Task Force on the implementation of a range of corporate, operational, policy and program issues.

The Working Groups will provide a collaborative forum for development of advice on integration for their areas of responsibility. They should engage not only staff with specific knowledge of a particular area (eg people management) but also representatives of business areas that might be clients or partners.

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Working Group co-leads and members will play an important role in change management to support integration in their particular specialist areas. Co-leads will be champions of the change process, accountable for engaging staff within functional areas and more broadly, and building ownership of Working Group outcomes. The Working Groups will contribute, through the Task Force, to Department-wide communications.

The **Leadership of the Department (SES cohort and Heads of Posts)** has a critical role to play in helping implement integration and in ensuring staff are informed, supported and able to contribute to the process. All SES should play the role of a change champion with their teams / posts, and across the Department. The SES need to provide strong and visible leadership throughout the integration process. The Task Force will support the SES in this role. The SES Time Out Day on 25 October will be an important early opportunity to brief and engage SES on their role in the process.

Similarly, the EL2 cohort must be engaged as part of the leadership group and as change champions. Directors/ EL2s have a central role in providing information to staff at all levels, and are the likely first point of contact for LES, APS and EL1 staff with questions about integration.

**Change champions** will be identified, developed and supported across the Department, at all levels and in all locations. These staff will be charged with ensuring they have up to date information on the integration process and are sharing this within their work units. They will also engage with other change champions, and other networks (eg Graduate, LES, colleagues and friends) to disseminate information and provide feedback to the Task Force and Working Groups.

**Existing networks**, such as the Graduates and Indigenous Employees, Staff Delegates Committee **and informal / social events** will be an important way to develop people to people linkages, beyond direct work area relationships. Formal and information opportunities for this sort of engagement will be an important part of promoting the positive aspects of change and creating a strong sense of one workforce.

### COMMUNICATION AND CONSULTATION TOOLS AND CHANNELS

**Written, formal communications** – from the Secretary, Task Force and Working Groups – will be a key channel for communication but is only one, relatively small part of staff engagement. **Face to face engagement** will be a high priority throughout the process. This makes consistent messaging both more challenging and more important.

The Task Force commits to communicating with staff through: **weekly all staff updates, attending branch/ division meetings, Post teleconferences/ video conferences, FAQs added to and updated regularly, integration intranet pages with key information for all staff, and various other opportunities to engage with the Task Force and Working Groups.**

Less formal communications will also be important. For example, a **new, integrated internal newsletter** will be implemented from 1 November, adopting the best aspects

## Attachment E

of AusAID and DFAT News. This will help build people to people links and introduce staff each other and the new, integrated Department.

Engagement with **staff and employee representatives (including unions)** will be an important part of the integration process. The Task Force and senior management will engage formally and informally with staff and employee representatives (including unions) and in a manner that is consistent with the consultative procedures set out in the DFAT and AusAID enterprise agreements. LES and O-based staff and, where applicable, their staff associations at posts, may also be consulted at key points in the process.

The attached **implementation plan** outlines the various communication and consultation tools and activities proposed, including timing. The implementation plan will be a living document, regularly updated to ensure it is delivering on the objectives and principles in this Strategy.

### MOG REQUIREMENTS

*Implementing Machinery of Government Changes – A good practice guide (the MOG Guidelines)*, published by the Australian Public Service Commission, emphasizes the importance of effective and consistent communication with staff. The MOG Guidelines also highlight the APS Employment Principles and Values, in particular that “the APS is a career-based public service that provides flexible, safe and rewarding workplaces where communication, consultation, cooperation and input from employees on matters that affect their workplaces are valued.” The MOG Guidelines also note the requirement for agencies and departments to act with integrity, including in communicating and consulting with staff. This Strategy and associated implementation plan incorporate relevant actions and strategies recommended in the MOG Guidelines.

### RISKS

Good communication and consultation is critical to the success of the integration process and broader change management. If there is a perception that information is being withheld, staff trust in the integration process will suffer, as information vacuums risk being filled by rumour and misinformation. Further, lack of consultation may lead to staff disengagement, and relevant expertise not being utilised. Without appropriate consultation and communication, staff morale, agency productivity and the delivery of results are all at risk.

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### INTEGRATION - KEY COMMUNICATION AND CONSULTATION ACTIVITIES

- Formal staff consultation via the AusAID Consultative Forum and DFAT Workplace Relations Committee, as well as meetings with the CPSU.
- A Weekly Task Force message has gone out to all staff since 4 October. These messages also include weekly updates from each of the Working Groups.
- A dedicated Integration Task Force mailbox is in place which staff can use to ask questions or provide comments/ input.
- Frequently Asked Questions (FAQs) and Fact Sheets have been provided to staff
  - FAQs are being added to and updated regularly as advice is available and in response to questions raised through the Integration Task Force mailbox
  - Fact Sheets are issued as required.
- Relocation protocols have been issued for those staff moving between buildings, and introductory information provided to affected staff.
- Intranet pages (on the DFAT and former AusAID intranets) are the main repository of integration information – these are updated regularly and simultaneously.
- Staff drop-in sessions are held each week, alternating between Barton and Civic. These are attended by members of the Integration Task Force. All staff are welcome and can raise any issue they wish.
- Meetings with various staff groups including formal and informal staff networks, and Divisional groups.
- Working Groups, set up under the auspices of the Task Force, communicate with and consult staff directly, including through:
  - Seeking comments on integration proposals
  - Holding all staff consultations
  - Convening focus groups/ specific interest group meetings
- Video/ teleconferences are held with Overseas Posts.
- An Integration Seminar Series was launched in November 2013 and is continuing in 2014. It is designed to help build understanding of all staff of the many facets of the Department's business. Topics to date include foreign policy, development, trade, aid management and working together at overseas posts.
- The internal Departmental staff bulletin, DFAT News, was relaunched in December in a new format. It is being used as a mechanism to share with staff stories of how integration is progressing in different parts of the Department.