

# Chapter 4

## Integration of AusAID, effectiveness and benchmarks

4.1 This chapter considers the implications of integrating AusAID into DFAT, and examines measures to improve the effectiveness of aid and the development of performance benchmarks.

### Integration

4.1 There is a lack of clarity around the rationale for integrating AusAID into DFAT, and the committee received evidence both in favour, and concerned about, this development. DFAT considered that the key outcome of the integration of AusAID would 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'.<sup>1</sup> It stated:

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.<sup>2</sup>

4.2 DFAT outlined for the committee how the integration process was being managed by a high-level steering committee 'with a view to having a final integrated structure in place by 1 July 2014'. It noted the steering committee was aiming for 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'.<sup>3</sup> In particular, the steering committee has retained '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'.<sup>4</sup>

4.3 DFAT also noted that 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'.<sup>5</sup>

4.4 At the public hearing, the Secretary of DFAT, Mr Peter Varghese, provided a further update on the integration process:

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1 *Submission 17*, p. 6.

2 *Submission 17*, p. 6.

3 *Submission 17*, p. 8.

4 *Submission 17*, p. 11.

5 *Submission 17*, p. 9.

We have 13 working groups looking at everything from information technology to accommodation, structure and how we get the balance right between offshore and onshore, and we have begun and indeed very significantly advanced the process of organisational structural integration. So we now have made decisions on bringing together in geographic areas aid, foreign policy and trade policy, to be pursued in an integrated way. We have either set up or retained specialist divisions that have the expertise that you need to run a \$5 billion aid program, whether that be in the design of the program, the evaluation of it, the setting up of benchmarks...<sup>6</sup>

### *Opportunities and risks*

4.5 Both opportunities and risks were identified as arising from the integration of AusAID into DFAT. The potential for a more cohesive and stronger diplomatic approach to development issues was seen as a key opportunity. For example, the submission from the Australia Strategic Policy Institute observed that objectives of poverty reduction and promoting Australia's national interests are not incompatible and that accordingly, the 'amalgamation of AusAID and DFAT should allow for a more responsive and flexible aid policy, better aligned to [Australia's] foreign policy'.<sup>7</sup>

4.6 However, as well as opportunities there were several risks were identified. Oaktree were concerned 'that the integration of AusAID into DFAT will jeopardise the integrity of Australia's aid program and lead to a further politicization of aid, whereby it will be almost exclusively used as a tool to exert influence over trade deals as opposed to being a measure focused on impacting extreme poverty'.<sup>8</sup> Similarly, the CPSU argued that '[m]achinery of Government changes incur substantial financial and productivity costs in the short to medium term' and this would impact on the ability of Australia's aid program to deliver against its commitments to recipient developing countries.<sup>9</sup>

4.7 The Development Policy Centre noted that the announcement of the integration of AusAID into DFAT was unexpected, and that no convincing rationale has been provided for the decision. In particular, it noted that the integration did not mean that there was any more ministerial control over the aid program. However, it acknowledged that the 'resulting administrative arrangements will not be unusual' and that many OECD donor countries 'house aid policy and/or administration in their foreign ministries'.<sup>10</sup>

4.8 The Development Policy Centre recommended that the 'government should give consideration to establishing unified oversight of aid policy and management within the DFAT Executive and engaging external sources of advice on the

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6 *Committee Hansard*, 21 February 2014, p. 64.

7 *Submission 62*, p. 1.

8 *Submission 8*, p. 4.

9 *Submission 22*, p. 1.

10 *Submission 67*, p. 25.

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implementation of the integration agenda'.<sup>11</sup> It indicated it would be desirable, for reasons of coherence and accountability, for there to be a single senior position within DFAT specifically and exclusively responsible for the oversight of aid policy and administration.

4.9 In relation to the integration, the Development Policy Centre commented that there is 'a substantial risk, at a time when many commentators are decrying what they see as the under-resourcing of Australia's diplomatic network, that aid funds in the departmental expenditure category will be used to subsidise diplomatic infrastructure and salaries'.<sup>12</sup>

4.10 Despite these concerns, at the public hearing, Mr Robin Davies from the Development Policy Centre noted:

[E]verything we have seen to date including in DFAT's submission to this inquiry, the structures that are being put in place are very sensible. We are seeing strong geographic integration but we are also seeing a preservation of some core aid policy and management functions in dedicated divisions, and we strongly support that.<sup>13</sup>

4.11 Ensuring adequate consultation with stakeholders was also seen as essential to the successful integration. Mr Paul Kelly from Care Australia commented that DFAT should be engaging stakeholders, arguing that 'good communication in this process will reduce the impact of staff turnover and the likely delays in decision making'.<sup>14</sup> IDC Australia noted that three critical issues for the sector highlighted by the 2013 Australian aid stakeholders survey (the avoidance of micromanagement, quick decision-making, and staff continuity) could be affected by the integration of AusAID and DFAT.<sup>15</sup> Similarly, Results International Australia noted that a short term consequence of the integration 'has been increased difficulty in making contact with officials (and knowing which person is the best contact on a specific issue) and also delays in decision-making processes'.<sup>16</sup>

### ***Specialist skills and staff***

4.12 Prior to the integration there were 2521 DFAT staff with 646 based overseas and 1724 AusAID staff with 240 based overseas. DFAT characterised the AusAID staff numbers as reflecting 'an organisation that was recruiting and building capabilities in anticipation of delivering the previous Government's projected \$8 billion program'. It noted the aid budget has now 'stabilised' at around \$5 billion.<sup>17</sup>

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11 *Submission 67*, p. 27.

12 *Submission 67*, p. 40.

13 *Committee Hansard*, 21 February 2014, p. 49.

14 *Committee Hansard*, 21 February 2014, p. 7.

15 *Submission 42*, p. 6.

16 *Submission 54*, p. 6.

17 *Submission 17*, p. 12.

DFAT also noted it was 'seeking to manage prospective job losses as much as possible through natural attrition and a voluntary redundancy program'.<sup>18</sup>

4.13 At the hearing, Mr Varghese observed there were still a number of integration issues that DFAT was working through 'including what our final numbers are going to be'. He noted this matter would be 'sorted out in the course of the 2014-15 budget'.<sup>19</sup> The principles for the integration outlined that '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'.<sup>20</sup>

4.14 Several submissions highlighted that specialist skills and staff are required to effectively deliver aid programs in developing countries and the integration of AusAID risked the loss of experienced aid professionals. For example, TEAR Australia noted that '[s]taff implementing and managing Australia's aid program need both technical skills and also an understanding of the local operating context and culture'.<sup>21</sup> Care Australia advised that '[t]here should be a professional aid cadre with geographic and sector expertise who are clear about the aid program's quality and framework and are equipped to implement it'.<sup>22</sup> Childfund Australia commented:

The aid portfolio entails a substantial budget, highly complex arrangements with multiple partners and numerous policy and operational challenges. Strong leadership, clear policy directions, professional administration and a deep understanding of the complexities are required. It is vital that a knowledgeable and experienced department be retained and valued in order to administer the Government's aid program effectively. The merger of the departments risks undermining the dedicated focus on aid policy and administration, and could lead to the loss of valued professionals.<sup>23</sup>

4.15 Mr Robin Davies from the Development Policy Centre was also concerned that significant staffing reductions were taking place at the same time as structural changes were being implemented. He noted that this 'could well lead to a very significant loss of professional expertise in the organisation'. Mr Davies suggested this was a matter that needed to be carefully managed and 'post-integration will need to be the subject of a stocktake and a substantial workforce planning exercise'.<sup>24</sup> Further, the Development Policy Centre recommended staff turnover in DFAT should be carefully monitored and targeted.<sup>25</sup>

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18 *Submission 17*, p. 12.

19 *Committee Hansard*, 21 February 2014, p. 64.

20 *Submission 17*, p. 7.

21 *Submission 57*, p. 6.

22 *Submission 24*, p. 6.

23 *Submission 7*, p. 2.

24 *Committee Hansard*, 21 February 2014, p. 50.

25 *Submission 67*, pp 30-31.

4.16 A need for specialist sectoral and technical support within DFAT was also identified. CBM Australia noted that as the 'integration process continues, it is essential that strong technical support for disability inclusion is embedded within the new DFAT structure'. This was required for policy development and implementation, disability specific programs and ensuring disability inclusion was embedded across all development programs.<sup>26</sup> Similarly IWDA urged support for a 'diverse gender advisory and specialist team' within DFAT:

Women and men continue to play different social and economic roles and face different opportunities and challenges in every country Australia engages with. Without the analytical capacity to see and understand the implications of this, opportunities will be lost and policies and programs will be sub-optimal, an unnecessary and avoidable waste of resources.<sup>27</sup>

4.17 The DFAT submission highlighted that the former AusAID's humanitarian capabilities have been retained in a division which manages 'Australia's humanitarian policies, programs and capabilities in order to help prevent, prepare for and respond to disasters and humanitarian crises'.<sup>28</sup> This was welcomed by Ms Melissa Wells from Save the Children:

We are encouraged to see that the humanitarian unit will remain distinct. That is really important from our perspective of impartiality and delivery of humanitarian aid that is not aligned with foreign objectives and military objectives.<sup>29</sup>

4.18 The potential for the merger to strengthen DFAT was also highlighted during the inquiry. The findings of the Australian Public Service Commission's Capability Review in 2013 included that DFAT had:

- an excellent overseas network, but was less effective in Canberra;
- could deliver in crisis, but was suspicious of prioritisation and strategic planning; and
- was a good advocate of existing policy, but was 'less good at policy development'.<sup>30</sup>

4.19 In response to the APSC Capability Review, DFAT noted it 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'.<sup>31</sup> In relation this issue, Mr Marc Purcell from ACFID commented:

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26 *Submission 16*, p. 9.

27 *Submission 9*, p. 6.

28 *Submission 17*, p. 11.

29 *Committee Hansard*, 21 February 2014, p. 11.

30 Australian Public Service Commission, *Capability Review – Department of Foreign Affairs and Trade*, June 2013, p. 4.

31 *Submission 17*, p. 13.

We think that with the merger you are bringing in aid managers from AusAID whose strength is in long-term planning and evaluation—because you have to plan at a country or thematic level around investment of dollars into programs and then you have to evaluate what is happening over time. We think there are synergies there if the merger is well managed and you can combine the two different strengths of the two different organisations.<sup>32</sup>

### ***A distinct Australian aid program***

4.20 Maintaining the distinct identity of the Australian aid program was also perceived as important by a number of aid organisations and businesses. Save the Children considered the advantages of the previous arrangement included that 'AusAID had a distinct humanitarian identity, housed a dedicated body of expertise on aid and development policy and programs, was one step removed from short-term political objectives, and was a highly visible demonstration of Australia's commitment to international development'.<sup>33</sup>

4.21 ACFID also pointed out that the model of integration being adopted appeared to be a merger of foreign policy and aid 'country desks' rather than maintaining the aid program as a separate identity within DFAT. It noted this differed from the approach taken in New Zealand when a similar integration of an aid agency occurred 'where an International Development Group [was] maintained as a cohesive unit within the Ministry of Foreign Affairs'.<sup>34</sup> ACFID noted that it also differed from the Australian experience with the 'aid program consistently having a separate identity and direct reporting relationship to its Minister since the mid-1970s'.<sup>35</sup>

4.22 Similarly World Vision recommended that DFAT maintain a cluster within the DFAT structure which is 'dedicated to aid and development policy and technical capacity'. It considered this would facilitate 'streamlined engagement with implementing partners and other key stakeholders, and would enable working relationships to continue throughout the integration process'.<sup>36</sup>

4.23 A proposal made by a number of submitters was that DFAT should alter its name to reflect its overseas aid responsibilities, for example to the Department of Foreign Affairs, Aid and Trade.<sup>37</sup> It was noted that the equivalent department in Canada was recently renamed the 'Department of Foreign Affairs, Trade and Development' following its amalgamation with the Canadian International Development Agency.<sup>38</sup>

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32 *Committee Hansard*, 21 February 2014, p. 27.

33 *Submission 36*, p. 11.

34 *Submission 35*, p. 20.

35 *Submission 35*, p. 20.

36 *Submission 41*, p. 12.

37 CPSU, *Submission 22*, p. 4.

38 Foreign Affairs, Trade and Development Canada, 'About the New Department of Foreign Affairs, Trade and Development', *Circular Note No. FTRN-001*, 11 July 2013.

4.24 The Development Policy Centre considered DFAT's mission statement and priorities should also be amended to 'give appropriately greater emphasis to the aid and development goals for which DFAT now has responsibility'. It stated:

Australia's aid program does advance Australia's interests but that is not its sole rationale. The aid program is as much an expression of Australian values as of Australian interests. DFAT, now that it has responsibility for Australian aid, should rewrite its mission description to reflect this.

These might be dismissed as cosmetic changes, and indeed they will only be important should they come to symbolize a fundamental change in the way DFAT priorities are set, changes which are required to extract full value from the recent merger.<sup>39</sup>

4.25 Lack of public awareness regarding the activities and achievements of the Australian aid program was also raised. For example, the Business Council of Australia noted that Australia's aid program represents 'a significant investment of federal revenue' and supported increased public understanding and confidence in the aid program.<sup>40</sup> This reflected the Independent Review's finding in 2011 that there was not 'an effective communications strategy for the aid program' and that fostering more informed public debate and community engagement with the aid program was appropriate.<sup>41</sup> It recommended that '[p]ublic engagement should be improved through a new community grants scheme, embracing new media technologies and promoting development education'.<sup>42</sup> AusAID launched the 'Engage' blog in November 2011, as a platform to communicate and discuss Australia's aid program featuring 'updates, stories and analysis from Australian Government staff who will be blogging from around the world'.<sup>43</sup>

### **Effectiveness measures**

4.26 There is a sophisticated matrix of independent measurement tools used by the OECD to review aid effectiveness. The OECD DAC peer review in 2013 concluded that 'Australia's aid system is set up to deliver the current and a growing aid programme effectively'.<sup>44</sup> Similarly, the Independent Review in 2011 commented:

In aid, performance needs to be judged against degree of difficulty. Australia is seeking to get results in difficult and sometimes dangerous countries overseas, in a wide range of areas from health and education to humanitarian support in emergencies, and grappling with multiple methods

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39 *Submission 67*, p. 28.

40 *Submission 5*, p. 2.

41 Independent Review, p. 6.

42 Independent Review, p. 310.

43 DFAT, 'Engage', <http://ausaid.govspace.gov.au/> (accessed 21 March 2014).

44 OECD DAC, Peer Review, 2013, p. 19.

of delivery. By the standards of donors generally, Australia is an effective performer.<sup>45</sup>

4.27 In its submission to the inquiry, DFAT stated that 'the aid program will be driven by a strong performance culture' which 'recognises the need to use taxpayers funds as effectively as possible'. DFAT noted that the Office of Development Effectiveness (ODE) and Independent Evaluation Committee (IEC) 'have been maintained as part of DFAT's governance and accountability structures'.<sup>46</sup> In particular, the ODE 'will continue to produce independent, high-level evaluations of aid program policies and strategies, development themes, and selected individual aid activities'.<sup>47</sup>

4.28 Support was expressed during the inquiry for continuing and expanding existing aid effectiveness measures. For example, ACFID recommended that the government continue to fund 'initiatives to ensure a focus on results and a evidence-based approach to Australian aid including through the Office of Development Effectiveness' as well as undertaking an annual review of aid effectiveness.<sup>48</sup> ACFID advised:

ODE plays an important role in informing and advising the Australian aid program through in-depth evaluations and reviews of Australia's aid, analysis of aid performance systems, and collaborations with leading international think-tanks and research organisations. Greater independence and credibility could be achieved by making the ODE fully independent, reporting to Parliament.<sup>49</sup>

4.29 Similarly, Sustineo queried the independence of the ODE, arguing that it reports to the head of the aid program. It recommended the establishment of an independent body which reports directly to the Parliament to monitor, evaluate and benchmark the activities delivered by the Australian aid program.<sup>50</sup> Save the Children also argued that the ODE should be strengthened and for a 'more timely release of the Annual Review of Aid Effectiveness' in order for it 'to feed meaningfully into the Cabinet's yearly consideration of progress against the government's four year budget strategy'.<sup>51</sup>

4.30 TEAR Australia noted that AusAID had developed a comprehensive set of assessment, monitoring and evaluation tools which had been tested and proved their value. These were the Monitoring, Evaluation and Learning Framework; the Due Diligence Framework; and the Effectiveness Assessment Methodology. It argued

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45 Independent Review, p. 3.

46 *Submission 17*, p. 6.

47 *Submission 17*, p. 11.

48 *Submission 35*, p. 23.

49 *Submission 35*, p. 23.

50 *Submission 30*, p. 1.

51 *Submission 36*, p. 12.

these existing effectiveness measures 'should be retained and modified in light of experience'.<sup>52</sup>

4.31 Aid is delivered by a large number of other government agencies, such as the Australian Federal Police.<sup>53</sup> A frequently cited factor to improve the effective delivery of aid was increased coordination of aid programs across government. Previously, whole-of-government oversight of Australia's aid program was provided by the Development Effectiveness Steering Committee, a cross-agency committee which advised the Australian Government on major aid policy and aid budget priorities and concerns. In its submission DFAT did not indicate how this role would be filled following the integration. On 28 June 2013, AusAID announced that '[a]ll Australian government agencies delivering overseas development assistance have agreed to adopt uniform standards for the planning, delivery, monitoring and reporting of Australia's total aid program':

The standards are principles based and will ensure that Australia's aid activities are delivered in a consistent way whilst at the same time allowing agencies to operate in accordance with their own management systems...The first suite of uniform standards have been endorsed by a high level inter-departmental committee and are now in place.<sup>54</sup>

### ***Transparency***

4.32 In 2011, at the 4<sup>th</sup> High Level Forum on Aid Effectiveness in Busan, donor countries committed to 'improve the availability and public accessibility of information on development cooperation and other development resources'. The OCED DAC peer review in 2013 considered that 'Australia has taken exemplary steps to increase the transparency of its development co-operation and is one of the forerunners in implementing the Busan commitment on transparency'.

4.33 Nonetheless, transparency issues were raised during the inquiry. For example, the Development Policy Centre recommended that the Transparency Charter adopted by the previous government be endorsed and given wide application to increase the amount of activity-level information made available.<sup>55</sup> Analysis conducted by researchers at the Development Policy Centre of the AusAID website concluded that 'there was a substantial data dump in 2011 when the Transparency Charter was introduced, but much less by way of subsequent effort to fill holes or add new information'. It identified institutionalising 'a culture of transparency' as an important

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52 *Submission 57*, p. 7.

53 Australian Government, *Budget: Australian International Development Assistance Program 2013-14*, 14 May 2013, pp 127-18.

54 AusAID, 'Uniform Aid Standards—Achieving better aid outcomes across government', *Latest News*, <http://www.aisaid.gov.au/HotTopics/Pages/Display.aspx?QID=1191> (accessed 2 February 2013).

55 *Submission 67*, p. 5.

change so that 'the timeliness and comprehensiveness of publicly-available data improve over time'.<sup>56</sup>

4.34 ACFID also noted that, while Australia was a signatory to the International Aid Transparency Initiative and had developed a Transparency Charter, there had still been 'slow and incomplete provision of activity level data'.<sup>57</sup> Micah Challenge urged DFAT to recommit to the transparency agenda commenced by AusAID 'by publishing integrated country strategies with expected development outcomes clearly outlined, and publishing timely project level reviews and assessments for all aid-related activities'.<sup>58</sup>

4.35 World Vision recommended that DFAT 'maintain the practice of producing a Ministerial Statement (Blue Book) on the Australian aid program':

The production of a Ministerial Statement (Blue Book) for the Australian aid program has been a significant contributor to advancing the transparency of the aid program. Breakdowns by priority, geography, sector and multilateral institution have provided an invaluable source of data for implementing partners, academics, civil society and the broader aid community...While departmental funds associated with the former-AusAID will likely be integrated into DFAT reporting, it is still important that ODA funds, including those administered by departments other than DFAT, are reported separately and clearly.<sup>59</sup>

4.36 Others such as Professor Richard Feachem highlighted the right of Australian taxpayers to know how aid resources are invested in other countries. He stated:

In the 2013 Aid Transparency Index, AusAID was placed 24th out of 67 aid organizations scored and ranked for transparency. Australia scored 43%, in comparison to the highest scorers which achieved over 80%...Becoming a top scorer in the Aid Transparency Index is a readily achievable short-term priority for the Australian aid program. It would do much to enhance credibility and deter or detect corruption.<sup>60</sup>

## Performance benchmarks

4.37 In her speech to the Australasian Aid and International Development Policy workshop, Minister Bishop provided further details on the proposed benchmarks for aid and how they would be used to direct resources:

At the strategic level, we will assess the entire aid programs progress against key goals and priorities – a small number of high level targets. We will use performance benchmarks at the level of individual programs to

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56 Hanna Gillies, Jonathan Pryke and Stephen Howes, 'What happened to aid transparency under Labor', *DevPolicy*, 7 February 2014, available at <http://devpolicy.org/what-happened-to-aid-transparency-under-labor-20140207> (accessed 25 March 2014).

57 *Submission 35*, p. 25.

58 *Submission 37*, p. 4.

59 *Submission 41*, p. 13.

60 *Submission 2*, p. 5.

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assess the relative effectiveness of our portfolio of investments, and these assessments will determine how the aid level are allocated. Then at an individual assessment level, we will ensure funding is directed to those programs, those investments that are making the most difference and that poor-performing projects or poor-performing deliverers are either improved or the funds are redirected...We will also review the way we assess the performance of our delivery partners – multi-lateral organisations, NGOs and contractors – to ensure there is a stronger link between performance and funding...<sup>61</sup>

4.38 DFAT noted it was developing performance benchmarks for the Minister's consideration which 'will provide additional assurance that the aid program is effective, efficient and achieving results'. It stated:

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.<sup>62</sup>

4.39 Broad support existed for the creation of benchmarks for Australian aid to allow the impacts of aid to be measured. However, a number of witnesses and submissions also cautioned against benchmarks that were narrowly focused on outputs rather than the achievement of outcomes in developing countries.<sup>63</sup> For example, the Australian Strategic Policy Institute argued that any benchmarks for aid would need to be framed carefully:

On the question of how the aid program might be structured to ensure that performance against benchmarks has a direct feedback effect on the overall size and allocation of the aid budget, we would agree that in general good results could often usefully be incentivised. However, we'd also caution that where key strategic imperatives are at stake, it could be strongly against our national interest to penalise poor performance in some part of a project. This too argues for evaluating the contribution of aid projects against high level strategic benchmarks more than more specific tactical ones.<sup>64</sup>

4.40 Similarly, Ms Joy Kryiacou from ACFID cautioned that 'depending on what they are focused on and how they are measured sometimes benchmarks can pose a threat to effective development':

[W]e want to make sure that benchmarks do not reduce innovative approaches and that they do not lead to over-compliance and red tape.

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61 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Opening address – 2014 Australasian Aid and International Development Policy workshop', 14 February 2014.

62 *Submission 17*, pp 5-6.

63 For example, Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 13.

64 *Submission 62*, p. 6.

Sometimes in other contexts we note that benchmarks can lead agencies to invest only in those activities that can be easily measured, such as vaccinations, and not necessarily in programs that might drive more transformational change, such as women's leadership initiatives.<sup>65</sup>

4.41 The Development Policy Centre noted that the previous government's Comprehensive Aid Policy Framework incorporated 'the kind of benchmarks or "hurdles"' previously recommended by the Independent Review:

First-tier results related to overall development progress in partner countries, second-tier results captured the specific contribution of Australia's aid effort and third-tier results related to aid management measures. First-tier results were to be monitored but no accountabilities applied. Second- and third-tier results constituted Australian government commitments for which the government accepted accountability. This approach broadly reflected best practice among international development agencies, particularly the multilateral development banks.<sup>66</sup>

4.42 However, the Development Policy Centre considered this framework was 'excessively oriented toward highly aggregated headline results, without a sufficient emphasis on efficiency and effectiveness at the level of country programs, specific activities and delivery partnerships'.<sup>67</sup> It made a number of suggestions for the development of performance benchmarks:

Performance benchmarks should be defined within the three-tier framework already adopted for the 2012 [Comprehensive Aid Policy Framework], and should, for a variety of reasons, give greater weight to process benchmarks vis-à-vis 'headline' policy-related or 'results' benchmarks, with an emphasis on the consistent and demonstrated application of key aid management systems. Benchmark assumptions and data should be reported in detail, for both targets and performance against targets. Performance benchmarks should be used for redistributive purposes, not to determine aggregate aid levels.<sup>68</sup>

4.43 Australia is a signatory to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which focus on improving the quality of aid, the coordination of donor efforts and aligning donor programs with recipient government priorities.<sup>69</sup> In this context, Oxfam Australia recommended that performance benchmarks for Australia's aid program should be based on internationally agreed aid-effectiveness principles and applied consistently. Ms Jo Pride from Oxfam Australia stated:

I think the critical point is to ensure that, whichever department is delivering aid, we are holding ourselves to a consistent standard about aid

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65 *Committee Hansard*, 21 February 2014, p. 26.

66 *Submission 67*, p. 35.

67 *Submission 67*, p. 35.

68 *Submission 67*, p. 39.

69 *Independent Review*, p. 5.

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effectiveness. If we are looking at benchmarks for what it is that the Australian aid program does through DFAT, then those same benchmarks should be applied to the other departments that are spending aid as well.<sup>70</sup>

4.44 Others argued that, to be useful, the proposed benchmarks must be directly linked to the objectives of Australia's aid program. For example, the United Nations Association of Australia urged:

In developing benchmarks, the Government must make clear what its overriding goal is, and it must be more than advancing Australia's interests. To date, there has been little mention of poverty in discussion about the new direction of Australia's aid program and much mention of aid for trade and economic diplomacy.<sup>71</sup>

## **Committee view**

### ***Specialist staff and skills***

4.45 The committee was encouraged by the number of witnesses and submissions who identified opportunities to improve Australia's aid program through the integration of AusAID into DFAT. However, there is clearly a risk that DFAT, through the integration process, will lose key skills, procedures and specialist staff needed to effectively administer Australia's aid program. The committee is gratified that DFAT appears to be taking steps through the integration process to manage this risk. Nonetheless, the committee considers that an independent audit/review of DFAT's capabilities should be undertaken following the conclusion of the integration process to ensure the aid program continues to be delivered effectively.

## **Recommendation 18**

**4.46 The committee recommends that the Australian National Audit Office undertake a review of the Department of the Foreign Affairs and Trade to ensure it has retained and maintained the key skills, processes and specialist staff necessary to effectively administer Australia's aid program.**

### ***New responsibilities***

4.47 During the inquiry recommendations were made for the name of the department to be changed to reflect its additional responsibilities for overseas aid and development assistance. For example, the Department of Foreign Affairs, International Development and Trade (DFAIDT). The committee considers this change would be beneficial to promote this new role in Australia and overseas. The committee supports the continued promotion of the 'Australian Aid' logo in all international development programs and projects funded by the Australian people.

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70 *Submission 64*, p. 21; Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 14.

71 *Submission 23*, p. 6.

## **Recommendation 19**

**4.48 The committee recommends the Australian Government consider changing the title of the Department of Foreign Affairs and Trade to reflect the importance of its overseas aid and development assistance responsibilities.**

### *Accountability and transparency*

4.49 The committee welcomes the retention of the Office of Development Effectiveness and the Independent Evaluation Committee in the accountability framework of DFAT as it integrates the functions of AusAID. The committee is also pleased to note that the Joint Committee on Foreign Affairs, Defence and Trade has established a Foreign Affairs and Aid Subcommittee. This was previously a recommendation of the committee in its report on official development programs in Afghanistan.<sup>72</sup>

4.50 The resources for the aid program are contributed by the Australian community. They have a right to know how and where aid funding is expended and what outcomes have been achieved. As far as possible, information about Australia's aid program should be made publicly accessible in a timely manner. In this context, the committee considers that DFAT should recommit to the Transparency Charter and continue to work to increase the volume of information publicly available regarding Australia's aid program.

## **Recommendation 20**

**4.51 The committee recommends that the Department of Foreign Affairs and Trade recommit to the Transparency Charter and continue to increase the amount of publicly available information regarding Australia's aid program.**

### *Aid effectiveness and benchmarking*

4.52 The creation of benchmarks for Australia's aid program was supported by the vast majority of those who contributed to the inquiry. The committee also considers that appropriate benchmarks have the potential to improve the effectiveness of Australia's overseas aid. However, a number of concerns were also raised during the inquiry which highlighted that, in some circumstances, benchmarks could act to reduce the effectiveness of aid. In the view of the committee it is vital that any benchmarks for aid are applied consistently across all government agencies which provide overseas aid and are consistent with OECD DAC guidelines for ODA. The committee urges Senator Mason to continue his close consultation with the aid sector in the development of the proposed benchmarks.

## **Recommendation 21**

**4.53 The committee recommends that the Australian Government develop aid benchmarks which can be applied consistently to all agencies which provide**

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72 Senate Foreign Affairs, Defence and Trade References Committee, *Australia's overseas development programs in Afghanistan*, May 2013, p. 235.

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**official development assistance.**

**Recommendation 22**

**4.54 The committee recommends the Australian Government continue to consult closely with aid sector stakeholders in the development and implementation of aid benchmarks.**

