



Australian Government

AusAID

Office of Development Effectiveness

ANNUAL REVIEW OF DEVELOPMENT EFFECTIVENESS 2007

KEY FINDINGS

The inaugural review of the effectiveness of Australian aid was produced by the Office of Development Effectiveness, an AusAID-based unit that is independent from program management. The review is designed to be an annual health check of Australian government overseas aid.

Context

- > Strong growth in the Asia-Pacific region has led to dramatic reductions in poverty. But progress has been less marked in the Pacific. Low growth and fast-growing populations have led to an increase in poverty and a decline in several key social indicators.
- > Australia's aid program in 2006-07 was just under \$3 billion. Around 30 per cent went to Papua New Guinea and the Pacific, a similar amount went to East Asia, and around 15 per cent went to South Asia, Africa, Middle East and Central Asia.
- > Australia provides more aid to fragile states as a proportion of its program than any other donor. Yet fragile states are where it is hardest to reduce poverty because governance and capacity are weak and there are significant risks of conflict.

The effectiveness of Australian aid

- > Australian aid activities are well managed and achieving some good results, with more than three quarters on-track to achieve their objectives in 2006-07. Independent reports confirm a wide range of achievements, from better budgeting to stronger service delivery in infrastructure, health and education. However, it is difficult to demonstrate the links between well-managed activities and better outcomes for the poor. To help measure the outcomes of Australian aid activities, the quality of monitoring and evaluation needs to be improved.
- > Country programs exhibited strong management, were responsive and had established good links with partner governments. Australian aid is becoming more

consistent with partner government policies and is more aligned with the efforts of other donors. But it can be hard to detect whether programs are on track to meet their strategic objectives. In part this is due to the poor definition of objectives and, on occasion, weak commitment to change in partner governments.

Strengthening effectiveness

- > Five opportunities to strengthen aid effectiveness are identified in the review:
 - *Fragile states* – successes in establishing security and financial stability contrast with difficulties in health, youth employment and political stability. Success requires sustained engagement, awareness of local social and political systems and more realism about what can be achieved.
 - *Reform in the larger economies of Asia* – Australia's capacity to contribute to improvements is governed by its ability to work effectively with partner governments and other donors.
 - *Technical assistance* – generates good results, but high levels can be problematic in fragile states where it may undermine local ownership and initiative and bypass local systems.
 - *Performance orientation* – can be further strengthened by helping to improve partner government systems and establishing a consistent approach across all Australian government agencies.
 - *Reducing gender inequality* – requires a clear assessment of the potential impediments to change, both within partner countries and within the Australian program itself.
- > The Office of Development Effectiveness will commence in-depth evaluations around these opportunities during 2007-08. Results will be reported in future annual reviews of development effectiveness.