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## Executive Summary

### Background

**This is the first Australian aid stakeholder survey.** Its purpose is to obtain feedback on the effectiveness of the Australian aid program and provide suggestions for improvement.

**Australian aid is delivered through a complex set of partnerships. The views of those familiar with and involved in its delivery should be heeded.** Australian aid is delivered by NGOs, development contractor companies, multilateral organizations, consultants, universities, various Australian government departments and the governments of the countries Australia gives aid to. We rarely hear from these aid insiders and others who take an interest in aid. Yet they are the best informed, and the most aware of both the strengths and weaknesses of Australian aid. They have unique insights to offer on questions that are otherwise difficult to answer: just how effective is Australian aid, and what can be done to improve it?

**Altogether, 356 respondents participated in the survey.** This included 68 pre-selected Australian NGO senior executives, 37 pre-selected development contractor senior executives and 251 self-selected individuals. The latter group are a mix of NGO, government, multilateral and development contractor employees, academics and consultants.

**Our findings in relation to the first two groups – Australian NGO and development contractor senior executives – are the most accurate.** We targeted the CEO and a second senior executive of the 25 development contractors and 43 Australian NGOs that work most closely with the Australian aid program. We also targeted the CEOs of a randomly selected group of 30 smaller NGOs. We achieved solid response rates of 84% for development contractors and 65% for NGOs.

**Self-selected participants do not represent other groups of stakeholders as accurately, but their views are still of interest.** It was not possible to draw sampling frames for other stakeholder groups, such as multilateral and government officials or academics and consultants involved in the aid program. Instead, a second phase of the survey was run, in which all stakeholders were invited to self-select. 251 responded. A self-selected sample is never going to be as accurate as a scientifically sampled one. But the large number of responses we received are still of great value. On a large number of areas, there was a good deal of consensus across all groups.

**This is a survey of experts. Participants are a diverse and knowledgeable group.** Three-quarters have worked in the field of development for five years or more, and think they have a strong or very strong knowledge of the aid program.

**Participants are sympathetic to and engaged with aid.** Most are aid supporters: nearly all think aid should increase relative to Gross National Income. 80% are engaged with some part of the Australian aid program themselves.

**The survey asked respondents a range of questions.** Some related to the aid program as a whole, some to its then manager, AusAID, some to the respondent's own aid engagement.

**The survey has a particular focus on aid effectiveness.** The survey asked questions about 17 aid challenges or attributes identified by the 2011 *Independent Review of Aid Effectiveness*. The presence of these attributes is required for effective aid delivery and/or to build public support for aid. The attributes can be divided into four categories: those needed to ensure a strong performance feedback loop; those required to manage the knowledge burden of aid; those that help limit excessive discretion in aid program decision making; and those that will build public support for aid.

**There are very few stakeholder surveys of bilateral aid programs, and none with a focus on aid effectiveness.** Such surveys have become more popular in relation to multilateral agencies, but there are very few examples in relation to bilateral ones. Given the difficulties of measuring aid effectiveness, this is surprising. Reviews of Australian aid rely heavily on consultations with stakeholders through submissions and meetings, but this process is both ad hoc and infrequent. There have only been three aid reviews in the last 27 years (1986, 1997, 2011).

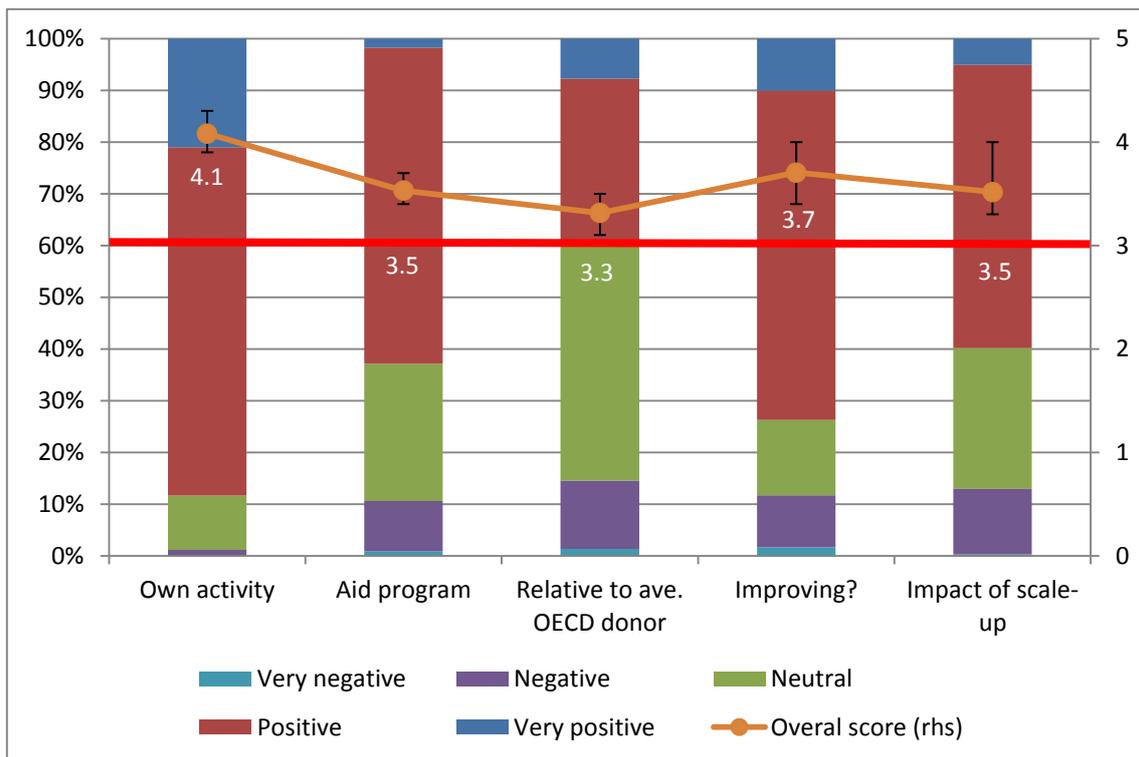
**The survey comes at an important time.** The survey was conducted online under a guarantee of anonymity from June 17 to the end of August 2013. It is timely for the aid program with the abolition of AusAID, and the reorganization of the way the aid program is being delivered. Although we did not ask about organizational structure in this survey, a number of the responses are very relevant both to fundamental questions about the purpose of aid and to the perennial challenges around aid effectiveness, which will have to be addressed no matter what the chosen organizational form.

### **Key findings**

**There is more that unites than divides the aid community.** On some issues, different groups hold very different views. For example, each stakeholder group tends to think that more reliance should be placed on that group for the delivery of aid. On some issues, groups are internally divided. For example, there seems to be little consensus on whether aid to Africa should be increased or reduced. But issues that divide are more the exception than the rule. On many issues, there is a clear majority position within and across stakeholder groups or, more generally, a clear message from stakeholders as a whole. We focus on these issues in this summary of results.

**The aid program is good and improving.** A range of questions were asked in relation to aid effectiveness. These are summarized in the figure on the next page, which shows the answers for all respondents. The columns show the proportion giving each response, while the line bar summarizes the responses to give a single average or overall score. This is out of 5, where 3 can be thought of as a bare pass.

## Views of all respondents on a range of effectiveness questions



Notes: Each column refers to a different question asked about views on aid effectiveness. The first asked about the effectiveness of the respondent's own aid activity; the second asked about the effectiveness of the aid program as a whole; the third asked about the effectiveness of Australian aid relative to the average donor; the fourth asked whether the effectiveness of Australian aid was improving; the fifth asked whether the scale-up in Australian aid had improved effectiveness. While different response sets were used for some of these questions, they all required answers on an (implicit) five-point scale, from very negative (e.g. very ineffective) to very positive (e.g. very effective). The columns show the proportion that responded in each category. The line graph shows the overall score, where a very negative response is given a scale of 1, a negative response 2, neutral 3, positive 4 and very positive 5. On this scale, 3 (marked by the red line) is regarded as a bare pass. The error bars show the range of responses from different stakeholder groups, defined as per Table 1: NGO executives; development contractor executives; NGOs (self-selected); contractors (self-selected) and consultants; academics; developing country government and multilateral agency officials; Australian government officials.

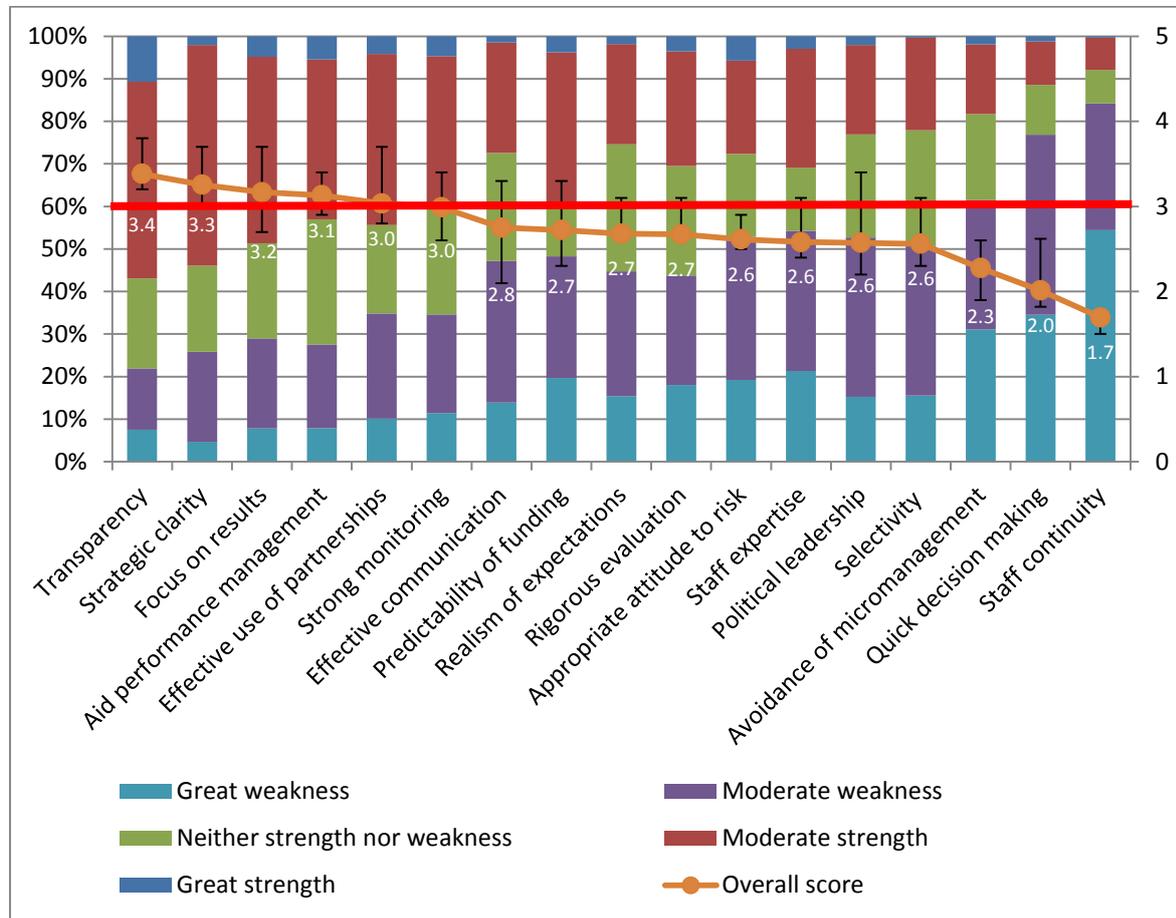
**Participants were generally positive both about the effectiveness of their own aid activity and, to a lesser extent, the aid program as a whole.** Most thought Australian aid effectiveness was improving, and that the scale-up in aid (the large increase in the aid budget over the last decade) has improved rather than worsened aid effectiveness. They thought Australia was as good as or better than the average OECD donor. Participants were generally positive about the sectoral focus of the aid program, and its focus on the Asia-Pacific region.

**But there is an unfinished aid reform agenda.** Participants scored the design of the (previous) government's aid strategy significantly higher than they did its implementation, which overall scored just better than a bare pass.

**There were weaknesses across the four categories of 17 aid challenges or attributes covered by the survey.** The average score for the attributes in each of the four categories was below 3. The average score for the 17 attributes was 2.7. The highest overall score for

any single attribute was only 3.4. As the figure below shows, only six of the attributes scored above 3. Only two attributes – transparency and strategic clarity – were identified as strengths of the aid program by more than half of the stakeholders.

**Views of all respondents on the 17 aid challenges**



Notes: This graph summarizes the answers of all respondents to questions regarding the 17 aid challenges or attributes. The columns show the proportion answering in different categories; the line graph shows the overall scores (see the notes to Figure 1 for more detail). The error bars around the line graph show the range of overall scores for different stakeholder groups (again, see the notes to Figure 1 for more detail).

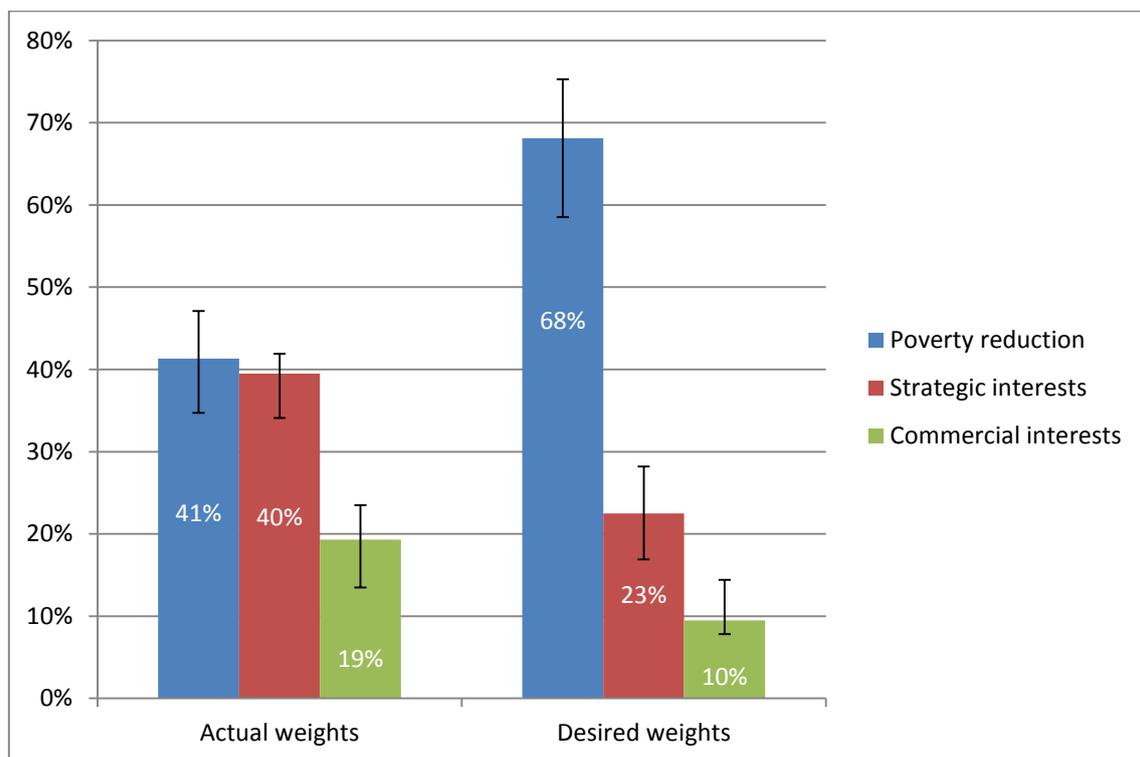
**High staff turnover is identified as far and away the most serious weakness.** Rapid rotation of staff between different positions undermines the consistency of effort and accumulation of expertise required to deliver effective aid. It was seen as the greatest weakness among the 17 attributes by all stakeholder groups. More than half the respondents rated it as not just a moderate, but a great weakness. Of those who had an AusAID manager for their own activity, more than half said that manager had been in place for less than a year, and one-third said that the manager was not in place long enough to be effective.

**Slow decision making emerged as the second most serious aid effectiveness weakness.** This was highlighted as a problem both for the aid program as a whole and for the individual aid activities with which respondents are engaged. Most participants also said that the transaction costs of engaging with AusAID were on the rise.

**There are several other areas of weakness as well.** 11 of the 17 attributes received a score below 3, and seven were regarded by at least half of all respondents as a weakness. In addition to the two already mentioned, the other five were drawn from all four categories of attributes. They were: avoidance of micromanagement; selectivity; political leadership; staff expertise; and appropriate attitude to risk.

**Stakeholders perceive that the national interest is already given significant weight as an aid objective.** Respondents were asked to assign weights adding to 100 for three different possible aid objectives: advancing strategic interests; advancing commercial interests; and reducing poverty. Surprisingly, across all groups, stakeholders thought the aid program gave more weight to the national interest (the strategic and commercial objectives combined) than the poverty reduction or development objective. While they recognise that the national interest will always carry significant weight in the aid program, they would like to see the poverty reduction or development objective accorded greater weight, in fact, much more weight than the national interest. The figure below illustrates.

**Views of all respondents on how important different objectives are for the aid program, and how important they should be**



*Notes: Respondents were asked to say what weight these three objectives actually have in the Australian aid program, and what weight they should have, where, in both cases, the weights should add to 100. The columns show the results averaged across all respondents, and the error bars show the range of averages for different stakeholder groups (as defined in the notes to Figure 1).*

**Implications and conclusion**

**The richness of results from the survey suggests its worth.** The results of the survey are interesting: many could not be predicted. They provide an opportunity for stakeholders to

take the initiative, and to make their concerns heard. They offer an insight into fundamental challenges to aid effectiveness too often glossed over in academic and policy discussions.

**The community of aid stakeholders has a lot in common, and needs to do more to make its voice heard.** Aid stakeholders rarely if ever convene as a single group. The separate “tribes” of NGOs, contractors, etc. generally keep to themselves. But the survey shows that there is in fact more that unites than divides these different groups. One of the results of the survey is that more than half of the aid community expected a far worse outcome in terms of aid volumes under the Coalition than under Labor. Despite this, Coalition leaders were never asked about their aid plans, which weren’t revealed until two days before the elections. Nor did Labor release an aid policy prior to the elections. Aid needs to become a serious policy issue, on which parties are expected to have positions going into elections.

**A succinct summary of stakeholder views would be that the aid program is good but very improvable.** The 2011 Independent Aid Review summarized the Australian aid program as “improvable but good.” (p. 5) The verdict of the stakeholders is that the aid program is good but very improvable: reforms are needed in a wide range of areas.

**The current time is one of great uncertainty for aid, and there are real risks to aid effectiveness.** The combination of large budget cuts (\$656 million this year), staff cuts, the merger of AusAID and DFAT and the reorientation of the aid program away from its old strategy to new directions outlined (though only at a high level) by the new government brings not only significant uncertainty, but also risks to aid effectiveness. Gains made in some aid effectiveness areas, such as transparency and strategic clarity, may be lost. Reform momentum may stall. And pre-existing weaknesses identified by the survey, such as staff turnover and slow decision making, may well worsen.

**But there are also new opportunities for improving aid effectiveness.** The Foreign Minister has emphasized that she wants to take the aid effectiveness agenda forward. The Coalition government’s overall emphasis on deregulation is consistent with the message from aid stakeholders that transaction costs need to be reduced. Stakeholders are sympathetic to the government’s desire to give economic growth more weight within the aid portfolio.

**Whatever organizational structure is put around aid delivery, specialized and accountable implementation capacity should be maintained.** While the weaknesses and reforms identified by the survey do not themselves imply what the appropriate organizational structure to deliver aid is, they do speak to the need to recognize aid as a complex specialized activity that is difficult to implement well. The current weaknesses and required reforms speak to the need for a greater focus not only on specialization, but also accountability.

**Corporate reform is key, but the challenges go beyond that.** Recommendation 31 of the 2011 Aid Review highlighted the importance of corporate reform to improve aid productivity, “especially by reducing staff turnover, streamlining business processes, and reducing paperwork.” The survey results suggest that this remains a priority, and that progress has so far been limited at best. But solving the problems that afflict Australian aid extends beyond corporate reform. Australian aid has enjoyed a reputation in the past for pragmatism and flexibility. The low score given to timely decision making and the verdict that transaction costs are rising suggest that the aid program may now be over-regulated

and overly risk averse. Timely decision making has probably also suffered as a result of recent, and ongoing, budget cuts. Likewise, the surprising prominence of staff turnover in aid stakeholders' list of complaints may be due to the rapid recruitment of staff in recent years, and the fragmentation of the aid program. Consolidation of the aid program, and stable funding, would assist both staff and program continuity.

**Aid reform efforts need to be redoubled.** This is the key message of this survey. Clearly, respondents feel that the aid effectiveness agenda put in place in response to the 2011 Aid Review has not been sufficiently followed through on. The perceived weaknesses of the aid program are not limited to one particular area, but are spread across all four categories of challenges identified. The new government has both an opportunity and the responsibility to drive a new push on aid effectiveness. It cannot be satisfactory to have more aid attributes regarded by stakeholders as weaknesses than strengths.

**Improving aid effectiveness will be far more challenging than better aligning aid with the national interest.** The survey results suggest that aid and the national interest are already well aligned. If we take these results seriously, then the focus should be squarely on aid effectiveness.

**Aid program benchmarks should be focused on the aid program attributes identified by this survey.** The new government has rightly stressed the importance of benchmarks for the aid program. Given the difficulties of measuring aggregate aid effectiveness, the importance of good aid processes for effectiveness, and the significant corporate weaknesses that this survey has uncovered, there is a good case for benchmarks on key aid effectiveness indicators, such as selectivity and staff turnover.

**It would be worth repeating this survey.** This survey sets a baseline. It gets at challenges and weaknesses that would otherwise be very difficult to get data on. Especially given the great changes currently underway in Australian aid, it should be repeated, say in two years' time, to see whether we are heading in the right direction or going backward when it comes to aid effectiveness.

## 1. Introduction

**This is the first stakeholder survey of the Australian aid program.** Those interested and active in the aid program can make their views known by submissions to aid reviews, but these are few and far between (1986, 1997, 2011). There has never been a systematic effort to ask stakeholders for their views of the Australian aid program.

**The survey comes at an important time.** The survey was conducted online under a guarantee of anonymity from June 17 to the end of August 2013. It is timely with the abolition of AusAID, and uncertainty about what direction the aid program will take. The survey offers a verdict on the effectiveness of Australian aid as of mid-2013; it also offers some clear guidance for the new Coalition government. Although we didn't ask about organizational structure in this survey, a number of the responses are very relevant at the current time both to the fundamental questions about the purpose of aid that are currently being debated and to the perennial challenges around aid effectiveness that will have to be addressed no matter what the chosen organizational form for aid delivery.

**Aid effectiveness is very difficult to measure.** Despite the current and commendable passion for measuring results, the overall results of an aid program are very difficult to measure, and its aggregate effectiveness harder still. Establishing a counterfactual, attributing an aid contribution and aggregating impacts over different aspects of the aid program, from governance programs to disaster relief, are extremely difficult if not impossible tasks.<sup>1</sup>

**Unique insights can be obtained by asking those most familiar with the aid program for their views.** One way to assess aid effectiveness and develop reform proposals is simply to ask those who are familiar with the aid program what they think. Formal reviews rely heavily on expert opinion (through submissions and hearings) but these are ad hoc and infrequent.

**Aid is delivered through a complex set of partnerships.** Australian aid is delivered by non-government organizations (NGOs), development contractor companies, multilateral organizations, consultants, universities, various Australian government departments, and the governments of the countries that Australia aids. AusAID (the Australian Agency for International Development), or now DFAT (the Department for Foreign Affairs and Trade), is the main source of funds, but does little implementation itself.

**Perceptions surveys are particularly important for aid given its deep insider-outsider divide.** Aid insiders, those embedded in, or at least familiar with, this complex set of partnerships, are very knowledgeable about aid, but tend to keep quiet about problems. Aid outsiders, even if interested, lack the information base needed to reach sound judgements and offer good advice. Given this, to get good advice on aid challenges and reform, we need to find a way to provide aid experts and practitioners with a voice. That is exactly the objective of this survey.

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<sup>1</sup> Much of what aid tries to achieve in terms of governance or policy reform is very difficult to observe. And even more straightforward interventions in the social sectors may not demonstrate success or failure until many years have passed.

**There are limitations to a perceptions-based approach.** First, as with any perceptions survey, just because someone says that something is the case does not make it so. Second, those engaged with the aid program have their own vested interests.

**These are issues to be aware of rather than fatal flaws.** For many of the issues that really determine aid effectiveness there is no better source than the judgement of experts. And by asking different types of stakeholders, we can work out which views are held by just one group and which are more widely held.

**Perceptions surveys are becoming increasingly popular ways to hold governments to account.** There are many examples of independent research and citizens' groups trying to hold government to account through survey instruments, many of them aid funded, as part of "social accountability" strategies. The [citizens' report card](#) initiative, which began in Bangalore, India, and has spread throughout the developing world, is probably the best known example. These report cards aim "to provide public agencies with systematic feedback from users of public services."<sup>2</sup> This is our report card on the Australian aid program.

**Perceptions surveys are now regularly used to assess the effectiveness of multilateral aid agencies.** For example, The Global Fund has in the past [commissioned research](#) to "solicit feedback on the organization's reputation, performance, strengths and weaknesses." The Asian Development Bank (ADB) also commissions a triennial [stakeholder perceptions survey](#).

**MOPAN, the Multilateral Organization Performance Assessment Network, also uses surveys.** MOPAN undertakes regular assessments of the organizational effectiveness of major multilateral organizations. To do this, it surveys a mix of clients, donors in-country and donors at HQ.

**There are few examples of stakeholder surveys of bilateral agencies.** In 2012, the William and Mary College [conducted a stakeholder survey](#) [pdf] of one of the US aid agencies, the Millennium Challenge Corporation, which focused on whether MCC aid really provided the intended incentive for reform. In 2008, the UK Department for International Development (DFID) commissioned an independent [stakeholder survey](#). We are not aware of any other stakeholder survey in relation to a bilateral aid program.<sup>3</sup>

**What makes the Australian aid stakeholder survey unique is its focus on effectiveness, and its link to the specific aid effectiveness challenges facing Australian aid.** Other surveys tend to ask very general questions. For example, the Asian Development Bank (ADB) perceptions survey asks whether ADB is perceived to be "flexible" or "bureaucratic." Our survey drills down into the drivers of aid effectiveness, from the perspective of an aid donor, and in relation to a number of much more concrete challenges facing the Australian aid program, as identified in the *2011 Independent Review of Aid Effectiveness*.

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<sup>2</sup> <http://www.citizenreportcard.com/>

<sup>3</sup> In Australia, the Australian National Audit Office's (ANAO) 2009 audit into AusAID's management of the aid program included a staff survey. Some of the results can be found in the ANAO report. Sweden's international development agency invited academics, including Nobel Prize winner Elinor Ostrom, inside its organization to observe and analyze. The result was the 2005 aid classic *The Samaritan's Dilemma: the political economy of development aid* by C.C. Gibson et al, OUP.

## 2. Survey method

**The survey was conducted in two phases.** In the first, which ran from June 17 to the end of August 2013, questionnaires were sent to 148 senior managers from the development contractor and Australian NGO communities.

**NGOs were divided into two groups.** The NGOs that have most to do with the aid programs are the 43 “ANCP” NGOs. The Australian NGO Cooperation Program (ANCP) is a scheme whereby the Australian government supports established development NGOs.<sup>4</sup> We tried to identify both the senior-most manager (CEO or equivalent) and their deputy most actively engaged with the aid program. We could not always identify a second-in-charge, and ended up sending questionnaires to 73 NGO senior executives. To cover smaller NGOs, 30 were selected randomly from a list of all Australian Council for International Development (ACFID) members who do not participate in the ANCP. ACFID is the peak body for Australian development NGOs. The list of ANCP NGOs is also given in Annex 1. The list of ACFID-member NGOs can be found on the ACFID [membership website](#).<sup>5</sup>

**All development contractors who are members of International Development Contractors (IDC Australia) were also selected.** In addition, a number of contractors who were listed as major contractors to the Australian aid program in a [recent news.com.au article](#), but who are not IDC members, were also selected. The complete list of the 25 selected contractor organizations is given in Annex 1.<sup>6</sup> Because this small number of contractors manages a large amount of Australian aid, we also sent questionnaires wherever possible to both the senior-most manager (CEO or equivalent) and his/her deputy most actively engaged with the aid program. A total of 44 development contractor senior executives were identified and invited to participate.

**The overall response rate was high, especially by comparison with other stakeholder surveys.** The response rate was 66% for ANCP NGOs, 65% for the small (non-ANCP) NGOs, and 84% for development contractors.<sup>7</sup> In all, 68 development NGO executives and 37 development contractor executives responded in Phase I.

**We were unable to identify a sampling frame for other stakeholders so we invited participants to self-select.** In Phase II, which ran from July 17 to the end of August 2013, a further 251 participants responded to our survey. As Table 1 shows, this included: another 69 NGO staff, another 25 development contractor staff, 26 consultants, 38 academics, 55

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<sup>4</sup> Two large development NGOs are not ANCP or ACFID members: Doctors without Borders and Compassion. They were not surveyed.

<sup>5</sup> Smaller NGOs (approximately 90) outweigh the number of ANCP registered NGOs (43). But they receive a much smaller amount of funding, and are much less closely engaged with the aid program. Hence the decision to survey only a sample of them.

<sup>6</sup> In one case (Burnett), an ANCP NGO, was also a member of IDC Australia. It was designated to be an NGO.

<sup>7</sup> Given these response rates, the ratio of non-ANCP: ANCP NGOs was as per the design, with non-ANCP responses accounting for about 40% of the total NGO responses. So, replacement non-ANCP NGOs were not sought, except in four cases where those originally targeted requested that they not be included in the survey at all.

Australian government staff (national, state or local), 15 multilateral staff and 9 government officials from developing countries.<sup>8</sup>

**Table 1: Survey respondents**

<b>Phase I (pre-selected)</b>	<b>Target</b>	<b>Responses</b>	<b>Response rate</b>
ANCP NGO executives	73	48	66%
Non ANCP NGO executives	31	20	65%
<b>Total NGO executives</b>	<b>104</b>	<b>68</b>	<b>65%</b>
<b>Development contractor executives</b>	<b>44</b>	<b>37</b>	<b>84%</b>
<b>Total</b>	<b>148</b>	<b>105</b>	<b>71%</b>

<b>Phase II (self-selected)</b>	<b>Responses</b>	<b>Proportion</b>
<b>Academics</b>	<b>38</b>	<b>15%</b>
<b>Australian government</b>	<b>55</b>	<b>22%</b>
<b>Contractors and consultants</b>	<b>51</b>	<b>20%</b>
Development Contractor	25	10%
Consultant	26	10%
<b>Multilateral and developing country government</b>	<b>24</b>	<b>10%</b>
Developing country government	9	4%
Multilateral or regional organization	15	6%
<b>NGOs</b>	<b>70</b>	<b>28%</b>
Other	13	5%
<b>Total</b>	<b>251</b>	<b>100%</b>

<b>Summary</b>	<b>Responses</b>	<b>Proportion</b>
NGO executives (Phase I)	68	19%
Development contractor executives (Phase I)	37	10%
Phase II (Self-selected)	251	71%
<b>Grand total</b>	<b>356</b>	<b>100%</b>

*Note: The category of 'other' includes one respondent (the only one) who did not provide an answer to this question. The categories in bold are the ones used in the analysis of this report.*

**In the reporting that follows, we often divide stakeholders into three groups: NGO executives, development contractor executives and self-selected.** A large number of the self-selected respondents (95 out of 250) were also from NGOs and development contractors. When we present the results by these three groups, the NGO and development contractor executive results are based only on the first phase (scientifically sampled) responses. NGO and contractor responses in the second phases are included in the self-selected results.

<sup>8</sup> AusAID declined to be part of the first phase. It is possible that some AusAID staff responded in the second phase, in which case they would be included as Australian government officials.

**The self-selected group can also be broken down further.** This disaggregation is provided in the tables in Annex 2. The breakdown we use for Phase II responses is: academics; Australian government; contractors and consultants; multilateral and developing country government; and NGOs (see Table 1).

**Results are most accurate for the scientifically sampled NGO and contractor stakeholder groups.** A scientifically selected sample will always be more representative than a self-selected one. However, in many cases, we find that views are quite similar across the different stakeholder groups. Certainly, it is still of great value to have and analyze views from the additional 250 stakeholders, which is why we report results for all three groups.

**The stakeholders surveyed are mainly Australian residents.** 86% of the sample is resident in Australia. This is both a strength and a weakness. Respondents from partner countries have important perspectives on how Australian aid works on the ground. But those living in Australia probably have a better understanding of the actual Australian aid system and processes.

**The survey is one of well-informed stakeholders active in the aid program.** 99% of respondents said that they had at least an average knowledge of the Australian aid program, and 80% rated their knowledge as strong. 95% of NGO executives and 91% of contractor executives said that they are engaged in an activity funded by the Australian aid program. For Phase II respondents, the number is lower at 75%, still the great majority. These are the people the Australian government asks to deliver the aid program. We should be interested in their views.

**Most questions required participants to choose a response, typically on an implicit scale of 1 to 5. 3 is a bare pass.** For example, when asked to rate the effectiveness of the aid program, participants could respond that they thought it was very ineffective, ineffective, effective or very effective, or they could respond with a neutral position, in this case, that it was neither effective nor ineffective. All questions also allowed responses of “don’t know” or “don’t want to answer”. Most respondents answered most questions, and few used the “don’t know” or “don’t want to answer” options. (Details on how many answered each question are in Annex 2.) For these five-scale questions, we derive an average or “overall score” using an index from 1 to 5, where 1 corresponds to the response indicating the lowest satisfaction and 5 the highest. For this overall score, 3 can be thought of as “a bare pass” or “50-50.” Anything above 3 is better than a pass, and anything below 3 a fail. For the major stakeholder groups, most scores were in the range 2 to 4, but there were a few scores above 4, and one case below 2.

**Confidence intervals are small for all respondents, and moderate for individual stakeholder groups.** For all respondents, unadjusted confidence intervals on overall scores are on average around +/- 4%, and for NGO and contractor executives +/- 11-12%. Confidence intervals for the latter two groups would be significantly smaller if finite population correction factors were used, but we lack the population data to make such corrections.<sup>9</sup> T-tests comparing sample means for the NGO executives, contractor executives and self-selected group are shown in the tables in Annex 2, along with median values, distributions, standard deviations and confidence intervals.

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<sup>9</sup> This is because the sample size is a large fraction of the population concerned.

### 3. Survey questions

The survey questions covered six areas. The [survey instrument](#) is attached as Annex 3.

1. **Basic questions about respondents:** age, seniority, experience, etc.
2. **Questions about the effectiveness of Australian aid:** whether the aid program is effective; whether it is becoming more effective; how Australia compares to other OECD donors; what the impact of scaling-up on effectiveness has been; how the aid program and AusAID, as (then) the manager of the aid program, rate on a number of attributes important for aid effectiveness (discussed further below); how appropriate the government's aid strategy is, and how effective the implementation of that strategy has been.
3. **Questions about the objectives of Australian aid:** whether the current objective is clear and satisfactory; how much weight national and commercial interests have and should have in the aid program.
4. **Questions about the sectoral and geographical focus, and modes of delivery of the aid program:** whether our aid is focused on the right geographical and sectoral areas; whether more or less aid should be delivered by different types of partners; and whether more or less aid should be provided as technical assistance.
5. **Questions relating to participants' own engagement with the aid program.** As noted, 87% of respondents across the three groups were themselves in some way engaged with the aid program. Clearly, this is the part of the aid program they know best. To take advantage of that knowledge, we had a separate set of questions for individuals with direct engagement relating to effectiveness at that level.
6. **Questions about aid volumes:** Participants were asked what they thought aid levels would reach in coming years under both Labor and the Coalition, and what they thought aid levels should reach.

**The survey has a particular focus on 17 aid attributes or challenges, which can be divided into four groups or categories.** As well as asking general questions about perceptions relating to effectiveness, respondents were also queried on their views about various attributes or challenges that are important for aid effectiveness. The 17 can be divided into four groups or categories as follows:<sup>10</sup>

1. **Enhancing the performance feedback loop** is widely agreed to be fundamental for aid effectiveness.<sup>11</sup> This is not only about improving monitoring and evaluation, running a good performance management system, and promoting transparency, but also about ensuring that aid management is actually focused on producing results and responding to feedback (to close the loop). This requires a willingness to take risks, make decisions in a timely manner and work off realistic expectations.

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<sup>10</sup> This framework draws on Howes, S. 'A framework for understanding aid effectiveness determinants, strategies and tradeoffs', forthcoming in *Asia and the Pacific Policy Studies*. An earlier (2011) version is [available](#) as Development Policy Centre Discussion Paper 1.

<sup>11</sup> Renowned aid critic William Easterly writes: "Bureaucracy works best where there is high feedback from beneficiaries, high incentives for the bureaucracy to respond to such feedback, easily observable outcomes, high probability that bureaucratic effort will translate into favorable outcomes, and competitive pressure from other bureaucracies and agencies." (p. 226) Unfortunately, "All of these conditions are unfavorable in foreign aid." (p. 226) And thus the "[a]id bureaucracy fails." (Abstract). See Easterly, W 2002, 'The cartel of good intentions: the problem of bureaucracy in foreign aid', *Journal of Policy Reform*, vol. 5, pp. 1-28.

2. **Managing the knowledge burden** of aid is also important for effectiveness as aid agencies operate in multiple countries and sectors.<sup>12</sup> Managing the high knowledge burden that this implies means hiring (or developing) specialist staff, reducing staff turnover so that staff are in position long enough to be effective, and working through effective partnerships (without micromanagement) with specialized capabilities.
3. **Limiting discretion** is an aid effectiveness challenge because there is a tendency for aid agencies to do “a little of a lot” rather than “a lot of a little.” There are no shortages of challenges that aid agencies can address through various projects, each challenge normally has its own lobby group, and there is often no rigorous calculus that can recommend one project above another. This tends to lead to aid agencies undertaking too many different types of initiatives, lowering their average level of effectiveness. Unpredictable funding, at the aggregate and project level, is another form of discretion and can also undermine aid effectiveness. The remedies are selectivity, strategic clarity, and predictable funding.
4. **Building public support** for aid is also a challenge that faces any aid program, since the beneficiaries are so distant. This requires strong political leadership, and good communication and community engagement.

**We asked about a number of specific challenges relevant to each of these four categories raised by the 2011 [Independent Review of Aid Effectiveness](#).** The government’s 2011 aid strategy ([An effective aid program for Australia: making a real difference – delivering real results](#)), set out in response to the review, aims to address the weaknesses identified by it. We included questions on 17 issues identified by the review as important for aid effectiveness. They do not constitute an exhaustive list of every issue relevant to aid effectiveness raised by the review, but they are intended to be the main ones. The review viewed most, but not all, as problem areas. To avoid any bias, we referred to these challenges throughout as ‘attributes’ and asked respondents whether they were a strength or weakness (or a great strength, or a great weakness, or neither a strength nor a weakness) for the aid program and AusAID respectively.

**The 17 challenges are listed below, in each case with a quote from the *Independent Review of Aid Effectiveness* to summarize its views on each issue in the Australian context.** The assignment of the 17 challenges to one of the four categories listed above is to some extent arbitrary. For example, being selective reduces the scope for discretion, and also reduces the knowledge burden. And political leadership is crucial not only for building public support but for aid reform. Nevertheless, this classification or grouping is a useful simplification and provides an analytical basis for the survey.

**Most of the attributes were posed as relating to the aid program, but a number were posed as relating to AusAID.** AusAID (as it was, DFAT now) manages some 80-90% of the aid program (the rest is directly appropriated to other government departments). It therefore

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12 Former USAID senior official Carol Lancaster writes: “... donors tend to know relatively little about the societies or institutions in which they are trying to bring about change. Most aid officials spend a few years in any one country. Few speak local languages ... To help bring about behavioural or institutional change in foreign environments, it is imperative that the agents of change be deeply knowledgeable about that environment.” (p. 493) See Lancaster, C 1999, ‘Aid effectiveness in Africa: the unfinished agenda,’ *Journal of African Economies*, vol. 8, pp. 487-503.

plays a critical role in managing the aid program. Some attributes clearly relate to AusAID's management rather than the aid program as a whole: the micromanagement of development partners is a good example. Assigning an issue to the aid program or to AusAID was in some cases a matter of judgement, but the attributes assigned to AusAID were those assumed to be those under the agency's control. In the end, of the 17 in total, 10 attributes were assigned to the aid program, and 7 to AusAID. The issues were presented to respondents in these two groups, and in no particular order within each group.<sup>13</sup> In the list below, an asterisk next to an issue indicates that it was asked in relation to AusAID.

**To gain additional insight, for a subset of six attributes, we asked the same question in relation to the participants' own aid activities.**<sup>14</sup> Supplementary questions that related to a number of the 17 attributes were also asked about attitudes to risk, staff turnover, the transaction costs of dealing with AusAID, and the possible role of an aid minister.

### ENHANCING THE PERFORMANCE FEEDBACK LOOP

1. **Strong monitoring:** "the self-rating of projects and country programs (known as the Quality Reporting System) is ... generally working well." (p. 75)
2. **Rigorous evaluation:** "the evaluation system ... is not working well, and requires an overhaul." (p. 297)
3. **Transparency:** "The aid program has taken significant steps to improve transparency but release of documents and data is not yet always standard practice." (p. 6)
4. **Realism of expectations:** "Sometimes the problem is that objectives are set unrealistically and so could never be achieved no matter how good the aid." (p. 67)  
"It is important that a sense of realism be maintained about what aid can achieve." (p. 286)
5. **Appropriate attitude to risk:\*** "The key to effectiveness is therefore risk management rather than risk aversion." (p.82) [There is a] need to entrench throughout the organization [AusAID] clear and well-understood systems for managing risks" (p. 269)
6. **Quick decision making:\*** "There is too much paperwork, leading to lengthy processing times." (p. 6)
7. **Strong aid program performance management and reporting:\*** "AusAID has greatly improved its performance management system in recent years." (p. 75)
8. **Focus on results:\*** "There should be a greater focus on results and reward for innovation and acceptance that in a big program some activities will fail." (p. 286)  
"AusAID has been reporting on the effectiveness of the aid program for years. At times, rhetoric has exceeded reality. But over the past five years, AusAID has invested heavily in performance management and has increased the focus on results." (p. 288)

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<sup>13</sup> To clarify, the survey asked about the 17 attributes in two groups – those relating to the aid program and those relating to AusAID – and then, as explained in the next paragraph, asked about six of the attributes in relation to respondents' own activities. The four groups or categories are used as an analytical framework for the analysis, but not to structure the questionnaire.

<sup>14</sup> The six are: monitoring, evaluation, transparency, decision making, avoidance of micromanagement and funding predictability.

## MANAGING THE KNOWLEDGE BURDEN

1. **Effective use of partnerships:** “Overall, Australia’s aid program is headed in the right direction through greater use of partnerships.” (p. 78)
2. **Staff continuity:\*** “The most consistent feedback the Review Panel received was that AusAID’s effectiveness was undermined by the rapid turnover of staff.” (p. 29)
3. **Staff expertise:\*** “The 2009 Australian National Audit Office report ... highlighted internal turnover, mixed skill levels and experience, inadequate sectoral expertise to meet demand from growing geographic programs, and shortfalls in workforce planning as critical obstacles to effective management of the aid program in the future.” (p. 269)
4. **Avoidance of micromanagement:\*** “While the Review Panel heard frequently that AusAID is often welcomed as a partner of choice, the most common complaints from AusAID’s partners were: frequent staff turnover; micromanagement; a lack of predictable funding.” (p. 182)

## LIMITING DISCRETION

1. **Strategic clarity:** “The aid program lacks a clear and comprehensive overall strategy. This risks a scattered effort and makes an assessment of effectiveness difficult.” (p. 5)
2. **Predictability of funding:** “The current budget process ... does not give enough long-term funding certainty for planning and involves too many last-minute funding decisions.” (p. 249) “Greater predictability of funding for partners is needed...” (p. 78)
3. **Selectivity and avoidance of fragmentation:** “The aid program is fragmented...Consolidation is a recurring theme of the Report. It will require a sustained effort to tighten political and bureaucratic discipline.” (p. 5)

## BUILDING PUBLIC SUPPORT

1. **Effective communication and community engagement:** “The government does not have an effective communications strategy for the aid program.” (p. 6)
2. **Political leadership:** “With the growing aid budget and greater engagement in the program from many arms of government, the leadership role of ministers, particularly the Minister of Foreign Affairs, will be indispensable.” (p. 256)

(An asterisk indicates that the question was asked in relation to AusAID, not the aid program. Page numbers refer to the 2011 *Independent Review of Aid Effectiveness*.)

We return to these aid effectiveness challenges in Section 8.

## **4. About the respondents**

**Respondents are knowledgeable about and engaged with the aid program.** Respondents have an average age of 45 years (Table 2). 52% are male, and 48% female. Almost 80% rated

their knowledge of the aid program as very strong or strong.<sup>15</sup> (Nearly all the others rated their knowledge as average.) Some 80% of respondents are directly engaged with the management or implementation of an activity or activities that are at least in part funded by the Australian aid program, either as an individual or through the organization for which they work. Three-quarters have at least five years' experience (more than half have 10 years of experience or more) in the field of international development.

Self-selected respondents are younger with an average age of 43 years, more likely to be female, and middle- rather than senior-management. Three-quarters rather than 90%+ are directly engaged with the aid program, but their self-assessed knowledge level is no lower. Nearly all the NGO and contractor executive respondents live in Australia, but three in ten of the self-selected respondents live overseas. About 80% of NGO and contractor executives have been with their current organization for two years or longer, but 40% of the self-selected group have been with their current organization for less than two years.

**Table 2: About the respondents**

	NGO executives	Contractor executives	Self-selected	All
Percentage female	43%	33%	52%	48%
Average age	50	48	43	45
% with very strong or strong knowledge of the aid program	66%	81%	82%	79%
% with 5 years or more experience in international development	84%	92%	71%	76%
% in Australia	99%	89%	70%	77%
% senior management	88%	81%	38%	53%
% at current organization for two years or more	84%	76%	61%	68%
% directly engaged with the aid program	91%	95%	75%	80%

## 5. Aid effectiveness

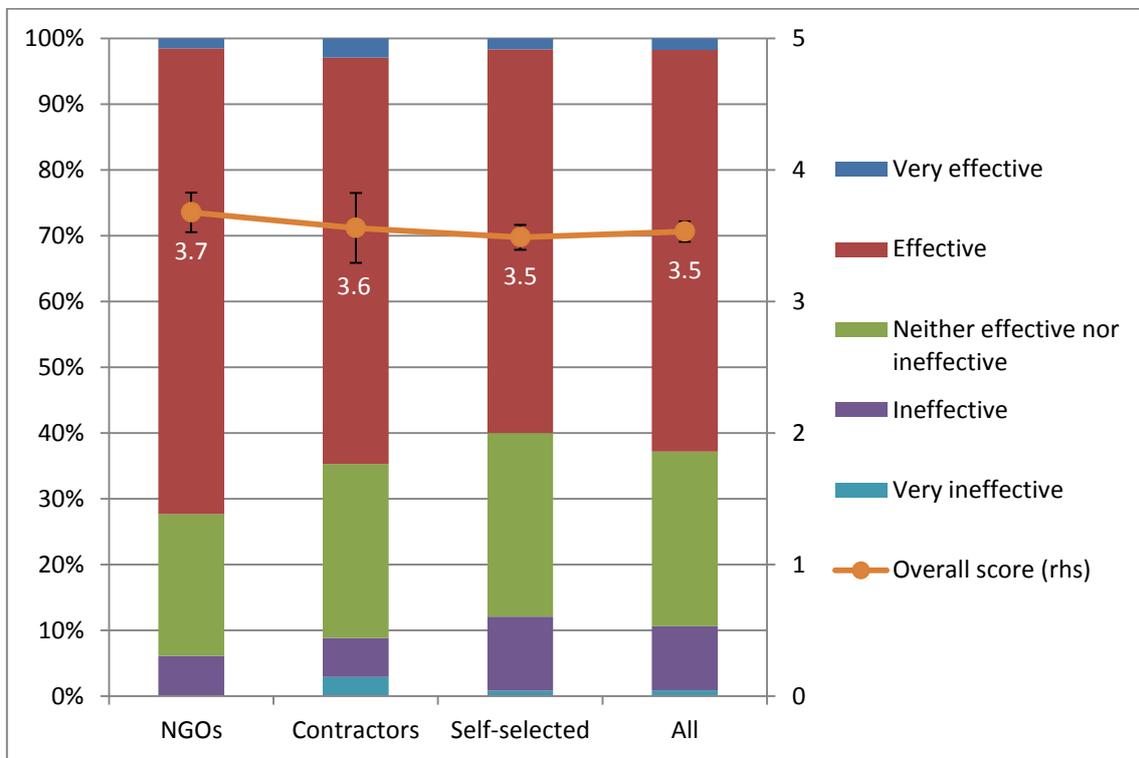
**Between 60 to 70% of respondents rate the Australian aid program as effective.** Nearly all the rest either adopt a neutral view (about 25%) or think the aid program is ineffective (5-10%). Participants stayed away from the extremes with hardly anyone rating the aid program very effective or very ineffective.

**NGO executives are slightly more positive about the aid program than development contractor executives, with the self-selected group being the most critical of all.** In general though, views are similar across the three groups. This can be seen from the line graph in Figure 1 below, which gives an average or overall score for each group, by assigning a score from 1 to 5, with 1 being the least favourable (in this case, very ineffective) and 5 the most favourable (in this case, very effective). Overall scores for different stakeholder groups are

<sup>15</sup> Non-ANCP NGOs are much less knowledgeable about the Australian aid program than ANCP NGOs. For the latter group, 77% claim strong or very strong knowledge, but for the former group this is the case for only 37%. They are also less likely to be directly engaged: 75% versus 98%.

tightly centred around 3.6, pretty much halfway between the neutral and effective response options.

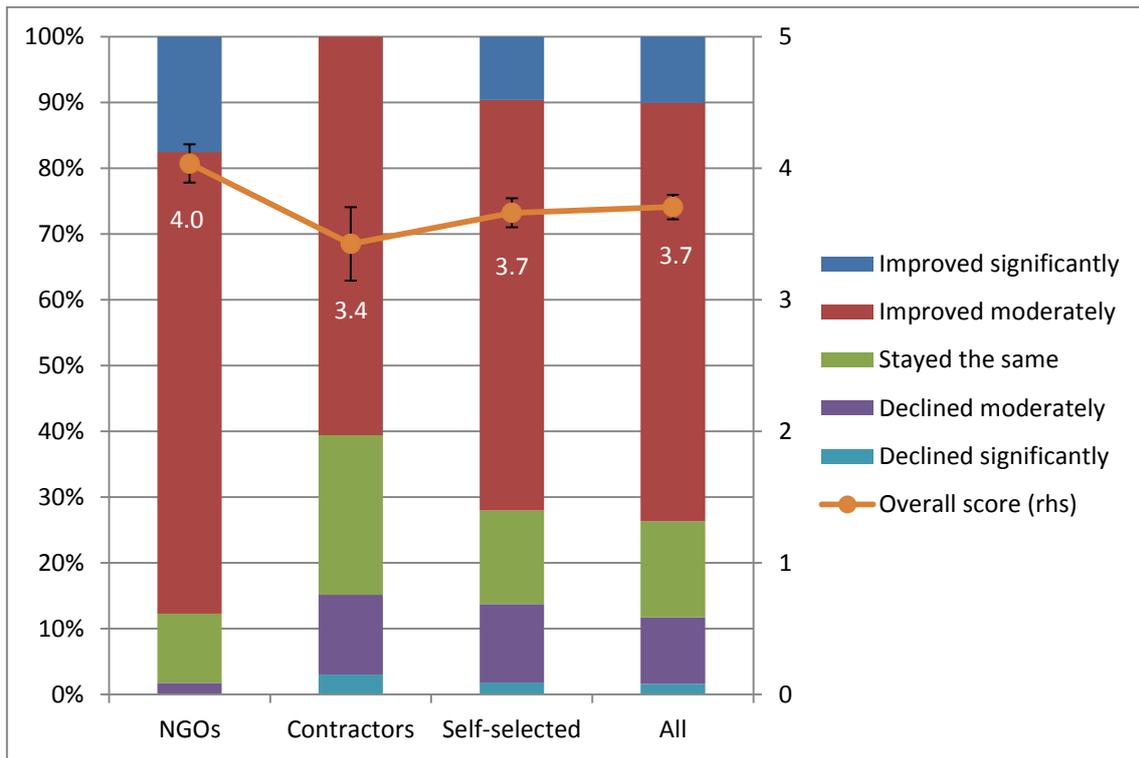
**Figure 1: Is the aid program effective?**



Notes: Full data and details (e.g. wording of question, number of participants who answered this question) are provided in the tables in Annex 2. The bars show the proportions choosing each response; the line graph shows the average response or “overall score” using a scale of 1 (worst) to 5 (best). The error bars show the confidence intervals around these overall scores.

**Most respondents think that Australian aid effectiveness has improved over the last decade.** Again, NGO executives are more positive than development contractors. 88% of the former group, but just 61% of the latter think that aid effectiveness has improved moderately or significantly (Figure 2). The majority of those with this positive attitude in both groups think the improvement has been “moderate” rather than “significant.” A substantial minority (15% and 14% respectively) of both contractors and the self-selected group think that aid effectiveness has actually declined.

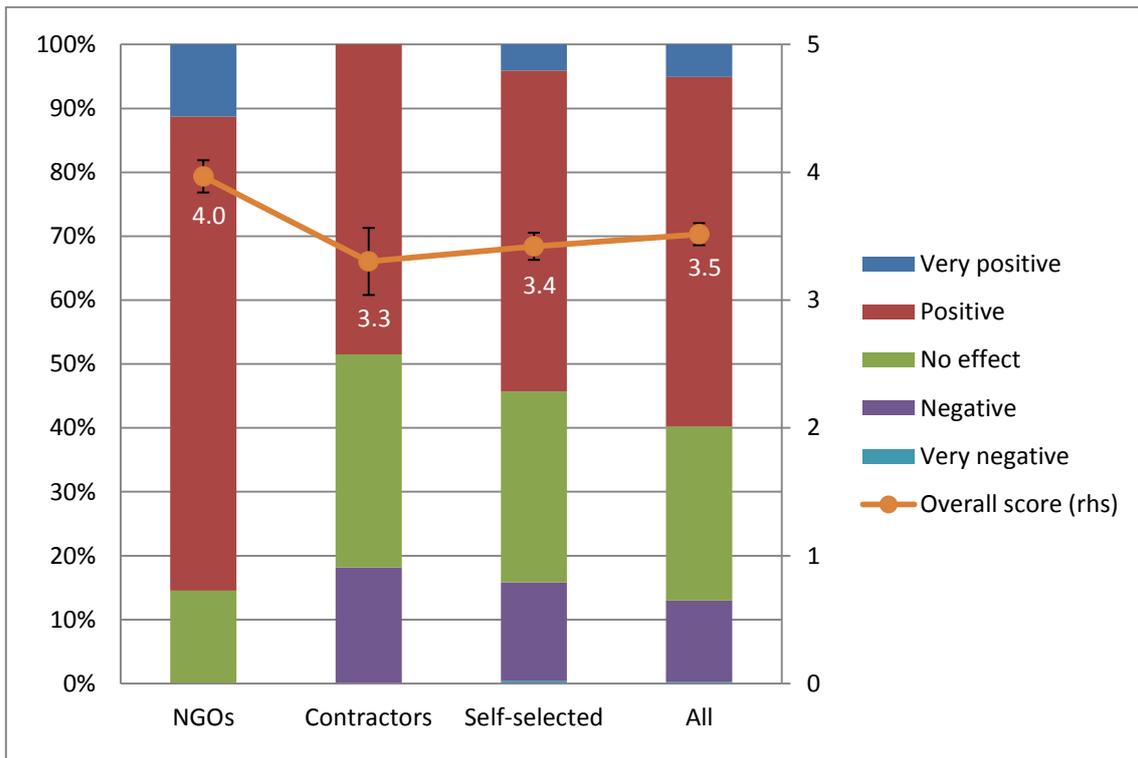
**Figure 2: Has the effectiveness of the aid program improved over the last decade?**



Notes: For this and subsequent figures, see the notes to Figure 1.

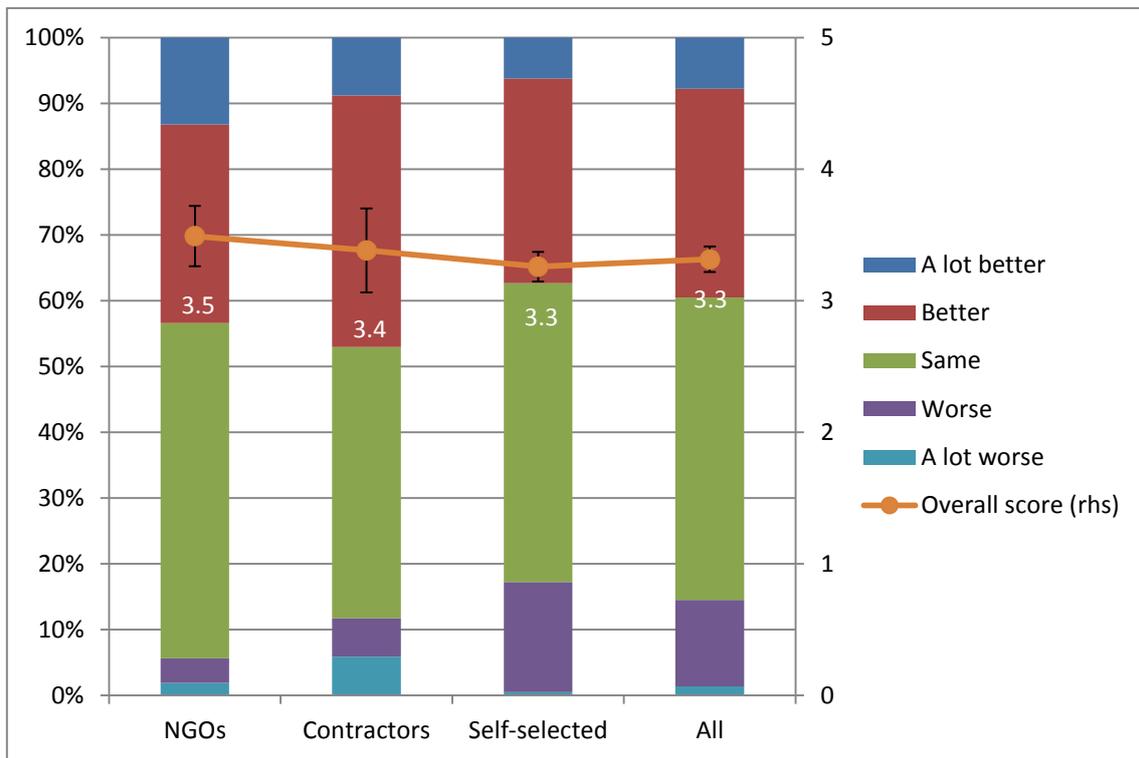
**Most think that the scale up in aid has improved aid effectiveness, but different groups disagree on the extent.** Again NGO executives are much more positive than either contractor executives or the self-selected group (Figure 3). In the latter two groups, barely 50% think the scale up has improved aid effectiveness, whereas more than 80% of NGO executives hold this view.

**Figure 3: What has been the impact of the scale-up of aid on effectiveness?**



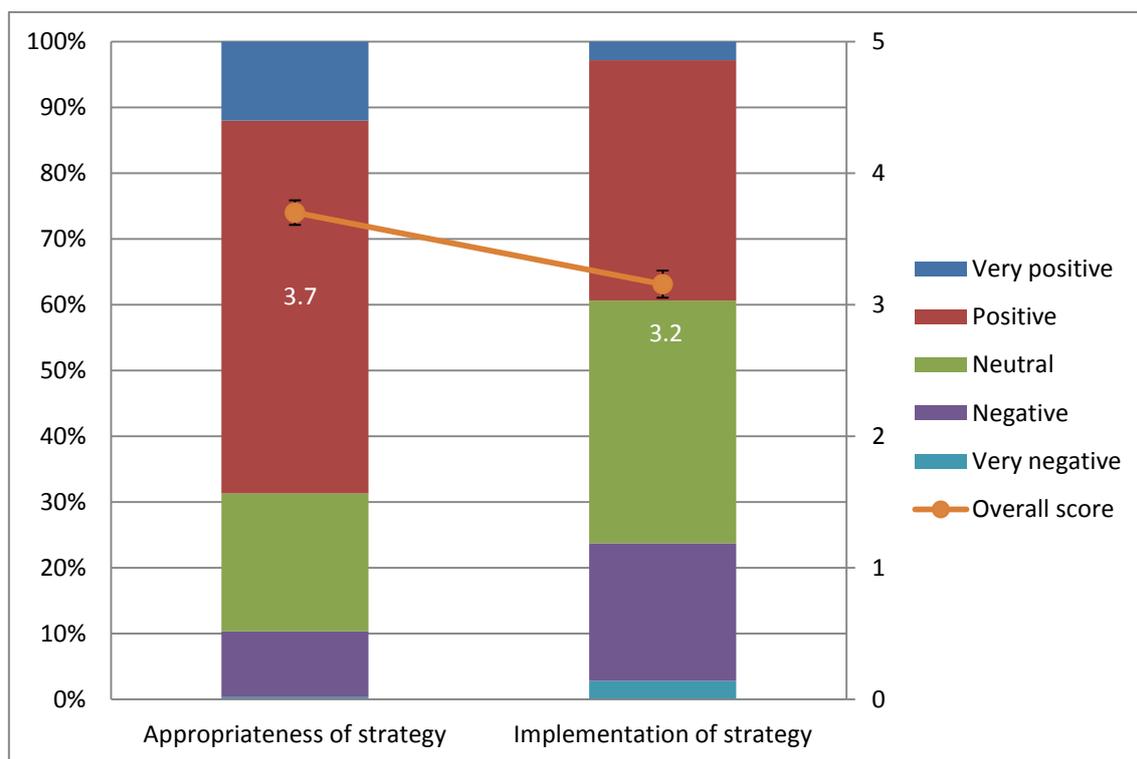
**When asked to compare the effectiveness of Australian aid to that of other OECD aid donors, the average response across all respondents is between better and the same.** Only small minorities of all three groups (around 10%) think Australian aid is worse than average. Views of the remaining 90% or so are roughly equally divided between those who think Australia’s aid is about average, and those who think it is better (Figure 4).

**Figure 4: How does the effectiveness of Australian aid compare to the average OECD donor?**



**There is an unfinished aid reform agenda.** In general, respondents like the government’s 2011 aid strategy, but are much less happy with its implementation. Almost 70% think that the government’s strategy is appropriate, but only 40% think that implementation has been effective (Figure 5). Views are broadly similar across stakeholder groups.

**Figure 5: How appropriate is the government’s aid strategy and how effective has been its implementation? (all respondents)**



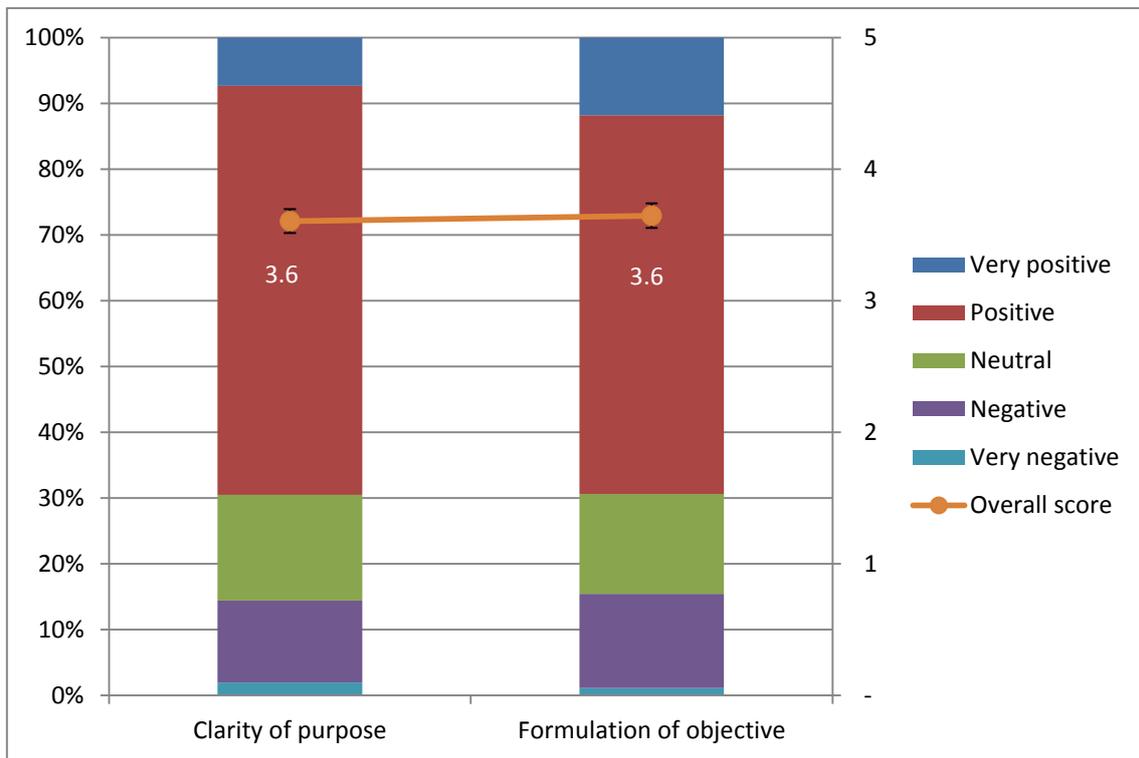
Note: The first question was “How would you rate the appropriateness of the government’s response to the Independent Review of Aid Effectiveness (released in 2011 as [An Effective Aid Program for Australia: Making a real difference – Delivering real results](#)) as a strategy for improving the Australian aid program’s effectiveness?” and the answers were on a 5-choice scale from very inappropriate to very appropriate. The second question was “How would you rate the effectiveness of the Australian government’s implementation of this strategy?” and the answers were on a 5-choice scale from very ineffective to very effective. Thus, the very negative response for both questions is, respectively, very inappropriate or very ineffective; the negative response was, respectively, inappropriate or ineffective; and so on.

## 6. Objectives of the aid program

**In general, stakeholders think the aid program has a clearly defined purpose, and are satisfied with the way the objective of the aid program has been formulated.** About seven out of ten respondents believe the aid program’s purpose is clearly defined and are satisfied with the way its overall objective is formulated (Figure 6).<sup>16</sup> The differences across groups are not large, except that the self-selected group is less convinced that the aid program has a clearly defined purpose.

<sup>16</sup> See notes to Figure 6 for the formulation in place at the time of the survey.

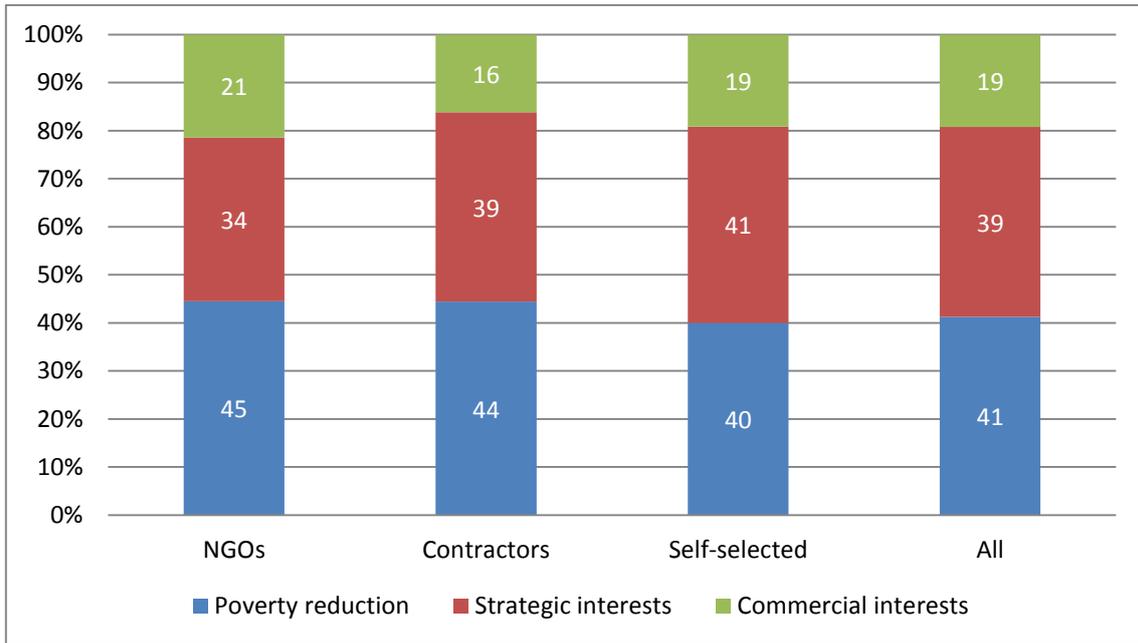
**Figure 6: Attitudes to the aid program’s clarity of purpose and the formulation of its objective (all respondents)**



Notes: The “clarity of purpose” question was posed as follows: “The Australian aid program has a clearly defined purpose” A very positive response was one of strong agreement, and so on. The “formulation of objective” question was posed as follows: “The Australian government now formulates the objective of the aid program in the following way: “The fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia’s national interests by promoting stability and prosperity both in our region and beyond. We focus our effort in areas where Australia can make a difference” Are you satisfied with this as the objective of the aid program?” A very positive response was one of very satisfied, and so on.

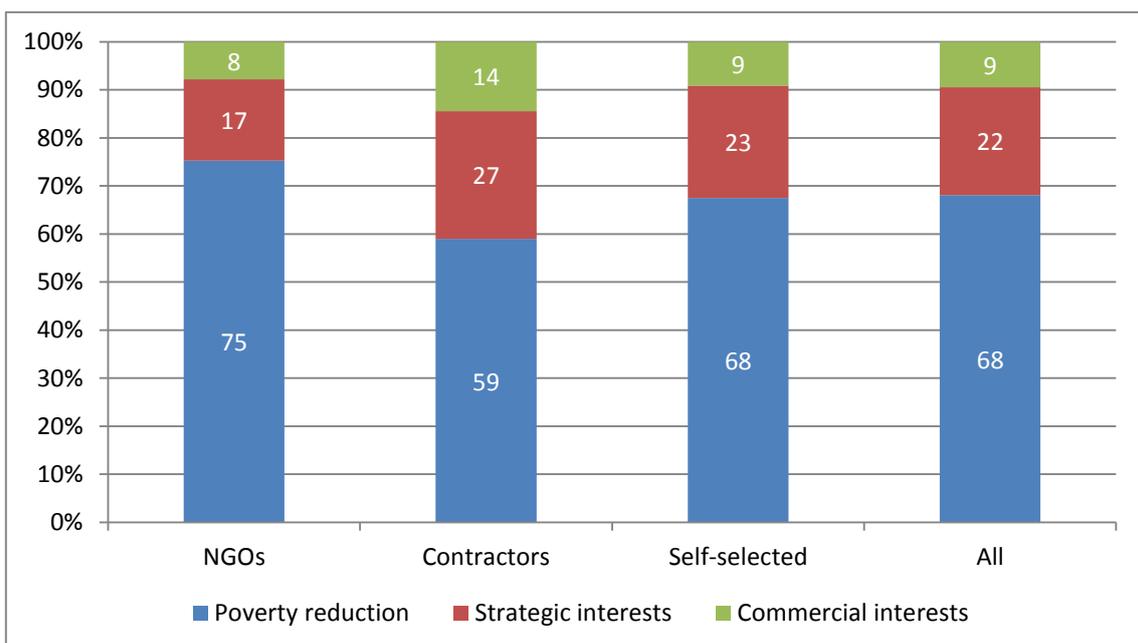
**Respondents perceive that strategic and commercial objectives combined currently carry a greater weight in the aid program than the goal of reducing poverty.** Respondents were asked to say what weight they thought the three goals of reducing poverty, promoting Australia’s strategic interests, and promoting Australia’s commercial interests have in the Australian aid program by giving them weights that add to 100. Stakeholders perceive that strategic and commercial objectives combined are more important than poverty reduction for the aid program. The aggregate view can be summarized as (roughly) “40-40-20”: 40% for poverty reduction, 40% for strategic interests, and 20% for commercial interests (Figure 7).

**Figure 7: Perceived weight of different objectives (out of 100) in the Australian aid program**



**Respondents disagree on how much more weight the poverty reduction objective should be given, but there is almost universal agreement that it should receive much more weight.** Respondents were also asked what weight they thought the three objectives *should* have (Figure 8). On average, they think that the poverty reduction objective should carry a weight of about 68%, strategic interests 22% and commercial interests 9%. NGO executives want to give much more weight to the poverty reduction objective than development contractor executives, but all groups agree that poverty reduction should be given significantly more weight than the other two objectives combined.

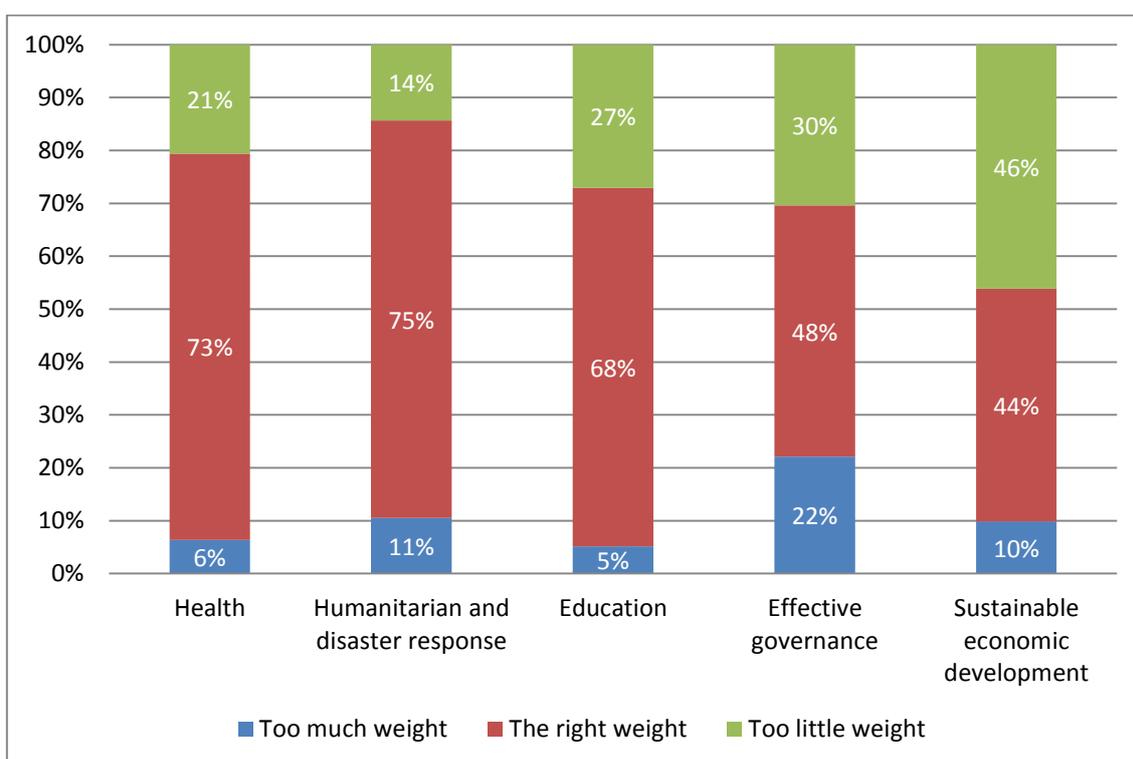
**Figure 8: Desired weight of different objectives (out of 100) in the Australian aid program**



## 7. Types of aid: sectors, geography, modalities, technical assistance

**Stakeholders think that the aid program has the right emphasis on health, education and disaster response. But views are divided on governance and economic development.** We asked participants what they thought about the emphasis placed by the aid program on the (then) five sectoral goals of: saving lives (health); promoting opportunities for all (education); humanitarian and disaster response; effective governance; and sustainable economic development.<sup>17</sup> There was a large majority (two-third and often much more) who thought that the priority on the first three of these (health, education and disaster response) was about right (Figure 9). Views were more divided on the other two, with half thinking they were receiving the right weight at the moment, and half disagreeing. But there was an interesting difference. On the one hand, about as many thought that governance was receiving too much weight as those who thought it received too little weight. On the other, very few thought that economic development was receiving too much weight, and 42% thought too little. Interestingly, views were broadly similar across stakeholder groups.

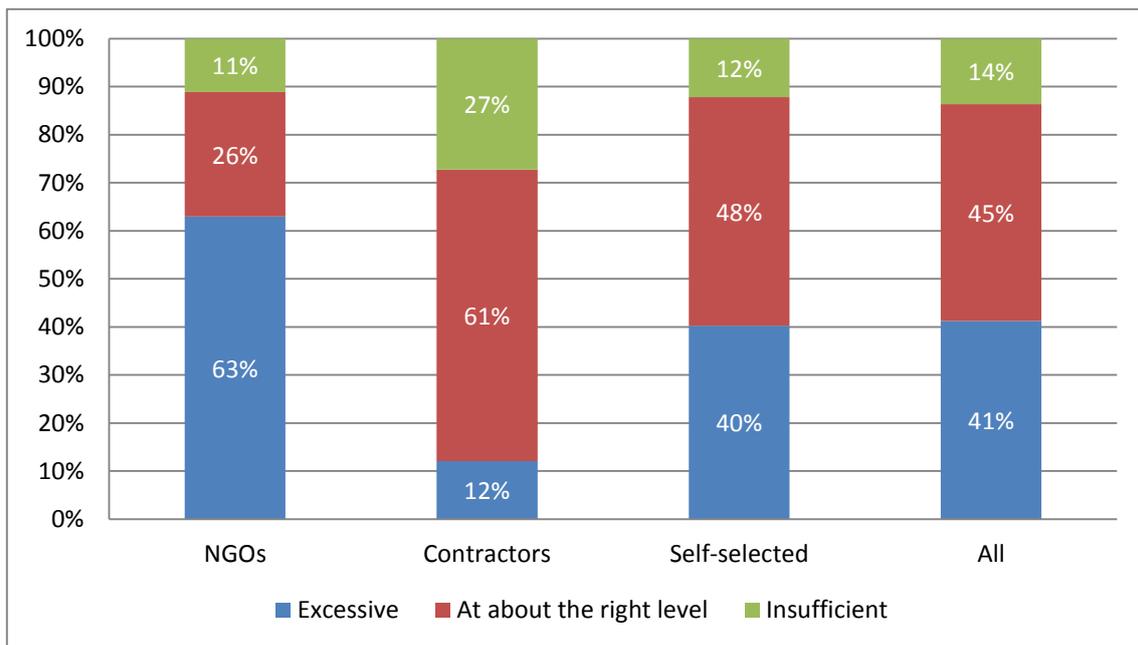
**Figure 9: Sectoral goals of the Australian aid program: is the emphasis right? (all respondents)**



**The question of whether the utilization of aid to fund technical assistance (advisers) is set at the right level divided stakeholders.** Most NGO executives thought the usage was too high, whereas most contractor executives thought the usage was at about the right level. Of the latter group, of those who did not think it was at the right level, more thought the use was too low rather than too high (Figure 10).

<sup>17</sup> These are the five strategic or sectoral goals in the government's 2011 aid strategy.

**Figure 10: Use of Australian aid to fund advisers**



**Views on the channels through which aid should be delivered are partisan.** To bring out the differences, instead of the usual NGO/contractor/self-selected breakdown, we use a different categorization for this question. We group all NGOs together (Phase I and II), all contractors (Phase I and II), and then split the rest of Phase II participants up into partner (developing country) government officials, Australian government officials, multilateral officials, consultants and academics. Some of the sub-sample sizes are quite small, but they show an interesting set of views (Table 3):

- The majority of NGOs support more funding for NGOs, especially Australian NGOs.
- The majority of contractors support more funding for contractors.
- The majority of multilaterals support more funding for multilaterals (as well as partner governments and non-Australian NGOs).
- The majority of academics support more funding for universities.
- The (bare) majority of partner governments support more funding for partner governments.

There were two exceptions to the rule that stakeholder groups supported more aid to or through them.

- Australian government officials didn't in general think that Australian government departments should get more aid: only 9% thought they should. They gave strong support to aid for non-Australian NGOs.
- Consultants also largely supported giving more aid to non-Australian NGOs.

No delivery mode commanded majority support on average across the various groups. Non-Australian NGOs came first with 49% of stakeholder groups on average supporting greater reliance, followed by partner governments with a 47% average. Giving aid through Australian government agencies was the least popular choice, with only 13% on average supporting more reliance. Multilateral aid was extremely unpopular among both NGOs and

contractors: only 11% of both groups supported more aid through multilaterals. The least popular choice was for more aid to contractors among NGOs: only 2% of NGO respondents supported more aid through contractors. Contractors were somewhat less opposed to increasing aid to NGOs: 29% supported more reliance on NGOs.

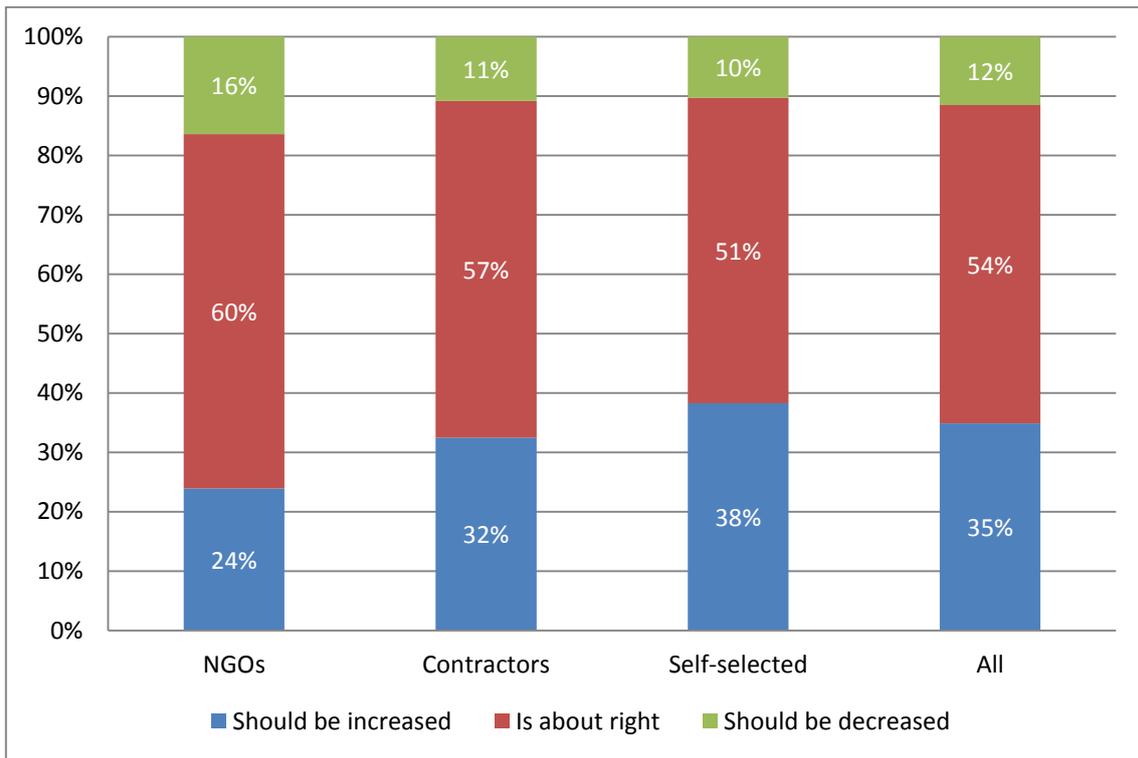
**Table 3: Percentage of different stakeholder groups supporting more delivery of aid through various aid channels**

	Australian NGOs	Other NGOs	Private contractors (companies/ individuals)	Multilateral & regional organizations	Universities	Australian gov't agencies	Partner gov't agencies
All NGOs	84%	59%	2%	11%	26%	3%	27%
All contractors	29%	26%	60%	11%	29%	10%	39%
Multilateral	17%	58%	8%	63%	50%	23%	69%
Academic	30%	42%	17%	36%	61%	16%	50%
Partner gov't	33%	33%	29%	0%	22%	22%	50%
Consultant	36%	68%	16%	23%	23%	12%	52%
Australian gov't	27%	56%	12%	20%	25%	9%	45%
<b>Average</b>	37%	49%	20%	23%	34%	14%	47%

*Notes: Different stakeholder groupings are used in this table than in the rest of the report. Phase I and Phase II NGOs are combined into a single NGO group. Likewise, Phase I and Phase II contractors are combined into a single Phase II group. Other groups are from the Phase II sample. ('Partner government' is developing country government.) The percentages shown in this table indicate the proportion of each group that responded with "more than at present" divided by the total number who responded more than, the same, or less when asked about the desirable use of a particular delivery mode (choices shown in the columns). The shaded cell is the delivery mode that received the strongest support from the stakeholder group in the row concerned.*

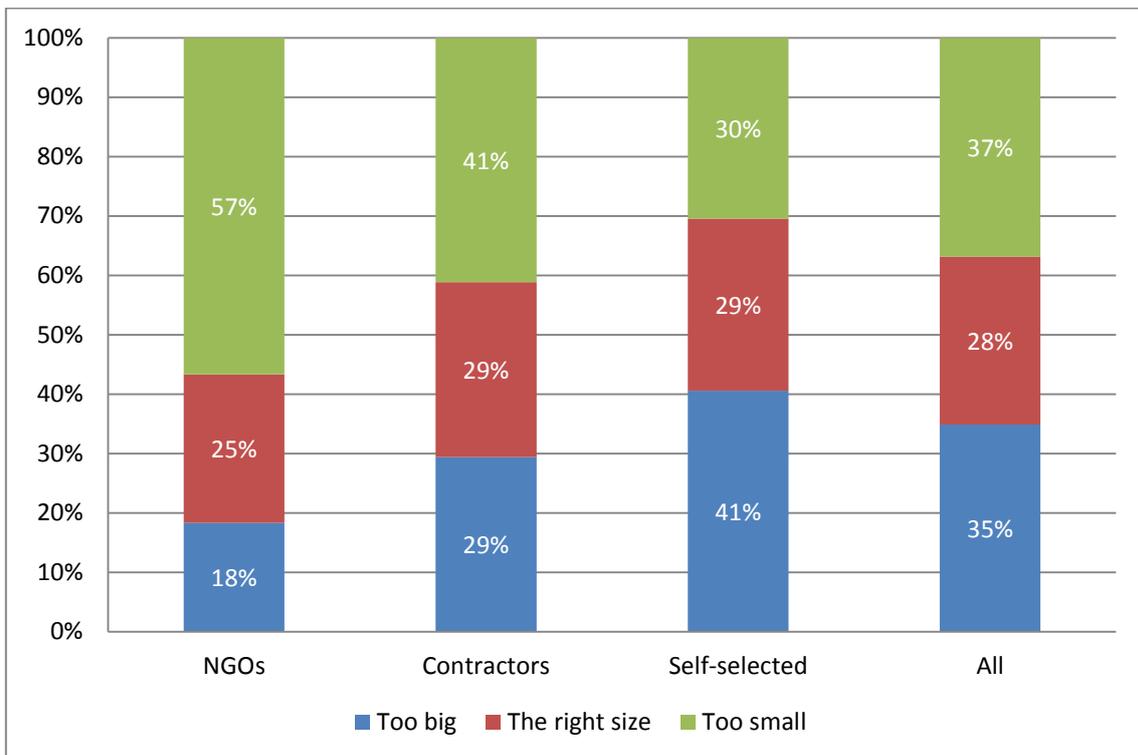
**Stakeholders support the strong focus of the aid program on the Asia-Pacific region.** The majority of participants think that the focus on the Asia-Pacific region is about right, 50-60% across the different groups (Figure 11). 20-40% across the three groups think the focus should be increased. Only 10-20% support a lesser focus.

**Figure 11: The focus of aid on the Asia-Pacific region ...**



Respondents are divided as to whether the sub-Saharan Africa aid program should be increased or reduced. There are equal numbers in aggregate arguing for each position, and differences between and within stakeholder groups (Figure 12).

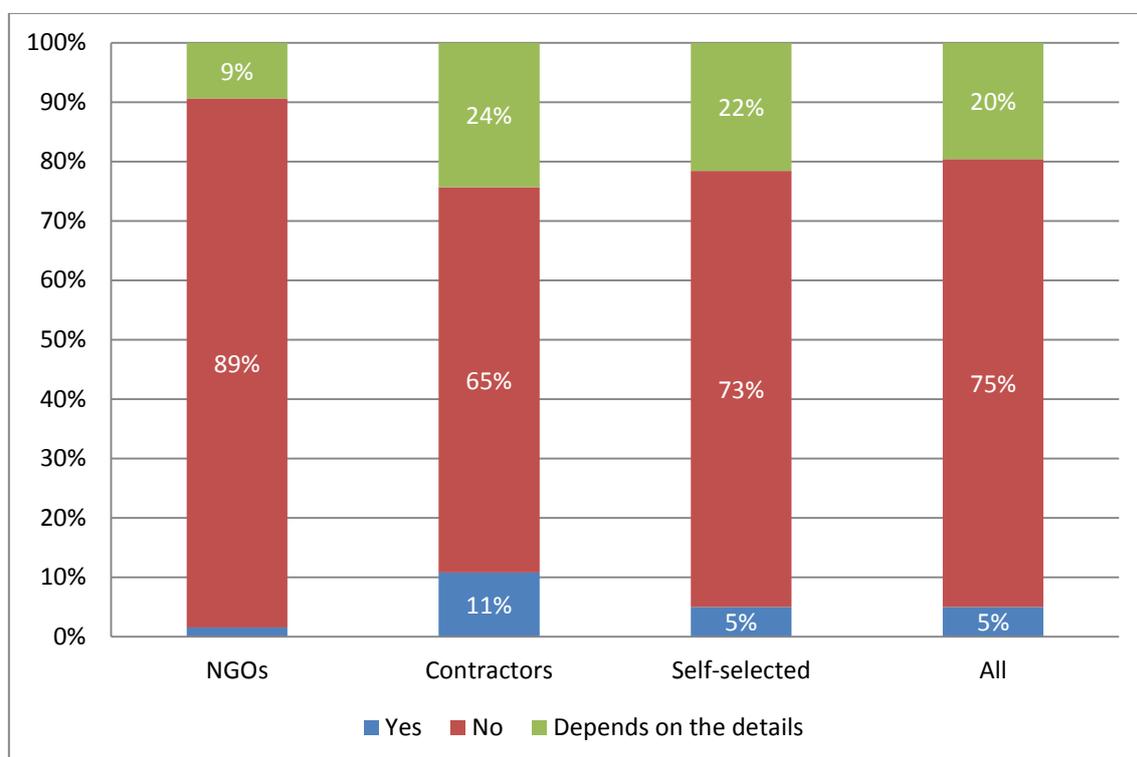
**Figure 12: The Australian aid program to sub-Saharan Africa is:**



In summary, stakeholders support the strong focus on the Asia-Pacific region, but are divided over aid to sub-Saharan Africa.

A large majority of respondents believe that Australian aid should not be used to finance costs associated with asylum seekers in Australia. An overwhelming 89% of NGO executives responded no to this question (Figure 13). This number dropped to 65% among contractors. On average across all three groups, more than three quarters of all participants responded with an unequivocal no to this question. Across all three groups very few were prepared to give an unequivocal yes, with most of those not unconditionally opposed to aid for asylum seekers saying that it depended on the details.

**Figure 13: Should Australian aid be used to finance costs associated with asylum seekers in Australia?**



## 8. Performance in relation to key aid program challenges

Results are reported in relation to four groups of challenges introduced in Section 3. To recap, participants were asked whether they considered particular attributes identified as important by the 2011 *Independent Review of Aid Effectiveness* to be strengths or weaknesses of the aid program or AusAID. For the purpose of analysis, the 17 attributes are analysed within the four groupings of challenges presented in Section 3: enhancing the performance feedback loop, managing the knowledge burden, limiting discretion, and building public support for aid.

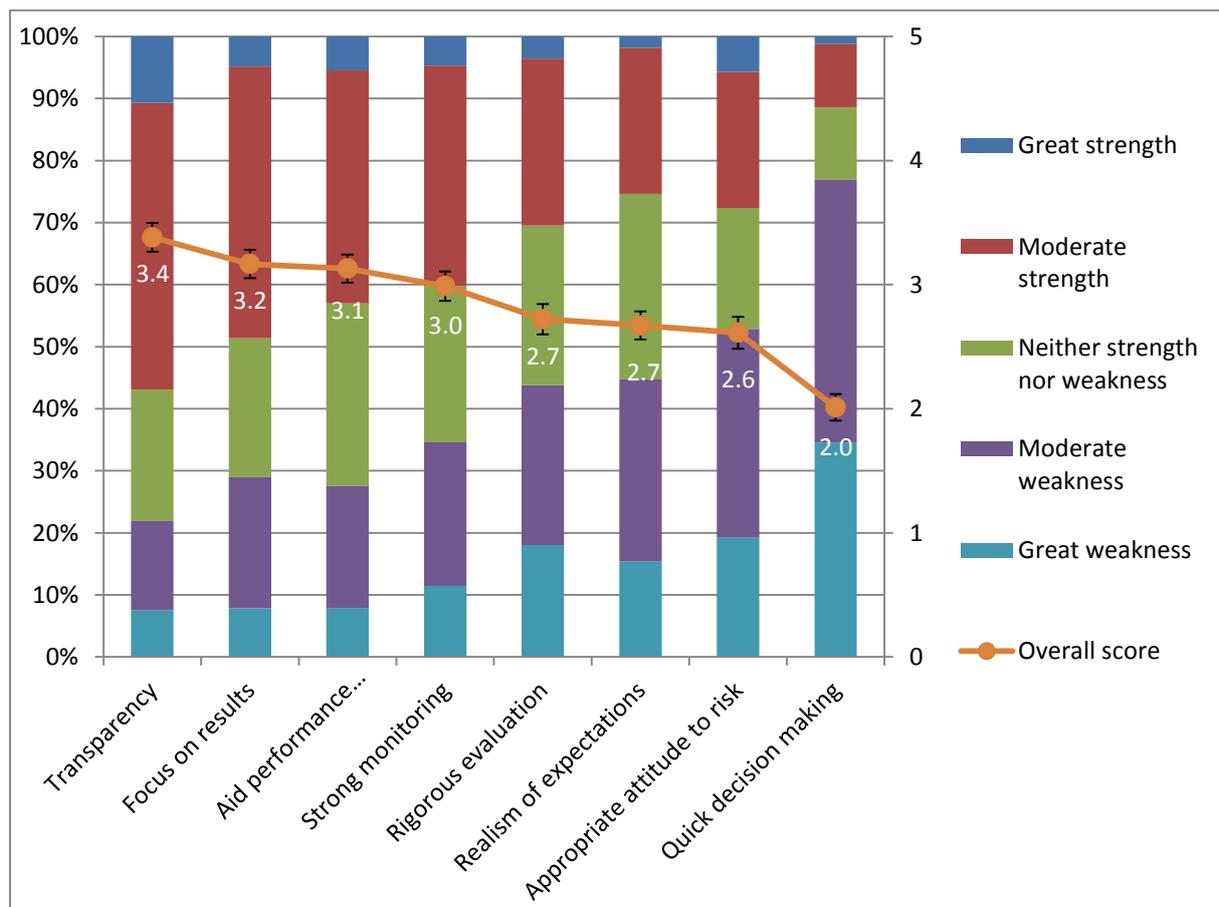
### (a) Enhancing the performance feedback loop

There are eight attributes or challenges in this category. Enhancing the performance feedback loop is most obviously about getting more feedback. To encourage feedback, (1)

transparency is needed. Since there is a great distance to the client, feedback will likely be indirect through (2) monitoring and (3) evaluation. But enhancing the feedback loop is also about ensuring that feedback is acted on. This requires (4) good performance management systems and (5) timely decision making. An agency that responds strongly to feedback received will be one that is (6) focused on results (so that it is motivated to respond to feedback), (7) has realistic expectations (since they are informed by feedback), and (8) has an appropriate attitude to risk (as feedback will never be complete).

**Views on the strengths and weaknesses of the aid program in relation to enhancing the performance feedback loop are finely balanced.** Of the eight attributes in this category, half received a score between 3.0 and 3.4, while four received a score below 3 (Figure 14). Of the latter group, three were just below 3 (between 2.7 and 2.6) but one, timely decision-making, received a much lower score of 2. The average score in this category was 2.8. In general, most areas were viewed as showing great scope for improvement. Only in relation to one of the eight attributes (transparency) were more than half of the participants willing to say that it was a strength of the aid program.

**Figure 14: Performance feedback loop attributes strengths and weaknesses (all respondents)**



**The relative rankings of the three main groups were similar.** NGOs tended to be more positive than contractors and the self-selected sample were the most pessimistic of all. But rankings were similar across groups. For all three groups, the top three weaknesses were:

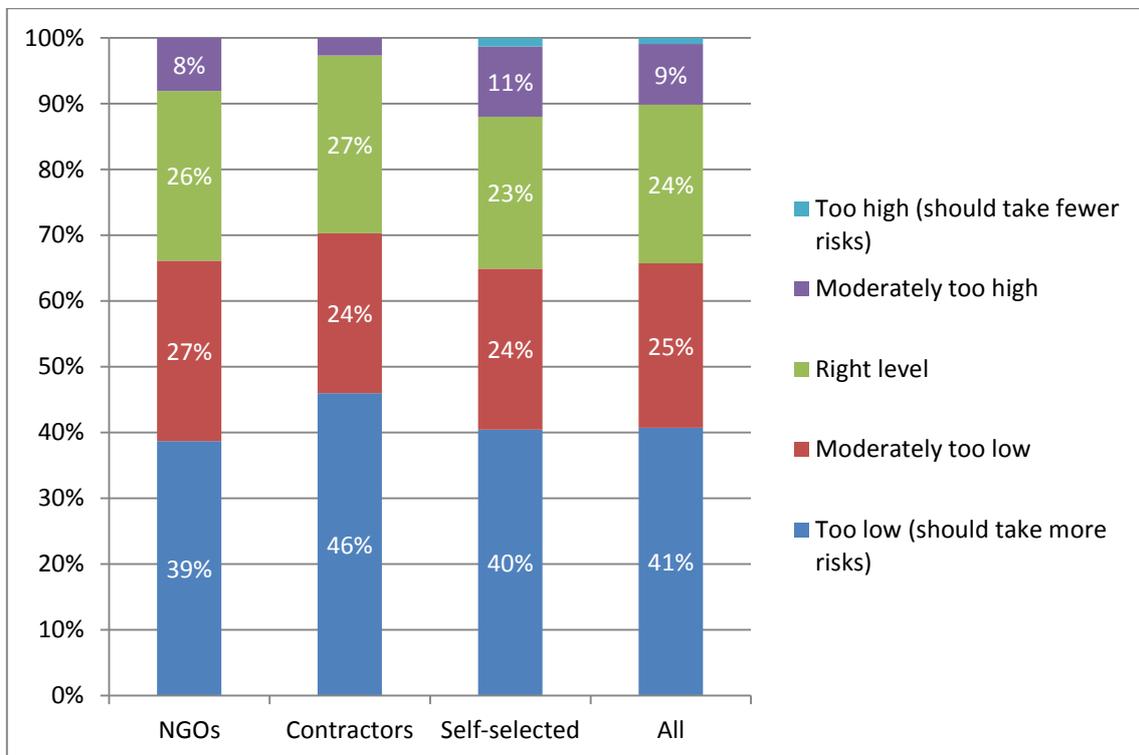
quick decision making, attitude to risk, and realism of expectations. (Table 4). Transparency and aid performance management were in the top three strengths for all three groups.

**Table 4: Performance feedback loop attributes: overall scores for various groups**

	Transparency	Focus on results	Aid performance management	Strong monitoring	Rigorous evaluation	Realism of expectations	Appropriate attitude to risk	Quick decision making	Average
NGOs	3.5	3.4	3.4	3.4	3.1	3.0	2.9	1.9	3.1
Contractors	3.4	2.9	3.0	3.1	2.8	2.6	2.6	2.0	2.8
Self-selected	3.4	3.1	3.1	2.9	2.6	2.6	2.5	2.0	2.8
All	3.4	3.2	3.1	3.0	2.7	2.7	2.6	2.0	2.8

**Across all stakeholder groups, about two-thirds thought that AusAID should be prepared to take more risk.** To further explore the issue of attitudes to risk, we asked respondents if they thought AusAID was too risk averse or too risk loving. The most popular response was that AusAID’s tolerance of risk was too low. Only 10% or less thought AusAID should take fewer risks (Figure 15).

**Figure 15: AusAID’s tolerance of risk with respect to the use of aid program funds is:**

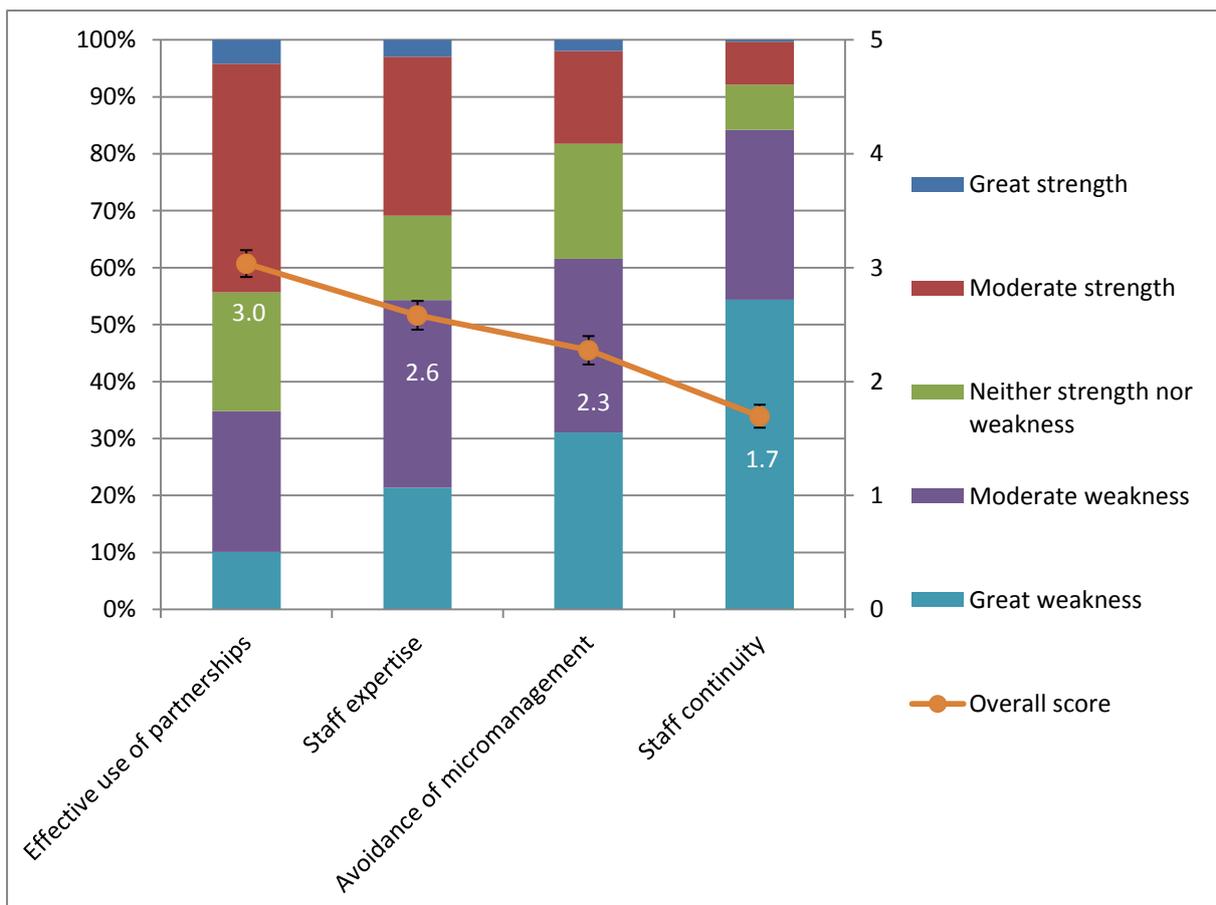


## (b) Managing the knowledge burden

There are four attributes within this category. An aid program that manages the massive knowledge burden that aid delivery throws up will (1) make good use of partnerships to take advantage of the comparative strengths of different organizations. The aid agency at the centre of that aid program will (2) avoid micromanagement of those partnerships, since that will frustrate their intent. It will also (3) develop staff expertise, for example, in various thematic areas and (4) keep staff in position long enough to develop their context-specific knowledge.

This category of challenges attracted the lowest scores overall. The average score across the four attributes (and averaged over the three groups) is just 2.4. The highest score is exactly 3, a bare pass, for the attribute of effective partnerships (Figure 16). Staff expertise gets a score of 2.6, avoidance of micromanagement scores 2.3, and staff continuity scores just 1.6. On average, 50% or more of respondents view the latter three challenges to be weaknesses or great weaknesses. Staff continuity stands out: over half view this as a *great* weakness.

**Figure 16: Knowledge burden attributes strengths and weaknesses (all respondents)**



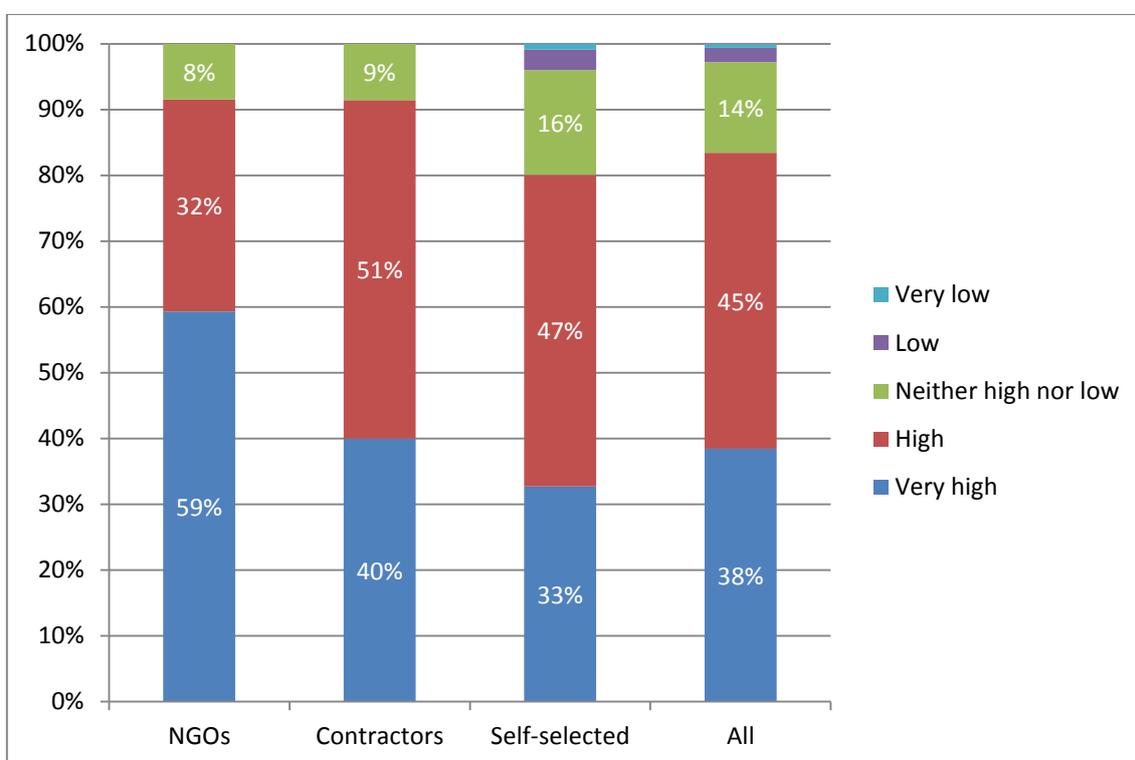
The rankings of the four knowledge burden attributes by different stakeholder groups are the same. Again NGOs are in general more positive, except on staff continuity. Contractors are much more critical of micromanagement than NGOs (Table 5).

**Table 5: Knowledge burden attributes: overall scores for various groups**

	Strategic clarity	Staff expertise	Avoidance of micromanagement	Staff continuity	Average
NGOs	3.1	2.8	2.6	1.5	2.5
Contractors	2.8	2.5	1.9	1.5	2.2
Self-selected	3.1	2.5	2.2	1.8	2.4
All	3.0	2.6	2.3	1.7	2.4

**Staff turnover at AusAID is perceived to be high or very high.** When asked directly in an additional question about the level of staff turnover in AusAID, 83% of stakeholders rate it to be high or very high (Figure 17).

**Figure 17: The rate of staff turnover at AusAID is:**

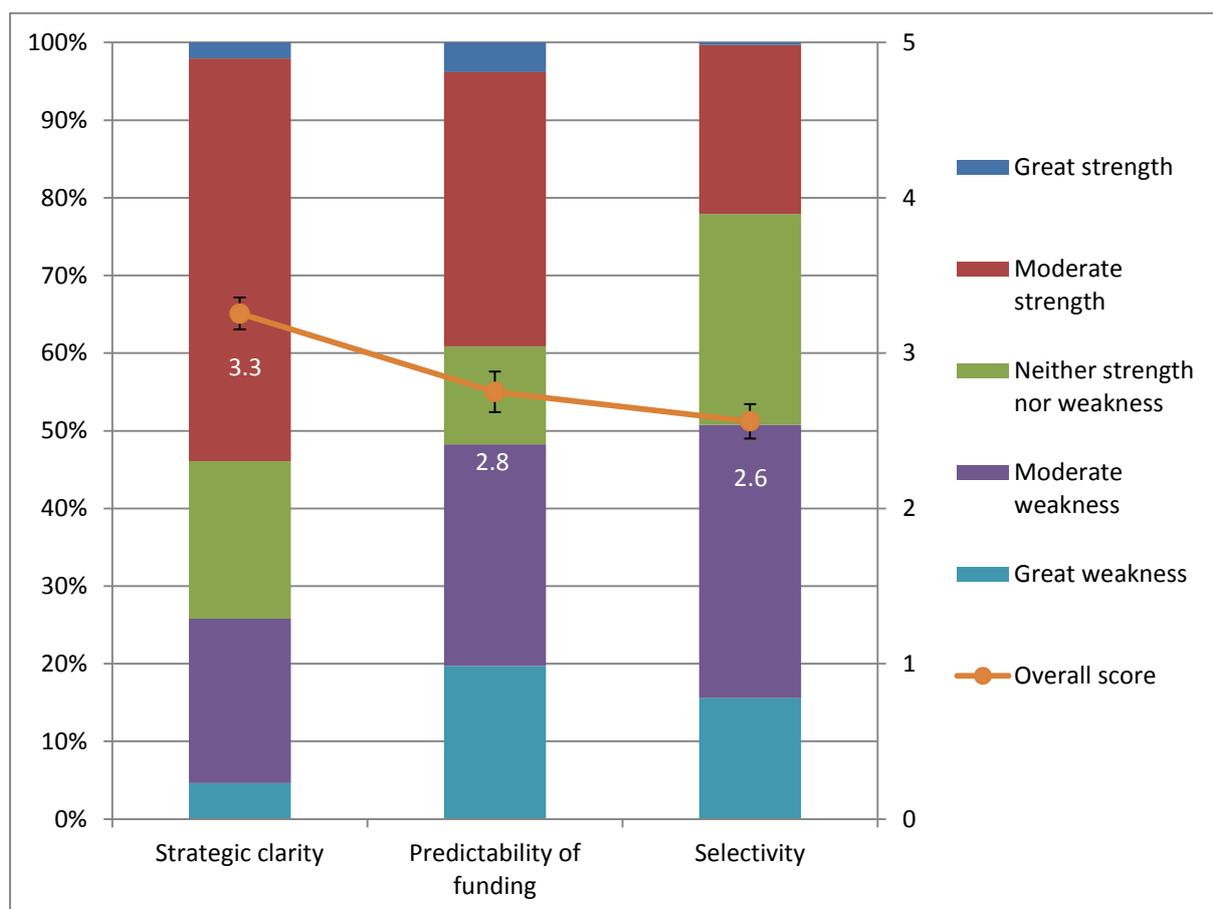


**(c) Limiting discretion**

**There are three attributes within this category.** To limit discretion, aid agencies need (1) strategic clarity, (2) predictability of funding and (3) selectivity.

**Results are mixed, but on average this category does the best.** The average score across the three challenges for all respondents is 2.9. The highest score is for strategic clarity at 3.3 (Figure 18). Predictability of funding gets a score of 2.8, and selectivity scores 2.6. However, for NGOs, predictability of funding is a more serious concern than selectivity (Table 6).

**Figure 18: Limiting discretion attributes strengths and weaknesses (all respondents)**



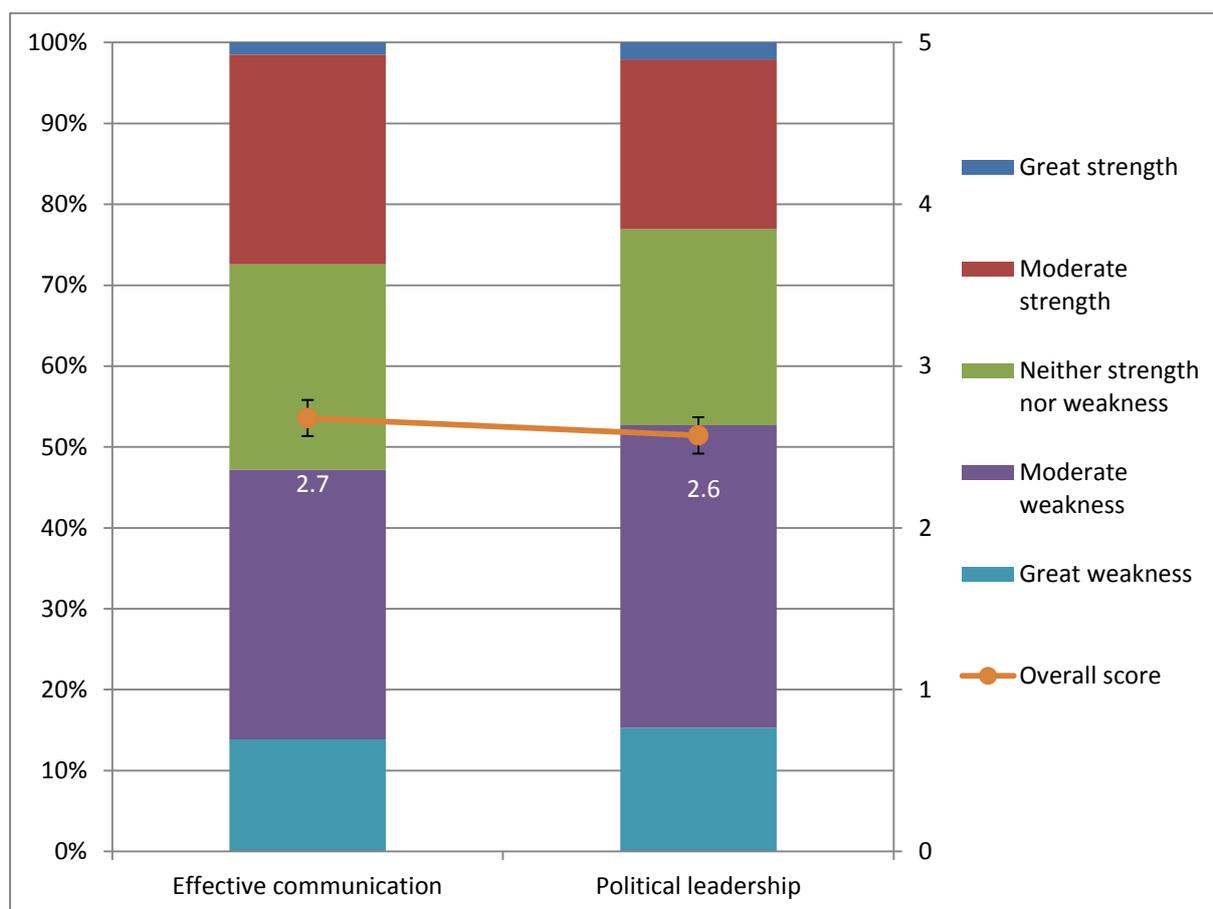
**Table 6: Limiting discretion attributes: overall scores for various groups**

	Strategic clarity	Predictability of funding	Selectivity	Average
NGOs	3.6	2.7	2.9	3.1
Contractors	3.4	3.2	2.7	3.1
Self-selected	3.1	2.7	2.5	2.8
All	3.3	2.8	2.6	2.9

**(d) Building support for aid**

**There are two challenges within this category:** effective communication and community engagement, and political leadership. Both receive “fail” average scores of 2.7 and 2.6, respectively (Figure 19). All stakeholders rate political leadership as a more serious weakness than effective communication, though the differences are not large (Table 7). Interestingly, multilateral and developing country government officials are much more positive on Australian aid political leadership, suggesting that what is missing is domestic rather than international leadership (see Annex 2 table relating to Figure 19).

**Figure 19: Public support attributes strengths and weaknesses (all respondents)**

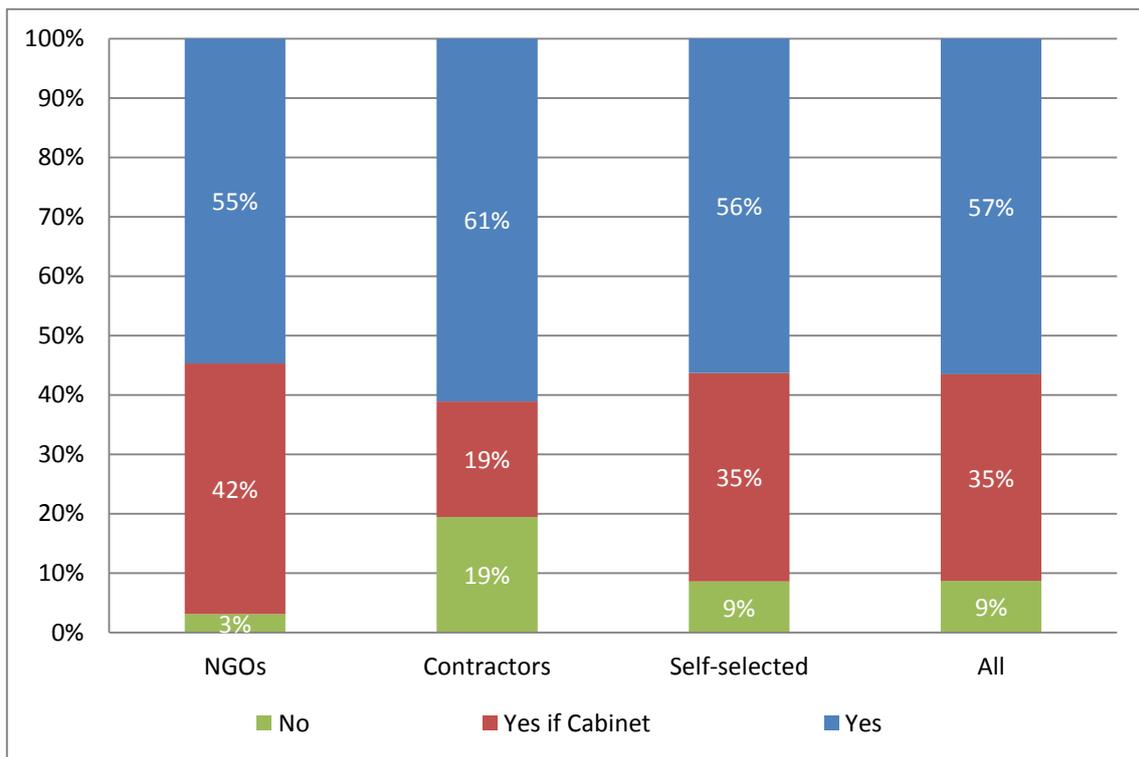


**Table 7: Public support attributes: overall scores for various groups**

	Effective communication	Political leadership	Average
NGOs	2.8	2.5	2.7
Contractors	2.8	2.7	2.8
Self-selected	2.6	2.6	2.6
All	2.7	2.6	2.6

**Given the serious concerns around lack of political leadership, it is not surprising that there is overwhelming support within the sector for an aid minister.** Only 9% of respondents thought there shouldn't be a minister of any kind: this proportion is highest for contractors where it rises to 19% (Figure 20). Over half of all three groups are prepared to give unconditional support to a minister for aid. Another fifth to a third of stakeholder groups is also supportive of there being a minister provided that the minister is in Cabinet.

**Figure 20: Should Australia have an aid minister?**

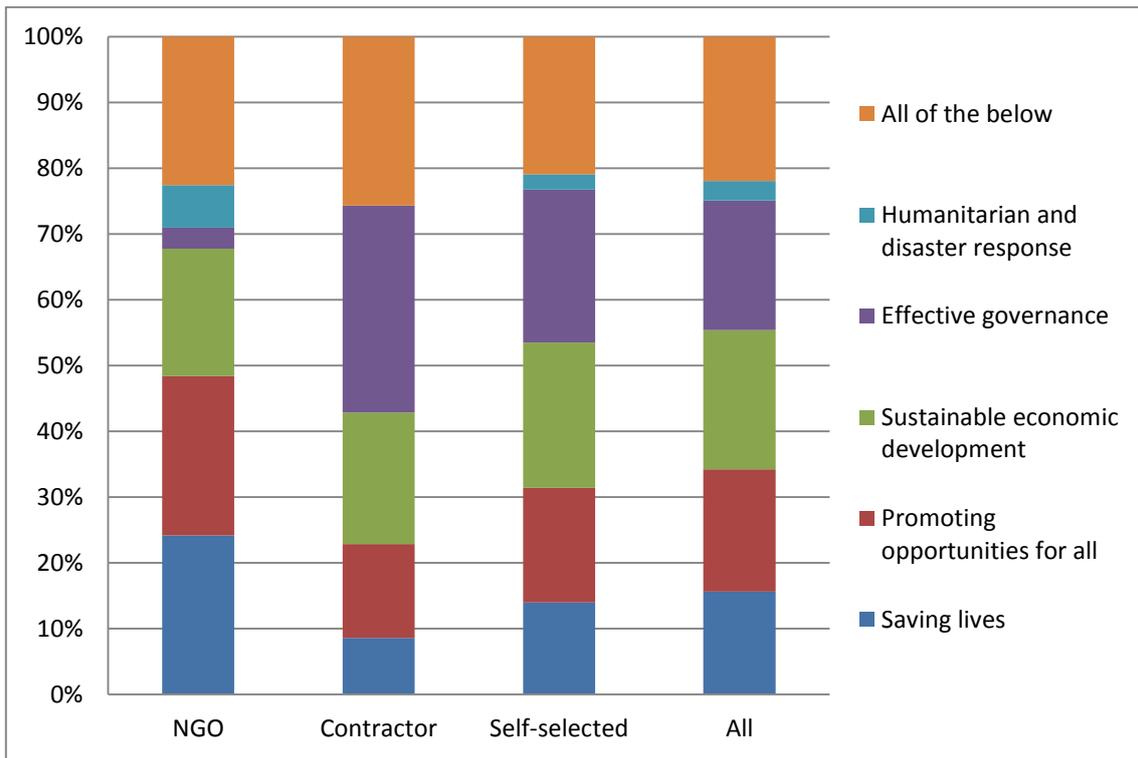


## 9. Participants' own aid activities

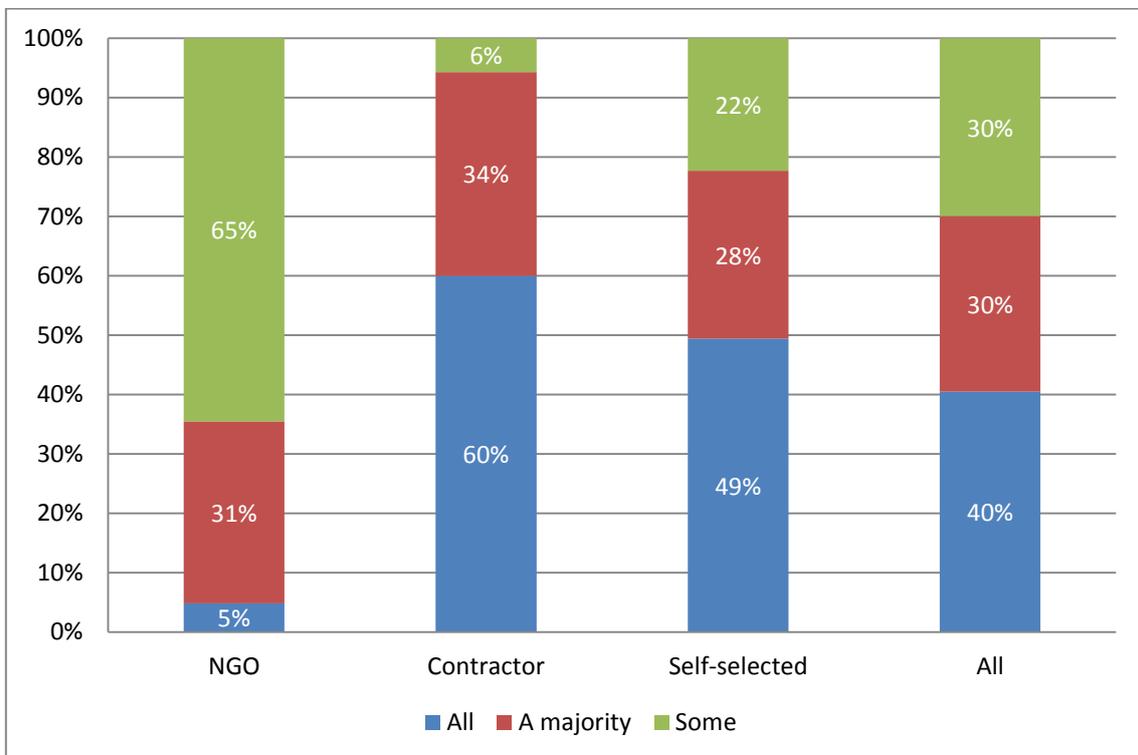
**Participants were asked about any aid activities they were involved in that were part of the aid program.** 80% of respondents indicated that they were involved in such an activity. Responses in this section relate just to that 80%.

**Activities cover the spectrum of the aid program.** They are evenly balanced across the various areas of health, education, economic development and governance (Figure 21). Contractors are much more likely than NGOs to receive mainly earmarked funding (Figure 23), to receive the entirety of the initiative's funding from the Australian aid program (Figure 22) and to work on governance programs (Figure 21).

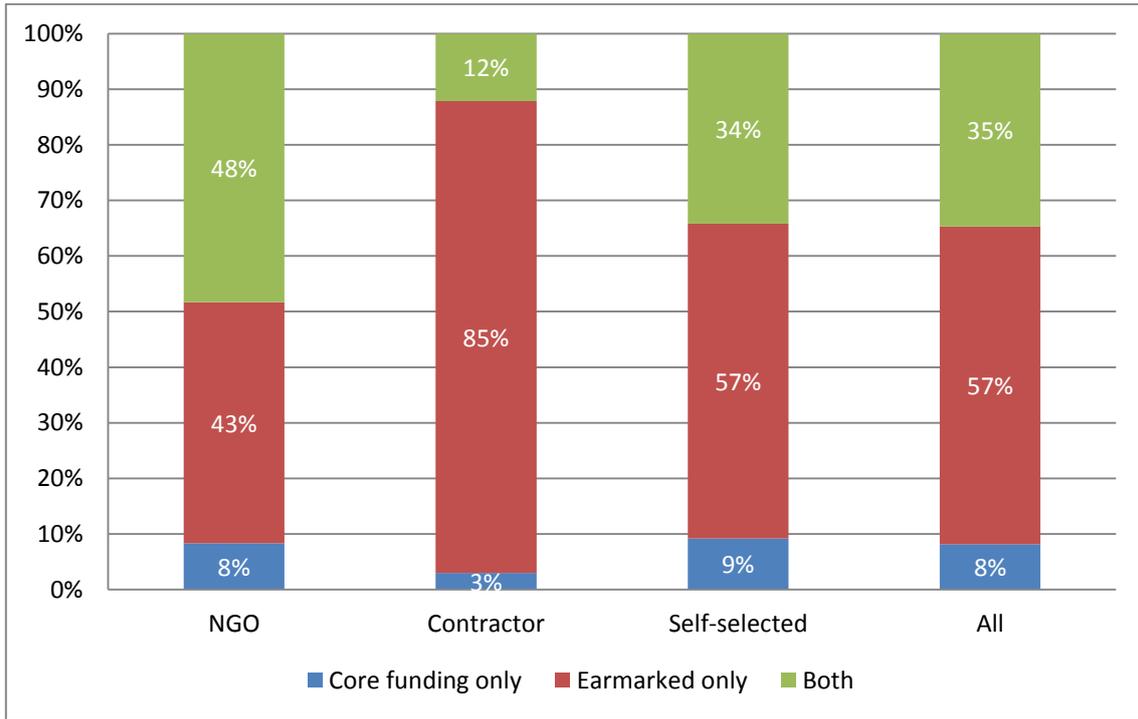
**Figure 21: How would you describe the objective of your aid activity or activities?**



**Figure 22: How much of the activity's funding comes from the Australian aid program?**

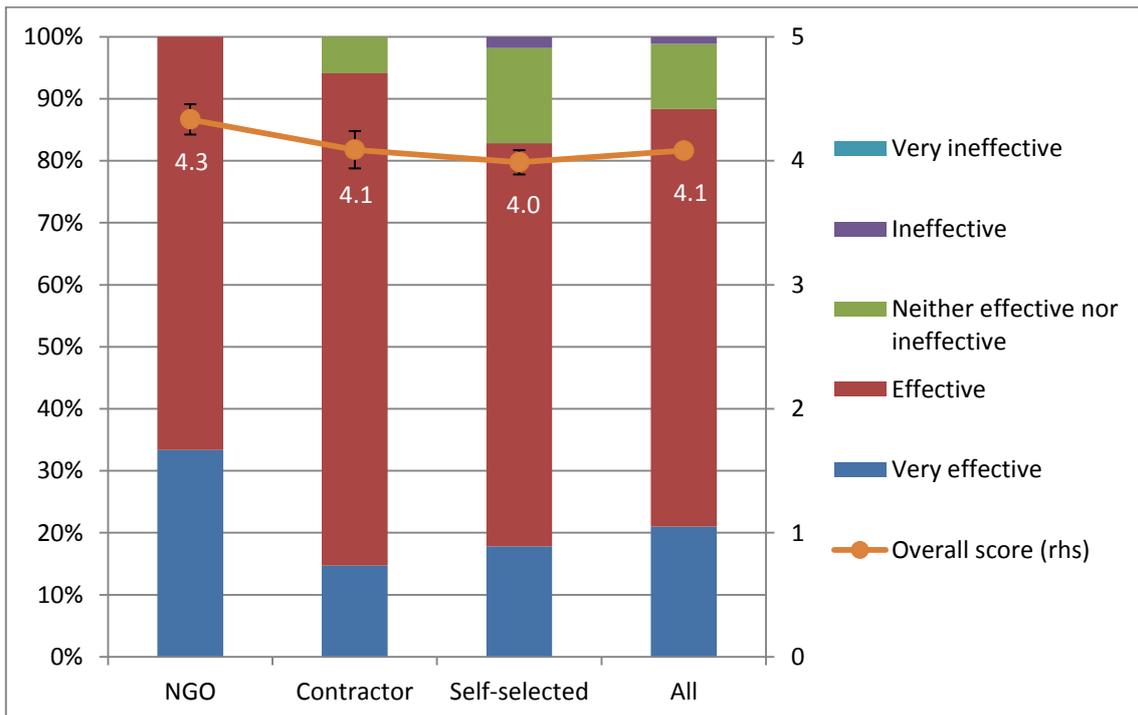


**Figure 23: Does your activity receive core or earmarked funding?**



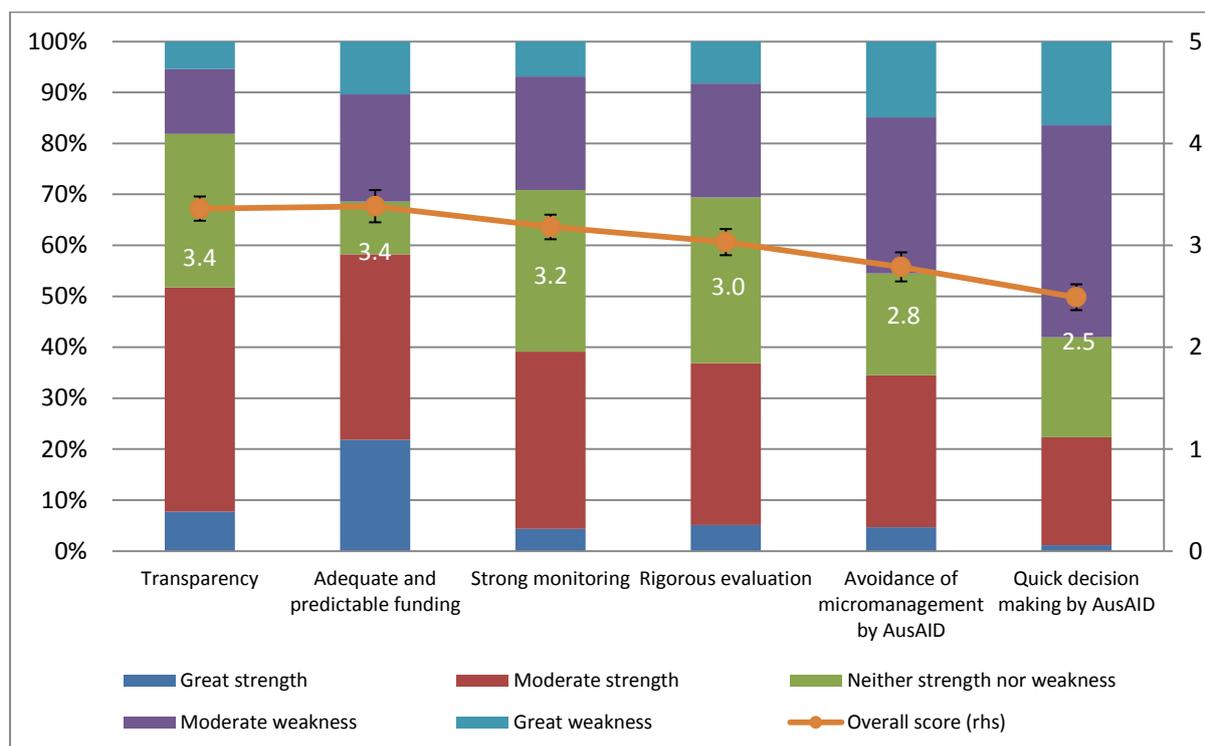
**Respondents are convinced of the effectiveness of their own aid activity.** All NGO executives thought that their aid-program funded activities were either effective or highly effective (Figure 24). Only 6% of development contractor executives dissented from this view, but none thought their projects were ineffective; the most critical view was neutral. The self-selected sample was slightly more critical, with close to 20% taking a neutral view or negative view regarding the effectiveness of their own activities.

**Figure 24: How would you rate the effectiveness of your activity?**



**But respondents are still prepared to indicate areas for improvement, even with regard to their own activities.** Participants were asked about six of the attributes they were questioned about earlier in relation either to the aid program or AusAID, this time in relation to their own aid activities. These scored in a range of 2.5 to 3.4 (Figure 25). The two with the weakest scores were avoidance of micromanagement and quick decision making by AusAID, with scores of 2.5 and 2.8 respectively. As before, NGOs are more positive than contractors and the self-selected group, but relative rankings are very similar (Table 8).

**Figure 25: Strengths and weaknesses of participants' own aid activities (all respondents)**

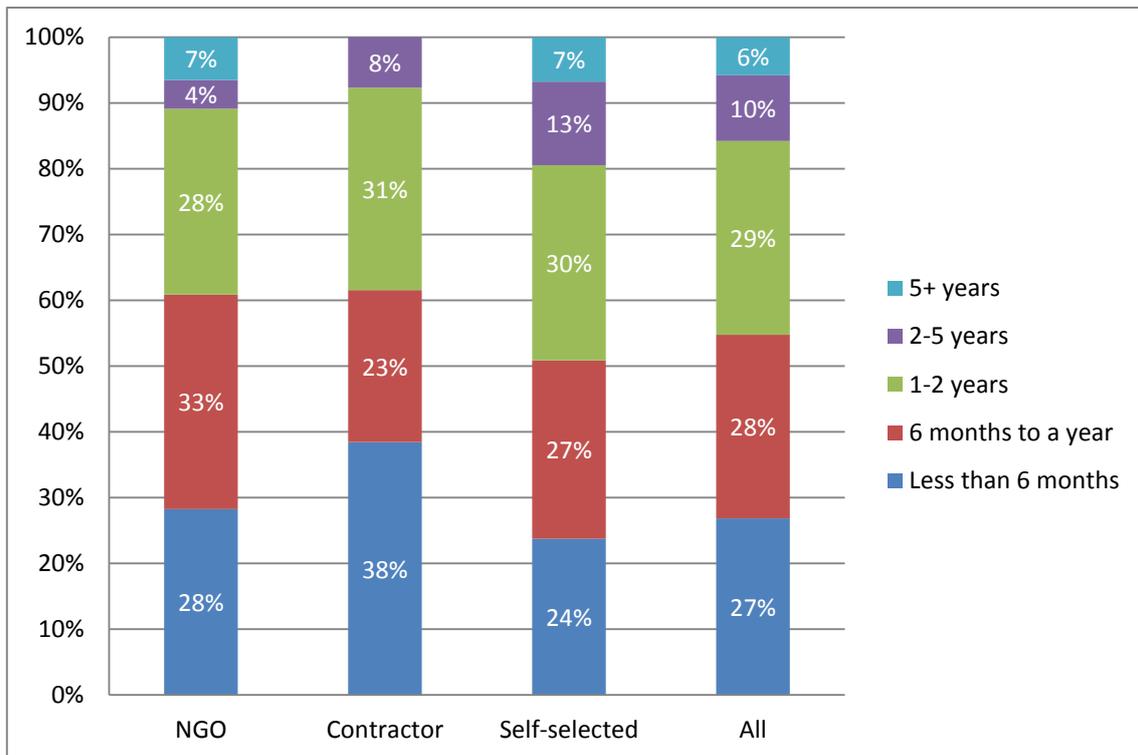


**Table 8: Overall scores for various attributes of participants' own activities by different stakeholder groups**

	Transparency	Adequate and predictable funding	Strong monitoring	Rigorous evaluation	Avoidance of micromanagement by AusAID	Quick decision making by AusAID	Average
NGOs	3.6	3.6	3.5	3.4	3.1	2.5	3.3
Contractors	3.4	3.4	3.2	2.9	2.5	2.5	3.0
Self-selected	3.2	3.3	3.1	2.9	2.7	2.5	3.0
Average	3.4	3.4	3.2	3.0	2.8	2.5	3.0

Across all groups, 50-60% had an AusAID manager in place for a year or less, with 30% or more having the manager for less than 6 months. To get more insight into the problem of staff turnover, we asked those respondents with a direct engagement how long their AusAID manager (if they had one – 89% with an aid activity did) had been in place (Figure 26). Responses were very similar across NGOs and contractors. Self-selected participants had managers in place for slightly longer.

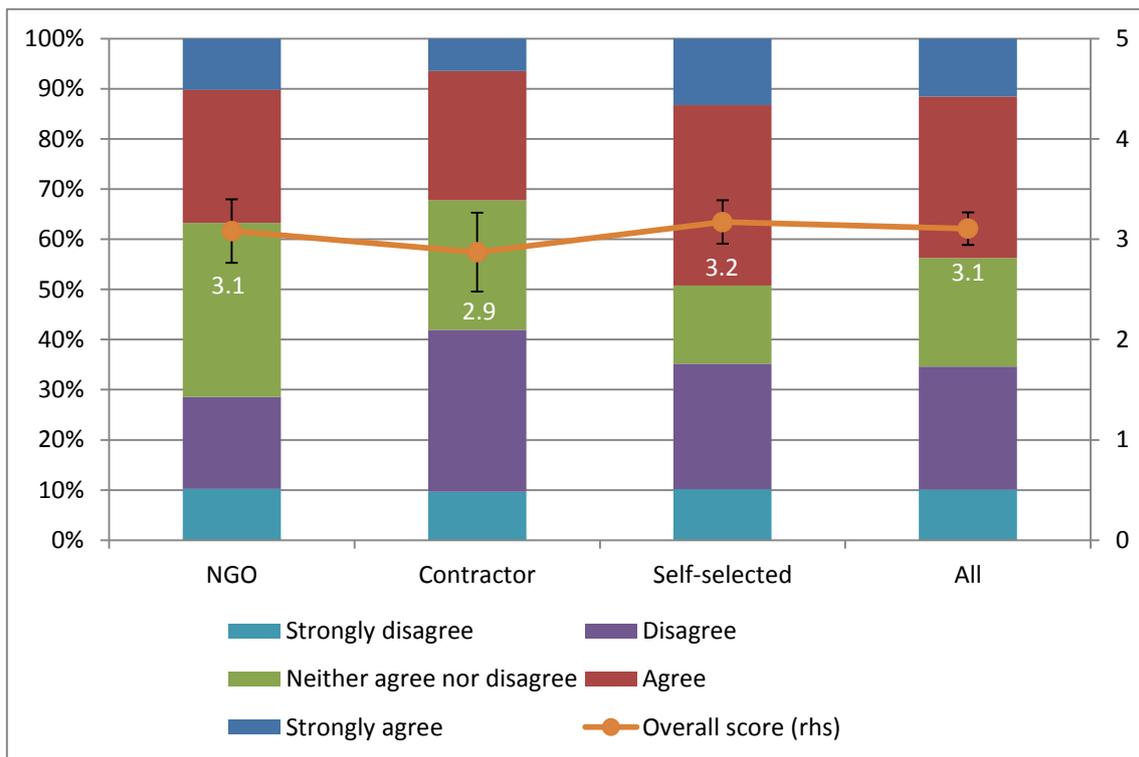
**Figure 26: How long has the current AusAID manager of your project been in place?**



**Views were evenly divided about whether managers had been in place long enough to be effective.** For both contractors and NGOs, about a third thought they had, a third thought they hadn't, and a third expressed a neutral view (Figure 27). (Contractors were slightly more critical.) Self-selected participants were similarly divided, though more opinionated, with far fewer expressing a neutral view.

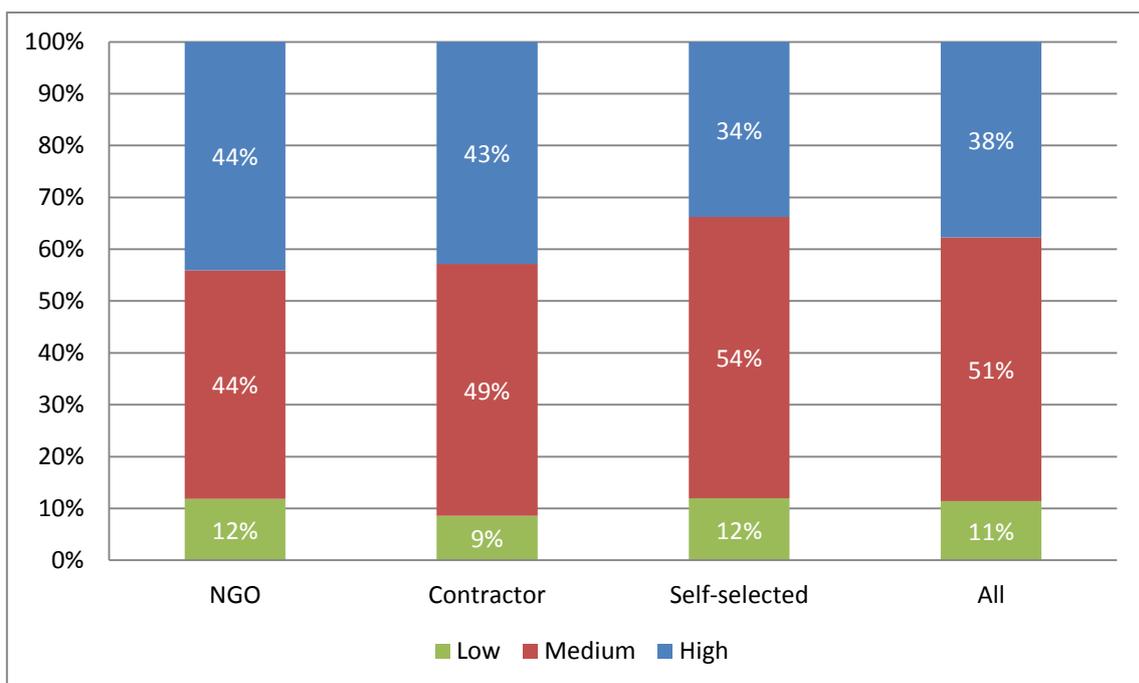
If we focus only on those whose manager has been in place for a year or less, there is a 55% chance that the manager will have been judged to have not been in place long enough to be effective. Once the manager has been in place for more than a year, this probability falls to 9%.

**Figure 27: The manager appointed has been in place long enough to be effective**

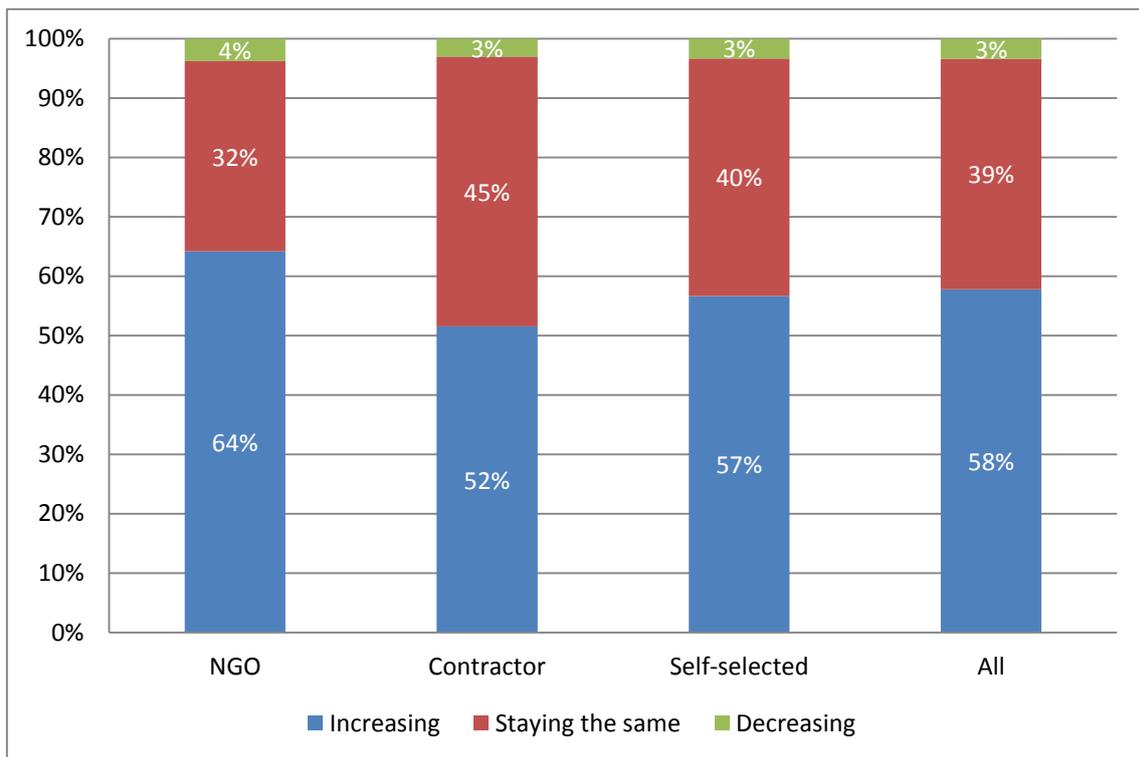


**Transaction costs of dealing with AusAID are medium-to-high and rising.** Across all three groups, 89% of participants identify the transaction costs of dealing with AusAID as being medium or high (Figure 28). Half or more think the transaction costs of dealing with AusAID are increasing (Figure 29). Hardly anyone thinks they are falling.

**Figure 28: How would you identify the transaction costs of dealing with AusAID?**



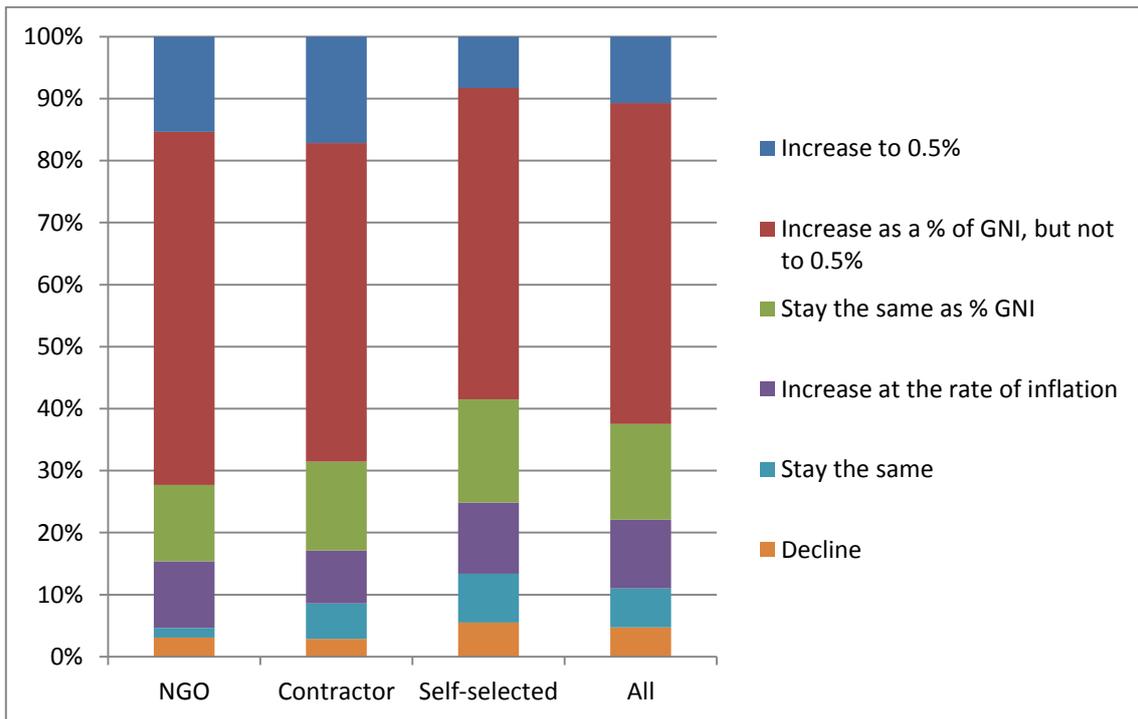
**Figure 29: Are these transaction costs changing?**



## 10. Aid volumes

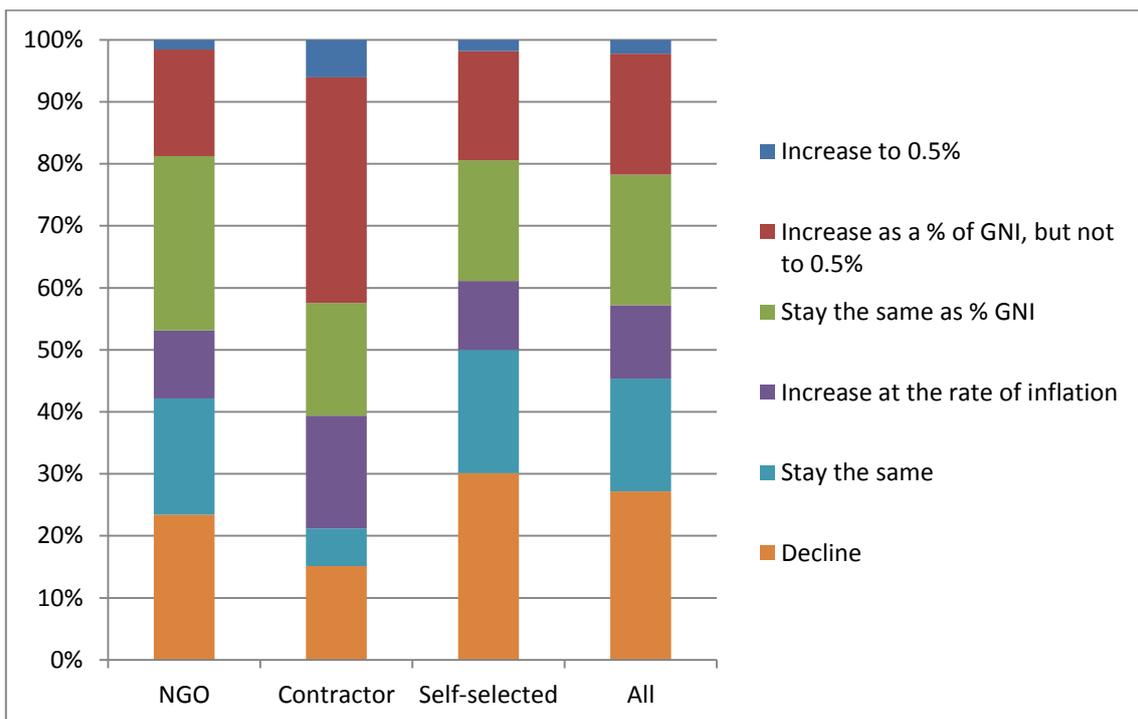
**Views were generally positive on the future of the volume of aid if Labor were re-elected in September 2013.** Only one in ten thought that Labor would deliver on its commitment to increase aid to 0.5% of Gross National Income (GNI) (Figure 30). (As respondents were told, the 2013-14 aid budget put aid at 0.37% of GNI. Getting aid to 0.5% by 2017-18 would imply aid spending of about \$9 billion in 2017-18.) Three-quarters or more thought that, at worst, aid would grow in line with GNI. About half thought that aid would increase as a percentage of GNI, even if didn't reach 0.5%.

**Figure 30: What stakeholders thought would happen to aid under Labor**



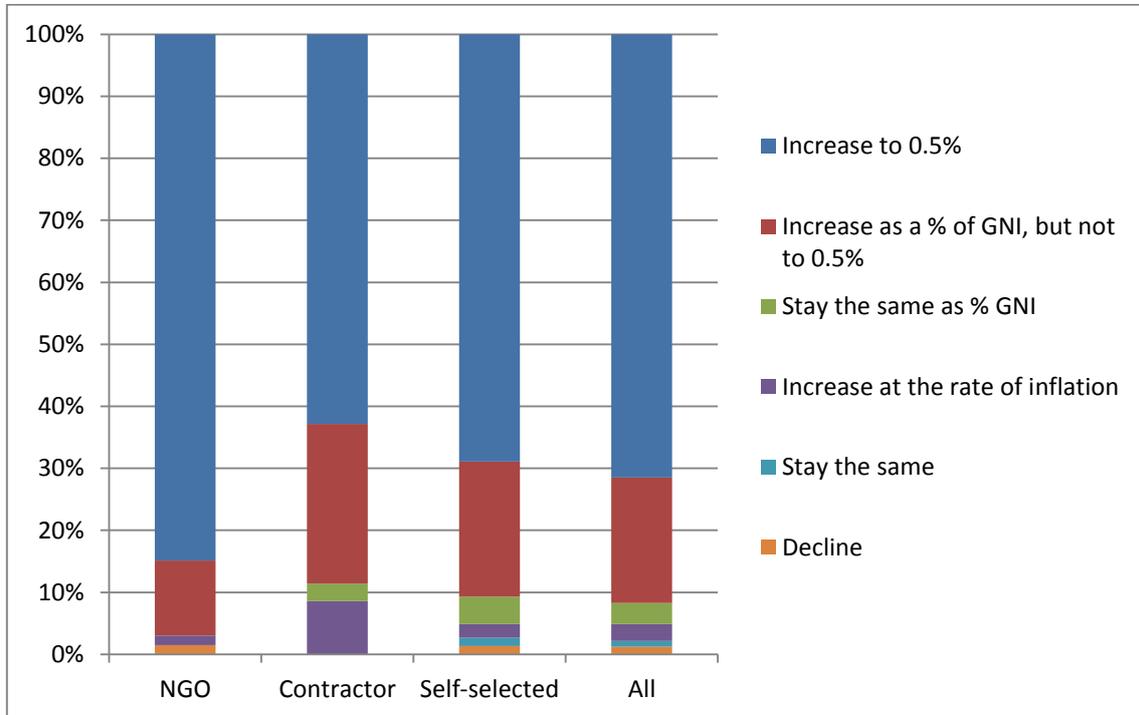
**The outlook was much gloomier for aid under the Coalition.** About half thought that at best aid would increase at the rate of inflation if the Coalition were elected in September 2013 (Figure 31). About 40% thought that even that was too optimistic. The other half were more positive, but just over 20% thought that aid would increase as a percentage of GNI (compared to more than 60% under Labor).

**Figure 31: What stakeholders thought would happen to aid under the Coalition**



**There is strong support for the 0.5% target.** This is strongest among NGOs, where 85% support the target of increasing aid to 0.5% of GNI: the corresponding number for contractors is only 63% (Figure 32).

**Figure 32: What stakeholders would like to happen to aid volumes**



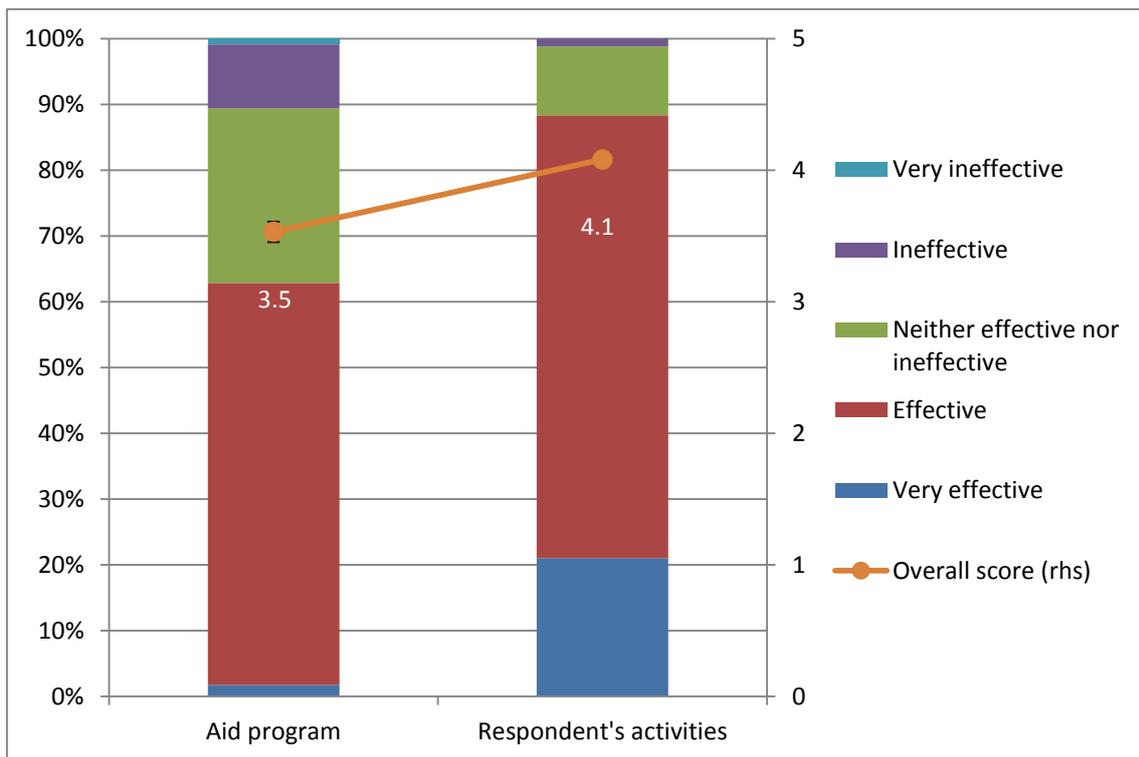
## 11. Discussion

This section summarizes the results presented in the previous six sections under six headings.

**(a) Effectiveness is partly in the eye of the beholder, but there is more that unites than divides aid stakeholders.**

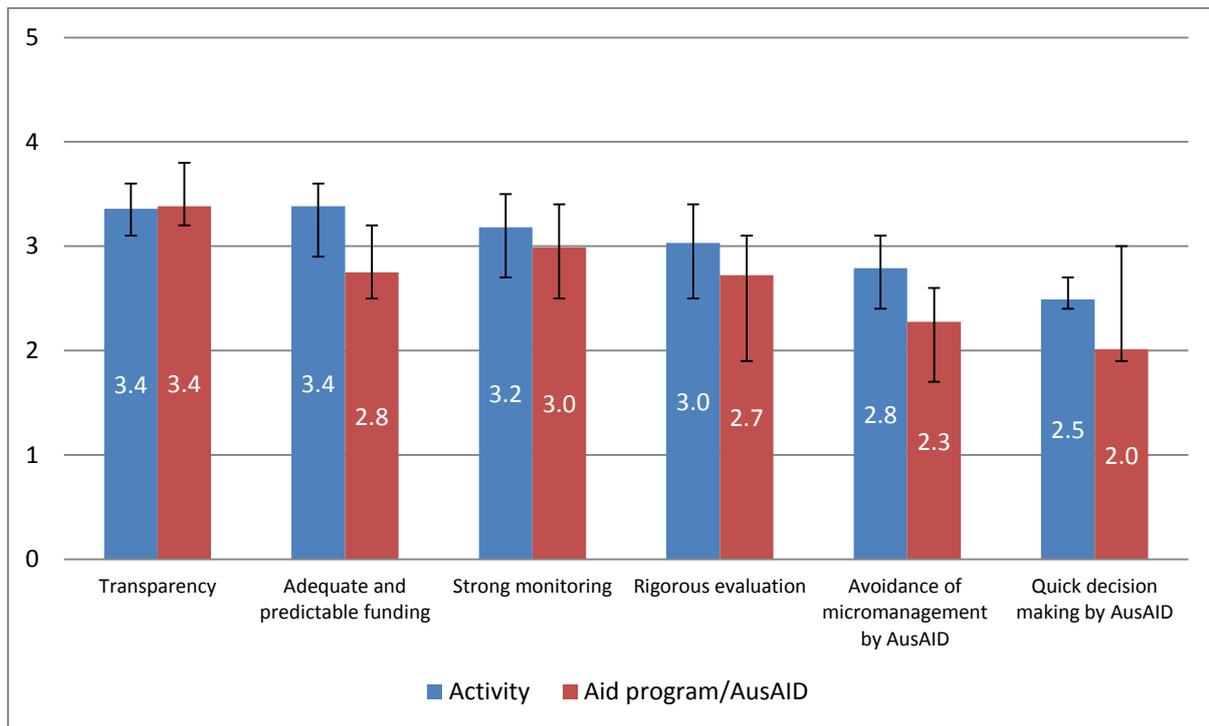
**88% of respondents that were engaged in an aid-funded activity rated it as effective, whereas only 63% had the same view of the aid program.** The average score for the effectiveness of participants' own activities is 4.1 (effective to very effective), whereas for the aid program it is 3.5 (neutral to good). This large, statistically-significant difference can be seen in Figure 33.

**Figure 33: Effectiveness of aid program vs. specific aid activity/activities (all respondents)**



Respondents are also somewhat more positive in terms of individual attributes in regard to their own activities than in regard to the aid program as a whole or AusAID. Figure 34 compares overall scores for attributes when participants are asked in relation to their own aid-funded activity, and when they are asked in relation to the aid program as a whole or AusAID. For four of the questions, there is little difference in the overall score: transparency, monitoring, evaluation and micromanagement. But for the questions about predictable funding and timely decision making, individual activity scores are on average about 0.5 higher.

**Figure 34: Overall scores for attributes for participants' aid activities and for the aid program as a whole (all respondents)**



Note: All the differences in sample means are statistically significant at the 1% level except for the first (transparency). The error bars show the range of overall scores for different stakeholder groups as defined in Table 1.

**This pattern of results is hardly surprising.** Most people are vested in what they are doing. The self-rating bias extends well beyond the aid business, and is known as the “illusory superiority” or the Lake Wobegon effect.<sup>18</sup> In the case of aid, project ratings by the World Bank’s Independent Evaluation Group are typically about 10-15 percentage points lower than ratings of the same projects by project managers.<sup>19</sup> It may also be the case that when it comes to the overall rating, participants take into account matters that they ignore when rating their own activity. For example, a respondent might be concerned about the use of aid to fund asylum seekers, and would take this into account when rating the effectiveness of the overall aid program, but not that of their own aid activity. Finally, different groups of stakeholders must think that their activities are on average better than others: that is presumably why they think they should be rewarded with the most aid (Table 4). Again, this sort of view would lead to the discrepancies that we observe.

**Stakeholders are also divided on some issues.** The clearest example of this is the question concerning delivery channels for aid, where most stakeholder groups advocate for more aid for their group (Table 4). Another clear split concerns technical assistance where 63% of NGOs think too much Australian aid is used to fund advisers, whereas 61% of contractors think that the funding levels for advisers is about right (Figure 12). Another interesting case

<sup>18</sup> See for example Hoorens, V. 1993 ‘Self enhancement and superiority biases in social comparison’, *European Review of Social Psychology*, vol. 4, pp. 113-139. In Garrison Keilor’s fictional Lake Wobegon, “all the children are above average.”

<sup>19</sup> See the World Bank’s Annual Review of Development Effectiveness, Table 2.2

concerns the views of contractor and NGO executives in relation to micromanagement and funding predictability. Both groups are critical in relation to both attributes. But NGOs are more critical than contractors on funding predictability (with an overall score of 2.7 for NGOs versus 3.2 for contractors) whereas contractors are much more critical on micromanagement (2.6 versus 1.9). This can be explained by the different funding arrangements each face. NGOs receive much more core funding from the aid program than development contractors do (Figure 23). This is less predictable, as the funding is not guaranteed by contract, but is rather subject to the vagaries of the budget. However, once the funding arrives for NGOs, because it is core funding, the degree of management is not as much of a concern.

**There are also cases where the divisions are within rather than, or as well as, between stakeholder groups.** For example, while NGO executives have a majority view on this issue (that there should be more aid for Africa) contractors and the self-selected group are fairly evenly divided between those who think Africa should get more aid from Australia, those who think it gets about the right amount now and those who want less aid for Africa.

**But on many important issues there seem to be clear views within and across stakeholder groups.** Some groups are more or less positive in terms of their performance appraisal. NGOs are generally more positive than contractors on effectiveness questions, and in relation to the various aid attributes. Differences between stakeholder groups are sometimes statistically significant (see Annex 2 for details), but even in these cases the differences are often not material. Different Groups typically converge on relative rankings, and thus on which issues are particular strengths or weaknesses.<sup>20</sup>

**In what follows, we focus on those areas where there are: common views within and across different stakeholder groups; and results supported, where possible, by different perspectives** (for example, at the aid program and individual activity level).

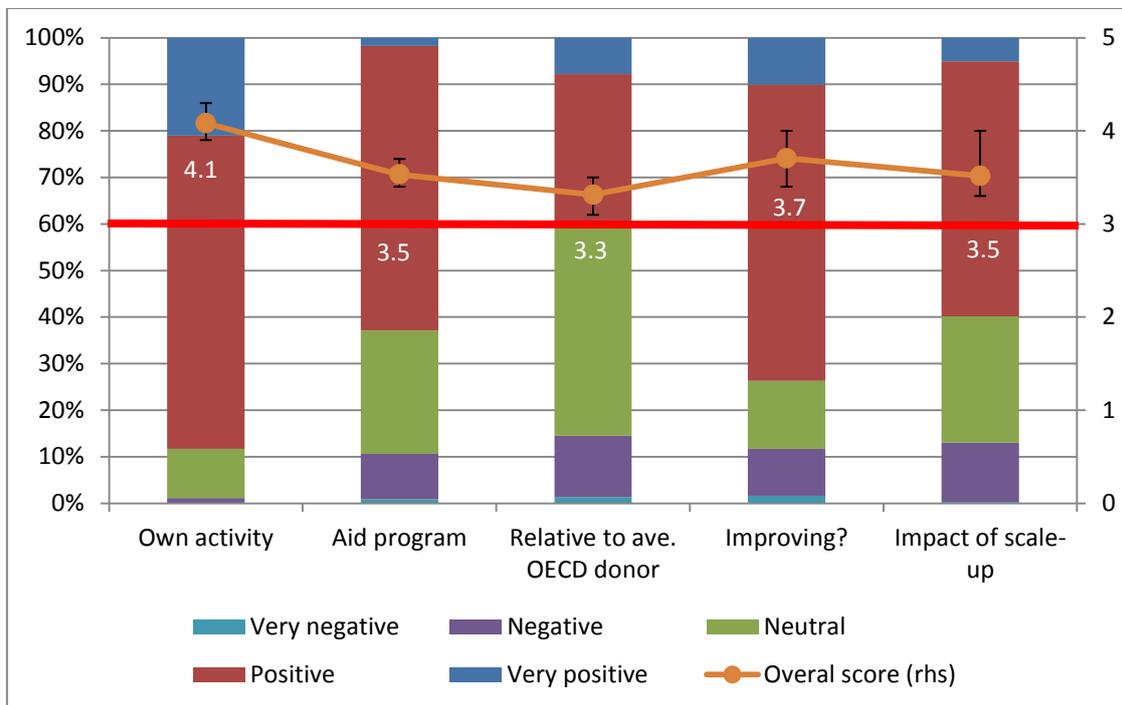
#### **(b) The aid program is good and improving**

**Overall, respondents have a moderately positive view of Australian aid.** Figure 35 puts answers to the five questions about effectiveness into a single graph. As before, the line graph gives overall scores, while this time the error bar gives the range of responses for different stakeholder groups. As noted earlier, views are very positive on respondents' own activities. The aid program as a whole is not seen as outstanding, but it is certainly seen as good, and, importantly, as improving. We do at least as well as the average donor, if not better.

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<sup>20</sup> The average correlation coefficients on rankings of the 17 aid attributes across pairs of stakeholder groups (as defined in Table 1) is 83%.

**Figure 35: Responses of stakeholder groups across different effectiveness question (all respondents)**



Notes: Each column refers to a different question asked about views on aid effectiveness. The first asked about the effectiveness of the respondent's own aid activity; the second asked about the effectiveness of the aid program as a whole; the third asked about the effectiveness of Australian aid relative to the average donor; the fourth asked whether the effectiveness of Australian aid was improving; the fifth asked whether the scale-up in Australian aid had improved effectiveness. While different response sets were used for some of these questions, they all required answers on an (implicit) five-point scale, from very negative (e.g. very ineffective) to very positive (e.g. very effective). The columns show the proportion which responded in each category. The line graph shows the overall score, where a very negative response is given a scale of 1, a negative response 2, neutral 3, positive 4, and very positive 5. On this scale, 3 (marked by the red line) is regarded as a bare pass. The error bars show the range of responses from different stakeholder groups, defined as per Table 1: NGO executives; development contractor executives; NGOs (self-selected); contractors (self-selected) and consultants; academics; developing country government and multilateral agency officials; Australian government officials.

### **Box 1: Selected positive comments about the aid program**

#### **General comments about strengths:**

“The increase in funding has impacted on effectiveness in that there is now much more visibility and need to be accountable to the Australian public.”

“The intent of effectiveness has greatly increased over the past few years, the implementation is still lagging, but it is getting better.”

“Overall I think our aid program has improved over the past few years in reach and effectiveness. The Independent Aid Review was a useful and insightful assessment. I think that people within AusAID are realistic of expectations, try to build partnerships, and want to achieve the best they can with their resources. I think at a political level those expectations may be a little less realistic!”

“AusAID is trying really hard to address the above points, (e.g. manage aid through strong monitoring, transparency, effective communication, etc.etc) but this is diverting aid money to their internal/admin costs) and it is becoming more bureaucratic.”

“[T]he increase in funding has impacted on effectiveness in that there is now much more visibility and need to be accountable to the Aust public. Effectiveness is part of this accountability. So a positive impact for the above reason.”

“Aid effectiveness is improving year by year. There is still a way to go though.”

#### **Most notable improvement in the aid program over the last ten years:**

“Increase in funding and a more focussed aid program”

“Increased attention to effectiveness”

“Aid effectiveness.”

“Greater focus on poverty reduction, civil society engagement and effectiveness, and the overall size of the program.”

“The enhanced focus on aid effectiveness.”

“Creation of an Aid Effectiveness division.”

“Greater focus on evidence based M&E; working through partner gov systems; transparency initiative.”

“Focus on effectiveness, transparency.”

“The aid effectiveness review and efforts to respond to that review.”

“Clearer focus on helping people overcome poverty; increased commitment to demonstrating effectiveness.”

“Expansion in the program has driven real improvements in focus on quality, transparency and accountability, and from an NGO perspective a more equal partnership.”

“The introduction of the ODE and improvement in monitoring and evaluation.”

### **(c) But there is lots of room for improvement, and an unfinished reform agenda.**

In 2011, when launching the new Australian aid strategy, then Foreign Minister Rudd said that he wanted “to see an aid program that is world-leading in its effectiveness.”<sup>21</sup> Clearly we have a long way to go.

**Dissatisfaction with the aid program is focused on the reform challenges identified by the Aid Review.** Stakeholders are largely happy with the focus of the aid program on the Asia-Pacific region, and with its sectoral priorities. But when we come to the 17 aid challenges the survey investigated, there is a good deal of dissatisfaction.

**Of the 17 challenges, only six get a score equal to or higher than the pass mark of 3.** These are transparency, strategic clarity, aid performance management, monitoring, partnerships and focus on results. And only for the first of these two do more than half of respondents regard the attribute to be a strength of Australian aid.

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<sup>21</sup> See the Ministerial Foreword to the 2011 [strategy](#).

**Aid attribute scores are generally low.** The average score for all 17 across all respondents is 2.7. There are 11 scores below 3, and 7 where more than half of respondents think of the attribute as a weakness. Even in relation to their own activity, an area where respondents in general are more positive, there is recognition that not all is well on specific aid effectiveness attributes. The average here is 3.1.

**These low scores are consistent with the fact that stakeholders feel that not enough has been done to tackle the challenges identified by the aid review.** As Figure 5 shows, stakeholders are impressed with the aid strategy of the last government, but feel it fell short on implementation.

**Stakeholders' comments reflect their criticisms across a range of issues.** Some of the negative comments stakeholders made are shown in Box 2. (Comments specifically on staff turnover and the timeliness of decision making are held back for Boxes 3 and 5.)

## Box 2: Selected negative comments about the aid program

### **General comments about weaknesses:**

"I think Australia has compromised the integrity of the aid program by shifting so much money to UN and multilaterals, with little accountability."

"The intent of effectiveness has greatly increased over the past few years, the implementation is still lagging, but it is getting better."

"The biggest weakness of AusAID is the ability of the aid program to conclude the effectiveness of aid programs."

"Fragmentation of approach and management."

"Struggling to deal with rapid increase in budget."

"There is too much confusion in decision making."

"Excessive reporting and regulatory requirements, particularly for small niche agencies."

"Well qualified staff are caught up in bureaucratic requirements and cannot effectively contribute intellectual input."

"Lack of transparency, lack of consistency, too much red tape, inflexible."

"Although reference was made of the whole of government involvement in the aid and development sector, the level of transparency, realism of expectations, and avoidance of fragmentation in all government departments is not on a par with AusAID."

"Too risk averse."

"High risk aversion and compliance overload."

"Too risk averse and not good at communicating power of aid."

"Risk avoidance."

"Risk averse, particularly in engagement in economic development involving the private sector."

"Overly bureaucratic and old school' compared to other OECD donors."

"Delivery of aid is a risky business, sometimes mistakes/issues will arise you need to accept this and manage it rather than avoid risk."

"Increasingly risk averse at a systems, policy, procedure and process level, throttling innovative programming."

"AusAID does not know how to balance opportunity and risk - and seems unaware of the strategic and operational imperative to do so."

"It has been unsatisfactory to have the most immediate circumstance with the Minister for Foreign Affairs having oversight as he has had no interest or understanding of the program or apparent commitment to ensuring effectiveness and efficiency."

"Too susceptible to political whims impacting long term planning ."

"Poor leadership. Poor management culture and structures."

### **Areas of least progress or regress:**

"Predictability in funding and making longer-term commitments to achieve change."

"Complete implementation of the promised growth in funding."

"Funding commitments."

"Changing focus too often."

"Responding quickly and being dynamic."

"Over-emphasis on risk management and risk aversion."

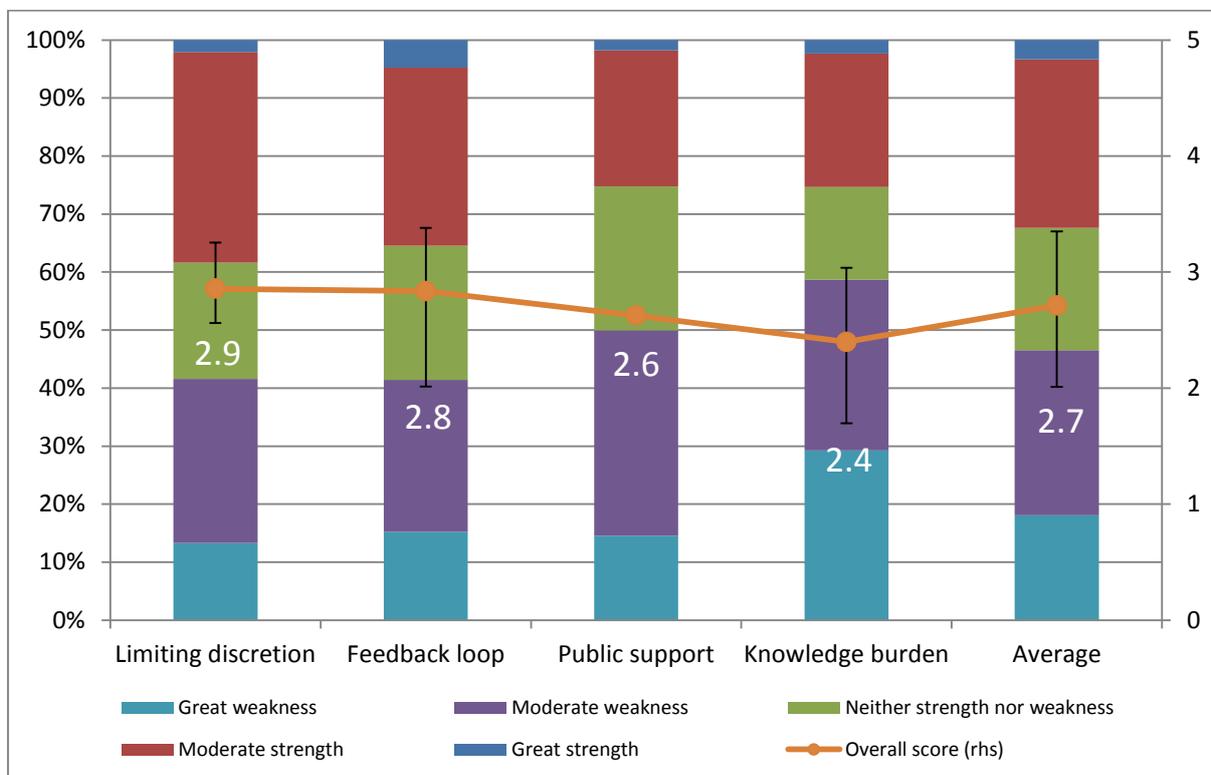
In summary, stakeholders, while they are quite happy to give an overall verdict of good to the aid program, think that there is plenty of room for improvement and that that there is a largely unfinished aid reform agenda.

**(d) Particular reforms stand out from the survey as urgently needed.**

That aid effectiveness reforms need to be redoubled is perhaps the most important message from this survey. But it is also interesting to ask where reform is most urgently required. This section provides three different answers to that question based on the survey’s analysis.

**One might first ask: which of the four aid effectiveness groups gets the lowest score?** As Figure 36 shows, it is the knowledge burden management cluster and by some distance: its average is 2.4. This cluster also stands out as the one where a majority of responses indicate that the area is a weakness (this is the case for three out of the four attributes in this cluster).

**Figure 36: Average responses across the four aid challenge clusters (all respondents)**



*Note: The error bars show the range of responses from different stakeholder groups, defined as per Table 1: NGOs (pre-selected); development contractors (pre-selected); NGOs (self-selected); contractors (self-selected); consultants; academics; partner government and multilateral agency officials; Australian government officials.*

**A second way to identify priorities would be to ask which attribute within each of the four groups or clusters of challenges is regarded as the greatest weakness.** This approach gives the following answers:

<b>Cluster</b>	<b>Weakest attribute</b>
Enhancing the performance feedback loop	Quick decision making
Managing the knowledge burden	Staff continuity
Limiting discretion	Selectivity
Building community support	Political leadership

This would seem to give a sensible listing of reform priorities

**A third approach to the identification of priorities would be to ask, across all 17 issues; where is the greatest consensus that there needs to be a change?** There are just two attributes which achieve an average score of less than 2: staff continuity and decision-making time. These are also the only two that are seen as a weakness by at least half of all stakeholder groups.<sup>22</sup> They are also two issues where evidence emerges from the activity as well as the aggregate level. Decision making time attracted the lowest overall score (2.5) of any of the six attributes asked about at the individual activity level (Figure 25). 55% of government aid managers identified by respondents in relation to their own activities were said to have been in place for less than a year. One-third of them were viewed as having not been in place long enough to be effective.

#### **(e) Corporate reform emerges as a high priority**

**It is striking that both of the two issues that receive the lowest scores fall into the category of corporate reform.** Recommendation 31 of the 2011 *Independent Aid Review* was that:

Corporate reform efforts within AusAID should be accelerated to promote a culture geared towards delivering results and enhancing productivity, especially by reducing staff turnover, streamlining business processes and reducing paperwork.

This subsection discusses the two issues of staff continuity and decision making time separately, and then together.

**The problem of a lack of staff continuity stands out from the survey.** It is the only attribute to be viewed by the majority of respondents not just as a moderate weakness, but as a great weakness. In all, 84% of respondents view it as a weakness; 54% as a great weakness.

**Respondents' comments also indicate the priority they place on this issue.** When asked to suggest what the biggest problem facing the aid program or AusAID is, without a list of problems to choose from, many more respondents identified staff turnover than any other issue.<sup>23</sup> Box 3 provides a number of the comments received.

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<sup>22</sup> As defined in Table 1 (see the bold headings). The issue that received the third lowest score, micromanagement, was less of a concern for NGO executives, but more than half of all other stakeholder group respondents saw it as a weakness.

<sup>23</sup> 19 out of 91.

### Box 3: Selected comments on staffing issues

#### **Strengths:**

- "Staff are competent and most are passionate about what they do."
- "Flexible funding with understanding staff."
- "Some well qualified staff."
- "Staff attitude and belief in higher purpose"
- "Accessibility of staff and willingness to engage."
- "Staff put value on reducing poverty and working with communities."
- "Highly skilled staff who believe in the work of the agency."
- "A genuine commitment by staff to development."
- "Hard working, committed staff."

#### **Weaknesses:**

- "Staff turnover and lack of depth in experience particularly at middle management level."
- "AusAID's efforts to achieve greater effectiveness continue to be hampered by its high aversion to risk, high staff turnover and limited capacity to manage civil society engagement."
- "Staff turnover and run down of in-house technical expertise."
- "In my opinion there are two - attitude to risk which is passed to agencies to enact, and high turnover of staff within departments..."
- "Turnover of staff in key positions - compromises strength of relationships and creates negative impact on organisational knowledge."
- "Staff movement between sections, lack of ownership , insular."
- "Too bureaucratic and high staff turnover is the biggest weakness"
- "Staff turnover resulting in loss of corporate memory."
- "Staff turnover is one of its biggest weaknesses, as this leads to inefficiencies and confusion."
- "Staffing turnover and generally limited experience in the aid sector."
- "High staff transition across teams means a lot of institutional memory is lost."
- "Lack of staff expertise and staff turnover."
- "General inexperience of staff, high turnover..."
- "High staff turnover and staff not fully being experienced in international development."
- "Staff retention and continuity."
- "Staff turnover. Too many junior staff overseas"
- "Retaining great staff, especially at senior technical levels..."
- "Staff retention and building the capacity of its own staff."
- "AusAID needs to invest more in people. Retaining high performing technically-oriented staff and creating more technical career pathways"
- "Rapid expansion and high turn over of staff has resulted in a lot of inexperienced, but very bright individuals being promoted to senior positions."
- "Transaction costs may reduce but are systematically high due to AusAID staff moving positions - previous discussions etc are then lost."

**High staff turnover is an issue with a long history in the Australian aid program.** High staff turnover, defined as rapid staff movements in and out of positions, and so the opposite of staff continuity, was raised first as a problem by the Simons Review in 1997, and then more recently by the ANAO review of 2009 and the 2011 Independent Aid Review (Box 4

**Box 4: Staff turnover in the Australian aid program: some history**

The 1997 review of the aid program (*the Simons review*) reported that:

The [Review] Committee is also concerned about the extent of staff mobility in AusAID. This was raised in many of the submissions received, and during overseas visits. It is far from being a new issue. It was raised in a review of ADAB, a predecessor of AusAID, as far back as 1986 (Fuchs 1986) and it has been an issue of concern to AusAID staff. A degree of mobility is to be expected given the small size of the agency and the need to post staff overseas. Nevertheless, the apparently very high rate of turnover depleted corporate memory, diminishes country knowledge and expertise, and causes inefficiencies through the need to constantly retrain staff.

In 2009 this issue was again picked up, this time by the 2009 Australian National Audit Office report on aid management. Under the heading “High staff turnover is reducing program effectiveness” the ANAO found that high staff turnover “compromised the quality of AusAID’s program management.” The ANAO reported that:

During audit fieldwork, AusAID’s external stakeholders consistently identified high levels of staff turnover as a dominant concern. High turnover was seen as reducing staff skills and experience, and continuity in management of aid activities. The 2008 OECD *Peer Review of Australia* noted that the combination of high staff turnover and mobility were seen by most of AusAID’s partners in Indonesia as ‘a constraint for developing constructive relationships’. High turnover in Canberra is also a predominant cause of weaknesses in internal collaboration, which is reliant on sound working relationships....The ANAO noted a range of instances where high staff turnover has compromised the quality of AusAID’s program management.... Based on these findings, the ANAO considers that AusAID has not yet achieved an appropriate balance to staff turnover, which has tended to be too high.

The issue was again picked up by the 2011 *Independent Review of Aid Effectiveness*, which stated that

The most consistent feedback the Review Panel received was that AusAID’s effectiveness was undermined by the rapid turnover of staff. (p. 29)

In response to the audit review, AusAID put in place a requirement that staff stay in position for at least two years, and overseas postings were increased from 2 to 3 years. The CAPF had the target that “internal movement of staff between branches will be reduced to 7.5 per cent per year.” According to the [2011-2012 Annual Review of Aid Effectiveness](#), “internal staff movements fell from 8.8% to 8.2%.”

While the above refers to AusAID, it should be noted that staff turnover has been raised as an issue afflicting the aid program more broadly. For example, see Ashlee Betteridge’s Devpolicy blog [post](#) “An ex-volunteer’s perspective on improving the Australian volunteers program” (23 May 2013).

**It is plausible that the scaling-up, and the rapid growth in staff it has entailed, has worsened the problem of staff-turnover.** As noted in Box 4, AusAID recently put in place some measures to reduce the problem of staff turnover, and its own reporting suggests some progress. However, these efforts may have been undermined by the rapid scale-up. The number of AusAID staff increased by 500 or about a third between 2008-09 and 2011-

12.<sup>24</sup> The fact that increased funding has been accompanied by a more geographically and sectorally diverse program has likely exacerbated the problem of overly rapid internal staff movement. The Independent Review Panel was of the view that “It will not be possible to solve this problem without an end to the fragmentation of the [aid] program.” (p. 29) This makes the point that corporate reform cannot be viewed in isolation from broader aid reform, which we return to.

**Slow decision making also stands out as a serious problem.** 77% of respondents report slow decision making as a weakness relating to AusAID’s management of the aid program; 55% report it as a problem in relation to their own aid activity. Most respondents also said that the transaction costs of engaging with AusAID were on the rise. Slow decision making and rising transaction costs were frequently commented on by respondents (Box 5).

**Box 5: Selected comments relating to decision making and transaction costs**

“There is too much confusion in decision making.”  
“Autocratic senior management style and paralysis of decision-making.”  
“Communication coupled with lack of clear, rational, transparent & decisive decision making.”  
“Timeliness and lack of wanting to make a decision.”  
“Last minute decision making”  
“Too much turnover in the field and at times a reluctance there to make quick decisions.”  
“In relation to ANCP, the transaction costs are increasing year and on year with no improvement in the predictability of funding”  
“...The transaction costs are more time-related than financial.”  
“A lot of talk, a lot of documentation, a lot and excessive managerialism that has led to paralysis in decision making”

**The reputation of Australian aid for being pragmatic and flexible is clearly at risk.** The 2011 Independent Review of Aid Effectiveness also found slow decision making and high transaction costs was a problem, and put it down to excessively bureaucratic approaches and lack of senior management guidance or results focus. For example (from p.81):

The Review Panel believes there is too much paperwork at AusAID, leading to lengthy processing times. The Indonesia Study<sup>25</sup> illustrates both problems. It finds that:

“There is far too much paperwork, reports and processes in AusAID. On a very subjective assessment of the Indonesia program, somewhere between 50–70 per cent of reports, documents, processes and briefs do not lead to any decisions or actions... This is strangling the agency at all levels.”

And

“...the current health sector design has already taken over four years at a cost of close to \$2 million and is still incomplete.... There are many other examples. A lack of senior management engagement in the early concept stages is one of the causes....”

<sup>24</sup> See Robin Davies’ Devpolicy blog post “[AusAID staffing: how low could it go?](#)” (22 October 2013).

<sup>25</sup> A study commissioned by the review, available at <<http://www.aidreview.gov.au/>>.

**Other causes for slow decision-making could be increased levels of risk aversion and funding uncertainty.** The cuts to forward estimates, and in some cases to current year budget allocations, that have characterized Australian aid over the last few years have no doubt created a difficult decision making environment. And it is likely that aid's increased profile has led to greater caution being exercised. Finally, slow decision making may be due to excess discretion: too much chopping and changing, and inadequate program continuity. All this again makes the point that corporate reform cannot be viewed in isolation.

**Corporate reform has been a priority for AusAID.** The 2012-13 (and last) [AusAID Annual Report](#) begins by claiming that:

Corporate reforms and new approaches to business were embedded within agency operations during 2012–13, ensuring AusAID's ability to deliver an effective and efficient aid program.

It goes on to say:

The government's release of its aid policy marked the beginning of a period of unprecedented organizational growth and change for the agency. In 2011–12 structures, policies and systems that provided the foundations for a more effective and efficient aid program were put in place. In 2012–13 the agency built on this foundation, extending corporate reforms and embedding new approaches into agency operations. (p. 226)

The Annual Report notes some reforms underway to tackle the sorts of problems identified by the survey. For example, the Director General's Overview stated that in 2012-13 AusAID worked on:

simplifying processes for low value and low risk investments so that development assistance can be delivered quickly and efficiently.

**Whatever the achievements of AusAID's corporate reforms, it was unable to solve the problems highlighted in the survey.** Of course, now AusAID is no more, and there is a very new corporate structure within which these problems will need to be addressed. Different solutions will be required, but the important point is simply that there are some serious problems which need to be addressed.

**Corporate problems such as high staff turnover and slow decision making cannot be addressed through corporate reform alone.** As is evident from the above discussion, addressing these problems requires not only better human resource systems and streamlined bureaucratic systems, but also more funding stability, a greater focus on results (i.e., getting things done, not results measurement), less risk aversion and more selectivity.

**Comprehensive reforms are required.** While one can highlight individual weaknesses as appearing to be particularly severe, it is not plausible to suggest that they can be addressed in isolation.

**(f) Objectives for aid: the national interest is seen to be a more important aid driver than poverty reduction**

**The aid community does not support the government's drive to align aid more closely with strategic and/or commercial objectives.**<sup>26</sup> It is not really surprising that the aid community wants to see more weight given to poverty reduction: after all, that is the mission that drives many aid community members, and the institutions they represent. What is more surprising is the consensus in the aid community that national security and commercial interests already carry more weight than poverty reduction in the execution of the aid program. The general consensus was that the weights given in practice to these three objectives are 40-40-20 (Figure 7). If this is the case, then it is hard to see the need, expressed by the government, to better align aid and the national interest (commercial and strategic objectives combined). Or, put differently, a conscious effort to ensure a strong alignment between aid and the national interest may not lead to major change since such an alignment already exists.

## **12. Conclusion**

**The richness of results from the survey suggests its worth.** The results of the survey are interesting: many could not be predicted. They provide an opportunity for stakeholders to take the initiative, and to make their concerns heard. They offer an insight into aid effectiveness challenges that are all too often glossed over in academic discussions and policy debates.

**The community of aid stakeholders has a lot in common, and needs to do more to make its voice heard.** Aid stakeholders rarely, if ever, convene as a single group. The separate "tribes" (NGOs, contractors, etc) generally keep to themselves. But the survey shows that there is in fact more that unites than divides the different groups of aid stakeholders. One of the results of the survey is that more than half of the aid community expected a far worse outcome in terms of aid volumes under the Coalition than under Labor (see Figures 30 and 31). Despite this, Coalition leaders were never asked about their aid plans, which weren't revealed until two days before the elections. Nor did Labor announce a policy on aid prior to the election. Aid needs to be made into a serious policy issue, on which parties are expected to have positions going into elections.

**A succinct summary of stakeholder views would be that the aid program is good but very improvable.** The 2011 Independent Aid Review summarized the Australian aid program as "improvable but good." (p. 5) The verdict of the stakeholders is that the aid program is good but very improvable: reforms are needed in a wide range of areas.

**The survey results are also a powerful reminder of the prosaic fundamentals which, if absent or deficient, can undermine effective aid.** Effective aid management is no doubt a complex matter. Better aid requires better strategies and better implementation. Much

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<sup>26</sup> When the Government announced in September 2013 the integration of AusAID into DFAT, it [said](#) it was to better align "the aid and diplomatic arms of Australia's international policy agenda." Since then the Foreign Minister has [stated](#) that "The Government's approach of economic diplomacy brings our aid program together with our foreign and trade policy priorities in the pursuit of broader economic development, which will not only support prosperity and growth in Australia but of course in the wider region." This at least leaves open the possibility that commercial objectives will play a larger role in the aid program.

attention is paid in discussions of aid effectiveness to sectoral and country choices, to aid modalities and to strategic focus. But what emerges as the biggest weaknesses in Australian aid from our survey are not any of these, but the prosaic realities that aid staff change position too often and that decisions take too long to make. These are corporate reform issues that are raised little, if at all, in discussions of aid effectiveness. For example, they make a very limited appearance in the lessons learnt document from the regular OECD DAC peer reviews of donor aid programs.<sup>27</sup>

**But the strongest finding of the survey is that a redoubling of aid effectiveness reform is required.** While the survey certainly points the finger at particular weaknesses, the bigger message is that reforms are needed across the board. Stakeholders perceive a wide range of weaknesses. Moreover, the discussion above has shown that tackling individual challenges themselves requires a broad-brush approach.

**Improving aid effectiveness will be far more challenging than better aligning aid with the national interest.** The survey results suggest that aid and the national interest are already well aligned. If we take the survey results seriously, then the focus should be squarely on aid effectiveness.

**Changes currently underway in the aid program should be judged against the survey's findings.** The aid program is currently in a state of flux with the abolition of AusAID and the responsibility for running the aid program being handed to DFAT. International experience suggests that there is no single best way to organize and run an aid program.<sup>28</sup> But the survey's findings help provide a frame within which the reforms and their implementation can be judged.

**The first aim should be that the current strengths of the aid program are protected.** There are certainly risks that with the shift of responsibility for the aid program to DFAT, the recent emphasis on transparency and strategic clarity will be lost.

**There are also risks that the trajectory of improvement will stall.** There has been an implicit contract or bargain over the last decade of "more aid and better aid." There is a risk that with priorities elsewhere (on organizational integration, for example), and in the absence of aid increases, the momentum for improvement will be lost.

**The pre-existing corporate weaknesses identified by the survey may be exacerbated.** The model of deep integration preferred by the government may make it hard to hold together and utilize effectively the specialized skills required for effective aid. The "perfect storm" of within-year aid cuts, fundamental reorganization, staff downsizing and the search for a new aid strategy will, at least in the short term, further slow decision making, and may increase rather than decrease staff turnover.

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<sup>27</sup> For example, staff turnover receives no mention in the OECD 2008 report [Effective aid management: twelve lessons from DAC peer reviews](#). Staff turnover does feature as an issue in *The Samaritan's Dilemma* (see footnote 3 for reference), based on an "inside" view of an aid agency, which notes that: "Given the high rate of turnover of staff dealing with any one project or program, and the lack of a link between career advancement and participation in sustainable projects, few incentives—besides personal motivation—exist for individuals within most agencies to be involved with a project after reassignment. These institutions detract from any agency's potential for organizational learning and ability to create better projects and programs." (p. 230)

<sup>28</sup> See Joanna Spratt's Devpolicy blog post "[Thinking about aid's organisation](#)" (20 November 2013) for a good overview of international experience in this regard.

**But there are also opportunities for improvement.** The Foreign Minister has underlined her commitment to aid effectiveness, and promised to take the aid effectiveness agenda further.<sup>29</sup> She and the Parliamentary Secretary may be able to provide the political leadership that stakeholders have so far found lacking. And the through-going changes now underway do provide the opportunity for a new start, including a streamlining of business processes. With the move to DFAT may come the adoption of more realistic expectations.

**Aid program benchmarks should be focused on the aid program attributes identified by this survey.** The new government has rightly stressed the importance of having benchmarks for the aid program. Given the difficulties of measuring aggregate aid effectiveness, the importance of good aid processes for effectiveness, and the significant weaknesses this survey has uncovered, there is a good case for focusing these benchmarks on key effectiveness indicators, such as selectivity and staff turnover.

**It would also be worth repeating this survey, say in a couple of years.** This survey sets a baseline. It gets at challenges and weaknesses that would otherwise be very difficult to get data on. Especially given the great changes currently underway in Australian aid, it should be repeated, say in two years', time to see whether we are heading in the right direction or going backward when it comes to aid effectiveness.

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<sup>29</sup> See "[More transparent, open and effective: Julie Bishop on Australian aid](#)," Devpolicy Blog, 7 November 2013