

The new aid paradigm: is it new, and what does it do for aid reform?

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Julie Bishop calls it the [new aid paradigm](#): the Coalition's new aid program strategy and performance framework. The first thing to say about it is that it is not that new. That is not a criticism. It would not make sense for the aid program to head in a completely new direction every time a new government came to office. And improving aid effectiveness is a bipartisan endeavour that has been underway now for many years. Taking this agenda forward is best done by building on the efforts and achievements of the past. To see the similarity between the old and new approaches, take the ten targets which constitute the government's new performance framework. As the table below shows, eight of them have at least somewhat (and sometimes very) similar counterparts in the previous government's performance framework and aid strategy more generally.

	New aid targets	Counterpart under previous strategy or performance framework
1	Aid-for-trade from 13% currently to 20% of total by 2020.	No sectoral targets.
2	New investments to explore innovative ways to engage private sector.	None.
3	All regional and country strategies completed by 2015.	Top 20 strategies completed by 2012.
4	80% of projects rated satisfactory for gender during implementation.	No target, but monitored.
5	90% of bilateral aid to go to Indo-Pacific region from 2014-15.	75% of total aid for Asia Pacific (a subset of Indo-Pacific).
6	Mutual obligations part of program performance assessments by July 2015.	Mutual obligations in many performance frameworks and assessments.
7	Partner performance assessments by July 2015.	Multilateral Assessment to be updated annually.
8	85% of projects to be rated effective and efficient; ineffective projects to be cancelled after a year.	75% of projects to be rated effective; ineffective projects to be cancelled after two years.
9	Reduce the number of individual investments by 20% by 2016-17.	Reduce number of projects by 25% by 2015-16.
10	New fraud and anti-corruption country strategies by July 2015.	Fraud Control Plan for aid program as a whole; and some country strategies/agreements as well.

Or look at this comparison of the sectoral expenditure categories of the previous government, and their share of the aid budget in 2013-14, with the sectoral categories adopted by the new government, and their share of the budget in 2014-15 (information for which is now available from the government's belatedly-issued [aid budget](#) or 'Blue Book', also released yesterday). There is little difference in the packaging, and, so far, in their shares.

1. Saving lives	19%	1. Education and health	39%
2. Promoting opportunities for all	22%		
3. Humanitarian and disaster response	17%	2. Building resilience: humanitarian assistance, disaster risk reduction and social protection	14%
4. Sustainable economic development	19%	3. Infrastructure and trade	13%
		4. Agriculture	7%
5. Effective governance	16%	5. Effective governance	18%

It's not all continuity though. There are certainly a significant number of changes, including of course the plan to lift aid-for-trade spending. More analysis will be needed, but we focus here on what we consider to be the big improvements and the main negatives.

First the big improvements.

- The requirement that now projects will have to consider ways to engage the private sector won't influence traditional technical assistance projects, but could make a big difference in the social

sectors, where the aid program will need to consider whether it could do more to partner with, for example in PNG, church-run health services or private sector health providers, actual or potential.

- The emphasis on innovation, the \$140 million innovation fund and a willingness to take risks are all positives. Our [Australian aid stakeholder survey](#) last year revealed that most thought that AusAID should be prepared to take more risk.
- The elevation of gender, for the first time, to become one of the six priority areas for the aid program, alongside the five sectoral categories given above, is a positive. Gender is not a sector: projects promoting attendance of girls at school will instead be classified as an education investment. But it is nevertheless good to put gender up in lights with the other five sectors: its previous treatment as a crosscutting issue, while logical, perhaps meant it didn't get the attention it deserved.
- Some of the targets introduced are ambitious and will not be easy to meet. The figure below (from a recent Office of Development Effectiveness (ODE) [report](#)) shows what the baselines are. Satisfactory scores for effectiveness and efficiency are normally below the new target of 85%, and satisfactory scores on gender are normally below its new 80% target. Of course, these are self-ratings, and standards can be lowered to meet the new targets. But the ODE will be doing spot-checks to keep the self-rating bias under control, and it's got to be an improvement to have more ambitious targets than the earlier, single 75% effectiveness target, which was always guaranteed to be met, and therefore irrelevant.

And now the main negatives, all of them omissions.

- Aid transparency has [declined so far](#) under the new government. The new strategy recommitting to transparency, which is good, but transparency is dropped from the performance framework. Since reporting will be based on the ten targets, and transparency is not one of them, that may well mean less emphasis for transparency. The last government, despite committing itself to report annually on its progress with transparency, [struggled](#) to keep project information up-to-date on the web. Not making transparency a performance target is a mistake.

- Another area the performance framework is silent about is actual results. The old performance framework was full of quantitative targets such as “40,000 women survivors of violence will receive services, including counselling.” There were in fact 17 such output or outcome targets. The new performance framework has none. The previous government went too far, we [argued](#), with its emphasis on output targets. Nevertheless, they are, at a minimum, good tools of communication. Compare the old target above with the new government’s gender target: “80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation.” Is that really going to impress or excite anyone except an aid wonk? The Coalition is to be congratulated for focusing its performance framework on things that are under Australian control and are reasonably easy to measure (such as ratios and ratings) but some supplementation by more easily understandable, communicable and tangible results would have been helpful.
- The government has only done half the job it set itself. It answers the first question in its [consultation](#) paper (“How should performance of the aid program be defined and assessed?”) but not the second (“How could performance be linked to the aid budget?”). There is to be a performance incentive fund (another instance of continuity with the past), but no hint is provided of how the basic challenge of linking performance to aid allocations at the country level will be met beyond the anodyne: “Progress by both Australia and its partners in meeting mutual obligations will be assessed and reflected in future budget allocations.” Experience shows that without an explicit formula linking performance to allocations either across countries or across time, such an intention is simply not credible. The difficulty of converting good intentions into reality was in fact illustrated yesterday at the launch of the aid policy itself. Yesterday was the day when the PNG Prime Minister [sacked](#) his anti-corruption chief after the latter accused the former of corruption. Given the prevalence of corruption in PNG and the heavy emphasis placed on corruption by the aid program, if there was ever a case of a country not meeting its “mutual obligations” this was it. And yet our Foreign Minister happily announced, at the launch, that we are in fact increasing aid to PNG.
- Not enough attention is given to aid management in the performance framework, and not enough to what aid stakeholders see as the problems with the aid program. When we [asked](#) over 300 aid stakeholders in our survey last year what they saw as the problems in the aid program, they said rapid staff turnover was the most serious, and slow decision making the second. The old performance framework included a commitment to reduce staff turnover. That has been dropped. Timely decision-making features in neither framework. These might seem like prosaic things, but they are critical for effective aid. And if we can’t manage regular aid well, you can forget about innovative aid. Especially with the DFAT merger, aid management threatens to be the Achilles Heel of Australia’s aid program. It is unfortunate it has been marginalized in the new approach.

Criticisms invariably take longer to express than praise. The new strategy and performance framework clearly has both strengths and weaknesses. Its continuity is itself a major strength, and it is good that we now have a new underpinning for the aid program, and within only a year of the Coalition taking office.

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