

Independent Review of Aid Effectiveness

TERMS OF REFERENCE

1. Background

The Australian aid program aims to assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interests. The program has doubled in size over the last five years to an estimated \$4.3 billion in 2010-11 and, on current economic projections, will double again to meet the Government's commitment to increase Australia's aid to 0.5 per cent of gross national income by 2015-16.

The Government, Parliament and taxpayers need to be confident that this significant investment is both effective and efficient in fulfilling its objectives.

The Government has taken a range of measures to improve the effectiveness and efficiency of the aid program. The Office of Development Effectiveness (ODE), which was established in 2006, has completed a number of reviews and evaluations of the program, including the Annual Review of Development Effectiveness, which is tabled in Parliament. The findings of this analysis are used to improve aid program planning and implementation. AusAID, the lead agency within the Government on the aid program, has rigorous systems and processes in place to ensure that the aid program is well managed and prioritised. These systems are reviewed and improved regularly. A review of advisers engaged under the aid program is currently being conducted jointly with developing country partners, and a review of procurement and agreements processes has commenced. An audit of the aid program by the Australian National Audit Office in 2009 found that AusAID had effectively managed the increases in the program up to that time.

To ensure that the further increase in the aid budget to 2015-16 is well managed and meets the Government's objectives, a review of the aid program will be conducted. This will be the first independent public review of the aid program commissioned by the Australian Government since the Simons Review in 1996.

This review will draw on the experience of the last five years and relevant international experience and make recommendations regarding the structure of the program and the planning, implementation and review arrangements needed to support delivery of a substantially enlarged aid investment. This review will make a strong aid program even better.

2. Objective

To examine the effectiveness and efficiency of the Australian aid program and make recommendations to improve its structure and delivery.

3. Scope

In particular the review will focus on:

- a. The structure of the program, noting in particular:
 - the appropriate geographic focus of the program, taking into account partner country absorptive capacities;
 - the appropriate sectoral focus of the program, taking into account Australia's area of comparative advantage and measured development effectiveness results;
 - the relative focus of the aid program on low and middle-income countries;
 - the relative costs and benefits of the different forms of aid, including the role of non government organisations and the appropriate balance between multilateral and bilateral aid funding arrangements.
- b. The performance of the aid program and lessons learned from Australia's approach to aid effectiveness.
- c. An examination of the program's approach to efficiency and effectiveness and whether the current systems, policies and procedures in place maximise effectiveness.
- d. The appropriate future organisational structure for the aid program, including:
 - AusAID's organisational structure for aid delivery;
 - arrangements for the coordination of ODA across the public service; and
 - coordination of Australia's ODA with other donors and institutions.
- e. The appropriateness of current arrangements for:
 - review and evaluation of the aid program, including an examination of the role of the Office of Development Effectiveness and options to strengthen the evaluation of the aid program; and
 - the management of fraud and risk in the aid program.

The review will involve an examination of broader international thinking on aid effectiveness and will draw on work by the OECD DAC (including the most recent peer review of the Australian aid program), work on the approach and experience of non-state donors (such as the Clinton and Gates Foundations and non government organisations) and the range of audits undertaken by the ANAO.

4. Management arrangements

The review will be conducted by a panel consisting of:

- Mr Sandy Hollway, AO,(Chairman), former secretary of two Australian Government departments and CEO of the Sydney Organising Committee for the Olympic Games, previously, an official of the Australian Department of Foreign Affairs and Trade for 16 years, an Australian diplomat at four overseas posts and Head of the International Division and Deputy Secretary of the Department of Prime Minister and Cabinet with responsibility for foreign aid and other international matters;
- Dr Stephen Howes, Director, International and Development Economics, Crawford School of Economics and Government at the ANU, previously worked as the Lead Economist for India for the World Bank and as Chief Economist at AusAID;
- Ms Margaret Reid, AO, has extensive experience with Australian non-government organisations (NGOs) working in international aid as the former President of the Executive Committee of the Australian Council for International Development. Ms Reid is also the first female President of the Australian Senate, and former World President of the Commonwealth Parliamentary Association;
- Mr Bill Farmer is a former senior diplomat. Mr Farmer was Head of Mission in the two largest recipients of Australian aid, Indonesia and Papua New Guinea. Mr Farmer was also the Deputy Permanent Representative of Australia to the United Nations;
- Mr John Denton, CEO and Partner at Corrs Chambers Westgarth is a Prime Ministerial appointee to the APEC Business Advisory Council and a member of the Boards of the Business Council of Australia and the Commonwealth Business Council. He has firsthand experience of development and conflict through postings to Bangladesh and Iraq. He is Chairman of Australia for United Nations High Commission for Refugees Australia.

The panel will be supported by a secretariat led by AusAID and drawn from a range of other Government agencies, including central agencies and agencies involved in the delivery of the aid program, as necessary. The panel will draw on expert advice as required.

5. Approach

The review will consult extensively across the Australian Government, non-government organisations and other key stakeholders in the Australian community. Fieldwork will be conducted to consult with a selection of Australia's bilateral and multilateral partners.

6. Timing

The review will commence in November 2010 and be completed by April 2011.