The Australian Council for International Development

Evidence Brief 1. Aid effectiveness for whom? Why the aid program will fail without embracing civil society.

'Development requires the removal of major sources of un-freedoms: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states.' - Amartya Sen, Nobel Prize Winner for Economics, 1999*.*

'Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law.' - Universal Declaration of Human Rights, 1948.

[Civil society] *'...stressed volunteerism, community spirit and independent associational life as protections against the domination of society by the state, and indeed as a counterbalance which helped to keep the state accountable and effective…'*- Alexis de Tocqueville, 1828.

Overview

This Brief addresses Terms of Reference a and b. This is the first part of ACFID's three part submission to the Review of the Effectiveness and Efficiency of the Aid Program (the review) and covers:

Summary of Recommendations and Reforms
Why an active civil society is critical for sustainable development
How Australia's aid is too heavily skewed towards one approach: bilateral aid
How to increase support to civil society in developing countries
How Australian aid and development NGOs are essential to aid effectiveness and offer value for money, including:

      a) Australian NGOs and the potential for better public messages for a growing Australian aid program
      b) Australian NGOs and service delivery outcomes in sectors like health and education
      c) Australian NGOs development effectiveness experience - testing this through their relationships with poor communities
      d) Quality control and risk management with the ACFID Code of Conduct and AusAID accreditation
      e) How Australian NGOs use their experience in policy development, advocacy and community engagement

Seven proposals to help AusAID scale up partnerships with Australian NGOs and their CSO partners in developing countries.

Summary of Recommendations and Reforms

Recommendation 1: That AusAID recognises civil society as a key driver for sustainable human development and adopts an overarching strategic framework for engagement with civil society through the Australian Aid Program.
Reforms

1.1 All AusAID Country Strategies and Implementation Plans should consider the role and potential for engagement with civil society in developing countries and state how the Australian aid program will support this.

1.2 The Australian aid program should adopt a long term (10 year horizon) approach to engagement with civil society in developing countries. In particular, Australia should:

- foster developing country expertise and skills
- reduce its reliance on consultants from developed countries in its aid program and instead seek to maximise developing country skill sharing and the transfer of resources to developing country economies
- increase people-to-people links through organisational 'twinning' and the volunteer program, and support South-South linkages
- better involve communities in aid planning, implementation and evaluation, and share its assessments with the people involved
- reduce funding to Australian scholarships in favour of support for in-country tertiary education, including cross-country university collaborations.[1]

1.3 AusAID should recognise the value of working through Australian aid and development NGO partnerships, and develop a policy and guidelines which provide a framework for programs to decide what approach to take in engaging civil society.

1.4 As per the OECD Development Assistance Committee 2008 peer review, the government should develop a comprehensive communication strategy for the aid program with different messages for different segments of the public.

1.5 AusAID should collaborate with a wider range of Australian NGOs on developing strong messages and narratives about the value, complexity and impact of Australian aid.

1.6 The government should explore the creation of an incentive system, similar to those in other industries, for small and new player NGOs to comply with the ACFID Code of Conduct.

1.7 The Government should increase the level of funding to the Australian NGO Cooperation Program.

1.8 There should be greater use of cooperation agreements which are aligned with the AusAID Country Program Frameworks and complement the work of the bilateral program in that sector.

1.9 Increased funding should be allocated to the AusAID Innovations Fund, reaching $20 million in 2014-15, with a $5 million allocation in 2011-12.

1.10 AusAID's NGO and Human Rights Policy Section's mandate and staffing should be developed to help ensure that a systematic approach to planning and working with CSOs and NGOs is taken across AusAID and other government departments, including development of standardised funding processes.

---

[1] A positive example is the Cambridge University Partnership Scheme.

1.11 The use of secretariats should be further developed and employed in cooperation programs and country programs as a mechanism for ensuring that AusAID deals with diversity and scaled up funding for Australian NGOs and their CSO partners.

1.12 The timeframe of Australian NGO programs should be extended and multi-year funding introduced.

1.13 A part of the funding for the scaling up of Australian NGOs should be dedicated to further building the skills and capacity of Australian NGOs to work effectively with their civil society partners and other key stakeholders.

Why an active civil society is critical for sustainable development

Civil society harnesses the power of citizens to participate in decision making processes that will affect them and demand governments fulfil (and are responsive to) their rights and needs. The role of civil society in supporting elements for the development process is undeniable, particularly by empowering citizens to demand their rights and hold governments to account.[2]

Civil society organisations (CSOs), supported by the not-for-profit sector, are key agitators for positive change and contribute to social capital.[3] In developing countries CSOs work in a variety of distinctive ways to improve the conditions of those living in poverty including by striving for better governance and improved services for the poor and marginalized; by empowering citizens to demand their human rights and strengthening democratic processes, as well as fostering the ability of communities to hold their governments, aid agencies and private sector actors to account.[4] For several decades it has been generally recognised in developed countries that governments are not capable alone of delivering all services to citizens, mediating interests, and ensuring sustainable economic human development and respect for human rights.[5] So, for sustainable development to occur it is imperative that CSOs and NGOs are involved in AusAID program and policy development processes.

Three examples: Indonesia, Burma and the Solomon Islands

Civil society in all its manifestations is a critical component to human development and essential part of human freedom. In Indonesia, student and CSO agitation led to the fall of the declining Suharto dictatorship in the wake of the 1997-98 Asian economic crisis. Since then there has been an explosion in the variety of civil society organisations and social service providers and a more vibrant media. This forms a critical social component of the stable, prosperous middle income country that has emerged today.

So, do Australian aid policy makers recognise the essential role of Indonesian civil society and seek to foster it as a compliment to the bilateral aid given? To some extent, they have begun to - with funding to Islamic social service organisations - but a coherent approach to CSOs is still wanting as AusAID staff are often too stretched to liaise with civil society or Australian NGOs and their partners in Indonesia.

In authoritarian states, such as Burma, changes in the ways citizens are organising are often disguised by the overt conflict or stasis at the national level. In Burma it is estimated that there are over 214,000 CSOs assisting citizens with a

---

[2] UNDP (2001), *UNDP and Civil Society Organisations: A Practice Note on Engagement*
[3] The Productivity Commission (2010) highlights that the not-for-profit sector in Australia promotes an active civil society and delivers essential services not undertaken by the government or the for-profit sector and contributes substantially to the value of the community.
[4] For example, see *Power to the People: Evidence from a Randomized Field Experiment of a Community-based Monitoring Project in Uganda,* World Bank (2007); and campaign, World Bank.
[5] In Australia alone the Productivity Commission records that there are over 600,000 organisations comprising our civil society and these are the primary vehicle for state, territory and Australian governments in delivery of services at local, regional and, in some cases national level.

multitude of social needs at a local level.[6] In the wake of Cyclone Nargis in 2008, it is argued by some that the unofficial assistance flowing into the country from the diaspora, and outreach of indigenous organisations, equalled official donors' programs. CSOs have developed and proliferated in the twenty two years since the failed 1988 democracy uprising and the collapse of the previous military dictatorship. Can donors like Australia factor in strategies to support this trend and foster greater human development in coming decades?

In the Pacific, and as an example the Solomon Islands, the role of churches as CSOs serves to further highlight the importance of community organisations in effective aid and development. The mainline churches' involvement in education and health service delivery is significant throughout the Pacific. In the education sector, both formal and non-formal, churches provide about 27% of educational services, and in the health sector they provide about 13%.[7]

These short examples highlight that the role of civil society in achieving development outcomes for the poor cannot continue to be considered peripheral by the Australian government's aid program.

How Australian aid is too heavily skewed towards one approach: bilateral aid

Without a clear framework for engaging civil society in Australia and in the countries where the aid program operates, Australian aid will fail to achieve the results that the Australian public expect from it.

The Australian government's current approach is **weaker for not systematically incorporating civil society as an essential part of effective and sustainable development.** The Australian aid program is heavily weighted towards bilateral relationships and working with national governments to reduce poverty primarily through technical inputs around capacity building of government agencies. Important as this is, such approaches are all too often weakened or bypassed by indigenous cultural, social and political dynamics which override and erode the effectiveness of Australian aid interventions. DFAT and AusAID's own evaluations and country analyses point to these facts.[8]

The focus on bilateral aid as the government's primary delivery model of change neglects the multidimensional nature of poverty which extends beyond the reach and capacity of many governments. For development to be sustainable, it must include the freedoms that support citizens' initiatives and empowerment to realise their human rights to better services, strengthen accountability, promote democracy and reduce corruption. This is a conclusion that in the most Australian NGO community would arrive at.

The current approach of the Australian aid program as a whole is disconnected from civil society and arguably not as accountable to poor communities as it could be. These are the communities that should be the beneficiaries of Australian aid and development assistance. The Australian aid program does not see the poor as having the potential to be agents for their own development, nor are they seen as allies in achieving better development outcomes in terms of being citizens who can hold their governments at a national, provincial and local level to account. It has been the experience of NGOs globally that poor communities themselves are the main drivers of change. It raises the question of are we missing opportunities to provide more strategic support to CSOs to build awareness of the need for effective services and protections of freedoms, to help deliver some of these services and to hold governments to account for reducing corruption, ensuring services are delivered and expanding human freedoms?

Without a coherent approach to civil society in each country it is working in, AusAID's reliance on technical inputs at a government level is like a one-legged stool, lacking support and grounding in civil society and the wider population of poorer citizens that are meant to be the ultimate beneficiaries of Australian aid and development assistance.

---

[6]Karl Dorning, 'The Growth of Civil Society', Myanmar's Long Road to National Reconciliation, Trevor Wilson (editor) ISAS, Singapore (2006) p.197.
[7]Cliff Bird, Blowing the Conch Shell: a baseline survey of churches' engagement in service provision and governance in the Solomon Islands, (16 March 2007)
[8] ODE *Annual Review of Development Effectiveness 2009* (2010), p.38.

Despite this lack of strategy towards engaging civil society, there is evidence that there have been significant benefits where AusAID has chosen to engage strategically with CSOs and their Australian NGO partners. [9]

For example, the recent report *Evaluation of AusAID's Engagement with Evaluation with Civil Society in Vanuatu* outlines the successes of AusAID's civil society support in Vanuatu.[10] Centred on governance issues and service delivery, four key partnerships have been established with the Vanuatu Women's Centre, Wan Smol Bag (a local NGO), the Vanuatu National Council of Chiefs and the churches (one of the most influential social institutions in the Pacific) through the Church Partnership Program.

These CSO partnerships have resulted in a range of achievements, including better services, less conflict between and within communities, more connected communities, greater social inclusion, more informed and active citizens and a more effective, accountable and transparent government. In supporting initiatives that encourage greater interaction between civil society and the state, sensitive social issues such as violence against women and HIV are more frequently addressed within society. With the significant role that the chiefly systems play in Vanuatu, the recognition of their dynamic nature has helped capitalise on their potential to work alongside and with the government in regards to issues of social order and wellbeing. Each achievement demonstrates the relevance of CSO engagement to the social and political context of Vanuatu.

The success of AusAID's involvement with CSOs in Vanuatu can be used as a platform from which other countries can further develop their partnership and engagement with civil society to further enhance sustainable development.

The AusAID Office of Development Effectiveness's 2009 annual review emphasises the lack of a coherent approach to civil society and the effects on the aid program's effectiveness:

> *"The [civil society] evaluation has found that civil society organisations play a vital role in delivering essential services and are often advocates for the most vulnerable members of society. The Australian aid program's current approaches to engaging with civil society and communities have evolved country by country, or issue by issue, without an overarching strategy. The conclusions of the civil society engagement evaluation will contribute to a strategy for civil society engagement."[11]*

If there is one single action that AusAID could take to assist with achieving development effectiveness, it is to act quickly to **adopt a coherent AusAID strategy for supporting civil society in developing countries.**

> ***Recommendation 1***: That AusAID recognise civil society as a key driver for sustainable human development, and adopt an overarching strategic framework for engagement with civil society through the Australian aid program.

How to increase support to civil society in developing countries

Based on ACFID members' experience of working with and as part of civil society around the world, we recommend that the following elements become embedded into AusAID's approach to development:

a) **Consider the role of civil society in AusAID Country Strategies and Implementation Plans.**
By its very nature civil society is diverse and complex, with multiple actors involved. Australian government support therefore will be varied and needs to be based on a sound understanding of the civil society context. Most AusAID

---

[9]Civil society actors work in distinctive way in our region that are proven to be effective(ODE evaluation of health service delivery in Papua New Guinea, Solomon Islands and Vanuatu; evaluation of AusAID's engagement with civil society in Vanuatu) including in partnership with Australian NGOs(PNG Church Partnership Program).
[10]AusAID, 2010.
[11]Australian government, AusAID, Office of Development Effectiveness, *Annual Review of Development Effectiveness 2009: Improving basic services for the poor*.

Country Program Frameworks are focused on bilateral support and are increasingly linked to the long term planning priorities of that national government. The objectives and intended outcomes of working with civil society are often not addressed clearly in the design of a Country Program. Country Strategy Analysis bypasses, or is token, in regards to the role of CSOs and this lack of clarity at the outset results in an absence of clear direction for NGO programming at the country level when strategies and implementation plans are developed.

> **Reform 1.1:** All AusAID Country Strategies and Implementation Plans should consider the role and potential for engagement with civil society in developing countries and state how the Australian aid program will support this.

b) Take a long-term approach

Often civil society organisations in developing countries are small scale, single issue groups with limited capacity. These organisations can evolve rapidly, some having a relatively limited existence, others growing and consolidating their positions over time. In some contexts, mass organisations and religious organisations are very large and may be closely linked to governments. Australian NGOs support and partner with local civil society organisations. Building robust civil society organizations takes time (certainly longer than the current AusAID funding cycle of development programs of three to five years) and requires a commitment to deal with and understand the diversity of organisations engaged in different aspects of development. Australian NGOs usually commit to working with their partner civil society organisations long-term (ten plus years) and have a focus on building the capacity of these organizations to advocate and work within communities.

> **Reform 1.2:** The Australian aid program should adopt a long term (10 year horizon) approach to engagement with civil society in developing countries. In particular, Australia should:
> - foster developing country expertise and skills
> - reduce its reliance on consultants from developed countries in its aid program and instead seek to maximise developing country skill sharing and the transfer of resources to developing country economies
> - increase people-to-people links through organisational 'twinning' and the volunteer program, and support South-South linkages
> - better involve communities in aid planning, implementation and evaluation, and share its assessments with the people involved
> - reduce funding to Australian scholarships in favour of support for in-country tertiary education, including cross-country university collaborations.[1]

c) Recognise Australian NGO capacity to partner with and build local civil society

Australian NGOs have the systems and skills in place to directly manage programs and projects with civil society organizations. This minimises risk and increases accountability for spending of Australian taxpayer funds, as well as reducing administrative demands on AusAID staff. Additionally, we communicate with the public about our partners' work and the resulting improvements in people's lives. By ignoring these relations, AusAID is overseeing a proliferation of engagement with Australian NGOs and local CSOs that have little or no connection back to the Australian public that supports the growing aid program. While we are not suggesting that AusAID should work exclusively with Australian NGOs, there needs to be a clearer recognition of the value of working through Australian NGOs because of their links back to the Australian public and proven capacity.

As the current approach to AusAID NGO funding does not appear to be guided by any clear policy, it has resulted in varying approaches to how NGOs are selected to be part of the aid program and how quality and risk are assessed. This is particularly evident in the varying levels of due diligence employed in different programs.

Total funding to all NGOs through all AusAID programs, including country programs, the Australian NGO Cooperation Program (ANCP) and humanitarian and emergency activities has increased to $423 million (11.1% of the aid program

2009/2010). However there is a strong drift across AusAID to bypassing its own risk management system of accreditation which helps ensure high quality NGO programs. Indicative AusAID figures of this breakdown are as follows:

- $190 million to AusAID accredited Australian NGOs (45%)
- $56 million to non- AusAID accredited Australian NGOs (13%)
- $177 million to non-accredited, overseas NGOs (42%) (Note that not all funding is provided in the form of grants; some may be provided on a fee-for-service basis).

The effects of this incoherent approach are:
- accredited NGOS must demonstrate strong risk management and development effectiveness systems but the data above suggests that AusAID staff no longer particularly value the accreditation system when selecting NGO partners. In its place there is **a proliferation of AusAID grant categories with far weaker and ad hoc eligibility requirements**.
- the diversity of funding mechanisms using multiple NGOs with different capacities working in a range of sectors with numerous partners has been resource intensive for AusAID to manage and is considered a negative to scaling up further NGO funding. This should not be the case as **the strength of a civil society program should be in its capability to promote diversity and engagement with multiple actors**.

> *Reform 1.3:* AusAID should recognise the value of working through Australian aid and development NGO partnerships, and develop a policy and guidelines which provide a framework for programs to decide what approach to take in engaging civil society.

How Australian Aid and Development NGOs are essential to aid effectiveness

Australian NGOs are essential to aid effectiveness because they have unique and important strengths in a number of key areas:

a) Australian NGOs and the potential for stronger communication about the growing Australian aid program

Australian NGOs are principally supported by the Australian public, and actively work to educate them about the positive impact of development. ACFID has more than 70 members operating in over 100 developing countries. The aid and development sector has a combined regular supporter base of 1.7 million Australian households, jointly donating upwards of $800 million annually. With AusAID and other donor funding added, total expenditure by ACFID members was $1.063 billion in 2007/08.

The Australian NGO supporter base is a critical factor in fostering public support for the growing Australian aid program. As partners with the government, we can communicate back to our public supporters about the value and effectiveness of Australian aid. NGOs are currently far better than the government at communicating the positive value and impact of our aid and development including what we do and how we work with people in developing countries. The Australian community has consistently demonstrated support for charitable pursuits, including aid and development, and Australia is ranked the most generous country in the world.[12]

Communicating the reality of aid and development and the complex nature of reducing poverty, must go hand in hand with the establishment of a more effective and efficient aid program. The government, via AusAID, must work more comprehensively with Australian NGOs to raise public awareness about the benefits and complexities of aid. This ability and necessity of Australian NGOs to communicate with the interested public sets us apart from commercial companies that deliver aid for AusAID, multilateral agencies and other international mechanisms without links to the Australian people, that the Australian aid program has privileged over the past decade.

---

[12] See World Giving Index 2010; and the majority of Australian's support the level of Australian aid (Lowy Institute Poll 2010).

A new narrative for the aid program is required to foster the community support for aid, and reinforce that the aid program complements the very high levels of Australian community support for both official and community based poverty reduction activities. This communication about Australian aid should emphasize that:

- *Australian ODA is something to be proud of*
- *Australian aid is engaged in long term generational change not short term quick fixes*
- *We are educating and improving the lives of the next generation of people in developing countries and the future leaders, who will in turn have better ability to address and overcome some of the current development problems a country is facing*
- *Australia is a good neighbour that answers the call for help on the humanitarian front*
- *We show leadership and share lessons about successes and failures of our work*
- *We are practical people who help get things done*
- *We are generous people*
- *Australians are world travellers who have people to people links and a volunteering spirit*
- *Australians give their money and are some of the most generous people in the world, and give their time in thousands of voluntary hours because they care about the goal of reducing poverty overseas.*

Critically, communication strategies about Australian aid should not be skewed to managing the small pocket of the Australian public who will never support aid, and the media that reinforces this group's narrow world views.

> *Reform 1.4:* As per the OECD Development Assistance Committee 2008 peer review, the government should develop a comprehensive communication strategy for the aid program with different messages for different segments of the public.
>
> *Reform 1.5:* AusAID should collaborate with a wider range of Australian NGOs on developing strong messages and narratives about the value, complexity and impact of Australian aid.

b) Achieving service delivery outcomes with their partners in sectors like health and education

In specific areas such as health and education, Australian NGOs and in-country partners have the ability to make significant progress due to their existing connections with communities. The PNG Churches Partnership Program (CPP) is an example of what the aid program can achieve when it chooses to work strategically with Australian NGOs and their partners within a developing country. Seven Australian faith based NGOs and their partners were funded by AusAID in 2004-05 to deliver health services in PNG. The CPP has been evaluated and shown to be effective in health service delivery using indigenous civil society organisations that have effective outreach to poor populations. The evaluation also highlighted the importance of the program in a complex social context where the churches in PNG occupy a unique position:

> '[The churches] are one of the most significant civil society groups in the country, integrated into all communities across the country. More than 96% of people in PNG identify themselves as Christian. Indeed a recent study suggests that of all civil society actors, Churches are the most firmly rooted in PNG society. **The big Church organizations are … the only actors in civil society that enjoy legitimacy and support from broad sectors of the population.** In addition, the Churches in PNG make a major contribution to service delivery. Figures vary but approximately half of the health services in the country are managed by Churches and their contribution to education includes management of 53% of primary schools and 30% of secondary schools. In addition Churches have become active in services related to the impact of HIV&AIDS and also in areas of peace building and reconciliation across the country.'[13]

---

[13] [PNG CPP Mid-Term Review Report](#), May 2007.

c) Australian NGOs focus on development effectiveness and test this through their relationships with the communities and CSOs they work with

Australian NGOs work through relationships and partnerships with those they seek to benefit. They evaluate effectiveness through the benefits and impacts that are assessed by partner communities. Australian NGOs see effective development occurring as a bottom-up, community-led process to meet the direct needs of the poorest people and communities. Their work is underpinned by a theory of change, centred on empowering the poor and civil society in developing countries to hold their governments to account and demand their human-rights and improved access to services; as well as the centrality of gender equality[14] and reducing inequity by working directly with those living in poverty to positively improve their lives.

Australian NGOs play a critical role in being able to target the poor directly, bringing substantial support to those most in need during humanitarian relief operations and playing a vital role in providing services and relief to those in failed and fragile states. Poverty is defined not merely by income levels but also by inequality and insecurity.[15] Australian NGOs know that in order to improve development effectiveness, strategies must include changing accountability mechanisms, engaging in domestic discussion and building citizens' demand for better services. This of course also means recognising, and attempting to address at least in some way, the power relations inherent between different actors.

Australian NGOs, supported by ACFID, have worked to develop an extensive and rigorous quality standard system which aligns with global CSO standards, and goes far beyond AusAID's modest Statement of International Development Practice (SIDP) principles.[16] The ACFID Code of Conduct provides a common standard for all Australian aid and development organisations and includes a set of comprehensive, fundamental principles and requirements around development effectiveness and efficiency, including:

   i. **Accountability to primary stakeholders***: NGOs will ensure that their purpose and processes are shaped by stakeholders and that their work is open to review and comment by partners and participants alike. In all instances those directly affected by aid and development activities are considered the primary stakeholders and their views afforded the highest priority.*
   ii. **Quality approach:** *NGOs will apply a quality approach to the design, implementation, monitoring and evaluation of aid and development activity that emphasises relationships, learning, adaptation and impact.*
   iii. ***Consistency with vision, mission and values:** NGOs will ensure that their aid and development activities are clearly aligned with the vision, mission and values of their organisation an*d ***that these are clearly communicated*** in their *relationships with all stakeholders.*
   iv. **Addressing gender:** *NGOs are committed to addressing the effect of gender inequalities and inequities as being fundamental to the attainment of human rights for all and the effectiveness of their aid and development activity.*
   v. **Non-development activity:** *Funds and other resources raised and designated for the purpose of aid and development will be used only for those purposes and will not be used for non-development activities such as to promote a particular religious adherence, or to support a political party, or to promote a candidate or organisation affiliated to a particular party, or to pursue welfare activities.*
   vi. **Environmental sustainability:** *The aid and development activity of NGOs will aim to be informed by and implemented with an understanding of the environmental impact, if any, of their activities.*
   vii. **Relationships with partners:** Partners *are autonomous organisations that implement aid and development activities in collaboration with NGOs.*[17] *This principle includes the below elements.*

---

[14]See submission to the review from the ACFID Gender Equity Working Group.

[15] UNDP Human Development Report 2010. Also see ACFID Fact Sheet.

[16]The ACFID Development Effectiveness Framework also highlights key program strategies for development effectiveness, including high quality relationships, long term engagement, learning, adaptation, working together, risk taking, and high quality of staff. ACFID also supports the Istanbul Principles of CSO development effectiveness that articulate globally recognised CSO development effectiveness principles.

[17]Partners can be defined as 'a relationship of respect between two autonomous organisations that is founded on a common purpose with defined expectations and responsibilities' (HAP 2007).

viii. **Mutual respect and support:** *The relationship between NGOs and their program partners will be characterised by mutual respect and by a commitment and openness to two-way learning and support.*

ix. **Clarity in roles and responsibilities:** *In work undertaken with partner organisations, NGOs will ensure mutual clarity and agreement about the objectives of the partnership and the respective roles, responsibilities and mutual accountability mechanisms.*

x. **Human rights in aid and development:** *NGO aid and development activities will be informed by and implemented with an understanding of the human rights dimensions of the activity.*

xi. **Rights of vulnerable and marginalised people:** *NGOs are committed to including and addressing the needs and rights of vulnerable and marginalised people and their representatives in all aspects of their aid and development activity. These groups may include women, children, people with a disability, indigenous peoples, minorities, refugees and displaced people, and those most at risk of HIV and HIV positive people.*

xii. **Working with people with a disability:** *NGOs are committed to including and addressing the rights of people with disabilities and their representatives in all aspects of their aid and development activity.*

xiii. **Protection of children:** *NGOs are committed to the safety and best interests of all children accessing their services and programs or involved in campaigns, voluntary support, fundraising, work experience or employment and, in particular, to minimising the risk of abuse.*

xiv. **Emergency management:** *Signatory organisations commit to providing humanitarian assistance in times of disaster, armed conflict, internal displacement and protracted crisis according to internationally agreed standards and principles of ethical practice. Signatory organisations will coordinate their activities and work collaboratively with other actors to the greatest extent possible throughout the emergency management cycle of providing humanitarian relief.*

d) Australian NGOS have effective quality control and risk management systems

Australian NGOs have the accountability systems and skills in place to directly manage programs with civil society organisations and this minimises risk and increases accountability for spending of Australian taxpayer funds and also reduces the administrative demands on AusAID staff. Because of a lack of coherent thinking about working with civil society, there has been a proliferation of ad hoc grants for NGOs globally, which is expanding the administrative burden, increasing the risk for the aid program and bypassing the existing risk management systems which actually provide excellent value for money and help ensure effective approaches to development.

Australian NGOs have two effective quality control and risk management systems which are excellent value for money - the ACFID Code of Conduct and AusAID accreditation.

The ACFID Code of Conduct is a voluntary, self-regulatory code for international development NGOs and aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. An ACFID compliance system, managed by the Code of Conduct Committee, monitors signatories' financial and governance systems as well as Commonwealth government requirements around child protection and anti-terrorism. In addition to the development effectiveness principles outlined above, the Code captures good practice principles and obligations in:

- public engagement – including obligations to be ethical and transparent in marketing, fundraising and financial reporting
- organisational obligations – including obligations for governance, management, financial controls, treatment of staff and volunteers, complaints handling processes and compliance with legal requirements.

There are currently 123 signatories to the ACFID Code of Conduct. While the Code has prescriptive obligations on financial and annual reporting, it provides for progressive development being demonstrated around compliance in other areas, in the interest of capacity building and progression toward good practice. Annual reports are submitted for review yearly and an annual self-assessment is conducted by the organisation. The Code of Conduct Committee oversees

compliance with the compulsory self-assessment. See the <u>attachment</u> for a detailed comparison of the two quality systems.

AusAID's NGO accreditation process constitutes a rigorous quality assurance and risk prevention mechanism to ensure that NGOs funded by AusAID have the capacity to carry out sustainable development activities in an effective, transparent, and accountable manner. The accreditation process has been developed in consultation with the Australian international development NGO sector, and aims to establish and promote best-practice standards for Australian NGOs undertaking activities in international development and poverty reduction. Compliance is conducted via an extensive audit process on a five-yearly basis. To support this process, the Committee for Development Cooperation (CDC) is the key AusAID-NGO consultative and advisory body to AusAID on the accreditation process, ANCP policy and procedures (including the new funding mechanisms) and also provides general advice on other funding streams as appropriate.

It is an AusAID requirement that organisations be signatories to the Code before they can be accredited to receive funding from the aid program. There are many similarities between the two programs, however the main difference is in their purpose and the type of assurance undertaken to demonstrate compliance. AusAID accreditation represents the Australian Government's due diligence process that allows access to AusAID's core NGO funding: the ANCP. NGOs must meet or demonstrate compliance with all elements.

Forty Australian NGOs are AusAID accredited, while 123 organisations have signed the ACFID Code of Conduct.

There are an estimated 170 organisations with Overseas Gift Deductibility Status with the Australian Taxation Office so around fifty of these are not signatories to the ACFID Code. The reputation risk to the Australian aid program from NGOs – Australian and non-Australian – that are not signatories to the ACFID Code of Conduct, or a comparable international standard is real; in the public mind we are all tarred with the same brush if a scandal occurs, and scandals are more likely in organisations that are not linked into any quality control system or community of good practice such as the one that ACFID Code of Conduct entails.

We consider that there would be considerable benefit to the entire aid community from increasing the number of NGO signatories to the Code of Conduct and the number of accredited NGOs. The main barrier appears to be the costs of compliance for small organisations. We would like the government to consider whether it might assist with training and support to encourage greater accreditation with a recognised quality standard. This would be analogous to the situation in the pharmaceutical industry where the government creates incentives for pharmacies to sign the Pharmaceutical Guild's Quality Assurance standard, recognising that it is in the public interest to have businesses do so.

> ***Reform 1.6:*** The government should explore the creation of an incentive system, similar to those in other industries, for small and new player NGOs to accredit with the ACFID Code of Conduct.

e) Australian NGOs use their experience in policy development, advocacy and community engagement

The last two decades have seen two trends with Australian NGOs:
  a) a proliferation of Australian NGOs interested in development and with ability to raise up policy ideas on thematic areas and increased ability to unite to raise public awareness on issues such as aid levels via the public campaign Make Poverty History; trafficking of women, importance of human rights in Burma, etc.
  b) a trend towards various forms of global confederation amongst NGOs which increased their ability to gather data and analysis globally, manage information and package for policy purposes.

There is a distinct lack of policy engagement and related funding opportunities within AusAID to engage Australian NGOs that operate with specific thematic policy and advocacy expertise who are supported by the Australian community. Such Australian NGOs are a valuable untapped resource. This is particularly relevant for Australian environmental NGOs who can offer significant expertise in policy reform for environmental sustainability of the aid program. A reform is set out in Evidence Brief 2.

Seven proposals to scale up partnerships with Australian NGOs and their CSO partners

AusAID funding of Australian NGOs is varied and complex. This has implications for the scaling up of funding for Australian NGOs. It is important to look at the current mechanisms and consider how they could be efficiently used to scale up NGO activities in ways that are efficient and will produce quality results. Most ACFID members are NGOs that report that they have the absorptive capacity to deal with larger tranches of AusAID funding.

AusAID currently has five funding mechanisms for working with Australian NGOs. These are:
- AusAID-NGO Cooperation Program (ANCP)
- Cooperation Agreements
- Innovation Fund
- Grants
- Humanitarian Partnership Agreements

A range of modifications could be taken by the Australian government to improve some of these mechanisms such as to:

1. Expand funding to the ANCP Program

The ANCP provides funding to Australian NGOs who have demonstrated effectiveness by being accredited by AusAID. The accreditation process maximises a high standard of accountability for donor funds and should be used as the framework for increased funding to a broad range of Australian NGOs and their partners.

> **Reform 1.7:** The Government should increase the level of funding to the Australian NGO Cooperation Program.

2. Increase the use of Cooperation Agreements in priority areas

AusAID Cooperation Agreements are proving an effective mechanism for Australian NGOs and their partners to work together. The PNG CPP outlined above is a good example of CSO and Australian church based agency joint project collaboration, sharing of good practice, peer review of each other activities, and combined research and evaluation of programs. This model is being applied in Vanuatu with a consortium of five local and Australian NGO church based agencies. A larger scale African Australian Community Engagement Scheme involving 10 Australian NGOs and their African partners is currently in the early stages of implementation with a focus on shared learning and collaboration to build greater cooperation between African CSOs and Australian NGOs.

There is potential for AusAID to use this mechanism in a scale up of civil support, especially in its priority sectors of health and education, as many Australian NGOs already support activities in these areas. Such targeted support would also allow for an increased alignment between bilateral and civil society program support and arguably should result in better outcomes.

> **Reform 1.8:** There should be greater use of cooperation agreements which are aligned with the AusAID Country Program Frameworks and complement the work of the bilateral program in that sector.

3. Increase the Innovations Fund

The Innovations Fund was established in 2009 to support new and innovative approaches to community development including evaluation, scale-up and replication of successful programs. The initial $500,000 was doubled to $1 million in 2010-11 in recognition of the success of the pilot program. Further funds are required to support innovative community-based approaches to development and poverty reduction. An increase would also allow for learning and evaluation of effective projects to be shared and scaled-up where appropriate.

> **Reform 1.9:** Increased funding should be allocated to the AusAID Innovations Fund, reaching $20 million in 2014-15, with a $5 million allocation in 2011-12.

4. Increase AusAID focus on management capacity and learning from NGO programs

Workload pressure is a big issue for AusAID in-country staff. The AusAID December 2008 staff survey highlighted the impact that devolution and scaling up had had on APS staff workloads at posts. Forty four per cent of these staff reported high, very high, or severe work related stress.[18]

Management of NGO programs has long been an issue in terms of the AusAID human resources required, given the diversity of assistance provided and the number of stakeholders involved. A workload pressure on staff at in-country offices or posts indicates that management of NGO programs have not been well resourced. The demands of managing smaller scale, diverse, lower budget NGO activities is seen as a constraint by a number of AusAID staff to scaling up NGO funding.

Total budget allocation to NGO programs is often relatively small compared to large scale bilateral programs and AusAID tends to allocate human resources based on budget size. This approach relegates NGO activities to the margins and limits the rich learning AusAID staff could obtain if they were better resourced. Similarly, a scale up of NGO funding resourcing to manage these activities need to be given serious consideration to ensure the lessons learned from the rich body of NGO work is fed more systematically back into the broader AusAID programs. Resources need to be allocated in terms value and impact and adequate AusAID personnel need to be available for policy dialogue and community engagement with civil society groups and NGOs.

> **Reform 1.10:** AusAID's NGO and Human Rights Policy section's mandate and staffing should be developed to help ensure that a systematic approach to planning and working with CSOs and NGOs is taken across AusAID and other government departments, including the development of standardised funding processes.

5. Develop NGO secretariats as an innovative management mechanism

Cooperation agreements between AusAID and NGOs have more recently proved successful through the use of administrative secretariats. As part of the PNG Churches Partnership Program a secretariat mechanism was developed for the coordination and management of quality assurance, reporting, research, policy development and sharing lessons learnt. This mechanism reduced the amount of management time spent by AusAID staff engaging with 14 individual Australian NGOs and national church agencies as coordination and communication was done through a secretariat.

This model is being expanded further in the Africa Australia Community Engagement Scheme and Vanuatu Churches Partnership Program. The secretariat model in the Africa scheme is designed to manage the coordination and logistical functions and is intended to free up AusAID staff and NGOs to engage more in policy dialogue, learning and collaboration. Program outcomes, assessment, analysis and research will also be undertaken by independent consultants. This model is innovative and has potential to be replicated in other AusAID programs. Funding to the government's Avoidable Blindness initiative via Australian NGOs also utilises a secretariat to coordinate.

Use of secretariat models to manage and coordinate Australian NGO supported activities would reduce the human resources required by AusAID. More importantly it could provide a comprehensive management structure that could coordinate learning, capture overall outcomes of the NGO programs and promote learning across civil society groups. These secretariats need resourcing to ensure they are effective and AusAID should seriously consider how such mechanisms could be developed to reduce their administrative demands of managing multiple NGO activities. The use

---

[18] *AusAID's Management of the Expanding Australian Aid Program. Performance Audit 15, ANAO (2010)*

of secretariats should be complemented by a commensurate increase in the level of funding for cooperation programs, particularly where Australian NGOs have indicated the capacity to absorb greater Cooperation Agreement funding.

> *Reform 1.11:* The use of secretariats should be further developed and employed in cooperation programs and country programs as a mechanism for ensuring that AusAID deals with diversity and scaled up funding for Australian NGOs and their CSO partners.

6. Extend the timeframe of Australian NGO programs

The building of a dynamic civil society takes time and this needs to be recognized by AusAID. Funding of NGO activities over longer timeframes of 5 to 10 years needs to be considered. Such commitments would be subject to regular review and would provide security and direction for civil society organisations allowing them to plan and commit resources for the longer term. Importantly it provides Australian NGOs with the security of funding to plan and build their own human resources to better support their national partners beyond short term output based projects. With the growth of the Australian aid program and the increased public scrutiny this will bring, ACFID urges the Government to consider the benefits of long-term partnership investments in CSOs and NGOs, instead of opting for smaller funding streams.

> *Reform 1.12:* The timeframe of Australian NGO programs should be extended and multiyear funding introduced.

7. Strengthening Australian NGOs capacity

There exists a real potential in the scaling up of the aid program, and in turn Australian NGO funding, to inject resources into building the capacity of Australian NGOs and the capabilities of their staff. There is no doubt that over the last ten years Australian NGOs and its peak body, ACFID, have invested substantial resources into building the capacity of Australian NGOs to demonstrate the effectiveness of their work, as well as improving the quality of aid management through the rigorous Australian NGO Accreditation program with AusAID and the ACFID Code of Conduct. These initiatives have set up an Australian NGO accountability system that is as comprehensive as any in the world. Over the last ten years, Australian NGOs have been very busy in working with their partners to provide a range of services and capacity development initiatives to communities.

Australian NGO activities have increased, and new and enthusiastic workers have been recruited. Skills required of Australian NGO workers to undertake their role in program and contract management, performance management, policy, community engagement and government liaison is substantial and needs to be regularly updated. The scaling up of the Australian aid program and increased support to Australian NGO funding provides a real opportunity for AusAID to further build the capacity of Australian NGOs to be able to provide the best quality capacity support to their civil society partners in the coming five years. ACFID commends the introduction of technical assistance to support NGOs to meet the accreditation requirements and become accredited with AusAID. Such assistance is vital to support a greater number of accredited NGOs in partnership with AusAID and should be further resourced. This assistance is also helping NGOs to work more effectively in their own endeavours to reduce global poverty.

Furthermore, more technical assistance, including for example the use of the Accreditation and Monitoring and Evaluation Panel Period Contract personnel should be considered to build Australian NGO and their CSO professional development over time in the areas of program design, program management, evaluation and developing research and policy from programming.

> *Reform 1.13:* A part of the funding for scaling up of Australian NGOs should be dedicated to building further the skills and capacity of Australian NGOs to work effectively with their civil society partners and other key stakeholders.