

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Auditor-General's Reports nos 4 to 21 (2009-10)

Wednesday 17 March 2010

Questions on Notice

The Australian Agency for International Development (AusAID)

1. Hansard Transcript pp. 1-2

Mrs Bronwyn BISHOP: I am particularly keen to ask you about microfinance programs. I would like to know what percentage of your budget goes to microfinance, what countries we target, the average amount of microfinance given, what is the repayment like and what criteria are used to make those grants.

Mr Clout: ... I could take those questions on notice and come back with responses for you.

AusAID response

In 2008-09 AusAID spent 0.34% of official development assistance (ODA), or \$13 million, on microfinance activities. This represents a significant increase on 2007-08 expenditure of \$9.4 million. In 2009-10 microfinance expenditure is projected to increase again.

The geographic focus of these activities broadly mirrors the focus of the Australian aid program. AusAID supports regional and country specific programs. There are regional microfinance programs in the Pacific, and programming is underway to support a regional African microfinance program. In addition, specific countries targeted for microfinance programs include: East Timor, Papua New Guinea, Fiji, Vanuatu, Cambodia, Indonesia, the Philippines, Peru, Iraq, Afghanistan and Columbia.

The Australian Government is *not* a microfinance lender and does not provide loans and therefore does not have a repayment rate. However, it does support changes needed in finance sectors to increase access to financial services such as savings and loans. Assistance is provided based on country and regional needs, AusAID's country and regional strategies and the Financial Services for the Poor Strategy.

2. Hansard Transcript p. 3

Mr Dunn: I would need to take that on notice to provide you with accurate detail around the level of support we provide from a contracts or operational support point of view to microfinance.

Mrs Bronwyn BISHOP: Could you give me specific details about any particular support you give to any part of the program?

AusAID response

AusAID supports microfinance by working in partnership with other organisations that have technical and regional specific expertise. AusAID utilises a variety of agreement

types to establish these partnerships, including partnership agreements, contracts to procure the technical expertise of microfinance experts and NGO agreements. AusAID partners are non-governmental organisations, for example Opportunity International Australia and World Education Australia, and multilateral organisations including the Asian Development Bank, International Finance Corporation, the United Nations Capital Development Fund and the Inter-American Development Bank.

3. Audit Report No 15 pp 112, 122

The ANAO noted the importance of whole of government coordination for Australia's aid delivery and suggested that the role of the Cross-agency Development Effectiveness Steering Committee (DESC) needs to be strengthened so that it becomes a 'strong gateway for ODA eligible budget proposals' and support 'strategic consideration of their alignment with country and regional strategies'.

What steps have been taken to strengthen the role of the DESC and improve whole of government coordination of Australia's aid delivery?

AusAID response

The Development Effectiveness Steering Committee (DESC) is the central body providing both policy coherence and stronger whole-of-government focus on effectiveness in aid strategy and implementation.

The DESC is an interdepartmental committee, chaired by the Director General of AusAID and composed of deputy secretary level representatives from key government departments, established to promote coherence across the all of the Government's aid efforts. Agencies seeking funding under the aid budget are required to provide their proposals to the DESC. The Committee reviews these and provides advice on their development effectiveness, alignment with the Government's priorities and coherence with existing aid activities.

The DESC also monitors the implementation of budget measures administered by AusAID, reviewing reporting on the progress of activities and expenditure, future planning and risk management.

The DESC is supported in its role by the Development Effectiveness Working Group (the DEWG) and the Office of Development Effectiveness.

4. Audit Report No 15 pp 129-130

The ANAO found that annual performance reporting is not being used to develop scaling up proposals or identify where additional resources are needed. The ANAO suggested that AusAID could make better use of annual performance audits to drive program coherence.

What steps are being taken to implement this suggestion?

AusAID response

New guidance has been prepared to ensure that management consequences identified in the annual program performance reports are more clearly directed towards improved program planning. The Operations Policy and Support Branch of AusAID has a performance auditing role by analysing the annual program performance reports, making operational recommendations that include scaling up options, and providing these to programs and the AusAID executive for review.

5. Audit Report No 15 p 133

In 2001-02 the ANAO recommended that AusAID collect performance information on non-monitored activities. This would help to understand the underlying drivers of activity proliferation and assist in alleviating this problem. Why hasn't the recommendation been implemented? What steps are being taken to collect and analyse performance information on these smaller activities?

AusAID response

The agency's focus has been on redesigning the performance and quality system for monitored programs, which includes all activities over \$3 million and all activities with significant risk or sensitivity. We agree that collecting information on the additional smaller value activities (worth a very small proportion of the overall program) is useful, and work is starting on a sample of non-monitored and monitored programs looking specifically at how they perform and why they continue to be delivered in their current form. This work will look at all aspects of the program and examine the process for decision making about activity selection and design, how the program is managed, where operational decisions are made, and what development impact they are having. This analysis is expected to be completed by September 2010.

6. Audit Report No 15 pp 152-160

The ANAO found some confusion surrounding AusAID's classification of departmental and administered expenditure and warned that this can result in a lack of transparency and accountability. The ANAO recommended that AusAID seek clarification from the Department of Finance and Deregulation on its use of administered expenses for departmental purposes.

Has this clarification been sought?

AusAID response

To date, AusAID has been relying on existing Finance guidance on the classification of administered and departmental expenses (released in 2007). However, the use of APS employees in the design and delivery of aid, particularly where public sector capacity building programs were being implemented, highlighted the need for further guidance specific to the aid program.

AusAID has been seeking clarification from the Department of Finance and Deregulation for approximately 18 months. Recently, Finance and AusAID have agreed a framework for new draft guidelines specifically for AusAID on the classification of administered and

departmental expenses. It is currently planned for these guidelines to be finalised in time for implementation in the 2010-11 financial year.

7. Audit Report No 15 p 161

The ANAO also recommended that, if AusAID is going to continue with its current approach to classifying administered expenses, the agency should take steps to provide greater details of these expenses in its annual report.

Is AusAID going to continue classifying administered expenses in the same way? If so, will the agency be providing greater detail of this expenditure in its annual report?

AusAID response

AusAID plans to apply the revised classification framework agreed between the Department of Finance and AusAID in the 2010-11 financial year, subject to the timing of Minister to Minister agreement and budget process.

In the interim, AusAID plans to provide information in its annual report for 2009-10 on the use of the aid budget for staff and associated costs who are directly involved in delivering the aid program to ensure transparency in the use of the aid budget.