

Accounting for Aid - The Management of Funding to Non-Government Organisations

Australian Agency for International Development

Performance Audit

Tabled 29 August 1996

Audit Report No. 5 1996-97

Abbreviations

ACFOA	Australian Council for Overseas Aid
AMS	Activity Management System
ANAO	Australian National Audit Office
ANCP	AusAID/NGO Cooperation Program
APACE	Appropriate Technology for Community and Environment Inc.
APS	Australian Public Service
APSS	Agency Program Subsidy Scheme
AusAID	Australian Agency for International Development
CDC	Committee for Development Cooperation
CIDA	Canadian International Development Agency
COPAC	Code of Practice Advisory Committee
DAC	Development Assistance Committee (of the OECD)
DAP	Direct Aid Program

DFAT	Department of Foreign Affairs and Trade
GES	Global Education Scheme
IPF	Indicative Planning Figure
IPSS	Individual Project Subsidy Scheme
ISSS	International Seminar Support Scheme
NGO	Non-government organisation
NGOEI	NGO Environment Initiative
NOVA	NGO:Vietnam/Australia Program
ODA	Official Development Assistance
ODI	Overseas Development Institute - London
OECD	Organisation for Economic Co-operation and Development
PAIDS	Professional Associations' International Development Scheme
UNICEF	UNICEF Australia
WID	Women in Development Scheme

Summary

1. The Australian Agency for International Development (AusAID) administers the bulk of Australia's Official Development Assistance (ODA). In 1995-96, ODA was approximately \$1.6 billion, representing a ratio of ODA to Gross National Product of 0.33 per cent. Of this, AusAID administered approximately \$1.5 billion. Around 8 per cent, or

\$125 million, of AusAID's 1995-96 total appropriation was spent through non-government organisations (NGOs). The proportion of ODA channelled through NGOs is increasing, in Australia and internationally.

Audit objective

2. The objective of the audit was to review AusAID's management of funding to NGOs, to assess whether:

i) the objectives of overseas development programs to be delivered by NGOs are clearly established;

ii) funding mechanisms for the delivery of aid programs by NGOs are clearly defined, consistently applied, and in compliance with the law; and

iii) whether AusAID can provide assurances that NGOs delivering development projects using Commonwealth monies are accountable for:

- proper expenditure of Commonwealth monies;
- the achievement of stated objectives; and
- the achievement of value for money.

Audit methodology

3. This audit was conducted by Dr Paul Nicoll, Dr Helen McKenna, Tony Rath, Botho Entaile and Jennifer Watts, and was in accordance with ANAO Auditing Standards.

4. The methodology adopted by the ANAO had three components:

i) interviews were conducted with key AusAID officials, and with a representative sample of NGOs;

ii) key financial and management controls were identified and tested; and

iii) the documentation setting out the accountability regime was examined and compared with Commonwealth and international guidelines.

5. The sample of NGOs interviewed was designed to include secular and religious, large and small, and single and multi-purpose organisations. This was considered representative of the diversity of the NGO industry. Interviews were held with CARE Australia, World Vision, APACE, the International Women's Development Agency, Australian Catholic Relief, the Overseas Service Bureau, UNICEF, and Community Aid Abroad. The views of the Australian Council for Overseas Aid (ACFOA), the industry's peak body, were also obtained. The ANAO was appreciative of the thoughtful contributions made by these organisations to the audit.

6. The ANAO received a high level of cooperation from AusAID during the conduct of this audit. This enabled an audit timeframe to be constructed that met the needs of both agencies, without being overly resource intensive. The ANAO wishes to acknowledge its appreciation of AusAID's approach and assistance.

Conclusion

7. At the policy level, an increasing proportion of Australian Official Development Assistance has been channelled through NGOs since the mid-1980s. This trend is consistent with developments in other OECD countries. One consequence of this has been the development of a multitude of relatively small, highly targeted grants schemes. AusAID's approach has been to devise specific guidelines for each of these grants schemes, detailing management and accountability requirements for funding.

8. The ANAO found that AusAID's regime for the management of funding to NGOs was generally of a high standard. Aspects of the management framework are at the leading edge of international best practice. Moreover, most components of the regime could be used as benchmarks for similar activities elsewhere in the Commonwealth public sector. The one area of weakness identified in the audit was a lack of readily available information about the performance of grants schemes, although such can be extrapolated from performance data available on individual projects.

9. It was in the application of this regime that the ANAO found areas where improvements can be made. AusAID had recognised some of these areas and initiated strategies to address them. However, some of the deficiencies identified in the application of administrative rules in AusAID are sufficiently widespread to be considered systemic. These weaknesses have a common base in the multiplicity of guidelines to be applied in an organisation that has high staff mobility. The complications arising from this situation occur at two levels. The first is the number of different sets of rules, which have been developed in response to different policy needs and priorities. There are, for example, some programs that have clearly been developed to deal with specific government policy imperatives, such as the Assistance to the Palestinians program and the Bougainville Restoration program. The capacity to respond quickly and flexibly to changing Government needs and priorities will continue to be a challenge for AusAID.

10. Secondly, complications have developed over time as AusAID has responded to identified gaps by introducing additional rules or provisions.

11. The ANAO supports initiatives commenced in AusAID to identify a core set of requirements for effective project management. These should include standard criteria for project design, assessment, monitoring and evaluation, which could be used as the basis for all grants schemes and reflected in standard contractual arrangements. Specific programs would, of course, have different objectives, eligibility criteria and performance measures.

12. The ANAO is of the view that AusAID should standardise administrative rules, with the aim of minimising requirements (within the parameters of good management). AusAID should also emphasise the need for compliance with those procedures and monitor such compliance. This would not only enhance the understanding of procedures, but would also reduce the cost of administration for both AusAID and NGOs.

13. The ANAO also found deficiencies in accountability, for which NGOs must share responsibility. A significant proportion of records examined by the ANAO revealed failures on the part of NGOs to fulfil contractual obligations. The consistency with which this occurred, across programs and across the range of NGOs, suggests a lack of appreciation or understanding of the basic requirements for accountability of public funds.

14. In brief the ANAO recommends that AusAID standardise and rationalise administrative guidelines for the management of funding to NGOs and apply those

guidelines more rigorously. The ANAO considers that these recommendations will build on the work AusAID has done, and is planning, to improve the efficiency and effectiveness of its operations.

15. Based on the analysis undertaken in the course of this audit, the ANAO has formed the following opinions:

- The documentation on government programs was satisfactory; that on individual projects was of a high standard; and that concerning grants schemes was found to need improvement in the area of performance measures.
- The administrative guidelines were found to be of a high standard. However, the number of guidelines should be rationalised to improve efficiency. The ANAO found widespread deficiencies in the application of these administrative rules.
- The ANAO also found that the weaknesses identified in the implementation of administrative guidelines also affect AusAID's capacity to provide adequate assurances about the efficiency, effectiveness and economy of expenditure for overall funding to NGOs.

Key Findings

Management framework

16. The ANAO examined AusAID documentation on overseas development programs delivered by NGOs, looking particularly for clear objectives, performance measures, and evaluation mechanisms. Three levels of documentation were examined: government programs; grants schemes; and individual projects.

(i) Government programs

The documentation available was satisfactory in all three areas.

(ii) Grants schemes

17. The documentation relating to objectives and evaluation mechanisms was of a high standard. Some weaknesses were identified in the area of performance measures.

(iii) Individual projects

The documentation for all three areas was of a high standard.

Implementation

18. The ANAO examined administrative guidelines for grants schemes and tested the application of these guidelines on a sample of individual projects.

Administrative guidelines

19. The ANAO found that the guidelines were of a high standard. However, the multiplicity of guidelines is confusing to both AusAID officers and to NGOs and consequently produces inefficiencies. AusAID had also recognised this problem, and had introduced some steps to address it. We have recommended that a single approach be implemented in 1996-97.

Application of guidelines

20. The ANAO found widespread deficiencies in the application of administrative rules, and particularly in relation to contract monitoring procedures. The ANAO found contraventions of contract by NGOs in 41 per cent of records examined, particularly in the late or non-submission of financial reports. In most of those cases, AusAID systems failed to signal these occurrences in a timely fashion. New systems have been introduced which should overcome AusAID's problems. The ANAO has also recommended that AusAID give further priority to improving contract monitoring, and that AusAID provide additional training (including to NGOs) on grants administration, contract management and contractual responsibilities on a cost effective basis.

Accountability

21. The ANAO also used the sample of individual projects to examine AusAID's frameworks for accountability.

22. The ANAO found that the weaknesses in the implementation of administrative guidelines identified previously also affect AusAID's capacity to provide adequate assurances about the efficiency, effectiveness and economy of expenditure of Commonwealth funds by NGOs. In particular, the ANAO was unable to form an opinion on whether grants schemes achieve value-for-money, because of the absence of performance measures at this level. These weaknesses had already been partly identified by AusAID, and remedial action initiated. The ANAO supports this effort and has made recommendations aimed at complementing and extending AusAID's reform endeavours.

Other findings

23. The evidence of this audit suggests either that NGOs as a group do not properly understand the contractual relationship with AusAID under which they operate, or not all are as assiduous as they should be in their contract management. Within AusAID, a similar situation appears to exist. In a formal sense, AusAID contracts with NGOs are as binding as those, for instance, with commercial contractors. The ANAO found cases where more emphasis seemed to be placed on management of the latter contracts. A double standard should not exist in this respect, as all parties involved are responsible for the expenditure of taxpayers funds in accordance with the provisions of the contract.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and AusAID's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that AusAID should give priority to Recommendations Nos. 2, 3, 4 and 5.

Recommendation

No. 1
Para. 3.18

The ANAO recommends that a suitably balanced set of performance indicators be included in the design of future grants schemes.

Response: Agreed.

Recommendation

No. 2
Para. 4.13

The ANAO recommends that AusAID rationalise funding mechanisms by introducing a single approach to NGO funding, to be implemented in

1996-97.

Response: Agreed. AusAID, following consultations with Non-Government Organisations, will introduce a single approach to NGO funding during 1996-97.

Recommendation
No. 3
Para. 4.26

The ANAO recommends that AusAid give priority to its current efforts to streamline and standardise grants administration processes. A simplified model should be implemented in 1996-97.

Response: Agreed. AusAID, following consultations with Non-Government Organisations, will streamline and standardise grants administration processes during 1996-97.

Recommendation
No. 4
Para. 5.9

The ANAO recommends that AusAID give higher priority to improving contract monitoring, to ensure the proper expenditure of funds granted to NGOs.

Response: Agreed. The standardisation and rationalisation of Non-Government Organisation funding mechanisms will allow for more effective contract monitoring.

Recommendation
No. 5
Para. 5.15

The ANAO recommends that AusAID provide additional training, to relevant staff and NGOs, on the roles and obligations associated with grants administration, contract management and contractual responsibilities.

Response: Agreed. In addition to NGO training that already takes place, training will also be provided following the introduction of the new procedures.

Recommendation
No. 6
Para. 5.19

The ANAO recommends that AusAID examine the scope for including indicators to measure the value for money individual projects provide in achieving the objectives of the grants schemes under which they are funded. These should be incorporated in the associated documentation when new schemes are designed.

Response: Agreed. AusAID will develop performance indicators for each NGO funding scheme. Ratings will be periodically validated for accuracy and collated as part of the process used to determine whether schemes have met their objectives and achieved value for money.

1. Introduction

This Chapter sets out the objectives, strategy and methodology for the audit.

1.1 Australia's Official Development Assistance (ODA) in 1994-95 (the latest figures available at the time of preparation of this report) was approximately \$1.5 billion. Estimated expenditure for 1995-96 was approximately \$1.6 billion, representing a ratio of ODA to Gross National Product of 0.33 per cent. In 1995-96, the Australian Agency for International Development (AusAID) administered \$1.5 billion of total ODA.

1.2 Around 8 per cent, or \$125 million, of AusAID's total appropriation for 1995-96 was spent through non-government organisations (NGOs). As shown in Chapter 2, this represents approximately one-third of NGO income. The proportion of Official

Development Assistance (ODA) channelled through NGOs is increasing, both in Australia and internationally.

1.3 Concerns have been raised in recent years about the accountability of NGOs. In particular, allegations concerning the potential misuse of Commonwealth moneys by a large NGO led to a Ministerial inquiry in 1994-95 and the development by AusAID of an administrative reform package. This reform package aimed, in part, to improve accountability measures for funds granted to NGOs. Progress with implementing this package has not been as speedy as AusAID and the ANAO would have wished, due to the extensive consultation process required to implement change in the NGO industry.

Audit objective

1.4 The objective of the audit was to review AusAID's management of funding to NGOs to assess whether:

- i) the objectives of overseas development programs to be delivered by NGOs are clearly established;
- ii) funding mechanisms for the delivery of aid programs by NGOs are clearly defined, consistently applied, and in compliance with the law; and
- iii) AusAID can provide assurances that NGOs delivering development projects using Commonwealth monies are accountable for:
 - proper expenditure of Commonwealth monies;
 - the achievement of stated objectives; and
 - the achievement of value for money.

1.5 Audit criteria were derived from this objective. They were as follows:

- i) overseas development programs delivered by NGOs should have clear objectives, performance measures and evaluation mechanisms, in accordance with standards established by the Commonwealth and by international aid experts;
- ii) administrative rules for the delivery of aid programs by NGOs should be clearly defined, applied as specified and consistently, and should conform to legal requirements for the expenditure of Commonwealth funds; and
- iii) accountability mechanisms should be in place that enable AusAID to assure the Government and the Parliament that Commonwealth funds granted to NGOs are spent in accordance with due procedure and regulations; to achieve defined objectives; and that their expenditure achieves value for money.

1.6 These criteria were developed following an examination of Commonwealth Government and international standards for good practice in the administration of grants and the exercise of accountability.

Audit strategy and methodology

1.7 A three-pronged approach was developed to examine the aspects identified:

- i) interviews were conducted with key AusAID officials and with a representative sample of NGOs;
- ii) key financial and management controls were identified and tested; and
- iii) the documentation setting out the accountability regime was examined and compared with Commonwealth and international guidelines.

1.8 The sample of NGOs interviewed was designed to include secular and religious, large and small, and single and multi-purpose organisations. It was considered representative of the diversity of the NGO industry. Interviews were held with CARE Australia, World Vision, APACE, the International Women's Development Agency, Australian Catholic Relief, the Overseas Service Bureau, UNICEF, and Community Aid Abroad. The views of the Australian Council for Overseas Aid (ACFOA), the industry's peak body were also obtained. The ANAO was appreciative of the thoughtful contributions made by these organisations to the audit.

1.9 A range of sources was examined to determine standards reflecting best practice. These sources included various Department of Finance publications on program management and evaluation, the Auditor-General's *Best practice guide for the administration of grants*, relevant reports from the National Audit Office (United Kingdom), the Swedish National Audit Office, the Netherlands Court of Audit, the Organisation for Economic Co-operation and Development (OECD), the World Bank, and recent academic publications.

1.10 Key controls were identified using both the guidelines developed by AusAID, and the requirements set out in the *Audit Act 1901*, the Finance Regulations and the Finance Directions.

1.11 The ANAO received a high level of cooperation from AusAID during the conduct of this audit. This enabled an audit timeframe to be constructed that met the needs of both agencies without being overly resource intensive. The ANAO wishes to acknowledge its appreciation of AusAID's approach and assistance.

Audit conduct

1.12 The Audit was conducted in accordance with the ANAO Auditing Standards. The cost of the audit was approximately \$167,000.

2. Background

This Chapter provides background information on the administration of Australia's Official Development Assistance program, the role of NGOs, and recent developments affecting that program.

2.1 The Australian Agency for International Development (AusAID) is an administratively autonomous unit within the Department of Foreign Affairs and Trade. Its goals are:

- to provide ecologically sustainable development in developing countries in response to Australia's humanitarian, foreign policy and commercial interests;

- to deliver the highest quality program of development co-operation; and
- to ensure AusAID is a leading international development organisation that is creative, responsive and effective. ¹

2.2 These goals are set in the context of the overall objective for the Government's Development Co-operation program, which is 'to promote the sustainable economic and social advancement of the peoples of developing countries in response to Australia's humanitarian concerns, as well as Australia's foreign policy and commercial interests.' ² The aid program comprises three sub-programs, Country Programs, Global Programs, and Corporate Services. Budget details for 1994-95, and estimates for 1995-96, are set out in Table 1 below.

Table 1: AusAid Resource Summary, 1994-95 and 1995-96 ³

Item	1994-95 Actual (\$m)	1995-96 Estimate (\$m)
Country Programs	850.8	875.6
Global Programs	504.9	551.3
Corporate Services	45.6	52.6
Total	1,401.3	1,479.5

2.3 Aid is delivered through a variety of mechanisms, including competitive tendering (which can involve both individual private sector companies or NGOs), arrangements with multilateral organisations (for instance, the World Food Program and other United Nations agencies), and through grants to NGOs. The main NGO grants programs are:

- the AusAID/NGO Cooperation Program (ANCP);
- Country Program NGO activities;
- Humanitarian (Emergency and Refugee) NGO activities;
- Support for volunteer agencies;
- Small grants schemes; and
- support for non-Australian NGOs. ⁴

2.4 The details of all funding to NGOs in 1994-95 are set out in Table 2 below.

Table 2: Summary Of Official Aid Through Australian And Non-Australian NGOs, 1994-95 ⁵

<i>Australian NGOs</i>	\$'000	%
Development Project Subsidies (ANCP)	12,997	14.0
NGO projects funded from Country Programs	37,245	40.0
Humanitarian (Emergency and Refugee) Relief	27,053	29.0
Volunteer Programs	11,008	11.8

<i>Small grants schemes:</i>		
NGO Environment Initiative	1,550	1.6
Women in Development	1,299	1.4
Global Education Scheme (GES)	541	0.6
Professional Associations' International Development Scheme (PAIDS)	198	0.2
International Seminar Support Scheme (ISSS)	251	0.3
Direct Aid Program (DAP)	62	0.07
<i>Other funding</i>		
ACFOA Core grant etc.	838	0.9
TOTAL AUSTRALIAN NGOs	93,042	100.0
<i>Non-Australian NGOs</i>		
Humanitarian (Emergency and Refugee) Relief	2,320	10.1
International NGOs	2,574	11.2
Local NGOs in Developing Countries	16,051	70.0
Direct Aid Program	1,695	7.4
Women in Development	266	1.2
International Seminar Support Scheme	40	0.2
TOTAL NON-AUSTRALIAN NGOs	22,946	100.0
TOTAL ALL NGOs	115,988	n/a

The ANCP

2.5 The ANCP is AusAID's preferred approach for managing NGO funding in future. It is a matching grant program under which AusAID supports the continuing work of Australian NGOs on either a program or project by project basis. Unlike other AusAID programs, NGOs must qualify for membership of the program through a formal entry process. To be eligible to participate in the ANCP, an NGO must demonstrate that it:

- is voluntary, non-profit and non-government;
- is clearly identifiable as Australian;
- is managed efficiently;
- is able to provide evidence of its capacity to ensure competent implementation of the projects it undertakes; and
- adheres to development philosophies and practices consistent with the objectives of the ANCP.

2.6 Applications for membership are assessed by the Committee for Development

Cooperation (CDC) comprised equally of AusAID and NGO representatives. The CDC also has a role in administering the ANCP.

2.7 The ANCP has the following three components:

Pool Fund

- on entering the ANCP, agencies access subsidies through a 'Pool Fund';
- funds are accessed on a project-by-project basis;
- projects are appraised either by an AusAID-convened panel or referred to the CDC;
- agencies submit full project descriptions and justifications using the 'Project Subsidy Application' format; and
- support is on a 1:1 subsidy basis between AusAID's subsidy and the agencies own funds.

Individual Project Subsidy Scheme (IPSS)

- agencies are eligible to graduate to the IPSS after a two year qualifying period using the Pool Fund and upon demonstrating a capacity to undertake proposed activities in a professionally competent manner;
- eligibility under this category entitles agencies to receive a predictable cash flow by way of an Indicative Planning Figure (IPF);
- funds are accessed on a project-by-project basis;
- project subsidies are based on a more favourable ratio of 3:1;
- agencies accessing funding under this scheme can have their appraisal processes approved so that the proposing NGO maintains responsibility for project appraisal; and
- administratively simple procedures (declarations and minimal data, rather than full project information) are used to facilitate access to project funding.

Agency Program Subsidy Scheme (APSS)

- agencies which have demonstrated to the CDC their substantial efficiency and effectiveness in managing a complex program of overseas development activities are eligible to receive their subsidies as bulk payments in 'program' allocations instead of on a project-by-project basis;
- APSS agencies, like IPSS agencies, have individually allocated IPFs giving a predictable cash flow;
- program subsidies are provided on a 3:1 basis;
- these agencies sign 'Program Agreements' covering three years with funding allocations determined annually;

- agencies may themselves allocate funds to multiyear projects; and
- APSS agencies' IPFs are paid in two instalments subject to regular reporting of project identification data to AusAID.⁶

2.8 An agency's continued eligibility for membership of the ANCP is reviewed every four to five years. AusAID funding for the ANCP in 1994-95 was approximately \$13 million, or 14 per cent of total AusAID support for Australian NGOs.

Country programs

2.9 This includes some 16 region or country-specific NGO programs administered by various AusAID country desks. These are mostly funded on a 100 per cent grants basis and are subject to much closer AusAID supervision than ANCP projects. This is now the largest area of AusAID support for NGO activities, with funding in 1994-95 of approximately \$37 million, or almost 40 per cent of total AusAID support for Australian NGOs.

Emergency and refugee aid

2.10 This includes support for NGOs for emergency, relief and refugee activities, and has been a major area of AusAID funding for NGOs. Funding in 1994-95 was approximately \$27 million, or 29 per cent of the total for Australian NGOs. However, this was a decrease from 38 per cent in 1993-94.

Volunteer agencies

2.11 AusAID provides program support to four Australian volunteer agencies, with an aggregate contribution of \$11 million in 1994-95, or 12 per cent of total AusAID support for Australian NGOs. The volunteer agencies are the Overseas Service Bureau (which runs Australian Volunteers Abroad), the Australian Executive Service Overseas Program, the Paulian Association Lay Missionary Service, and Interserve.

Small grants schemes

2.12 AusAID also administers a number of small, specific purpose grants schemes for NGOs such as the Women in Development Scheme (WID), and the NGO Environment Initiative (NGOEI). Aggregate funding for these schemes in 1994-95 was approximately \$4.7 million, or around 5 per cent of total AusAID support for Australian NGOs.

Non-Australian NGOs

2.13 AusAID also provides some support for non-Australian NGOs, much of which is administered directly from overseas posts. In 1994-95, the total support for non-Australian NGOs was \$22.9 million.

NGOs and ODA

2.14 AusAID estimates that approximately 900 grants to NGOs are made annually. These may range from a few hundred dollars to over one million dollars. Total annual grants from AusAID to individual NGOs also vary widely. In 1994-95, for example, World Vision and UNICEF each received over \$12 million in grants; while at the other end of the scale, the Centre for Philippine Concerns Australia received \$1310. A summary of funding to Australian NGOs is set out in Table 3 below. More details are provided in Appendix 1.

Table 3: SUMMARY OF AusAid Funding To Australian NGOs, by Size Of Grant, 1994-95 ⁷

Range of total grants money	# NGOs in receipt	Total value of grants awarded (\$'000)
< \$20,000	39	374.8
\$20,000 - \$75,000	49	1,782.2
\$75,000 - \$300,000	35	5,411.1
> \$300,000	30	84,594.5
Other (ACFOA, program administration)	n/a	879.7
TOTAL	153	93,042.3

2.15 The proportion of Australian ODA channelled through NGOs increased significantly over the last decade, from 2.1 per cent in 1985-86 to 7.6 per cent in 1994-95. ⁸ This is consistent with international trends. One recent study noted that, 'The proportion of total aid from OECD countries channelled through NGOs increased from 0.7 per cent in 1975 to 3.6 per cent in 1985, and *at least* 5 per cent 1993-94 (some US\$2.3 billion in absolute terms). This figure is certainly an underestimate since it omits multilateral agency funding to NGOs and NGO funding from the US Government, which represented over half the DAC total in all previous years.' ⁹ The same study claimed this increasing use of NGOs by governments has also affected the overall budgets of NGOs and that 'NGOs which are not dependent on official aid for the majority of their budgets are now the exception rather than the rule.' ¹⁰

2.16 This also seems to hold true for Australian NGOs, although accurate figures are difficult to ascertain because of different accounting mechanisms. AusAID, in common with all Australian Government agencies, uses a financial year beginning on 1 July and ending on 30 June. NGOs that are members of ACFOA use a variety of financial years for their base accounting period. Income raised by ACFOA members in 1994 was about \$164 million and in 1995 was about \$165 million. AusAID funding to Australian NGOs in 1993-94 was approximately \$71 million, and \$93 million in 1994-95. It appears that Australian NGOs derive over one-third of their income from ODA. The Australian NGO industry may well be in the same position vis-a-vis AusAID as their Canadian colleagues: 'When CIDA [the Canadian International Development Agency] sneezes ... Canadian NGOs reach for their Vitamin C.' ¹¹

2.17 The increasing use of NGOs as a delivery mechanism for ODA is also consistent with broader developments in public administration internationally. These were neatly summarised in a recent OECD report:

The role of government is evolving in OECD countries in response to fundamental changes in economies and societies. In adjusting to these new demands and conditions, governments of OECD Member countries are reviewing and reforming systems of public management. They are reconsidering how government relates to citizens and enterprises, how best to ensure provision of public services, and how to define the inherent functions that governments must perform. ¹²

2.18 It is in this context that AusAID and other official development agencies have been

increasingly using NGOs as what a recent article has called 'the preferred channel for service provision in direct substitution for the state.'¹³ In other words, AusAID funds NGOs to undertake development projects rather than undertaking the projects themselves.

2.19 International experience suggests that this approach has some difficulties. Recent studies have found that:

- there is an absence of a large body of reliable evidence on the impact and effectiveness of NGOs;¹⁴
- there is increasing evidence that NGOs 'do not perform as effectively as had been assumed in terms of poverty-reach, cost-effectiveness, sustainability, popular participation (including gender), flexibility and innovation';¹⁵
- there seems to be 'no evidence that the contemporary accountability of NGOs is satisfactory', either to beneficiaries or to donors;¹⁶
- 'few governments have taken evaluations seriously, with the result that NGO survival has been almost completely delinked from performance';¹⁷ and
- official aid agencies will not be exempted by their governments from the requirement to provide accountable performance-based information.¹⁸

2.20 Finally, and perhaps most insightful, is the following comment: 'Improving performance assessment and accountability is not an "optional extra" for NGOs; it is central to their continued existence as independent organisations with a mission to pursue. However, judged by the meagre level of resources devoted to organisational development in these areas, and the reluctance of NGOs to innovate, an independent observer would have to conclude that most were not seriously concerned with accountability at all.'¹⁹

The Australian dimension

2.21 AusAID, as an Australian Government budget dependent agency, has been subject to the transition in governance documented by the OECD study cited above. Indeed, in many ways it could be argued that AusAID has gone further than many of its colleague Official Development Agencies. For instance, AusAID has been working under a program management regime since the mid-1980s and has given increasing attention to performance-oriented management in all of its activities. This has been achieved within the broader APS environment focusing on increased efficiencies and improved productivity with diminishing resources.

2.22 As noted in a recent AusAID report:

*The role of Non-Government Organisations (NGOs) in international development cooperation has grown significantly in recent years. Total NGO assistance to developing countries has been estimated to have been US\$9 billion in 1993, exceeding that of all but the largest of bilateral donors. Structural adjustment programs and reduced public sector expenditure in many parts of the world have generated greater demand for NGO activities. Donors have expanded their NGO support, in part due to recognition of the special role NGOs can play in projects which are participatory, which deal with small communities and address the immediate needs of the poor. At the same time, increased emergency relief and peacekeeping operations around the world have led to an expansion of NGO relief activities.*²⁰

2.23 For Australia, the consequence has been an evolution in program management over the last decade which has led to an increased volume and percentage of aid funding being channelled through NGOs, with the biggest increases coming from country and humanitarian relief programs. One result of a large increase in the number of NGO funding mechanisms and a devolution of administrative responsibilities to program managers has been a multiplicity of administrative procedures.

2.24 AusAID has introduced measures to improve the management of its programs, including implementing the recommendations of internal reviews and evaluations. This was manifest most recently in the commissioning of a review of the effectiveness of NGO programs and in the development of a reform package for NGO funding.

NGO Effectiveness Review

2.25 AusAID's *Review of the effectiveness of NGO programs* concluded that 'NGO programs had made an effective contribution towards AusAID's goal of sustainable economic and social advancement of peoples in developing countries.'²¹ The Review also identified 'some areas where project performance could have been better, including project sustainability, financial viability and the involvement of women in project planning and implementation.'²²

2.26 Several recommendations were made in that report concerning policy directions for the management of NGO programs. These have been excluded from the scope of this audit. However, several management findings were similar to some of those of this ANAO review. In particular, Chapter 5 of the *NGO Effectiveness Review* noted cumbersome and inefficient administrative arrangements and made several recommendations for changed policy approaches which aimed at improved administrative efficiency.

2.27 Two other recent reviews addressed concerns relevant to this audit.

Industry Commission investigation

2.28 The Industry Commission report, *Charitable organisations in Australia*, published in 1995, also made some recommendations pertinent to NGOs specialising in development assistance.²³ Of particular relevance are those recommendations relating to:

- quality management systems (Recommendations 1 and 2);
- processes for tender and selection of service providers (Recommendations 3,4,6 and 7);
- accountability arrangements (Recommendations 5,8,9 and 24); and
- tax deductibility status (Recommendation 25).

2.29 The previous Government tabled an interim response to this report in September 1995. The current Government has not yet tabled a final response.

2.30 The ANAO supports the general direction of these recommendations insofar as they apply to the development of standards for the NGO industry sector. However, this audit focused specifically on AusAID's management of funding to development NGOs. In so doing, it has dealt with some common issues, but from a different perspective.

COPAC

2.31 The former Minister for Development Cooperation, Mr Bilney, formed a committee to advise on issues relating to the accountability of, and reporting by, non-government development organisations. This committee recommended that NGOs develop a more detailed Code of Conduct.²⁴ A draft Code of Conduct was being considered by NGOs at the time of preparation of this report.

Conclusion

2.32 It is apparent that NGO accountability is currently a matter of some concern across many countries. It has two dimensions: accountability to the Commonwealth, for taxpayer funds; and accountability to members of the public, for their donations. The latter was the focus of the Industry Commission's inquiry and was also a factor contributing to the establishment of the Ministerial Advisory Committee, COPAC. COPAC was concerned both with accountability to donors and of Commonwealth funds and the extent to which this could be achieved through self-regulation by NGOs. AusAID's program effectiveness review and reform package extended the work of COPAC on accountability but also examined the extent to which Government objectives were achieved by funding to NGOs.

3. Program Performance Management.

This Chapter examines the extent to which AusAID management frameworks conform to standards of good program management.

Introduction

3.1 The Commonwealth public sector adopted program management and budgeting in the mid-1980s. This was intended:

- to develop better means of identifying and setting budget priorities, in order to ensure that the best overall result is achieved in terms of meeting the Government's objectives with the resources which can be made available;
- to focus attention more clearly on the goals and objectives of particular programs, in relation to the resources they use;
- to develop and apply to the management of Commonwealth programs specific techniques aimed at improved performance and more efficient resource use; and
- to set up machinery to ensure that the effectiveness and efficiency of programs are reviewed regularly, and that the results of such reviews are taken into account in the ongoing evaluation of budgetary priorities.²⁵

3.2 AusAID has implemented program management systems at an organisational level. In this audit, the ANAO sought to examine the extent to which the principles of results-oriented management had been incorporated into AusAID's provision of funds to NGOs.

3.3 As indicated in Chapter 2 above, AusAID uses NGOs to deliver parts of Australia's Official Development Assistance program, in pursuit of the Government's broader objectives for development co-operation. The relationship between grants programs and AusAID's program management structure is best seen in hierarchical terms. At the highest

level, the Government has developed policy objectives for Official Development Assistance. These are implemented through the Development Cooperation Program (which, to all intents and purposes, is AusAID). The objectives of the Development Cooperation Program are broken down into more specific components, dealing with different themes, including bilateral relations, global issues, and promotion of specific types of development activity.

3.4 To achieve these objectives, AusAID uses a number of delivery mechanisms. The main ones are: contracts for the provision of goods and services; contributions to multilateral agencies; and grants programs. NGOs can access funds either through grants programs (which are usually restricted to NGOs) or by competitive tendering for contracts. Given that AusAID is not a direct service provider, the need for performance information about the efficiency and effectiveness of projects funded by AusAID under these different mechanisms is quite critical. It forms the basis for AusAID's ability to assure the Government and the Parliament that funds have been spent in ways that contribute to the achievement of the Government's objectives.

3.5 In this audit, performance information was defined in accordance with the MAB/MIAC basic definition as:

any information (both quantitative and qualitative) which allows judgements to be made about program performance and is, at its simplest, feedback on the results of actions. ²⁶

3.6 This was supplemented with the earlier definition by the House of Representatives Standing Committee on Finance and Public Administration that performance information is 'all information, both quantitative and qualitative which inform[s] various decision-makers about how well an activity, a major program, organisational unit, or the organisation as a whole are performing against a set of policy objectives, targets and priorities.' ²⁷

3.7 Performance information, then, includes objectives, strategies for achievement, performance indicators, targets, standards, benchmarking for performance, and reporting. ²⁸

Parameters for management

3.8 In assessing the performance of grants and programs, AusAID is faced with three main challenges. The first relates to the nature of overseas development. As one commentator noted recently,

to be sustainable, development must go beyond zero-sum processes where gains and losses are essentially equal. Rather, it must promote and support positive-sum dynamics that achieve multiple benefits which outweigh the costs. The problems that arise when trying to evaluate benefits and costs are a) that many are remote in time and space, so they are hard to identify rigorously with any particular investment or initiative; and b) that many of the things that add most to our quality of life are not readily quantifiable. ²⁹

3.9 Secondly, there are the constraints inherent in an arms-length funding arrangement such as a grants program. AusAID does not have control over how grants monies are actually spent, or how a project is actually managed. Consequently, AusAID has to rely, for the most part, on assessments provided by NGOs.

3.10 A third difficulty is that AusAID may not always be the sole provider of funding. It may be a partial contributor to an NGO's own program (under the ANCP), or it may be funding an NGO to undertake a project agreed through country program negotiations, which may have a contribution from another government, or from a multilateral agency.

3.11 In these circumstances, AusAID's capacity to monitor the effectiveness of grants programs is constrained. AusAID has, instead, focused on assessment of individual projects on the assumption that some measure of program performance can be achieved by aggregating individual project outcomes. The ANAO examined the performance information required by AusAID for a range of grants programs available in 1995-96. These included specific country and regional NGO schemes (for example, NOVA - the NGO:Vietnam/Australia Program; and the HIV/AIDS Initiative-South East Asia Region); 'thematic' programs (such as the NGO Environment Initiative and the Women in Development Scheme); and block funding arrangements under the AusAID-NGO Cooperation Program (ANCP).

3.12 In all, the ANAO identified 34 specific schemes through which NGOs could obtain funding in 1995-96. This does not include bilateral, global and regional programs, which have generic administrative guidelines modified through specific contractual arrangements. Information for thirty-one of the specific programs was examined, as well as the generic information for country and global programs.

3.13 The ANAO found that the administrative guidelines which set the parameters for collecting performance information were of a high standard. All overseas development programs to which NGOs have access have clearly articulated objectives which link to broader policy aims and priorities. These objectives are also readily available to stakeholders, including the Government, the Parliament and NGOs. Strategies for achievement, standards for funding, and reporting requirements are also specified prerequisites. In these areas, AusAID's standards are very close to international best practice.

Performance measurement

3.14 At the level of individual project applications, most of the guidelines examined require some effort to be made by NGOs to assess outputs or projected impacts. Similarly, performance measures are often contained implicitly in the eligibility and assessment criteria for different grants programs. For instance, eligibility for funding under the Burma HIV/AIDS NGO program includes the requirement that an organisation be able to 'demonstrate a capacity to implement effective, sustainable community based HIV/AIDS projects ...'. Project proposals must: 'have a viable plan for achieving objectives; demonstrate that the Australian and local organisation have the technical, financial and managerial capacity to successfully complete the project; address issues of sustainability: [and] specify monitoring and reporting mechanisms.'³⁰

3.15 The priority activities identified also lend themselves to measurement. These activities are to:

- educate the community about the nature and significance of HIV/AIDS with strategies for prevention and care with particular emphasis on high risk groups;
- assist committees to identify needs to combat the spread of HIV/AIDS;

- assist carers of people living with AIDS who fall outside the public health facilities;
- train local health workers;
- strengthen the capacity of community organisations involved in health and community development; and
- integrate HIV/AIDS programs with others targeting sexually transmitted disease and drug dependence. ³¹

3.16 However, AusAID could consider extrapolating measures specified at the project level into indicators for grants schemes. This would facilitate management and Government assessment of the effectiveness of particular types of programs in achieving AusAID's broader policy goals. It would also contribute to improved transparency of operation by articulating performance indicators when new schemes are being designed. Currently, effectiveness measures are developed as part of the evaluation process, which is resource intensive and time consuming, and could be more efficiently done as part of the planning process. It would also provide a basis for subsequent evaluation purposes.

3.17 AusAID is also encouraged to consider developing performance indicators to assess its own efficiency, effectiveness and economy in administering a particular scheme. This would allow some internal benchmarking which could assist AusAID to identify opportunities for further improvements in productivity.

Recommendation No. 1

3.18 The ANAO *recommends* that a suitably balanced set of performance indicators be included in the design of future grants schemes.

AusAID response

3.19 Agreed.

Evaluations

3.20 The ANAO also examined AusAID's mechanisms for program evaluation. The Department of Finance has defined program evaluation as:

the systematic assessment of a program, or part of it, to assist managers and other decision-makers to:

- *assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (i.e. the appropriateness of the program);*
- *test whether the program outcomes achieve stated objectives (i.e. its effectiveness);*
- *ascertain whether there are better ways of achieving these objectives (i.e. its efficiency);*
- *assess the case for the establishment of new programs, or the extensions to existing programs; and*

- *decide whether the resources for the programs should continue at current levels, be increased, reduced or discontinued.* ³²

3.21 AusAID has in place a comprehensive strategy for program review and evaluation. This is linked with internal audit and other review activities, resulting in an integrated approach throughout the organisation, with satisfactory coverage of all areas of activity.

3.22 The ANAO examined four reports dealing with aspects of NGO activity. These were:

- *Review of humanitarian relief programs (1994);*
- *Australia's aid to Africa - a new framework: a review of the policy basis for Australian aid to Africa (1995);*
- *Review of the effectiveness of the NGO programs (1995); and*
- *Review of the efficiency and effectiveness of Australian Volunteer Programs (draft report 1996).*

3.23 These reports were assessed to determine the extent to which the methodology used conformed to national and international best practice. The best practice standards were defined as those set by the Department of Finance, the World Bank, and the Organisation for Economic Cooperation and Development(OECD). ³³

3.24 The following principles have been established by the OECD:

- Aid agencies should have an evaluation policy with clearly established guidelines and methods and with a clear definition of its role and responsibilities and its place in institutional aid structure.
- The evaluation process should be impartial and independent from the process concerned with policy making, and the delivery and management of development assistance.
- The evaluation process must be as open as possible with the results made widely available.
- For evaluations to be useful, they must be used. Feedback to both policy-makers and operational staff is essential.
- Partnership with recipients and donor cooperation in aid evaluation are both essential: they are an important aspect of recipient institution-building and of aid coordination and may reduce administrative burdens on recipients.

3.25 AusAID's approach to program evaluation meets all of the criteria established by the OECD. The evaluation process is clearly linked with internal audit and other review mechanisms and the roles and responsibilities of each are well-defined. Evaluation outcomes are reflected in policy and decision making processes, although the actual conduct of evaluations is independent. AusAID's approach to stakeholder involvement exceeds the standard set by the OECD. Terms of reference for individual reviews or evaluations are developed in consultation with partners (that is, the key stakeholders) prior to finalisation. Similarly, other stakeholders were involved in all reviews examined, either on Steering Committees or by being invited to provide input to the report.

3.26 Aid evaluation and its requirements must be an integral part of aid planning from the start. Clear identification of the objectives which an aid activity is to achieve is an essential prerequisite for objective evaluation. ³⁴

3.27 In terms of guidelines issued by the Department of Finance for Commonwealth public sector evaluation, the samples examined met most of the criteria. A qualitative improvement was evident between earlier and later reports. This is probably attributable to developing expertise within AusAID. The two most recent reports satisfied all but one of the essential criteria.

3.28 The deficiency was the absence of clearly stated criteria against which program performance can be assessed. Difficulties with measuring performance in aid programs have already been noted. As with program management frameworks, the evaluation reports do contain performance information, and it is possible to derive actual performance indicators from the data presented. However, transparency and accountability would be improved if these measures were made more explicit.

Conclusion

3.29 This Chapter has focused on AusAID's performance management framework for aid programs. The ANAO examined three particular aspects of program performance: the parameters for management, performance management, and evaluation. In two out of three of these areas, the ANAO found that AusAID rated very highly against national and international standards. It is close to, if not at, the leading edge of best practice in some areas.

3.30 The ANAO assessed AusAID's approach and performance measurement at three levels: government programs; grants schemes; and individual projects.

3.31 The weakness identified by the ANAO concerned performance measurement. Performance measurement at the levels of government programs and individual projects is generally satisfactory. The ANAO has recommended improvements for the management of grants schemes.

1

AusAID Corporate Plan, 1994-96, p.5.

2

DFAT Annual Report, 1994-95, p.235.

3

Source: *Australia's Overseas Aid Program, 1996-97.*

4

Source: *Review of the effectiveness of NGO programs*, AusAID 1995, p.10; and *AusAID-NGO Cooperation Annual Report, 1994-95*, p.1.

5

Source: *AusAID-NGO Cooperation Annual Report, 1994-95*, p.1.

6

Ibid, pp. C5-C6.

7

Ibid, pp. 6-9.

8

Australia's Development Co-operation Program 1993-94, Ministerial Statement, AGPS, 1993, p.61; *Review of the effectiveness of NGO programs*, p.5; *AusAID-NGO Cooperation Annual Report 1994-95*, p.1; *DFAT Annual Report 1994-95*, p.236.

9

M Edwards and D Hulme, "NGO performance and accountability" in *Non-governmental organisations - performance and accountability: beyond the magic bullet* ed. Edwards and Hulme, (London, Earthscan, 1995) p.9. DAC is the Development Assistance Committee of the OECD.

10

Ibid, p.9.

11

I. Smillie, "Painting Canadian roses red", in Edwards and Hulme, *op cit* p.160.

12

Governance in transition: public management reforms in OECD countries. OECD, 1995, p.3.

13

Edwards and Hulme, *op cit*, p.4.

14

Ibid p.6.

15

Ibid p.6., but see also A. Fowler, "The role of NGOs in Changing State-society relations: perspectives from Eastern and Southern Africa", *Development Policy Review*, 9(1991) pp 53-84; J. Tendler, *Turning private voluntary organisations into development agencies; questions for evaluation*, Evaluation Discussion Paper No. 10, US Agency for International Development, Washington, 1982; J. Vivian, "NGOs and sustainable development in Zimbabwe: no magic bullets", *Development and Change* 25(1994) pp 181-209; R. Riddell and M. Robinson, *The impact of NGO poverty alleviation projects: results of the case study evaluations*, ODI Working Paper No. 68, ODI, London, 1992.

16

Edwards and Hulme, *op cit* p.11.

17

Smillie, *op cit*, p.157.

18

Edwards and Hulme, *op cit*, p..

19

Ibid, p.224.

20

Review, p. i..

21

NGO Effectiveness Review, *op cit*, p. i

22

Ibid p. ii.

23

Charitable organisations in Australia, Industry Commission Report no. 45, 16 June 1995.

24

Non Government Development Organisations Code of Practice Advisory Committee, Report to the Minister for Development Cooperation and Pacific Island Affairs, August 1995.

25

Budget Reform, Commonwealth of Australia, 1984, pp. 1-2.

26

Performance information and the management cycle, MAB/MIAC Discussion Paper No. 10, 1993, p 6.

27

Not dollars alone, Report of the House of Representatives Standing Committee on Finance and Public Administration, 1990, p.73.

28

See also *Performance information*, Audit Report No 25, 1995-96, pp. 8-10.

29

N Uphoff, "Why NGOs are not a third sector", in Edwards and Hulme (eds) *op cit*, pp. 25-26.

30

Funding opportunities for Australian NGOs 1995-96, AusAID, 1995, p.23.

31

Ibid.

32

Doing evaluations: a practical guide, Department of Finance, 1994, p.3.

33

Ibid; "Evaluation ratings and development effectiveness in the World Bank", paper presented by Mr R. Picciotto, Operations Evaluations Division, World Bank, to DAC Expert Group on Aid Evaluation Informal Seminar, Canberra, 1996; and *Principles for evaluation of development assistance*, OECD, Paris, 1991.

34

Principles for evaluation, pp. 4-5.

4. Application of Guidelines

The Chapter tests the implementation of administrative guidelines for funding to NGOs.

Introduction

4.1 The preceding Chapter examined AusAID's management framework for grants programs. In this Chapter, the focus is on the management of individual projects funded under those programs.

4.2 The ANAO examined some 31 sets of guidelines, and evaluated them for consistency with the ANAO *Best practice guide for the administration of grants*.¹ The application of these guidelines was then tested against a sample of project records from the 1994-95 financial year.

Best practice

4.3 The *Best practice guide* outlines a number of features of well-administered grants/programs. Some of these do not apply to AusAID programs. For example, some relate to legislatively-based grants programs; others concern entitlement schemes. The key features identified as pertinent to AusAID's management of projects, and against which the administrative guidelines were assessed, are set out in Figure 1 below.

AusAID guidelines

4.4 The guidelines for AusAID grants administration are held in a variety of locations. Most have been consolidated into a four-volume *Program Operations Guide*², issued progressively from 1991 to 1994; and the *ANCP Manual of Procedures*.³ Specific NGO programs administered by country or regional policy areas have separate guidelines held by those parts of AusAID.

4.5 The ANAO found these administrative guidelines to be comprehensive. Most conform to the standards defined in Figure 1, particularly in terms of the requirements stipulated for project management. Of particular note is the effort that has been made to link

procedures to objectives; the emphasis placed on competitive selection; and the strong reinforcement of Finance Regulations and other rules applying to the expenditure of public monies. AusAID has also taken steps to ensure that these guidelines are readily available to stakeholders.

Figure 1: Best practice for grants administration.

Planning

- Aims and objectives should be clearly established.
- Eligibility criteria should be clearly articulated.
- Appropriate performance measures should be established.
- The scheme should comply with other Government and Departmental policies and guidelines.
- The scheme should enable adequate and equitable access for interested applicants.

Appraisal

- Information on the scheme should be readily available to interested applicants.
- Projects should be consistent with the overall aims and objectives of the scheme.
- Funding should be decided through a process of competitive selection.
- Clear lines of responsibility and accountability should be defined.
- Adequate audit trails should be in place for monitoring purposes.

Monitoring of projects

- A monitoring strategy should be established and implemented.
- This should link with aims and objectives.
- Responsibilities for monitoring and reporting should be clearly delineated.
- A feedback loop should be established to enable lessons learned to be passed on to relevant parties.

Evaluation of projects

- Evaluation objectives should be clearly stated.
- The evaluation team should be sufficiently independent from project management.
- The evaluation should be against defined performance measures.
- The evaluation should include an assessment of the project's effectiveness.

4.6 As frameworks for administration, the individual operational guidelines developed by AusAID are of a high standard. They specify key stages in the process of grants administration, and identify the requirements at each stage concisely and unambiguously. They are examples of good practice which could be used as a benchmark by other Commonwealth agencies and would also have relevance for international organisations.

4.7 The ANAO does, however, have two concerns about the package of guidelines.

4.8 The first is quite minor, and relates to currency. The ANAO found examples in the

Program Operations Guide of some grant schemes which have been discontinued or renamed, and a lack of information on several programs currently being funded. These discrepancies could be confusing for NGO staff, and for AusAID officers moving into a new program area.

4.9 The second concern is of a more serious nature. While individual guidelines are quite comprehensive, when viewed as a whole they reveal a multiplicity of rules and standards. For instance, monitoring procedures are specified in some cases but in others are left to the discretion of AusAID program managers. This leads to confusion for users both within AusAID and NGOs.

4.10 It also has resource implications. For AusAID officers, it means that moving between areas involves learning two separate sets of information; the rules applying to various funding arrangements, and the subject matter of the new area. This lengthens the time required for reasonable adjustment before officers are fully effective. For NGOs, it means that staff are required to be familiar with several different sets of guidelines. This can create heavy burdens for smaller organisations.

4.11 The ANAO considers that the multiplicity of rules applying to AusAID grants programs constitutes a risk to good management, by AusAID and by NGOs. These could be simplified. AusAID has recognised the need to simplify the multiplicity of programs and guidelines, including through the report of the *Review of the Effectiveness of NGO Programs*, and has had negotiations on the issue with ACFOA and the NGOs.

4.12 The ANAO sees value in a single model being applied for the administration of all grants to NGOs. AusAID has already identified its preferred funding approach for NGOs. This would introduce efficiencies in AusAID (officers would be fully effective after a shorter settling-in period) and in NGOs (staff would have fewer sets of rules to learn and to apply). Further efficiencies would accrue in AusAID through reductions in resources required to develop and to maintain program guidelines.

Recommendation No. 2

4.13 The ANAO *recommends* that AusAID rationalise funding mechanisms by introducing a single approach to NGO funding, to be implemented in 1996-97.

AusAID response

4.14 Agreed. AusAID, following consultations with Non-Government Organisations, will introduce a single approach to NGO funding during 1996-97.

Application of guidelines

4.15 The ANAO also tested the application of administrative guidelines for a sample of projects funded in 1994-95 (the latest complete data available at the time of audit field work). The sample was drawn from a diverse range of programs to be as representative as possible. Projects were selected from ANCP, NGO country windows, Humanitarian Relief, and bilateral and regional programs.

4.16 Three common problems were identified. The first concerned record management. Records were found to be fragmented or incomplete. This has implications for efficiency as locating all relevant information takes AusAID staff more time than it would if complete records were held in one location. It also has implications for good management

as project approvals, contractual arrangements and compliance records are not always co-located.

4.17 The second problem identified flows, in part, from the first and concerns management trails. The deficiencies in records management made the identification and following of decision making and monitoring processes difficult. The following of management trails was also complicated in several cases because stipulated processes had not been implemented. This hinders the provision of assurances to the Government and the Parliament about the proper management of Commonwealth funds.

4.18 The third problem area detected by the ANAO was monitoring arrangements. There were two areas of weakness identified. All NGOs entering into agreements with AusAID become party to a legally binding contract. These contracts specify requirements for progress reports. The ANAO found considerable evidence of reports that were submitted either late or not at all. Thus the NGOs concerned were technically in contravention of their contractual obligations. The ANAO noted that AusAID did not have comprehensive processes in place to identify missing progress reports, although adequate procedures existed for some individual grants schemes.

4.19 As mentioned previously, the sample examined by the ANAO was for the 1994-95 financial year. AusAID has subsequently introduced a new, automated Activity Management System (AMS). This has an alert facility which enables identification of late reports and consequently the weakness identified by the ANAO should be rectified. AusAID has made clear to officers on several occasions the importance of maintaining up-to-date information on the AMS database. The ANAO acknowledges and supports this action.

4.20 The second area of weakness in monitoring procedures concerns scrutiny of progress reports. A significant number of cases was identified where there was no record that reports had been examined. Checklists devised by the Humanitarian Relief and NGO Sections for assessing progress reports provide simple and effective pro forma which, in the ANAO's opinion, could usefully be adopted throughout AusAID.

Conclusion

4.21 Some of the deficiencies identified in the application of administrative rules in AusAID are sufficiently widespread to be considered systemic. These weaknesses have a common base in the multiplicity of guidelines to be applied in an organisation that has high staff mobility. The complications arising from this situation occur at two levels; first, the number of different sets of rules, which have been developed in response to different policy needs and priorities. There are, for example, some programs that have clearly been developed to deal with specific government policy imperatives, such as the Assistance to the Palestinians program and the Bougainville Restoration program. Secondly, complications have developed over time as AusAID has responded to identified gaps by building in additional rules or provisions.

4.22 AusAID needs the capacity to respond quickly and flexibly to changing Government priorities. It also needs to retain a capacity to deal with emerging problems with project management. However, the current environment of resource constraint also suggests that it may be timely for AusAID to examine how this responsive capacity is maintained, without compromising effective program management. AusAID has already initiated

action to achieve this, arising from the *Review of the effectiveness of NGO programs*.

4.23 The ANAO supports initiatives commenced in AusAID to identify a core set of requirements for effective project management. These should include standard criteria for project design, assessment, monitoring and evaluation, which could be used as the basis for all grants programs and reflected in standard contractual arrangements. Specific programs would, of course, have different objectives, eligibility criteria and performance measures. Minor variations might be required in some cases, which could be specified in the contractual agreement.

4.24 In considering approaches to standardisation of administrative rules, the ANAO is of the view that AusAID should aim to minimise requirements (within the parameters of good management), but should emphasise the need for compliance with those procedures. This would not only enhance the understanding of procedures, but would also reduce the cost of administration for both AusAID and NGOs.

4.25 The ANAO sees the following recommendation as developing and supporting work AusAID already has in train.

Recommendation No. 3

4.26 The ANAO *recommends* that AusAID give priority to its current efforts to streamline and standardise grants administration process. A simplified model should be implemented in 1996-97.

AusAID response

4.27 Agreed. AusAID, following consultations with non-Government Organisations, will streamline and standardise grants administration processes during 1996-97.

5. Accountability

The Chapter examines the capacity of AusAID to be accountable for funds granted to NGOs.

Introduction

5.1 A fundamental component of any publicly-funded activity is the capacity to assure the Government and the Parliament that monies appropriated have been spent to achieve stated objectives, and in ways that avoid waste, extravagance and fraud. These assurances are more difficult to provide in the management of a grants program because the funding agency does not have direct control over how grants money is spent. Conversely, this arms-length nature of grants program expenditure makes these assurances even more critical. Given this, the ANAO assessed whether AusAID's management systems are capable of providing appropriate assurances to the Government and to Parliament.

5.2 The theoretical basis for this approach to this subject lies in agency theory. This body of work is concerned with the relationship between those who define the objectives - the principals - and those responsible for delivering them - the agents. The basic premise is that the principal-agent relationship is a contractual one: legally enforceable rights and obligations are created. The three crucial elements of the contract are that the 'task must be clearly defined, the responsibilities of the agent delineated, [and] the relevant performance indicators identified.'⁴ These principles provide one of the theoretical

underpinnings for many of the reforms in public administration which have taken place globally over the last ten to fifteen years. In particular, they provide the basis for the purchaser-provider model of service delivery adopted in New Zealand, the United Kingdom and France, as well as in Australia at Commonwealth and State levels. ⁵

5.3 The ANAO's approach was to examine AusAID's contract management systems and their operation. Three sources were used: the administrative guidelines that set the contractual parameters; the documents that set out actual contractual arrangements; and records of AusAID's monitoring and project management. The same sample was used as for the tests described in the preceding Chapter. Many of the findings are similar but the implications drawn in this Chapter start from a different perspective. The ANAO examined the documentary evidence in order to form an opinion on AusAID's capacity to assure the Government and the Parliament that NGOs delivering development projects using Commonwealth funds are accountable for:

- proper expenditure of Commonwealth monies;
- achievement of stated objectives; and
- achievement of value-for-money.

Expenditure of funds

5.4 In the sample studied, NGOs frequently failed to fulfil their contractual obligations by providing timely progress reports. The ANAO found evidence of late reporting in a total of 41 per cent of records sampled. More specifically, late reports were found in:

- 38 per cent of ANCP projects examined;
- 100 per cent of Humanitarian and Refugee Relief projects examined;
- 33 per cent of regional programs projects examined;
- 20 per cent of bilateral programs projects examined; and
- 50 per cent of the country programs projects examined.

5.5 The delays ranged from a few days to over four months. Although it would be reasonable to assume that larger organisations with greater administrative capacity would have a better record, this was not supported by the evidence. To the contrary, the 10 NGOs that receive most funding from AusAID accounted for 20 per cent of the late reports identified.

5.6 The ANAO acknowledges the point, made by several NGOs, that communications with some countries are prone to interruption and that this may, at times, hamper the ability to provide timely, accurate information. Nevertheless, the ANAO also assumes that, because NGOs are professional organisations, they have the capacity to develop contingency plans to deal with those situations, or to advise AusAID in advance and seek a contract variation.

5.7 AusAID has in place processes for remedial or corrective action to deal with failure to fulfil contractual obligations, including specific provisions for late reporting. These systems, in themselves, are well-designed and adequate for the task. However, the ANAO

found that these processes were not always activated by AusAID, because the need to do so was not always realised. This was attributable to weaknesses in contract monitoring. As noted in the preceding Chapter, however, many of these deficiencies will be remedied through the Activity Management System, if these data are kept current.

5.8 The ANAO suggests that the benefits flowing from the introduction of rationalised administrative guidelines, as recommended in Chapter 4, will also assist AusAID to address difficulties with monitoring. In particular, simplified rules could allow for greater resource effort to be dedicated to ensuring appropriate monitoring and follow-up processes are observed.

Recommendation No. 4

5.9 The ANAO *recommends* that AusAID give higher priority to improving contract monitoring, to ensure the proper expenditure of funds granted to NGOs.

AusAID response

5.10 Agreed. The standardisation and rationalisation of Non-Government Organisation funding mechanisms will allow for more effective contract monitoring.

Achievement of stated objectives

5.11 AusAID's management framework for the administration of grants is of a very high standard, comprising all the elements defined as components of best practice. However, the ANAO found weaknesses with the implementation of these rules. The deficiencies relate to, on the one hand, the failure of NGOs to meet contractual obligations; and, on the other, the failure of AusAID to identify and rectify this in a timely manner.

5.12 The administrative rules established by AusAID require NGOs to assess progress towards achievement of stated project objectives during the life of the project, and at completion. The ANAO found that, in a significant number of cases, these reports had not been submitted by the due date. We also found that, again in a significant number of cases, there was no apparent evidence of AusAID scrutiny of reports. ANAO assessment of reports also identified weaknesses in quality. Examples of this include single sentence assertions of satisfactory progress with no supporting evidence; and apparently lengthy assessments where only one or two sentences actually addressed the objectives of the project and progress towards achieving them.

5.13 End of project assessment is an important component of grant administration. It can provide an immediate measure of project effectiveness; establish base-level data for longer-term evaluation; and provide qualitative analysis of successes and difficulties which can be used to inform future project or program design. The ANAO found an apparent lack of attention by NGOs to the provision of meaningful information, particularly at the project completion stage.

5.14 In discussions with NGOs, most emphasised the importance they placed on meeting AusAID requirements. However, the evidence of this audit suggests that NGOs, as a group, either do not properly understand the contractual relationship with AusAID under which they operate, or not all are as assiduous as they should be in their contract management. Within AusAID, a similar situation seems to exist. Formally, AusAID contracts with NGOs are as binding as those, for instance, with commercial contractors.

The ANAO found cases where more emphasis seemed to be placed on management of the latter. A double standard should not exist in this respect, as all parties involved share responsibility for the proper expenditure of taxpayers funds.

Recommendation No. 5

5.15 The ANAO *recommends* that AusAID provide additional training to relevant staff and NGOs on the roles and obligations associated with grants administration, contract management, and contractual responsibilities.

AusAID response

5.16 Agreed. In addition to NGO training that already takes place, training will also be provided following the introduction of the new procedures.

Achievement of value-for-money

5.17 The difficulties associated with performance measurement of long-term development objectives have already been noted in Chapter 3. Indeed, in some cases, the economical achievement of objectives may be a low priority for development assistance (for example, in emergency relief operations). AusAID has tended to focus on measures of efficiency and effectiveness, rather than economy, when evaluating projects and in the *Review of the effectiveness of NGO programs*. Competitive processes are used to appraise project proposals in country windows, small grant schemes, and some elements of the Humanitarian Relief program. This ensures contestability for funds and that costs are taken into consideration. The ANCP involves NGOs contributing half to a quarter of project costs, which provides value for money relative to other types of supplier. This provides a satisfactory assurance of value for money in the selection of individual projects for funding.

5.18 However, whether those projects provide value for money in terms of achieving objectives of grants schemes is more difficult to assess because of the absence of performance measures at this level. The ANAO was, therefore, unable to form an opinion on this matter.

Recommendation No. 6

5.19 The ANAO *recommends* that AusAID examine the scope for including indicators to measure the value for money individual projects provide in achieving the objectives of the grants schemes under which they are funded. These should be incorporated in the associated documentation when new schemes are designed.

AusAID response

5.20 Agreed. AusAID will develop performance indicators for each NGO funding scheme. Ratings will be periodically validated for accuracy and collated as part of the process used to determine whether schemes have met their objectives and achieved value for money.

Tax deductibility status

5.21 The ANAO noted one issue raised in the Industry Commission report, *Charitable organisations in Australia*. The Industry Commission recommended that, 'AusAID and

the Commonwealth Treasury should introduce processes of regular review to ensure that Non-Government Development Organisations and their approved funds still meet the criteria by which they were granted tax deductibility status.⁶

5.22 The ANAO noted that AusAID already has in place a process for regular organisational reviews, under the ANCP accreditation process outlined in Chapter 2. AusAID also proposes to introduce NGO accreditation throughout the agency. This would provide an appropriate mechanism to review continued eligibility of NGOs for tax deductibility status. The ANAO is aware that there are legal issues associated with implementing the Industry Commission's recommendation, and that these issues, at the time of reporting, were awaiting a Government decision.

5.23 If the Government response to the Industry Commission report, *Charitable organisations in Australia*, supports the implementation of its recommendation 6.1, the ANAO suggests that AusAID use the accreditation and review mechanisms already available, rather than introduce another set of procedures.

Employment practices

5.24 The ANAO found one case where AusAID had funded an organisation but had later discovered that the NGO in question had in place employment practices that were potentially discriminatory. AusAID instituted corrective action promptly. However, the ANAO is aware that similar issues have been raised in other AusAID reviews. AusAID has in place processes to ensure that third party arrangements conform with broader Commonwealth requirements. The ANAO would encourage AusAID to reinforce to all staff the importance of ensuring that those requirements are met.

Conclusion

5.25 The ANAO found that weaknesses in the implementation of administrative guidelines identified previously also affect AusAID's capacity to provide assurances about the efficiency, effectiveness and economy of expenditure for all funding to NGOs. These weaknesses had partly been identified by AusAID already, and remedial action initiated. The ANAO supports this effort, and has made recommendations aimed at complementing and extending AusAID's reform endeavours.

6. Overall Conclusion

This Chapter draws out the major findings in the report.

6.1 In this audit, the ANAO examined the accountability regime AusAID has in place for the management of funding to NGOs, and how that regime works in practice. The audit findings should be set in the context of changing policy imperatives, and broader developments in public administration in the Australian Public Service.

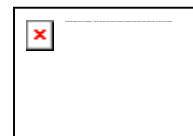
6.2 At the policy level, an increasing proportion of Australian Official Development Assistance has been channelled through NGOs since the mid-1980s. This trend is consistent with developments in other OECD countries. One consequence of this has been the development of a multitude of relatively small, highly targeted grants programs. AusAID's approach has been to devise specific guidelines for each of these grants programs, detailing management and accountability requirements for funding.

6.3 The ANAO found that this regime for the management of funding to NGOs was generally of a high standard. Aspects of the management framework are at the leading edge of international best practice. Moreover, most components of the regime could be used as benchmarks for similar activities elsewhere in the Commonwealth public sector.

6.4 It was in the application of this regime that the ANAO found areas of weakness. AusAID has recognised these problems, and initiated strategies to address them. A crucial initiative is the recent 'NGO reform package', aimed at streamlining administrative processes and enhancing accountability. The ANAO has made a number of recommendations that should be seen as enhancing and supporting the administrative improvements AusAID has already commenced which should be pursued as a matter of priority.

6.5 The ANAO found deficiencies in accountability, for which NGOs must share responsibility. A significant proportion of records examined by the ANAO revealed failures on the part of NGOs to fulfil contractual obligations. The consistency with which this occurred, across programs and across the range of NGOs, suggests a lack of appreciation of the basic requirements for accountability of public funds. In this, there is no legal distinction between NGOs and any other recipient of government funds. NGOs have obligations, under the law and as good corporate citizens, to ensure that the terms of the contracts into which they enter are fulfilled.

6.6 In brief, the ANAO has recommended that AusAID standardise and rationalise administrative guidelines for the management of funding to NGOs, and apply those guidelines more rigorously. The ANAO considers that these recommendations will build on the work AusAID has done, and is planning, to improve the efficiency and effectiveness of its operations.



Canberra ACT
28 August 1997

P. J. Barrett
Auditor-General

1

Australian National Audit Office, Canberra. 1994, *passim*.

2

AIDAB Program Operations Guide, vol. 1 - Development Cooperation Programming (1993); vol 2 - The Management of projects (in bilateral programs) (1991); vol 3 - Forms of development cooperation (1993); vol 4 - Training Programs (1994).

3

4

G. Davis, "Making sense of difference? Politicians and bureaucratic change in America and Australia", in P. Weller & G. Davis (eds), *New ideas, better government* (CAPSM/ Allen & Unwin, 1996) pp. 305-17.

5

See for example, G. Davis, P. Weller & C. Lewis (eds), *Corporate management in Australian government* (Melbourne, Macmillan, 1989); G. Brennan & A. Hamlin, "Rationalizing parliamentary systems", *Australian Journal of Political Science*, 28/3 (1994), pp. 443-57; J. Boston, "Origins and destinations: New Zealand's model of public management and the international transfer of ideas", in Weller & Davis, *op cit*, pp. 107-31; K. Jenkins, K. Caines & A. Jackson, *Improving management in government: the next steps* (London, HMSO, 1988); Anna Yeatman, "The concept of public management" in her *Bureaucrats, technocrats, femocrats: essays on the contemporary Australian state* (Sydney, Macmillan, 1990), and "The new contractualism: management reform or a new approach to governance?", in Weller & Davis, *op cit*, pp. 283-91.

6

Rec. 6.1, p. 151.

Appendix 1 - Funding of NGOs by NGO and Program, 1994-95

Summary Table - Funding for NGOs by Program, 1994-95

Total Grants	ANCP Project Subsidies	Country Programs	Humanitarian Relief	Volunteer Programs	WID	NGOEI	Global Education Scheme	Other (incl. PAIDS ISSS, DAP)	TOTAL
>\$300,000	10,885,779	33,836,230	26,968,840	10,539,000	1,118,796	985,390	182,500	77,990	84,594,525
\$75-300,000	1,184,709	2,914,112	84,300	469,000	131,148	527,020	90,000	10,800	5,411,089
\$20-75,000	864,987	402,209	0	0	31,000	37,590	193,000	253,375	1,782,161
<\$20,000	62,404	19,000	0	0	18,022	0	75,000	200,391	374,817
<i>Other grants:</i>									
ACFOA	0	73,285	0	0	0	0	0	535,917	609,202
Prog.	0	0	0	0	0	0	0	270,535	270,535

Admin.									
TOTAL	12,997,879	37,244,836	27,053,140	11,008,000	1,298,966	1,550,000	540,500	1,349,008	93,042,329

Table A: Official Aid Through Australian NGOs by NGO and Program, 1994-95
(NGOs which received more than \$300,000)

NGO	ANCP Project Subsidies	Country Programs	Humanitarian Relief	Volunteer Programs	WID	NGOEI	Global Education Scheme	Other (incl. PAIDS, ISSS, DAP)	TOTAL
WV	2,251,509	4,871,145	10,307,210		144,783		37,000		17,611,647
UNICEF	486,488	5,343,165	6,209,635		72,837				12,112,125
OSB		2,655,683	2,368	8,950,000					11,608,051
CAA	913,930	2,103,551	4,151,308		4,762	90,576	72,500	34,990	7,371,617
ACR	1,035,223	1,543,000	465,000				18,000		3,061,223
ADRA	933,842	1,932,541						13,000	2,879,383
SCFA	438,269	2,147,614			63,095	111,795			2,760,773
ARC	293,176	868,000	1,562,754					30,000	2,753,930
FSWG			2,534,000						2,534,000
APHEDA	121,958	2,097,394	38,976		103,966	131,450	35,000		2,528,744
IWDA	137,195	1,614,365			262,594	49,533	20,000		2,083,687
AUSTCARE	449,585	556,959	997,589						2,004,133
AESOP		403		1,589,000					1,589,403
CARE	291,072	780,866	250,000			189,877			1,511,815
PLAN	864,071				296,969	219,594			1,380,634
ABWA	556,980	664,000							1,220,980
RACS		1,000,000							1,000,000
PDA		991,000							991,000
NCCA	468,061	114,000	350,000		44,600				976,661
OF	231,109	727,418							958,527
QSA	132,253	789,672				4,600			926,525
FPA		870,168							870,168
SA	233,634	499,154			45,600				778,388
AFAO		727,880							727,880
CCFA	346,685	89,210			33,550				469,445

ICARE	77,667				41,148				118,815
AMIRDF	40,000	75,000							115,000
APACE	39,920					64,380			104,300
DKT Int		100,000							100,000
CMS	98,299								98,299
PDI		94,000							94,000
RACOG		86,000							86,000
SIMAID	85,918								85,918
Compassio n			84,300						84,300
LEC		80,000							80,000
KCWHS		71,400						4,800	76,200
GTAV							75,000		75,000
EI		75,000							75,000
TOTAL	1,184,709	2,914,112	84,300	469,000	131,148	527,020	90,000	10,800	5,411,089

**Table C: Official Aid Through Australian NGOs by NGO and Program, 1994-95
(NGOs which received between \$20,000 and \$75,000)**

NGO	ANCP Project Subsidies	Country Programs	NGOEI	WID	Global Education Scheme	Other (incl. PAIDS, ISSS, DAP)	TOTAL
WHCF		74,000					74,000
ABM	73,623						73,623
SC		73,000					73,000
SVP	71,384						71,384
UMN		53,000				8,300	61,300
MR		56,368					56,368
OZGREEN			37,590			11,800	49,390
MOM	49,379						49,379
MEAA						44,100	44,100
ASSISI	44,000						44,000
SFII	44,000						44,000
IDI	44,000						44,000

EHC	44,000						44,000
SIL	44,000						44,000
FTHWL	40,911						40,911
CUFA	40,000						40,000
YMCA (Nat.)	40,000						40,000
IN	40,000						40,000
CBM	39,570						39,570
GEC					38,000		38,000
PRRM		37,000					37,000
CUW					35,000		35,000
AACS					35,000		35,000
ACIJ					35,000		35,000
CMC	35,000						35,000
ACMFF	31,629						31,629
CERES					30,000		30,000
FDC						30,000	30,000
IDEAS Int.		30,000					30,000
Foresight	29,500						29,500
WDA	28,851						28,851
SHPA						28,480	28,480
HBA		27,140					27,140
ACF	25,000					2,000	27,000
INF		26,000					26,000
ECPAT		25,683					25,683
SSI	25,535						25,535
IEA						24,420	24,420
DPI						24,275	24,275
AMURT	21,779						21,779
NTA	21,236						21,236
FUSA				21,000			21,000
CISLAC	11,000			10,000			21,000

EDA	20,590						20,590
PHA						20,000	20,000
FH						20,000	20,000
TTAA					20,000		20,000
ASM						20,000	20,000
ANZICS						20,000	20,000
TOTAL	864,987	402,209	37,590	31,000	193,000	253,375	1,782,161

Table D: Official Aid Through Australian NGOs by NGO and Program, 1994-95
(NGOs which received up to \$20,000)

NGO	ANCP Project Subsidies	Country Programs	WID	Global Education Scheme	OTHER (incl. PAIDS, ISSS, DAP)	TOTAL
AAVCB					19,900	19,900
ASA		19,000				19,000
RIPA					18,875	18,875
OZCHILD			18,022			18,022
ACROD	18,000					18,000
QHTA					17,900	17,900
ASTA					17,400	17,400
WBF					16,830	16,830
OWLC				15,000		15,000
TASDEC				15,000		15,000
OWC				15,000		15,000
GLC				15,000		15,000
AWD				15,000		15,000
SID					12,840	12,840
NADIE					12,550	12,550
ASIAC VIC	12,000					12,000
IIA					9,985	9,985
SODA	9,150					9,150
ASIAC NSW	9,000					9,000

US					8,000	8,000
ATS					7,915	7,915
WSC					7,900	7,900
APEX	7,054					7,054
ASPCA					6,965	6,965
ACTF					6,450	6,450
ADF					5,475	5,475
SPCSCD					5,000	5,000
ADSAI					4,625	4,625
FPMT	4,000					4,000
AVVRG					4,000	4,000
Connect					3,260	3,260
AACI	3,200					3,200
AAVS					2,667	2,667
NFTA					2,500	2,500
ADA					2,100	2,100
SEAANZ					2,092	2,092
NWFEI					1,987	1,987
ILSPMH					1,865	1,865
CPCA					1,310	1,310
TOTAL	62,404	19,000	18,022	75,000	200,391	374,817

Key To Acronyms Used In Appendix 1

AACI	Australians Aiding Children Inc.
AACS	Australian Association of Christian Schools
AAVCB	Aust. Association of Veterinary Conservation Biologists
AAVS	Australian Association of Vietnamese Studies
ABM	Australian Board of Missions
ABWA	Australian Baptist World Aid
ACF	Australian Conservation Foundation
ACIJ	Australian Centre for Independent Journalism
ACMFF	The Australian Cranio-Maxillo Facial Foundation

ACR	Australian Catholic Relief
ACROD	Australian Council for the Rehabilitation of the Disabled
ACTF	Australian Children's Television Foundation
ACTU	Australian Council of Trades Unions
ADA	Australian Dental Association
ADF	Alcohol and Drug Foundation, Qld
ADRA	Adventist Development and Relief Agency
ADSAI	Australian Down Syndrome Association Inc
AE	African Enterprise
AESOP	Australian Executive Service Overseas Program
AFAO	Australian Federation of AIDS Organisations
AFSP	Australian Foundation for the People of the South Pacific
ALWS	Australian Lutheran World Service
AMIRDF	Archbishop of Melbourne's International Relief and Development Fund
AMURT	Ananda Marga Universal Relief Team
ANZICS	Australia and New Zealand Intensive Care Society
AOBF	The Australian Outward Bound Foundation
AORF	Archbishop of Sydney's Overseas Relief Fund
APACE	Appropriate Technology for Community and Environment
APEX	Association of Apex Clubs
APHEDA	Australian People for Health, Education and Development Abroad
ARC	Australian Red Cross
AREA	Association for Research and Environmental Aid
ASA	Australian Society of Anaesthetists
ASIAC Vic	Australian Society for Intercountry Aid for Children, Vic
ASICA NSW	Australian Society for Intercountry Aid for Children, NSW
ASM	Australian Society for Microbiology
ASPCA	Australian Society of Certified Practising Accountants
ASPECT	Australian South Pacific Eye Consultancy Team Foundation
ASSISI	ASSISI AID Projects
ASTA	Australian Science Teachers Association
ATS	Adventure Travel Society
AUSTCARE	Australians Care for Refugees
AVVRG	Australian Vietnam Veterans Return Group

AWD	Action for World Development Australia
CAA	Community Aid Abroad
CARE	CARE Australia
CBM	Christian Blind Mission International
CCF	Cumberland College Foundation
CCFA	Christian Children's Fund of Australia
CERES	Centre for Educational Research in Environmental Strategies
CISLAC	Committee in Solidarity with Latin America and the Caribbean
CMC	Christian Medical College (Vellore)
CMS	Christian Missionary Society
Compassion	Compassion
Connect	Connect
CPCA	Centre for Philippine Concerns - Australia
CUFA	Credit Union Foundation Australia
CUW	Clean Up the World
DKT Int	DKT International
DPI	Disabled Peoples' International
ECPAT	End Child Prostitution in Asian Tourism
EDA	Educational Development Association
EHC	Every Home for Christ Ltd World
EI	Emmanuel International
FCD	Foundation for Development Cooperation
FH	Friends of Hanoi
FHF	The Fred Hollows Foundation
Foresight	FORESIGHT
FPA	Family Planning Association Australia
FPMT	Foundation for the Preservation of the Mahayana Tradition Australia
FSWG	Food Security Working Group (Australian Consortium)
FTHWL	For Those Who Have Less - Action Aid Australia Ltd
FUSA	Flinders University of South Australia
GEC	Global Education Centre
GLC	Global Learning Centre
GTAV	Geography Teachers' Association of Victoria
HBA	Howard Bagshaw Ltd Australia

ICARE	International Christian Aid Relief Enterprise Ltd
IDEAS Int	Ideas Aid International, Inc
IDI	international Diabetes Institute
IEA	Institute of Engineers Australia
IIA	Institute of Internal Auditors, Australia
ILSPMH	International League of Societies for Persons with a Mental Handicap
IN	International Needs
INF	International Nepal Foundation
Interplast	INTERPLAST Australia
Interserve	INTERSERVE Australia
IWDA	International Women's Development Agency
KCWHS	Key Centre for Women's Health in Society
LEC	Life Education Centre
LM	The Leprosy Mission Australia
MBC	Macfarlane Burnett Centre
MEAA	Media Entertainment and Arts Alliance
MMC	Marist Mission Centre
MOM	Melbourne Overseas Mission
MR	Moral Rearmament
NADIE	National Association of Drama in Education
NCCA	National Council of Churches of Australia
NEPA	Nepal Eyecare Program Australia
NFTA	Nitrogen Fixing Tree Association
NTA	Nusatengarra Association
NWFEI	The Network of Women in Further Education
OF	Opportunity Foundation
OSB	Overseas Services Bureau
OWC	One World Centre, Perth
OWLC	One World Learning Centre, Canberra
OZCHILD	Oz Child
OZGREEN	Oz Green
PALMS	Paulian Association Lay Missionary Movement
PDA	Population and Community Development Association
PDI	Population and Development International

PHA	Public Health Association
PLAN	Plan Australia
PRNS	Public Radio News
PRRM	Philippine Rural Reconstruction Movement
PSI	Population Services International
QHTA	Queensland History Teachers' Association
QSA	Quaker Service Australia
RACOG	Royal Australian College of Obstetricians and Gynaecologists
RACS	Royal Australasian College of Surgeons
RIC	Rainforest Information Centre
RIPA	Royal Institute of Public Administration
ROAEF	ReachOut AIDS Education Foundation
Rotary	Rotary Australia World Community Service
SA	The Salvation Army
SC	Streetwize Comics Ltd
SCFA	Save the Children Fund Australia
SEAAANZ	Small Enterprise Association of Australia and New Zealand
SFII	Service Fellowship International
SHPA	Society of Hospital Pharmacists of Australia
SID	Society for International Development
SIL	Summer Institute of Linguistics
SIMAID	Sudan Interior Mission (SIMAID Australia)
SODA	Soroptimist Overseas Development Program - Australia
SPCSCD	South Pacific Centre for School and Community Development
SSI	Salesian Society Inc.
SVP	Society of St Vincent de Paul
TASDEC	Tasmanian Development Education Centre
TEAR	The Evangelical Alliance Relief Fund
TTAA	Technology Teachers' Association of Australia
UCWM	The Uniting Church World Mission
UMN	United Mission to Nepal
UNICEF	United Nations Children's Fund Committee of Australia
US	University of Sydney - Women's Studies Centre
WBF	Women in Business Foundation

WDA	Wheelchair and Disabled Association
WHCF	Women's Health Care Foundation
WSC	Women's Suffrage Centenary - Conference Committee
WV	World Vision
WWF	World Wide Fund for Nature
YMCA Bris.	Young Men's Christian Association of Australia - Brisbane
YMCA Nat.	National Council of Young Men's Christian Association of Australia
YWCA	Young Women's Christian Association of Australia

Appendix 2 - Select Bibliography

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Appendix 3 - Performance Audits in the Foreign Affairs and Trade Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Foreign Affairs and Trade Portfolio tabled in the Parliament in the past three years.

Audit Report No.26 1994-95
Inoperative Staff in the APS

Audit Report No.27 1994-95
Studybank

Audit Report No.19 1995-96
Management of Small and Medium-sized Overseas Posts
Department of Foreign Affairs and Trade