
The Senate

Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into Australia's overseas aid and development assistance program

Submission by IDC Australia

“This suggests that untapped potential exists for further integration of Australia’s work with civil society and the private sector into its mainstream program efforts.”

Lessons Learned from Australia Aid
2013 Report on independent evaluation and quality assurance.
Office of Development Effectiveness
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SUMMARY OF RECOMMENDATIONS

- 1) IDC considers it would be timely for the Government to articulate in detail its proposed revised aid policies and strategies.
- 2) Establish a mechanism for ongoing engagement with core development stakeholders including the IDC and ACFID to assist in advising and guiding the directions of the Australian aid program.
- 3) Partner with industry and other implementers to more effectively profile and promote the activities and value of the aid program, recognising the delivery (and deliverers) not just the investment.
- 4) Establish a mechanism for private sector / business engagement that is aimed at utilising existing knowledge to generate innovation for private sector development in developing countries.
- 5) Reinvigorate the principles of the Transparency Charter and ensure compliance as part of departmental performance metrics.
- 6) Engage industry and relevant stakeholders throughout the programming to procurement cycle to seek input to further inform good development practice alternatives.
- 7) Where procurement of services to support the delivery of the program is undertaken, ensure that all information of relevance to the upcoming procurements is current and open and accessible to the whole marketplace.
- 8) Publish and keep up to date a procurement plan for activities under the Aid Advisory Services Panels (AAS).
- 9) Work with industry to review the current practice and operation of the AAS with a specific focus on ensuring equity and transparency in procurement practice.
- 10) Engage early and more often with the IDC, and other relevant and experienced stakeholders, in policy and strategy formulation and to draw and learn from the decades of experiences these stakeholders possess.

INTRODUCTION

The IDC welcomes the opportunity to contribute to this Inquiry.

About the IDC

The IDC was formed in the late 1990s and at that time its prime focus of engagement was with the Australian aid program around the contracting aspects of involvement from the Managing Contractor community. Since this period, and most recently from about 2010, the IDC's focus has been squarely on ensuring that the delivery of development activities is achieved with the greatest impact.

The IDC currently represents a diverse group of more than 20 private sector companies, ranging from SME's to some employing upwards of 50,000 employees, and its members continue to strive for better development outcomes. Historically the private sector and specifically members of the IDC have managed the implementation of upwards of 20% of the Australian aid budget. IDC membership has recently been opened to individuals, which is seen as an important evolution to harness other voices of experience to positively contribute to the delivery of better development.

Our members include large multinational organisations, SMEs and individuals, which each bring global experiences, in addition to many years of positive contribution to the initiatives of the Australian aid program. Our members are experienced development professionals and practitioners and greater harnessing of this intellect and experience can achieve better development outcomes and ensure aid budgets deliver value and leverage possibilities. Therefore the IDC represents a unique offering to the Australian aid program by being both traditional implementing partners as well as representing private sector interests engaged in our region.

Our approach to this submission

Our submission will primarily focus on three core themes:

- 1) the aid program can be more effective and efficient through better harnessing the capabilities and experiences of the private sector
- 2) there are still some structural and operational impediments to the aid program that can be positively addressed through better engagement with the private sector
- 3) a number of procurement and contracting-related practices continue to negatively impact a competitive and diverse marketplace and hence the effectiveness, efficiency and value for money in the aid program.

We will specifically discuss issues relating to the first three items under inquiry: 1) Australia's ability to deliver aid against stated policy objectives and international commitments; 2) Australia's ability to maintain its international development priorities, including sectoral, regional, bilateral and multilateral international relationships; 3) the integration of AusAID into the Department of Foreign Affairs and Trade and the freeze in international development assistance funding.

COMMENTARY

The context for this submission is clearly the Government's decision to reduce funding to the aid program, and integration of AusAID into DFAT. These changes combined are significant, yet there is still limited information about the Government's strategies moving forward.

Recommendation 1: IDC considers it would be timely for the Government to articulate in detail its proposed revised aid policies and strategies.

The IDC contributed previously to the 2011 Independent Review of Aid Effectiveness¹. However this review was predicated on the basis of a rapidly expanding aid program and considered policy options in that context. Now, with reduced funding, some key issues gain greater currency that the Government will need to consider.

A crucial question is how to efficiently deliver effective aid in a reduced funding environment. In determining the revised Australian aid landscape it is important this is based on a sound picture of where we have come from, and in particular what aspects have worked well in the past. With over three decades of experience implementing aid programs on behalf of Australia, IDC members have a rich knowledge to draw from. Unfortunately, too often to date this experience has not been harnessed to best effect. Similarly, other such experience and value exists across the aid/development sector including specifically within the NGO sector. Better harnessing these combined and different experiences to inform future strategy and practice should be considered a priority of the Government and the Department.

Recommendation 2: Establish a mechanism for ongoing engagement with core development stakeholders including the IDC and ACFID to assist in advising and guiding the directions of the Australian aid program.

We observe the increasing commentary about the aid/trade/diplomacy intersect and consider this to be useful and important in framing and supporting the future directions of the Australian aid program. Aligned to this are what appears to be a renewed level of vigour and attention to suitably branding, promoting and making visible the efforts and outcomes of the aid program. We consider this has not been undertaken as powerfully as it could have and welcome this new focus.

The IDC believes there is tremendous opportunity to leverage our members' market presence to support many of the aligned trade and diplomacy objectives. Our members and the private sector more generally, have a necessary requirement to positively promote their activities and their achievements. A more effective partnership-type approach to promoting the focus and achievements of the aid program and the efforts of those implementing the program's activities to achieve those results (private sector contractors in many cases) might benefit the public diplomacy imperatives of the Government, including domestic priorities.

Recommendation 3: Partner with industry and other implementers to more effectively profile and promote the activities and value of the aid program, recognising the delivery (and deliverers) not just the investment.

The importance of the private sector to growth in our region is critical, and Government has noted the important links that exist between aid and trade. The recent changes provide an opportunity to

¹ <http://www.idcaustralia.com.au/#!idc-papers/c1od4>

re-think how the new aid program, and its structure, can better support the changing relationships with countries in our region as many of them move from chiefly aid to chiefly trade partners.

Opportunities exist to better utilise the expertise and knowledge of the private sector to assist in formulating innovative new mechanisms that can help underpin these changing relations. This can include means by which private capital could be leveraged alongside aid activities, and also how partnerships between private and non-government sectors can be better facilitated to leverage 'non-financial' capital alongside aid activities.

From an IDC perspective the means to reach-back into our members' own in-house technical expertise (particularly in areas such as health, infrastructure, governance, trade, environment, and agribusiness) could be better understood. IDC members already play an important role in assisting 'non-aid' private firms with their operations in developing countries, and therefore we feel there is more that could be gained by involving the IDC in business engagement programs and initiatives. The recent ODE report on lessons from the aid program supports the notion of such untapped potential².

Recommendation 4: Establish a mechanism for private sector / business engagement that is aimed at utilising existing knowledge to generate innovation for private sector development in developing countries.

A crucial feature of delivering against policy objectives is ensuring value for money in the aid program. This can be compromised through inadequate transparency and an inconsistent application of procurement practices, both of which combine to negatively impact a competitive and diverse marketplace.

In November 2011 the then AusAID published a Transparency Charter³ which committed the agency to a number of behaviours and approaches aligned to information sharing, timeliness and explanation about the aid program and its performance. Work is needed to ensure this is effectively and consistently achieved across the program.

Where one of the models of aid delivery is through procured services (as is the case in the Australian aid program), a lack of transparency creates a scenario of *those who have information versus those who do not*. This can lead to less competition and a lack of market diversity and the potential to reduce value for money and innovation through an absence of new ideas or approaches. There have been some exemplars of good practice, such as through the Indonesia program, where information is current, stakeholders are engaged early and are invited to contribute to programming thinking, but this far from the norm.

Recommendation 5: Reinvigorate the principles of the Transparency Charter and ensure compliance as part of departmental performance metrics.

Recommendation 6: Engage industry and relevant stakeholders throughout the programming to procurement cycle to seek input to further inform good development practice alternatives.

Recommendation 7: Where procurement of services to support the delivery of the program is undertaken, ensure that all information of relevance to the upcoming procurements is current and open and accessible to the whole marketplace.

² <http://www.ode.dfat.gov.au/publications/pdf/lessons-from-australian-aid-2013.pdf>

³ <http://aid.dfat.gov.au/about/Documents/ausaid-transparency-charter.pdf>

Value for money as an intended objective of a functioning (competitive) market is further compromised through the inconsistent application of procurement rules and the adoption of processes that are ineffective in creating market participation. This is most evident through the Aid Advisory Services (AAS) Panels that have become a feature of the Australian aid program.

As an example, the AAS has been structured into two provider groups: Type A, which generally are larger organisations; and Type B, which generally include SME and individual providers. There are different conditions for participating in procurement opportunities for Type A and B providers, and while these were made known at the time of seeking appointment to one or other Panel, the utility of these conditions are questionable, as are the practices to procure services from one or other Panel. While there is evidence that some Panel procurements have been through a select competitive tender, it is not clear if this is true in all cases. There remains a lack of transparency around both the programming decisions as well as how the select 'competitive' pool was chosen. In addition, there is some anecdotal evidence of direct sourcing of contracts that puts into question the efficacy of the AAS. Initial analysis of contracts awarded is starting to show a pattern of concentration that is a worrying trend should it continue.

Recommendation 8: Publish and keep up to date a procurement plan for activities under the AAS.

Recommendation 9: Work with industry to review the current practice and operation of the AAS with a specific focus on ensuring equity and transparency in procurement practice.

Since the announcement of the abolition of AusAID and its integration into DFAT, there has been much commentary about the potential impact from staffing changes impacting the aid program. While much of this commentary has played out in the press, a more instructive data set has been captured through the *Benchmarking Australian aid: results from the 2013 Australian aid stakeholder survey*⁴; an initiative led by the Development Policy Centre at the ANU and supported by the IDC.

A key observation from this survey is that all respondents see most things the same. Both the NGOs and the IDC members commented consistently about their view about the aid program, with very little deviation. Three criteria in particular were rated a fail in the eyes of all respondents: 1) avoidance of micromanagement; 2) quick decision making; 3) staff continuity.

There is an obvious concern that the integration of AusAID into DFAT could exacerbate these current perceived weaknesses; however, the IDC contends that this is where opportunities exist. Not all intellectual property exists in AusAID and it never did nor should it. The IDC members represent highly qualified and experienced development professionals; we are not just contract managers. Any intellectual property risks from DFAT structural changes are moot and certainly mitigated if the private sector, IDC members, are brought in more as partners.

This contention is supported by the recently released Office of Development Effectiveness report, *Lessons from Australian Aid: 2013*⁵. The report draws out three main lessons, and the second is instructive: "...government is not the only partner, and effectiveness can be leveraged through engagement with the private sector and civil society" (page v).

Recommendation 10: Engage early and more often with the IDC, and other relevant and experienced stakeholders, in policy and strategy formulation and to draw and learn from the decades of experiences these stakeholders possess.

⁴ <http://devpolicy.org/in-brief/2013-australian-aid-stakeholder-survey-released-20131212/>

⁵ <http://www.ode.dfat.gov.au/publications/pdf/lessons-from-australian-aid-2013.pdf>